

EVALUATION STUDY OF THE CAP MEASURES APPLICABLE TO THE WINE SECTOR - 2018

Project manager: Laurence Menet (Oréade-Brèche), oreade@oreade-breche.fr

Evaluation team: Alice Devot - Juliette Augier - Juliane Papuchon - Pierre Milliard

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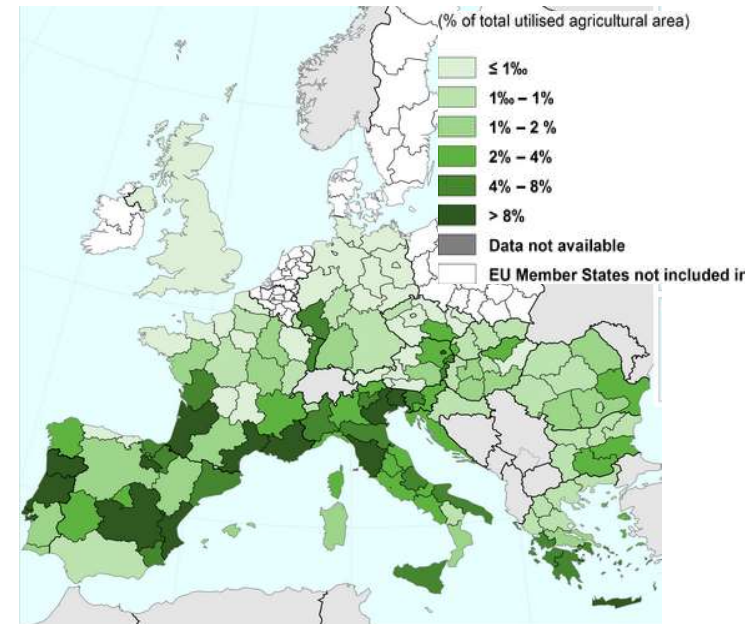
EVALUATION CARRIED OUT BY:
EEIG AGROSYNERGIE

Square de Meuûs 38/40 - B1000 BRUSSELS
tel. +39/06.85.37.35.21

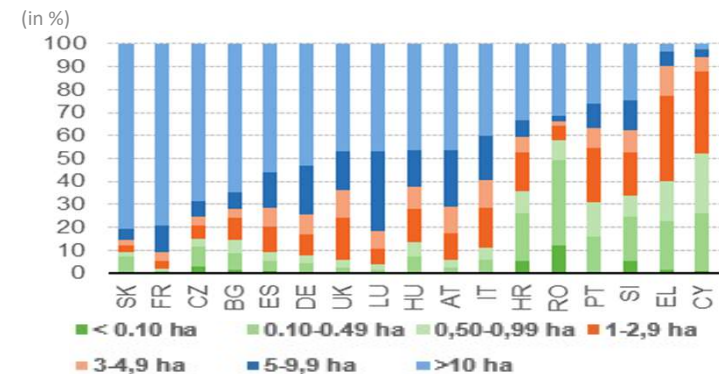
STRUCTURE OF THE EU WINE SECTOR

- Wine production is focused in the EU **southern areas**.
- An **extremely fragmented sector**: only 6 Member States with >50% of holdings with more than 10 hectares (BG, CZ, DE, ES, FR, SK)
- **65% of EU vineyards is dedicated to the production of PDO wine** and 17% to PGI (2015).
- Wine-making usually takes place near the production area, representing an important **source of employment in rural areas**.
- In most cases it is carried out by the producers on the holding, or in a cooperative's cellar.

