

## EUROPEAN WINE SECTOR. PROPOSALS TO ADJUST IT TO CMO

Popa Dorin\*

*\*University of Oradea, Faculty of Environmental Protection, 26 Gen. Magheru St., 410048 Oradea;  
Romania*

### **Abstract:**

*Common Market Organization of wine calls for restoration, taking advantage of its power in the wine-growing sector and considering its weakness, once incidental, that have become structural inside CMO. The present CMO has become an incoherent system, with no prospect of long-term development. Using either the systematic resort to crisis distillation, a way too precautionous cultivating policy, an exaggerated use of enrichment practices, confuse labeling regulation or rigid oenological practices, a series of measures have to be reexamined. Useless to say the budget, instead of being the means to an efficient restoration of the sector, encourages measures having limited results.*

**Keywords:** wine, organization, marketing, implementation, promotion.

## REORGANIZATION MOTIVATION

European wine benefits by centuries of tradition, being worldwide renown and acknowledged for its quality, also benefits by a wine-growing landscape having a tourist's status worldwide acknowledged.

Europe is the greatest producer and exporter. New World wines are a real threaten to European wines. In the meantime, Europe is left with great wine quantities having no market for sale. As a result, over 500 million euro is annually spent on disposal, storage and distillation of wine surplus measures. This amount of money could be used to balance the market, quality increase and promoting the wine on other markets.

European producers are strait-laced and disoriented by more and more complex and confused laws. The main objectives of restoration should be:

- Increasing EU wine producers competitiveness, increasing EU quality wine reputation, regaining old markets and gaining new ones in EU and throughout the world;
- Creating a wine legislation that operates with simple and clear rules, effective laws that can ensure a balance between supply and demand;
- Modifying legislation to take into account maintaining traditions of wine production, developing social structure of rural background.

### **Objectives of CMO reform of wine**

These objectives focus on improvement of the sector competitiveness and market orientation, mentioning high quality standards and considering consumer's expectations.

Under these circumstances, the objectives could be the following:

1. Increasing EU wine producers' competitiveness, strengthening EU quality wine reputation, regaining old markets and gaining new ones outside of EU.
2. Creating a new wine regime operating with simple and clear rules – effective laws that can ensure a balance between supply and demand;
3. Protecting EU traditional wines emphasizing maintaining social and background organization in the rural regions.

In order to reach these objectives, four options were chosen to be studied:

- Maintaining the present CMO, with limited changes;
- A deep CMO reform of wine;
- An integration of CMO in the new common agricultural policy (CAP);
- Undoing CMO of wine.

Analyzing the four options from the point of view of market stability, budgetary costs, regions development and the impact on environment, the following estimations were made:

- It is considered that maintaining present CMO of wine is fatally inadequate, because it could not allow elimination of unprofitable plantations and would not encourage competitiveness. This position is also shared by wine industry officials, convinced of a substantial reform necessity;

- The third option for CMO integration in the new agricultural policy CAP would bring a series of advantages, but it would also create technical and financial difficulties, as follows:

- Main advantages would derive from the integration of vineyards in a unique payment system, milestone for CAP reforms. This system – where EU subventions are taken out from production – offers a great flexibility to the farmers wishing to make their way to other forms of agricultural production;

- Difficulties created by this option would have an impact by the pressure over the prices in some regions, with major consequences over the market.

The level of help offered to producers would be in a great extent insufficient

- Option four of dissolving CMO of wine would lead to the market disorganization, having as a consequence the massive loss of the vineyards where wine production is often the only way to ensure rural development and maintaining local mark.

The option with the best results seems to be the option of deep reforming CMO of wine.

This option could be put into practice in two variants, as follows:

- Variant A – plans a rapid dissolving of planting rights and a clearing program.

At present, rights for replanting are valid until August 1st, 2010, the clearing program being simultaneously dissolved. Under these circumstances, wine-growers should clear the vines on their own expenses. Cultivated areas would be part of a unique payment system. Member states could still maintain their rights to limit wine producing areas having geographical indication.

- Variant B – considers two phases: during the first phase there is a rapidly market stabilization with the help of an ambitious clearing planning and a restoration of competitiveness.

In order to facilitate this stabilization, less efficient producers would have to clear their vines. In order to encourage clearing, the offered sum would grow from year to year. Analyzing the present market, about 400 thousand ha would be necessary to be cleared during a 5 year period, the budget being of 2.4 billion euro.

Member states would not have means to limit the application of this plan on their territory and the clearing decision would be the choice of the producers. The cleared areas would instantly fall under the incidence of this unique plan.

Common features of variants A and B

Reform objective being rebalancing the market, all the aids connected with surpluses that proved inefficient would be eliminated:

- distillations;
- assistance for depositing;
- Assistance for using must and in the meantime interdiction of “chaptalization”.

### **IMPLEMENTING NATIONAL PACKAGES**

A national package based on objective criteria would be allocated to each member state in order to empower the member states to finance the necessary measures to modernize the wine sector, taking into account different needs of each region. Each member state would be capable to use this package on the base of a given measures program. It could include, for example, a restoration program similar to the existent one and measures of crisis management.

