



Evaluation carried out by:

Agrosynergie

Groupement Européen d'Intérêt Économique

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EVALUATION OF THE CAP MEASURES APPLICABLE TO THE WINE SECTOR

What CAP measures are applicable to the wine sector?

While previous regulations focused on decreasing wine production and managing wine surpluses, the measures introduced in 2008 were more oriented towards the competitiveness and market orientation of the EU wine sector, preservation and promotion of the quality, safety and best traditions of the EU wine production and a balanced wine market. To reach these objectives, Regulation (EU) No 1308/2013 provides various instruments:

- National Support Programmes (NSP): these programmes offer Member States a set of measures financed by the EU (i.e., promotion; restructuring and conversion of vineyards; green harvesting; mutual funds; harvest insurance; investments; innovation; by-product distillation); NSPs are the main financial instruments of the EU wine policy. Sixteen Member States implemented an NSP for the 2014-2018 programming period.
- The scheme of authorisations for vine plantings: a system of non-transferable planting authorisations replaced the system of planting rights in 2016. In order to ensure the orderly growth of vine plantings from 2016 to 2030, it permits a 1 % increase in the area under vines, per Member State.
- EU rules on marketing and labelling, oenological practices, authorised varieties, and Protected Designations of Origin and Protected Geographical Indications (PDOs/PGIS): these rules aim to ensure wine quality, safety and clear information for consumers, as well as the smooth functioning of the EU market, fair competition, and the preservation of the best wine making traditions.
- EU rules on certification, monitoring and control: these rules guarantee the compliance, safety and traceability of wine products, and address the risk of fraudulent operations. They consist of compulsory procedures to check and certify wine characteristics and to control the veracity of the information labelled on wine products.

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Scope and objectives of the evaluation

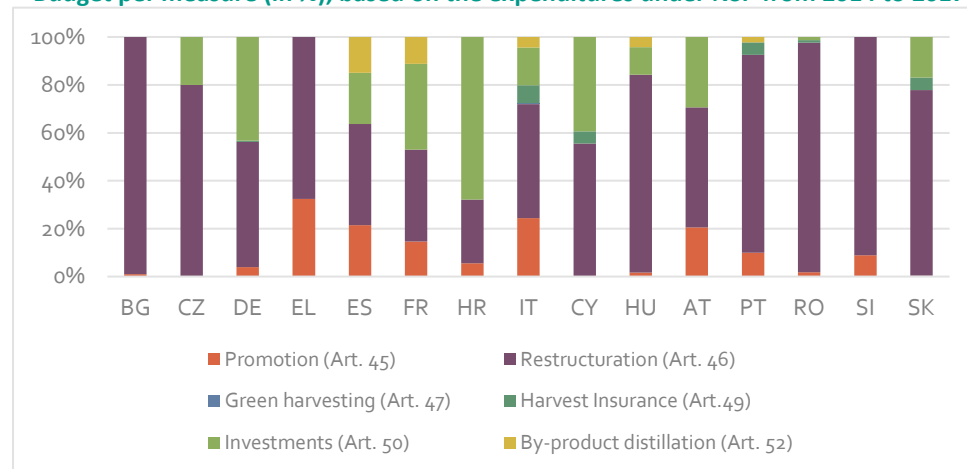
In 2018, independent consultants from Agrosynergie carried out an evaluation of the CAP measures applicable to the wine sector for the European Commission (DG AGRI). The objective of this evaluation was to carry out an assessment of the effects of the CAP instruments described above. The evaluation assessed the effectiveness, efficiency, relevance, coherence and added value of the EU wine policy vis-à-vis the objectives of boosting the competitiveness of the EU wine sector in terms of market and technological adaptation and sustainable production practices and ensuring a balanced wine market. The evaluation also considers other EU and CAP objectives (sustainable use of natural resources, climate change mitigation and adaptation, rural development, public health).

The study team conducted detailed case studies in ten regions of seven Member States, interviewing key stakeholders such as NSP managing authorities, beneficiaries of NSP measures, PDO/PGI managing organisations, regional and national wine growers and representatives of wine producers. Monitoring data from 2008 to 2017, as well as national, EU and international statistics were used to assess the effects of the regulations. A survey addressed to 2000 wine consumers in 4 Member States, as well as web-checks of 30 online wine-retailers provided information on consumers and market expectations.

Key figures on financial support to for the wine sector

For 2014-2018, the overall financial envelope amounted to 5 507 M€. The main measures implemented were the restructuring and conversion of vineyards (50.2 % share of the total budget spent), followed by the investments (21.6 %) and promotion (17.6 %) measures.