AREA UNDER VINES IN THE UAA OF EU REGIONS, IN 2015



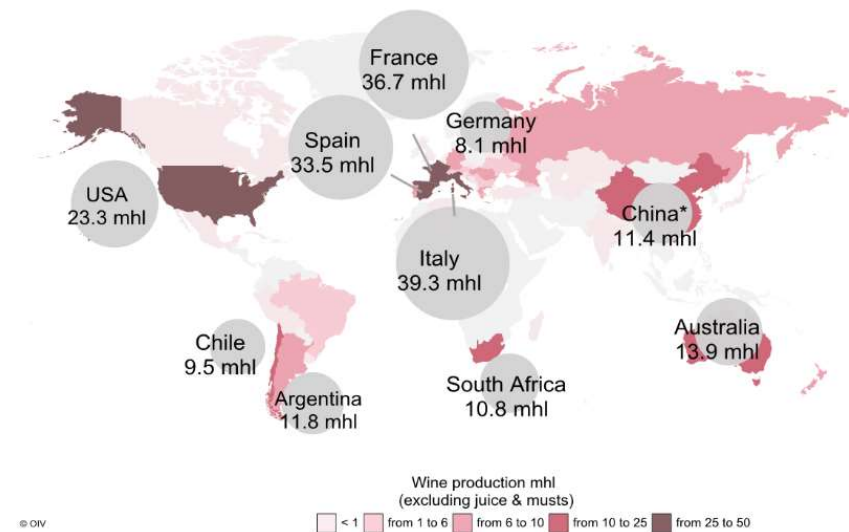
AREA OF VINEYARDS BY SIZE CLASS OF THE WINEGROWER HOLDING IN 2015



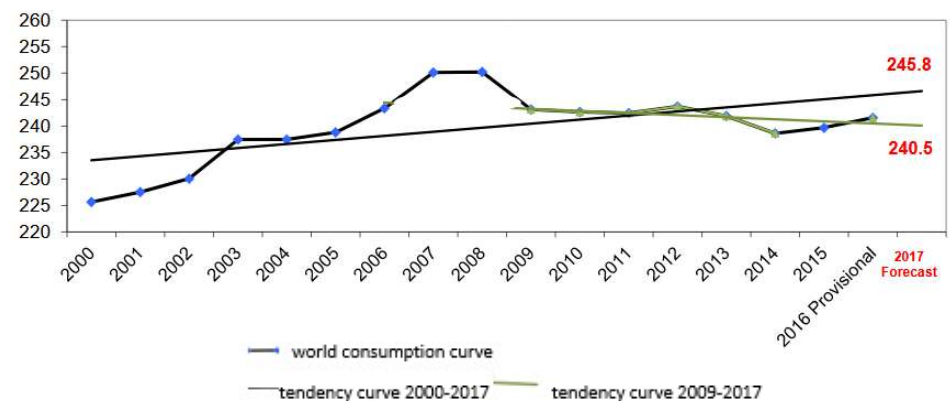
WORLD MARKET AND THE EU SHARE

- The EU-28 is the source of **more than half of world wine production** (54% in 2017).
- **Spain, France and Italy are the world's main exporters** in volume and in value.
- **42% of Member State production was exported**, of which :
 - 28% to other Member States
 - 12% to third countries
- The US is the top country of destination of EU wine, followed by China and Canada.
- The area under vines and production are both tending to **decrease in EU Member States** and increase in third countries.
- **Consumption is on an upward trend**, with world consumption shifting from the EU to Asia, USA and Oceania, and a trend toward more quality wine.

WORLD WINE PRODUCTION IN 2017

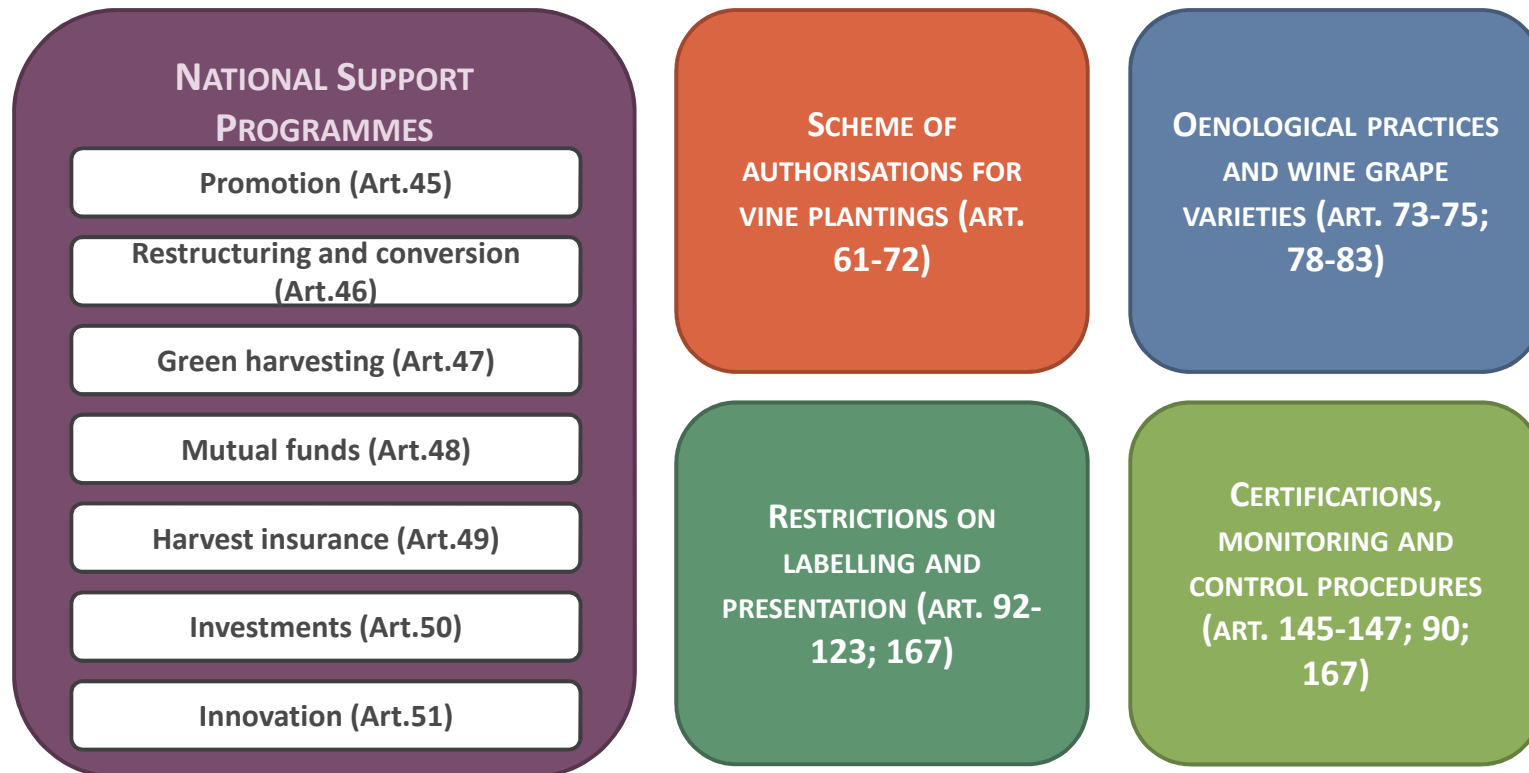


ESTIMATED 2017 WORLD WINE CONSUMPTION (IN MHL)



