

POLICY RECOMMENDATIONS FOR THE FUTURE OF THE EU WINE SECTOR

High-Level Group on Wine Policy

December 2024

The High-Level Group on Wine Policy,

HIGHLIGHTING the importance of the wine sector for the EU's economy and society and especially its key role for the livelihood of many rural communities and close connection with their unique landscapes, history, and rich cultural heritage, that makes wine an emblematic symbol of the EU's traditional way of life around the world.

APPRECIATING the future opportunities for new and emerging wine producing countries to further develop the European wine sector and contribute to innovation and rural areas vitality.

RECOGNISING the findings of the EU Wine Market Observatory in its report of June 2024 "Prospects of the EU Wine Sector" that the wine sector is facing multiple challenges: on the side of demand, a continuous long-lasting trend of a significant reduction in consumption and a change in consumer preferences due to societal changes; and on the side of production, a growing uncertainty regarding interannual production due to climate change and more frequent and intense extreme weather events.

NOTING that the exports of EU grapevine products have been counterbalancing the decrease in domestic consumption in the last two decades, providing significant value to the total EU food exports, but that lately these market trends have been slowing down, due to traditional main export markets being affected by the same societal changes occurring in the EU and an increasingly unstable geo-political context.

REMARKING that these structural factors make the sector more vulnerable to conjunctural situations such as shifts in the purchasing power of consumers and increases in production and distribution costs linked to the international political and economic situation and extreme climate events.

HIGHLIGHTING that this situation leads to structural overcapacity in the EU market in some producing regions and market segments, and that these trends, together with a fluctuating production, amplify the imbalances on the EU wine market and the uncertainty for operators.

RECOGNISING the need to carry out an in-depth policy reflection on how to better support the sector to face the current challenges, become more competitive and resilient and seize the market opportunities arising from the evolving context, and the pertinence and timeliness of setting-up this High Level Group to discuss policy options to adjust the EU policy framework, in particular in view of 1) addressing the management of the production potential, to adjust it to the structural decline in demand; 2) strengthening the resilience of the sector in view of changing market and its

adaptation to increasing climate change; and 3) improving adaptation to market trends and harness market opportunities.

INVITES the European Commission to assess the measures put forward in these recommendations and to propose a timeframe for their possible implementation.

1) ADDRESSING THE MANAGEMENT OF THE PRODUCTION POTENTIAL

The High-Level Group on Wine Policy,

NOTES that several policy instruments (Common Organisation of Agricultural Markets Regulation¹ (CMO), CAP Strategic Plans Regulation² (SPR), etc.), including a dedicated wine sectoral intervention, are already available to the sector and should be used to their full potential, and HIGHLIGHTS that, given the challenges, these policy instruments should be coherently implemented within a well thought out national strategic approach relying on the CAP's major strategic asset – the strategic plans. The implementation and potential of the existing measures should be evaluated by Member States to maximise their efficiency and coherence for overcoming the challenges affecting the sector.

ACKNOWLEDGES that despite a slight decrease in the EU vineyard area during the period 2015-2023, producers in certain regions and certain wine market segments are faced with a persistent decline in demand and increasing levels of stock, leading to structural over-supply that needs to be addressed with policy measures aimed at balancing the production potential to demand. But AFFIRMS that for the wine sector to be able to deal with the difficulties and challenges it faces, it is necessary to ensure an appropriate financial support for measures supporting the sector's competitiveness, sustainability and resilience, as well as, if needed, to address specific problems such as adjustments to oversupply or extreme weather events.

UNDERLINES the importance of ensuring the efficiency, cost-effectiveness and coherence of these structural measures, by considering their long-term impact, avoiding market imbalances across different EU regions, preserving landscapes, keeping employment in rural areas, and enhancing the competitiveness of vine growers and wine producers.

RECOMMENDS implementing permanent grubbing-up schemes to address structural oversupply in certain regions and/or market segments, and SUGGESTS 1) to use national support to deal with the most immediate needs in accordance with the Guidelines for State aids in agriculture and forestry sectors³ and 2) to provide Member States the possibility to finance grubbing-up schemes under an amended Article 216 of the CMO regulation for specific needs that may arise in the longer term. Furthermore, 3) REQUESTS the Commission to reflect on possible options on whether and how to use the CAP budget for grubbing up measures in the future.

REQUESTS exploring options allowing the use of unspent sectoral intervention budget to finance other crisis management measures.

¹ Regulation (EU) No 1308/2013

² Regulation (EU) 2021/2115

³ In particular: 1.3.1.1. "Closing of capacity for animal, plant or human health, sanitary, ethical, environmental or climate reasons" and 1.3.1.2 "Closing of capacity for other reasons" - Communication from the Commission (2022/C 485/01)

IS OF THE VIEW that, while these grubbing-up schemes should be targeted at solving specific problems of regions or market segments by permanently reducing the production potential causing these problems, and be flexible enough to allow Member States tailoring them to their specific needs, a set of common general principles and criteria for eligibility and priority must be defined with a view to preventing undesirable spillover economic, social or environmental effects, as well as ensure effectiveness and focus (e.g. structural adjustment plan of the region concerned; priority for older producers to allow them to leave the sector with dignity; exclusion of certain vineyards with a high value for the landscape, like slopes, terraces, varieties with genetic value, or in areas with environmental value or where viticulture is central and which are at risk of depopulation), while maintaining the agricultural destination of land previously planted with vineyards.