Budget per measure (in %), based on the expenditures under NSP from 2014 to 2017



- **Support for the restructuring and conversion of vineyards** was programmed by every Member State. In Bulgaria, Romania and Slovenia, and to a lesser extent in the Czech Republic and Hungary, but also Slovakia and Portugal, it was by far the most important axis of the NSP (above 80 % of the budget).
- **Support operations of promotion** was programmed in fifteen out of the sixteen Member States concerned by the NSPs. It represented the highest share of the NSP budgets in Spain, France, Italy, Austria and Portugal. It focused mostly on the promotion of EU wines in third countries (limited to PDO/PGI wines or wines with an indication of the wine grape variety).
- **Support for investments in enterprises** was programmed in eleven Member States, and France was by far the Member State that allocated the largest budget to this measure (402 M€ from 2014 to 2017). It supported investments mostly for new equipment for processing, bottling and marketing.

RECOMMENDATIONS FOR FUTURE POLICY DESIGN

1. On NSP implementation:

- ⇒ Require better justifications from Member States for their strategic choices as regards the measures implemented and better monitoring of the effects achieved by the different measures
- ⇒ Provide methodological support to Member State administrations that need it to develop sectoral strategies in line with their specific needs
- ⇒ Allow more flexibility for Member States so they can adapt the frequency of NSP related controls to the risk of fraud by beneficiaries, which would lead to more efficiency
- ⇒ Maintain stable NSP regulation over a programming period

2. On existing NSP measures:

- ⇒ Better tackle environmental challenges through the NSPs, making higher use of the potential of NSP measures to contribute to changes in practices
- ⇒ As regards the restructuring and conversion measure, ensure better justification of the relevance of the choices of planted varieties
- ⇒ Revise the rules of the innovation measure
- ⇒ Provide technical advice to the Member States to ensure equal access to the promotion measure for all EU beneficiaries
- ⇒ Support only promotional campaigns that comply with the Wine Communication Standards and reassess the relevance of the support for prevention operations
- ⇒ Reconsider the use of part of the budget to finance the Basic Payment Scheme for winegrowers, where needed

KEY FINDINGS FROM THE EVALUATION

Effectiveness of the CMO measures on:

➤ Economic performance along the supply-chain

At grower level, the support provided by the NSPs for the restructuring and conversion of vineyards resulted in massive mechanisation and an overall increase in the cost-effectiveness of vineyard management.

At producer level, the programmes - and more specifically the investment measure - contributed to improving the key factors of competitiveness of EU wine producers, such as wine processing efficiency. The investment measure fostered vertical downstream integration by supporting the setting up of processing facilities on wine growing holdings and tasting rooms.

EU labelling rules favour a level-playing field and fair competition for EU competitors and clear information for consumers.

EU rules on oenological practices have had limited effects as regards competitiveness but at the international level, they provided a guarantee in terms of quality and safety.

➤ Adaptation to the market

At grower level, conversion as well as other operations carried out in the framework of the restructuring and conversion measure have contributed to a general improvement of the quality of the grapes and an increase in the production of PDO/PGI wines. The NSP has thus helped growers adapt to current market trends.

At producer level, the investments in modern processing facilities and tools enabled the adaptation of production to the wine products suited to market demands (e.g., Rosé and Prosecco). The promotion measure also helped producers to identify specific demands in foreign markets.

EU labelling rules accompanied the adaptation of EU production to a variety of market segments (varietal wines as well as more typical and authentic wines). Labelling restrictions for non-PDO/PGI wines, as applied in very specific situations, appear to be a good compromise for maximising market shares in each segment. However, on every market, there are increasing concerns for more transparency on the environmental impact of wine products and this aspect could be better framed by EU legislation.

Finally, the fact that products with less than 8.5° alcohol are not considered to be wine products in the regulatory classification of grapevine products is a potential limit to adapting to market demand.

➤ Quality, safety and tradition preservation

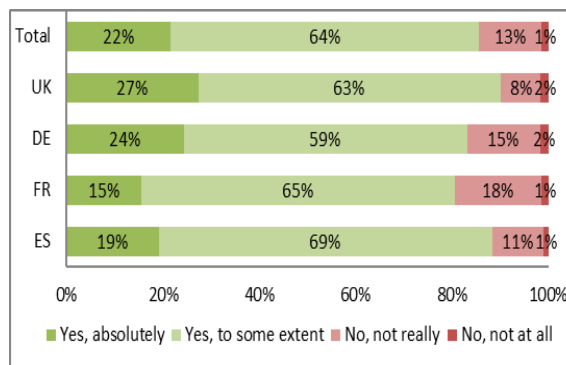
The support for restructuring and conversion had positive repercussions on the availability of quality grapes and, together with the support for investments, contributed to improving the quality and stability of EU wine products.