SCOPE AND OBJECTIVES OF THE EVALUATION STUDY

- Evaluation study focusing on the measures and provisions set out in Regulation (EU) No 1308/2013 (“CMO Regulation”)



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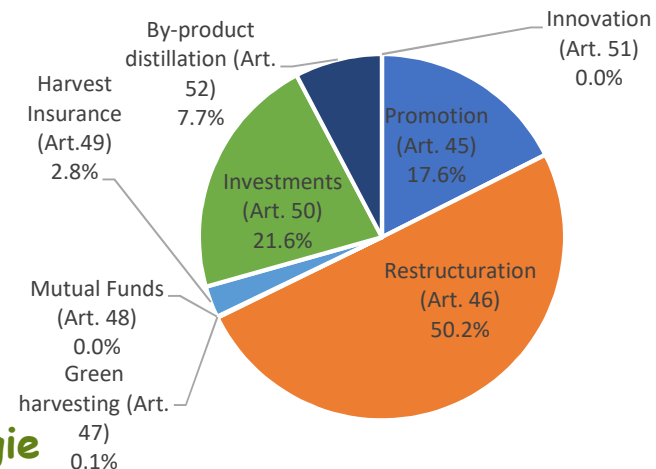
KEY FIGURES ON NATIONAL SUPPORT PROGRAMMES

- NSPs are the **main financial instrument** of the EU wine policy.
- For the 2014-2018 programming period, they are allocated a total budget of **5 667 M€**.
- Member States are free to define the share of the NSP's **budget to allocate to each measure, depending on needs** in the local sector.
- Most Member States reported **expenditures corresponding to 80% to 100% of their allocated budget**. Exceptions were Romania (24% in 2016 and 2017) and Greece (55.2 % in 2017).

YEARLY BUDGETARY LIMITS FOR THE NATIONAL SUPPORT PROGRAMMES (IN M€)

	2013	2014	2015 and 2016	2017 onwards	Total 2014-2018
BG	26.7	26.8	26.8	26.8	134.0
CZ	5.2	5.2	5.2	5.2	26.0
DE	38.9	38.9	38.9	38.9	194.5
EL	7.9	8.0	24.0	24.0	104.0
ES	353.1	210.3	210.3	210.3	1051.5
FR	280.3	280.5	280.5	280.5	1402.5
HR	0.0	11.9	11.9	10.8	57.3
IT	336.7	337.0	337.0	337.0	1685.0
HU	29.1	29.1	29.1	29.1	145.5
AT	13.7	13.7	13.7	13.7	68.5
PT	65.2	65.2	65.2	65.2	326.0
RO	42.1	47.7	47.7	47.7	238.5
SI	5.0	5.0	5.0	5.0	25.0
SK	5.1	5.1	5.1	5.1	25.5
Total	1070.6	1248.9	1105.1	1104.0	5667.1

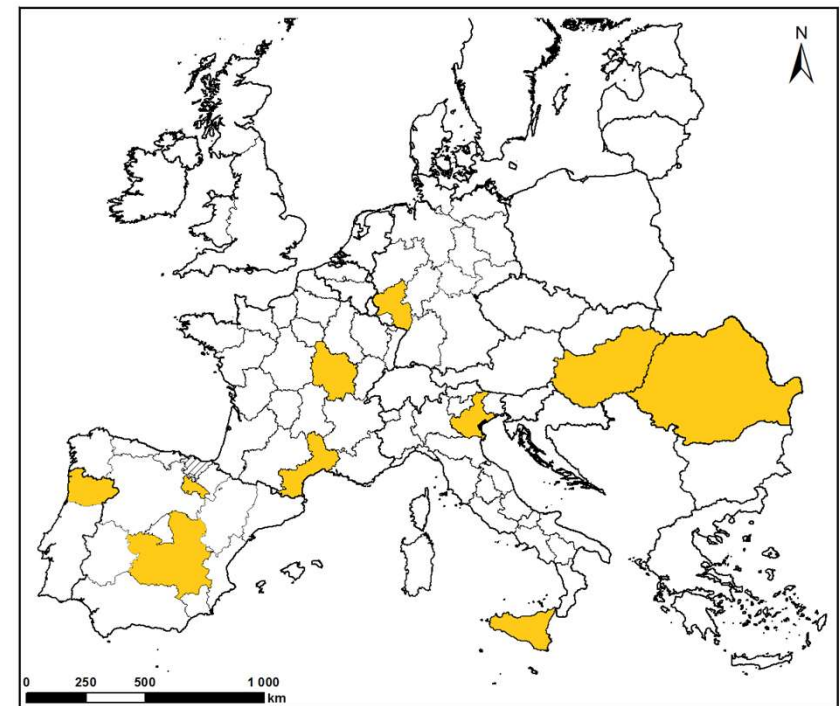
SHARE OF THE MEASURES, BASED ON THE EXPENDITURES ON SUPPORT PROGRAMMES FROM 2014 TO 2017