### **PROMOTING UTILISATION OF RURAL DEVELOPMENT MEASURES**

Rural development program stipulates numerous measures being able to be used in the sector interest, as follows:

- a) Vine cultivators wishing to completely stop production and to transfer their vine area to another farmer could benefit of a pre-retirement help and could get up to 18.000 euro/year, with a maximum amount of 180.000 euro for 15 years, being also available the installing help for the young farmers;
- b) agro-environmental measures – a sum of about 900 euro/ha – could be assigned for a period of 5-7 years in order to contribute at maintaining rural regions and environment improvement;
- c) Vine cultivators involved in grape processing and wine sells could get assistance for investments or modernization in EU after passing through the specialized commission of EU. This could guarantee a faster bringing up to date of practices and a faster application of the technology development in this field;
- d) in order to ensure consumers that are offered transparent information, labeling regulations could be simplified;
- e) A major objective could be directing producers to produce quality wines from the “New World Style” category, in order to anticipate the demand for these type of products, by authorizing mentioning the vine sort on the label in the case of wines without geographical indication.

## **MEASURES OF TECHNICAL AND LEGISLATIVE REGULATION OF VINE AND WINE SECTOR**

### **Corrections of better regulated composition**

Commission recommends prohibition of "chaptalization" (i.e. adding must sugar in order to raise alcohol level of wine) by using fructose and a more strict regulation in the use of concentrated must to enrich the wine. In this way, the aid in must utilization would be dissolved and the maximum level of wine enrichment would be fixed at 2%, with the exception of zone C (Spain, Portugal, Slovakia, Italy, Hungary, Slovenia, Greece, Cyprus and Malta, as well as certain parts of France), where the maximum level would be limited at 1%.

### **A clear, simpler and more efficient policy of wine quality**

Generating a more balanced and competitive policy of wine quality  
EU legislation regarding quality wines cover production and labeling.

The purpose of quality wine in EU is to:

- maintain a high level for the quality wines produced in specific regions (40% of EU wines);
- encourage a balanced production of quality wines;
- Establish conditions for a fair competition in EU.

### **Defining quality**

Definition of the Community is: “quality wine produced in specified region”. This definition reflects different concepts of wine in EU:

- In countries like Germany, Austria, Hungary, the notion of “quality” is more important than origin;
- In the south of Europe (France, Spain, Italy, Portugal), wine sector is built on the geographical origin.

### **Simplifying regulation system for the quality wine**

The present wine sector in EU is more complicated and has certain deficiencies:

- There are different rules to designate protected origin and protected geographical origin for other products than wine and alcoholic drinks, leading to confusion;
- The right to intellectual property should also be brought up to date for this sector;

Other problems are related to the concept of "quality wine produced in specified regions".

- There is no definition of quality at an international level;
- There is no reference to the concept of “geographical indication”, as defined by WTO-TRIPS (trade-related aspects of intellectual property rights) in the present European legislation;
- Number of high quality wines is increasing in number, leading to a more confused consumer.

### **Improving quality and facilitating production**

In order to solve these problems, EU commission proposes:

1. A clearer distinction between Industrial Property Rights (IPR) and labeling rules; a register for geographical indications will be created, based on a dual system: “geographical indication wines”.

2. An improvement of quality control by reinforcement of the sector organizations role regarding procedures of wine classification/declassification and regulating wine production.

3. Facilitating blended wines composed from a single variety or a mix of two or more varieties. This could help counterbalancing the aggressive market policy for wines from other countries.

### **Harmonizing and simplifying European wine labeling**

Current system suffers from the competition with the “New World Wine”.

The present EU wine labeling system has the following features:

- Labeling differs from different types of wine and table wines, between table wines having geographical indication and quality wines produced in specified regions;
- Indications are divided into two main categories: compulsory details and optional details, forming a rigid system to some producers;
- Labeling regulations rigidly limit information, for example: vine’s variety and harvest’s year can only be mentioned on the labels of quality wine or table wines having geographical indication;

- System has so many regulations that most of information is not allowed, as that regarding the table wines;

- Existent legal deposits for trade marks have to be reconsidered.

### **Consequences for EU wine market due to legislative system**

- Massive growth in number of so-called quality wines or of table wines having geographical indications, affecting credibility of quality wines and labels;

- Countries outside the community have meanwhile created geographical indications, aiming EU;

- EU production of blended wines is limited, the blend of wines having different origins being forbidden. This interdiction reduces competitiveness of EU countries.

Reforming the present European wine labeling system is mandatory. With that end in view, European Commission suggests the following changes:

- Harmonizing legal tools by interrelating with the horizontal regulations and CMO development as a unique tool for all wines;

- Improving EU quality wine system according to TRIP:

- Allowing the use of some specified indications, as the grape's sort and the harvest's year for all wines;

- Harmonizing fields and traditional definitions in order to avoid discrepancies between member states;

- Not forbidding trade marks, in principle;

- Modifying linguistic regime of the wine sector.

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