STRESSES the need to ensure coherence and consistency of the measures to be taken, including any grubbing-up scheme, with other policy measures aimed at managing the production potential, especially those concerning the annual growth rates of new planting authorisations set at national or regional level, the duration of their validity, the restructuring and conversion of vineyards under the national strategic plans, or other measures or instruments that could be considered.

ENVISAGES that Member States can lower the area made available through new planting authorisations to 0% at regional or geographical indication level, including for regions benefitting from grubbing-up or crisis distillation, or in other duly justified cases, and RECOMMENDS giving Member States even more flexibility to set criteria for the allocation and management of planting authorisations, to avoid an increase in the vineyard area in regions and market segments prone to over-supply, and to further prioritise wines with market opportunities, in coherence with the national sectoral strategy.

REQUESTS to facilitate a temporary modulation of the vineyard area by, in the short term, extending the maximum period between the grubbing-up and the application deadline for the corresponding replanting authorisation (to up to five years), and in the long term extending the validity of all replanting authorisations to up to eight years and abolishing the administrative penalty in case of their non-use.

HIGHLIGHTS that new planting authorisations should be treated differently than replanting authorisations, keeping for the former a shorter validity period and firm penalties in case of non-use, to reduce the risk of increasing the overall vineyard potential and to avoid speculation.

REQUESTS that growers are allowed without penalty to renounce, before a certain deadline, all valid planting authorisations granted before 2024 to reduce the existing stock of valid authorisations.

ENVISAGES that Member States may set verifiable conditions aimed at limiting excessive yield increases in vineyards that receive support through the restructuring/reconversion measure.

CALLS FOR more possibilities for Member States to set conditions when granting planting and replanting authorisations, including for limiting transfers within the same holding, aiming to prevent excessive increases in yields and avoid any excessive reduction of vineyard area in sensitive regions.

UNDERLINES that green harvesting cannot solve structural imbalances but nevertheless can be a valuable policy instrument to reduce conjunctural above average production, but HIGHLIGHTS that an efficient use of this measure requires an increased flexibility and simplification in its use and the possibility to reallocate resources in the wine sectoral programmes during the year between

types of intervention, and to the subsequent year in case of unused funds. Moreover, RECOMMENDS introducing the green harvest measure into Article 216 of the CMO regulation to allow financing the measure with national budget.

WELCOMES the possibility to grant Producer Organisations, Interbranch Organisations or recognised Producer Groups managing Geographical Indications (GIs) the tools for the management of yield stabilization mechanisms in specified areas in addition to the concerted withdrawal of part of the volume produced as laid down in Article 167 of the CMO regulation.

2) STRENGTHENING THE RESILIENCE OF THE SECTOR IN A CHANGING MARKET AND ITS ADAPTATION TO CLIMATE CHANGE

The High-Level Group on Wine Policy,

HIGHLIGHTS that in the sector, wine growers are the most exposed to risks arising from the market and climate change, and that a more resilient sector requires a stronger and more focused support to strengthen wine growers' position in the supply chain and build their resilience, and in this regard, ENCOURAGES the Commission to maintain an ambitious EU export strategy to expand market access, address trade barriers, and protect wine products from unrelated trade disputes.

WELCOMES the unfair trading practices (UTP) directive and ENCOURAGES the relevant authorities to further strengthen its enforcement, and RECOMMENDS strengthening the EU provisions aimed at enhancing the bargaining capacity of growers, e.g. by further reinforcing the negotiation power of producer organisations and associations of producer organisations, reviewing the list of unfair practices or improving the framework on contracts, and the cross-border enforcement of the provisions of the UTP directive.

SUGGESTS increasing the attractiveness of Producer Organisations (POs) and cooperative models by treating cooperatives and POs in the wine sector as SMEs (as long as all their members have this status and the majority are wine growers) for the purpose of the Common Agricultural Policy.

RECOMMENDS improving the existing risk management tools and reinforcing the options in the Common Agricultural Policy to support insurance and mutual schemes against production risks with the aim to strengthen national insurance schemes through de-risking strategies and innovative insurance solutions that better share the risks, extend the availability of risk coverage, improve affordability, and increase the risk-awareness of farmers. ADVISES exploring, among others, mechanisms of EU re-insurance or co-insurance and PROPOSES that the rules in the CAP and State Aids, especially on the calculation of losses for climate compensation schemes, be adapted to account for the swift changing of climate.

UNDERLINES the importance to enhance the prevention of crop losses and adaptation to climate change and PROPOSES that sectoral adaptation plans with a relevant resolution and scale are made mandatory and that all relevant interventions in the support programmes (market, restructuring and investments measures) are consistent and coherent with the guidelines and criteria defined in those plans; moreover, climate risk prevention measures should benefit from a higher rate of support.