METHOD AND TOOLS

- **10 case studies**, in 7 Member States
- **Approximately 200 interviews**, at the local, national and EU levels
- **Statistical data** from FADN, Eurostat, COMEX, COMTRADE
- **Implementation data** of the NSP (outputs of 2008-2013 and targets for 2014-2018)
- **Survey of 2 000 wine consumers**, in 4 Member States (FR, ES, DE, UK): consumption habits, tastes, knowledge and expectation as regards labelling
- Web-checks for 16 retailers: analysis of the **positioning of the EU products** in the global offer of wine
- **Questionnaire to the NSP Managing Authorities** in 7 MS: administrative burden

CASE-STUDIES MEMBER STATES AND REGIONS



GENERAL LIMITATIONS TO THE EVALUATION

- Most regulations implemented with very few changes since 2008 → too long a period to make a before/after comparison
- Numerous factors impacted the market implementation choices → difficult to distinguish the effects of the regulations from the effects of other factors
- Definition of the NSP measures varied across the Member States → limited comparison across Member States
- Limited accuracy of the monitoring at Member States level → limited the analyses
- Study focusing on the effects of the measures on the objective of competitiveness and market adaptation → the effects on the environment and on rural development were only partially investigated

MAIN CONCLUSIONS ON ...



Effects on the economic performance along the supply chain



Effects on the adaptation to the market



Effects on quality and tradition preservation



Effects on the overall competitiveness of EU wine products



Efficiency of the NSP management and of the EU rules



Coherence of the NSP measures



Relevance and EU added value of the CAP measures

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EFFECTS ON ECONOMIC PERFORMANCE ALONG THE SUPPLY CHAIN

EFFECTS AT GROWERS LEVEL

- Support for the restructuring and conversion measure concerned **330 000 ha** between 2014 and 2017 (10% of the EU area under vine)
- It contributed to **accelerating changes in production systems and management practices**
 - ➔ **Large scale mechanisation**
 - ➔ **More efficient water management**

But it had no clear effects on yields and production costs, since it contributed to the switch to PDO/PGI (= less intensive production systems)
- The area granted for new plantings under the authorisation scheme will represent **significant change in terms of the overall evolution of vineyards.**

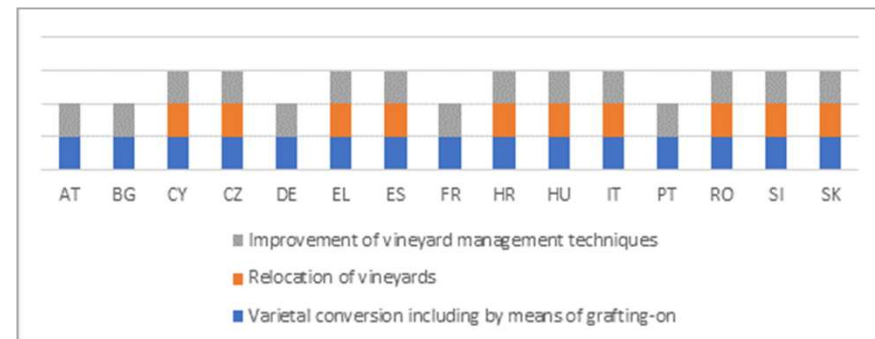
But:

- ➔ **No economy of scale expected**
- ➔ **Need for MS to assimilate the new scheme system**

AREA CONCERNED BY THE RESTRUCTURING AND CONVERSION MEASURE, FROM 2014 TO 2017

	Area covered by the R&C measure 2014-2017	Area covered in % of the total area under vines
BG	13561	22.6%
HU	10767	16.6%
FR	103255	12.8%
CY	885	11.4%
PT	19948	9.9%
ES	91064	9.5%
IT	55856	8.8%
DE	8429	8.2%
RO	12323	6.7%
SI	1053	6.7%
AT	2784	5.9%
SK	1085	5.9%
EL	2084	3.3%
CZ	287	1.6%
HR	302	1.5%

TYPE OF OPERATION SUPPORTED BY THE RESTRUCTURING AND CONVERSION MEASURE IN THE MEMBER STATES



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EFFECTS ON ECONOMIC PERFORMANCE ALONG THE SUPPLY CHAIN

EFFECTS AT PRODUCERS LEVEL

- **Support for investments** was largely used by the operators to :

- Invest in **modern equipment** adapted to the production of new wine products (e.g. white and rosé wines)
- **Set up processing facilities on farms**, increasing the number of independent wine producers
- Build tasting cellars and **develop sales on farms** (FR, DE)

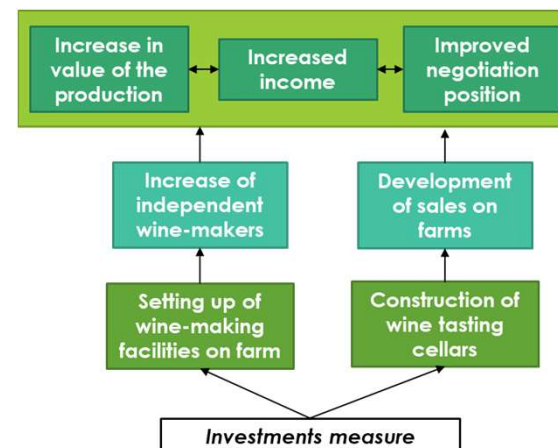
It resulted in :

- ➔ **Better cost-efficiency in wine processing, bottling and marketing**
- ➔ **Vertical downstream integration along the supply chain**
- **Support for promotion** also contributed to economic performance by :
 - ➔ **Facilitating access to foreign markets**
 - ➔ **Enhancing horizontal cooperation among individual producers in collective promotion actions**
- Interviewed beneficiaries reported positive **impact on their turnover** and, consequently, improved negotiation position in the supply chain