EU rules on oenological practices also provide guarantees in terms of quality and safety to some extent. The well-established control and certification system is a major factor that guarantees the marketing of EU wine on third markets.

➤ Overall competitiveness of EU wine products

NSPs have accompanied the improved competitiveness of EU wine producers/products in the context of very positive market developments. In particular, the support for promotion operations was truly appreciated in a context of intense competitive pressure from third countries.

Opinions on whether labels provide clear and sufficient information (% respondents)



Source: IFOP for Agrosynergie, June 2018

3. On the next generation of NSPs:

⇒ Reassess the financial needs of the Member States, based on an assessment of their specific needs

⇒ Allow Member States to use a share of the budget for ad-hoc measures

⇒ Design measures that address more directly the issue of pesticide use, environmental performance and generation renewal

4. On EU rules on oenological practices:

⇒ Remove restrictions applied to PDO wines on the use of six wine grape varieties and of crosses between vine varieties belonging to *Vitis vinifera* and other species of the genus *Vitis*

⇒ Include products with less than 8.5° of alcohol in regulatory definition of wine products

⇒ Allow low-cost solutions such as water addition to reduce alcohol strength to improve the competitive position of Southern EU producers

⇒ Pursue more homogeneity between all standards and rules at the international level. The negotiation of more mutual agreements should be considered and/or more systematically include wine products

5. On EU rules on labelling of:

⇒ Look for more consensus between health and agriculture authorities, both at Member State and EU level

⇒ Address consumers' increasing concern about transparency on the environmental impact of wine products

Efficiency of NSP management

The availability of the budget over a 5-year period provided visibility and security. Regarding the management of funds, some Member States adopted a multi-annual approach, which helped achieve a maximum execution rate. The possibility of transferring funds between measures was a key source of flexibility and enabled the execution of the yearly budgets to be optimized. However, annual budgetary limits impose constraints and additional workload.

The workload related to controls was very high, especially for the investment and restructuring measures, which required on-the-spot checks of 100 % of the operations. In addition, a high level of administrative burden was identified concerning the promotion measure, in particular at the level of beneficiaries.

Efficiency of EU rules enforcement

EU labelling rules are generally considered to be simple to implement. Labelling restrictions for non-PDO/PGI wines do not produce additional workload for the control administrations. The systems of monitoring and checks are considered to be highly reliable. Their efficiency was considerably improved by the digitalisation of the information and the introduction of control plans based on risk analysis.

Coherence of NSP measures

NSPs are generally coherent with EU environmental objectives, but could have played a greater role in the adaptation of the EU vineyards to climate change and more directly fostered sustainability. NSPs are fully coherent with economic and social EU and CAP objectives, contributing to the economic growth of the regions concerned and allowing to maintain agricultural and downstream activities in remote rural areas.

There is no major inconsistency between NSP measures and EU health objectives although there was a limited interest of wine stakeholders and authorities for campaigns on responsible wine consumption and the risk associated with harmful alcohol consumption. In any case, more coherence between the EU wine policy and the EU public health objective could be sought after.

Rural Development Programmes and NSPs complement each other and the a priori established demarcation criteria, together with the control system, ensure that double financing is avoided. NSPs are also coherent with the horizontal promotion regulation, Horizon 2000 and the European Regional Development Fund (ERDF).

Relevance and EU added value

NSPs offer a broad range of tools to face the needs of the local sectors. However, some needs are insufficiently addressed by the NSP measures: maintenance or adaptation of the smallest operators, workforce training, generation renewal issues and environmental issues (adaptation to climate change, biodiversity, and pesticide use). In terms of the relevance of the budget allocated per Member State, the budget absorption capacity was good in most cases. There were a few exceptions and also cases where the demand for support was higher than the available budget.

The EU framework for NSPs provided added value. In particular, the adaptation of the sector to market demands would have been slower without EU funding, and may have left small players behind. In some Member States, the EU framework also brought a strategic approach and long-term planning in the management of the sector.

The definition of rules at EU level for oenological practices and wine grape varieties is a real added value. The EU rules on oenological practices are relevant for the competitiveness of EU wine producers and for ensuring the quality and safety of grapevine products. EU rules on wine grape varieties are needed since no international standards have been defined regarding grapevine varieties suitable for wine production, but restrictions applied to PDO wines result in a disadvantage compared to third countries, and are not coherent with environmental objectives. EU labelling rules provide added value in terms of fair competition and facilitate trade.

Want to know more?

For more information about the evaluation study, including an executive summary and the full report, visit the DG AGRI's evaluation site at:

https://ec.europa.eu/agriculture/evaluation_en



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