HIGHLIGHTS that all EU policies supporting the wine sector should take into account the needs of those Member States where wine production has recently started or may develop in the near future because of the change in the climate conditions.

PROPOSES to request the Expert Group for Technical Advice on Organic Production to assess the de-alcoholisation processes for partially de-alcoholised products and to discuss and re-assess the use of Potassium Phosphonate as a plant protection product to control downy mildew on organic grapevine, in the light of the core principles of organic farming and of the need to sustain this type of organic production across Europe, the most recent technical and scientific information available, availability of alternative products, and restrictions for the use of copper.

EMPHASISES the need to make the latest research findings into climate change adaptation easily accessible to the farming community and to extend the list of eligible investments under wine interventions to include the latest relevant technologies.

REQUESTS greater flexibility in the financial management of the wine sectoral programmes between financial years to allow a better use of the available envelopes, especially in years where the sector is struggling, by setting-up more flexible rules both for advance payments and for the transfer of financial allocations between types of interventions, with increased support rates for some interventions aiming to enhance the sustainability of wine production, and INVITES the Commission to explore ways allowing the use of unspent funds in the sectoral programmes for supporting crisis management measures.

SUGGESTS introducing the possibility to adopt measures allowing the use of exceptional wine sectoral interventions within the CAP Strategic Plan in case of market disturbance, by making the amendment procedure faster and more flexible.

3) ADAPTING TO MARKET TRENDS AND HARNESSING MARKET OPPORTUNITIES

The High-Level Group on Wine Policy,

UNDERScores the need for a strategic approach to address the structural issues and dynamics affecting the global wine market, HIGHLIGHTING the importance of facilitating the adaptation to changing consumer preferences and market conditions.

WELCOMES the work of the EU Wine Market Observatory, especially the collection of information on prices, trade and stocks for different market segments, and PROPOSES to explore ways to reinforce its capacity to collect and analyse relevant homogeneous market information including through the enhanced engagement on data sharing, while WARNING of the administrative burden if the information to be supplied is broken down at a very low level, and EMPHASISES the need to better monitor the development of demand and consumer preferences in a changing world, both in traditional markets, where tastes and lifestyles are quickly changing, and in new potential export markets to adapt products to different tastes and habits.

UNDERLINES that the data used to compile the market survey are often supplied by inter-branch organisations, and STRESSES that the regulatory framework must give them legal certainty regarding the collection and use of this data, including with regards to competition law and the protection of commercially sensitive data.

REQUESTS that the forthcoming revisions of the EU legal framework for wine explores all options to adapt the rules, including *inter alia* on definitions, oenological practices and packaging and presentation rules, to facilitate the marketing of grapevine products more attuned to new consumer demands such as more accessible wines, and especially fully and partially de-alcoholised wines, as well as non de-alcoholised low-alcohol wines, while preserving the integrity of the sector and preventing damages to the long-standing good reputation of EU wines.

INVITES the Member States to ensure a harmonised approach in implementing the current rules on electronic labelling and EMPHASISES the need to further harmonise (and complete) the rules on electronic labelling, allowing all operators and especially SMEs to save time and cost on physical labels and thereby facilitating trade and exports, while protecting consumers and securing their right to easily access compulsory information.

AGREES that EU wine is linked to values such as tradition, sustainability, landscape protection, culture, gastronomy, and tourism, and has a huge importance for the economic sustainability of rural areas and population, which creates a distinction of wine and EMPHASIZES that this special status should be better explained, both in the EU and in export markets.

UNDERLINES that there are possibilities to promote exports further and better, both in traditional and new markets, such as by better targeting promotion programs to the new societal trends and to specific demographic and cultural groups in third countries and by increasing the duration of the support for promotion measures to allow for market consolidation, as well as exploring ways to create a simplified scheme for small producers.

CONSIDERS that promotion measures must take public health considerations into account and put an emphasis on moderation and on promotion efforts for no and low alcohol wines as an avenue to explore.

RECOMMENDS taking full advantage of support measures for tourism beyond those already available in the wine sectoral interventions, which could be enhanced by allowing support for coordinated actions promoted by wine Inter-Branch Organisations, Producer Organisations and Producer Groups managing Geographical Indications and aimed at promoting oeno-tourism and the links with the territory of production regions.

WELCOMES the ongoing work of DG TAXUD concerning the excise duty for distance sales for alcohol and alcoholic beverages and RECOMMENDS the Commission to speed up the development of solutions to simplify and facilitate cross-border distance sales of wine, by setting-up a system comparable to the Import One Stop Shop (IOSS) that can be beneficial especially to small producers.

EMPHASISES the vital role of research and innovation for the future of the EU wine sector. Innovation should be perceived in all production aspects, including plant protection, climate change adaptation techniques, new varieties, digital farming, winemaking practices, cellar technologies, but also beyond the product, in packaging, presentation, narrative and promotional messaging. In this context, it is especially important to make innovation accessible to producers through dedicated training, advisory services and other tools.