OUTPUTS OF THE INVESTMENT MEASURE
IN THE MEMBER STATES, FROM 2014 TO 2017

MS	Number of beneficiaries	Total EU expenditure (M€)
CZ	333	4.1
DE	1 390	59.8
ES	NA	173.8
FR	10 185	401.8
HR	121	6.3
IT	3 672	204.0
CY	69	6.7
HU	327	13.4
AT	1 479	11.9
RO	9	1.2
SK	127	2.4
Total (10 MS)	17 712	885.4

PHENOMENON OF VERTICAL DOWNSTREAM INTEGRATION RESULTING
FROM THE SUPPORT FOR INVESTMENTS





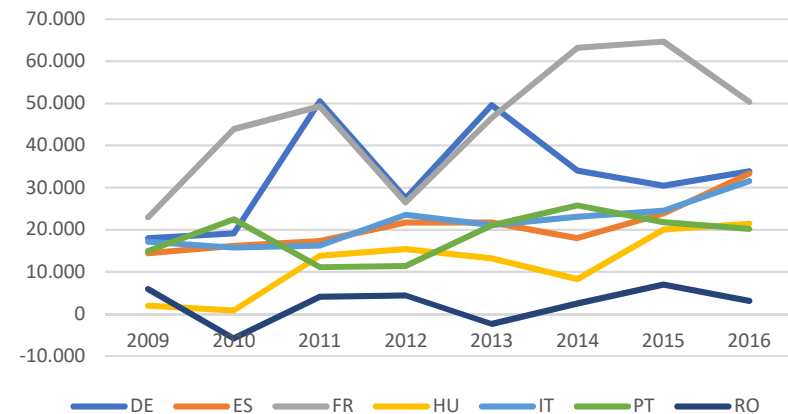
EFFECTS ON ECONOMIC PERFORMANCE ALONG THE SUPPLY CHAIN CHANGES IN THE REVENUE OF WINE-SPECIALISED FARMS

- Together with market trends, the NSP contributed to an **increase in revenue and productivity** of factors, although with significant **disparities across MS**.
- Grapes for PDO wines are sold at significantly higher prices**
 - the switch to production of PDO, largely supported in the restructuring & conversion measure, should result in higher revenue in the long run.
- Winegrowers who process their harvest have the highest Family Farm Income on average**
 - the downstream integration resulting from the investment measure should result in higher revenue for growers in the long run.

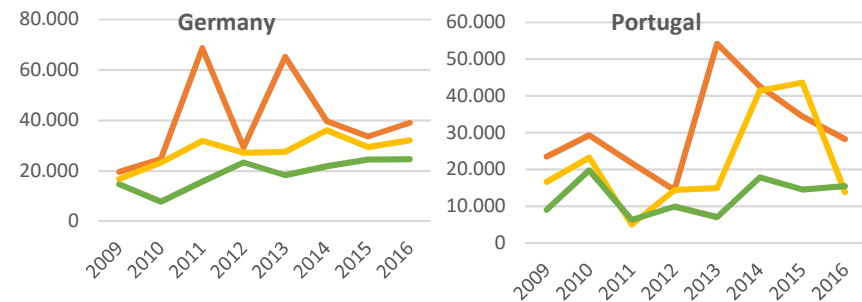
WEIGHTED AVERAGE OF THE SALES PRICE OF GRAPES,
PER CATEGORY OF PRODUCTION

Grapes for	DE	ES	HU	IT	PT	RO
PDO	88.4	50.1	49.2	65.2	70.0	41.5
PGI	/	/	52.7	/	35.3	53.9
non PDO/PGI	/	22.5	40.7	34.0	26.6	33.2

FAMILY FARM INCOME (IN €/FWU)



FAMILY FARM INCOME PER CATEGORY OF WINE GROWERS (€ / FWU): EXAMPLE
OF GERMANY AND PORTUGAL



1: wine processors and 2: mixed processor/suppliers; 3: grape suppliers

Source: FADN data processed by Agrosynergie



EFFECTS ON ECONOMIC PERFORMANCE ALONG THE SUPPLY CHAIN

EFFECTS OF EU RULES

- Rules on **oenological practices** have **limited effects**:
 - ➔ Regarding **PDO** high-end products, rules on the proper **PDO specifications** have **major effects**.
 - ➔ For **mid-range and entry-level** products, there is no major impact, but the **absence of a low-cost solution to reduce alcohol strength** limits competitiveness on international markets.
- The prompt **adaptation of EU rules to OIV evolution** helps improve the marketing conditions.
- EU labelling rules generally favour **fair competition** among EU Member States.

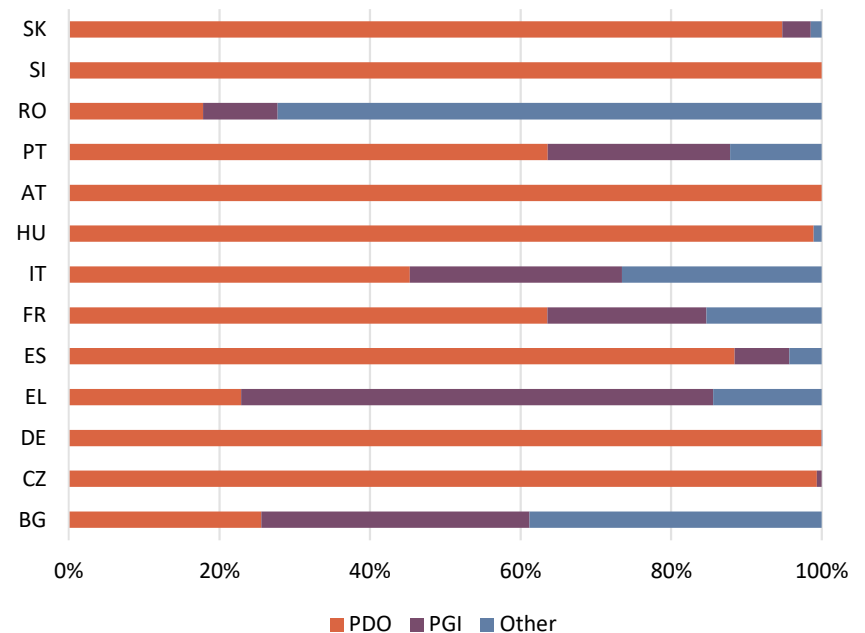




EFFECTS ON ADAPTATION TO THE MARKET AT GROWER LEVEL

- **Support for restructuring & conversion:**
 - Contributed to increased PDO/PGI production and conversion to market-adapted varieties.
 - Choices on the products to develop were mostly taken at individual level.
 - **The Scheme of Authorisations for new plantings:**
 - Was implemented for 2 years only: too soon to observe its effects on the structure of the production system and on land value.
 - Led to the development of non PDO/PGI wine grapes in some MS.
 - Authorisations correspond to 1% of vineyards: this seems to be too limited and too uncertain to be responsive to market trends.
- ➡ **In this context, growers continue to use mainly their still convertible ex-planting rights to develop new vineyards/products.**

DISTRIBUTION AMONG PDO, PGI AND OTHER TYPES OF WINE IN TOTAL VINEYARD AREA, IN THE MEMBER STATES





EFFECTS ON ADAPTATION TO THE MARKET

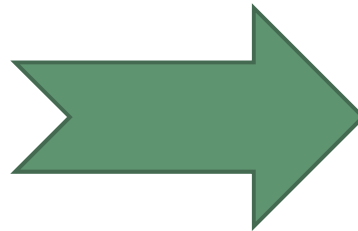
AT PRODUCER LEVEL

NSP measures

- According to the producers interviewed, the conversion support played a significant role in the **adaptation of the vineyard to varieties adapted to market demand**.
- The support for investments was used by producers to **invest in specific technical equipment and produce wine products suited to market demands** (e.g. rosé in France or Prosecco in Italy). Investments in equipment enabling energy saving also helped to meet customers' expectations for sustainable practices.
- The support for promotion contributed to a **better knowledge of consumers' taste and expectations on third markets** and improved reputation of EU wines on third markets.

EU final stocks of wine decreased by 5.9% over the 2010-2016 period.

Sales price of PDO wines increased over the 2014-2016 period (FR, HU, IT).



There are outlets for the different colours / types of EU wines

Eu wine production is coherent with market demand (no "structural surplus")

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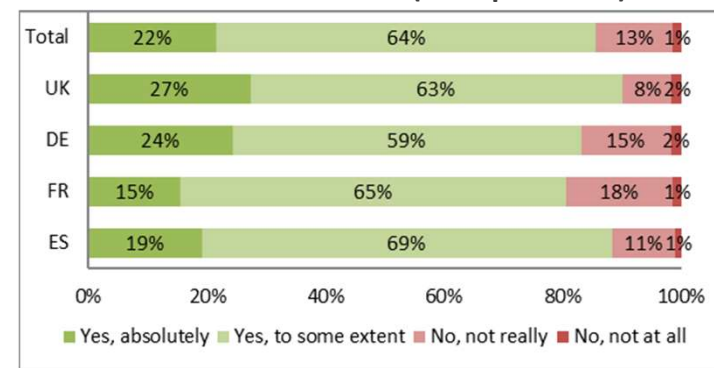


EFFECTS ON ADAPTATION TO THE MARKET

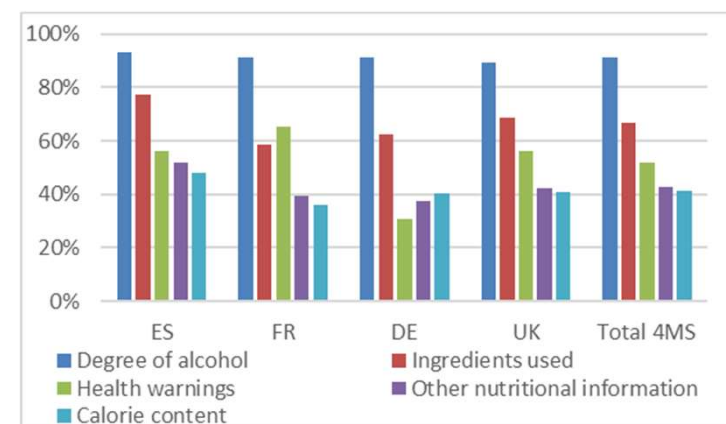
EFFECT OF EU RULES

- **EU labelling rules generally met the legitimate expectations of consumers.**
 - ➔ EU consumers generally consider that labels provide **clear and sufficient information**.
 - ➔ Expectations for more information on health warnings, calorie content and nutritional value.
 - ➔ Civil society organisations deplore the fact that alcoholic beverages do not fully follow the same provisions on food information to consumers as other products.
- **Labelling rules accommodated the adaptation of EU production to a variety of market segments** (varietal wines as well as more typical and authentic wines).
 - ➔ **Good compromise** to maximise market shares on all markets.
 - ➔ **Increasing concern for more transparency** on the environmental impact of wine products.
 - ➔ **Increasing demand for products with less alcohol content:** EU definition of wine (> 8.5° of alcohol) represents a potential limit to market adaptation.

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



Consumer satisfaction with information, regarding the proposed items (% respondents)



Source: IFOP for Agrosynergie, June 2018



EFFECTS ON QUALITY AND TRADITION PRESERVATION

Support for restructuring and conversion and for investments resulted in:

- ➔ **An increased availability of quality grapes and production of quality wine, with improved stability of the products.**
- ➔ **The maintenance of the vineyards in areas with high natural constraints, as a result of support for mechanisation and increase of productivity.**

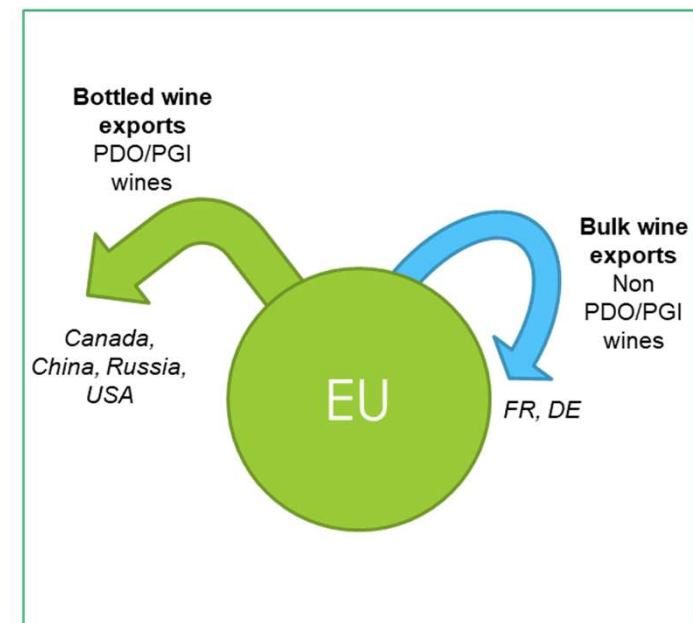
EU rules on oenological practices provide guarantee in terms of quality and safety to some extent, their effectiveness being closely linked with certification and control systems.

- ➔ **The efficient certification and control systems, implemented for decades by competent authorities, has fostered the production of quality wines.**



EFFECTS ON OVERALL COMPETITIVENESS OF THE WINE SECTOR

- The EU remains the world largest wine producer and exporter.
- Between 2000 and 2017, EU wine exports increased significantly :
 - Spain, Italy and France are the **main exporters of wine** (21%, 19% and 13% of the total volume of wine exported in 2016).
 - **EU bottled wine exports** towards Canada, China, Russian Federation and the United States increased (2015-2017). **PDO white and red wines** account for the largest share of bottled wine exported toward these third countries.
 - **Exports of bulk wine** significantly developed from 2010 and are mainly directed toward other EU Member States (notably France and Germany) and composed of non PDO/PGI wine.



Increase in EU wine exports



EFFECTS ON OVERALL COMPETITIVENESS OF THE WINE SECTOR

- **EU products are predominant in the imports of the main wine-importing countries:**
 - In 2016, the **share of EU wine was predominant (>50%)** in the imports of the main wine-importing countries.
 - Between 2010 and 2016, it had **increased in the USA, Switzerland, China and Canada**, but decreased in the Russian Federation, Japan, Hong-Kong and Angola.
 - **EU wines remain predominant in the products sold by wine online retailers.** However, they are challenged by non-EU wines in the segments of red and white wines.
- **The NSP has helped to guide the competitiveness improvement of EU wine producers/products** in the context of very positive market developments:
 - The restructuring & conversion and investments measures contributed to both market adaptation and cost efficiency in production, in particular by increasing the quality of EU wine products.
 - The promotion measure helped improve the reputation of EU wines, especially when significant efforts were made to increase their quality, with the help of other NSP measures

Penetration of foreign markets

EU wine products in the wine imports is > to 70% in DE, FR, NL, BE, Switzerland and Angola
And > to 50 % in the UK, the USA, Italy, the Russian Federation, China and Japan

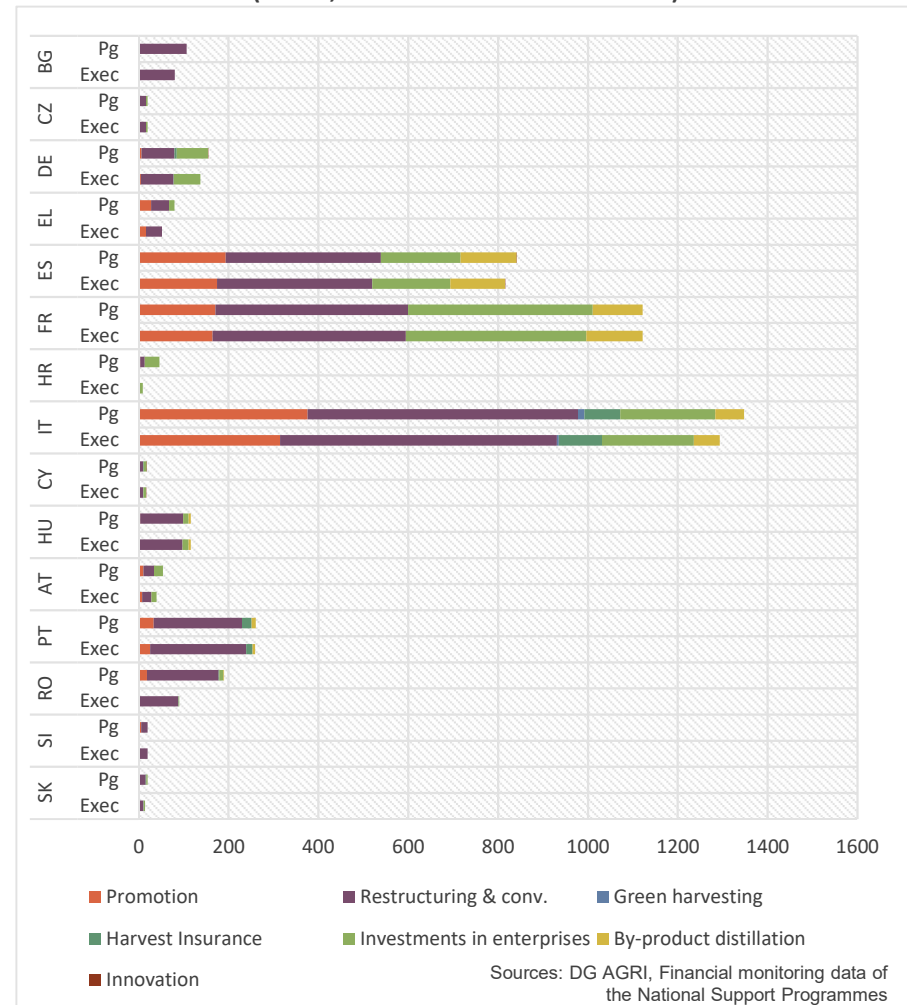




EFFICIENCY OF NSP MANAGEMENT

- **High execution rate overall**
- **Major factors of efficiency:**
 - Assurance of a budget available over a 5-year period
 - Possible to transfer funds between measures
- **Various management strategies:**
 - Strictly annual management: easy management but limited execution and perception of limited means
 - Multi-annual management: higher execution rates, adaptation of the budget to the absorption capacity, but high administrative burden
- **Administrative burden limited access to the promotion measure for smallholders**
- **The NSP control system is effective but results in a very high workload (100% of the beneficiaries audited on the restructuring and investments measures)**

Programmed and Executed budget, per measure
(in M €, cumulated from 2014 to 2017)





EFFICIENCY OF EU RULES

- **EU labelling rules are considered as simple to implement.**
 - Operators are used to them.
 - Restrictions for non PDO/PGI wines do not produce additional workload for control administrations.
- **Certification systems in Member States are effective.**
 - All phases of the wine production is checked, and cooperation between competent authorities works well.
 - Self-certification of information in the accompanying document is common in MS. The accompanying document is often used as an export certificate, but additional information is generally required by third countries
 - Computerised systems and a new multi-purpose export certificate will simplify procedures.
- **The system of monitoring and checks is highly reliable, and efficiency has improved.**
 - Robust systems of monitoring and checks with great cooperation between competent bodies.
 - Digitalisation of information (computerised vineyard register, excise movement and control system) and risk-based analysis for sample creation have allowed improvement in the monitoring and control of stakeholders and the system efficiency.
 - Communication on fraud between MS is mainly performed at national level but also with regional counterparts in the MS concerned.



JK+Crew / CSIRO





COHERENCE OF NSP WITH CAP AND EU OBJECTIVES

EU environmental objectives

Coherent with NSPs overall

- However, they have not been designed to directly foster environmental sustainability and climate action, except for by-product distillation support.
- The restructuring and conversion measure can potentially play a significant role, but its contribution depends on how it is implemented in the MS.
- As for the investments measure, the use of priority criteria was not sufficient to provide a real opportunity to foster overall energy efficiency and environmentally sustainable processes, since only the wealthiest producers made such expensive investments.

EU health objectives

No major inconsistency in NSPs

- Supported campaigns on EU quality schemes put to the fore the quality of the EU wine products and their compliance with EU standards meant to ensure the safety of consumers.
- As concerns campaigns on responsible wine consumption, there was limited interest among wine stakeholders, and some Member States chose not to finance information on responsible consumption under the NSP because of possible conflict of interests.
- In any event, more coherence between the EU wine policy and the EU public health objective could be sought after.

Economic and social EU and CAP objectives

Fully coherent with NSPs overall

- NSP measures acted in synergy to contribute to viable food production, to the economic growth of the regions and Member States concerned and to balanced territorial development:
 - by maintaining agricultural activities in lands where no other activity is possible, and
 - by maintaining or developing downstream activities in rural areas, such as wine processing, distilleries and oeno-tourism, etc.



COHERENCE OF NSP WITH CAP AND EU OBJECTIVES

Rural Development Programmes

NSPs and RDPs were designed to be complementary, and synergies are sought by Member States.

- Winegrowers and producers can apply for NSP support for investments, restructuring and conversion, innovation and harvest insurance.
- RDPs may support operations not eligible under the NSP (new plantings of vine, equipment to reduce the use of phytosanitary products, equipment against climatic events, etc.)

Horizontal regulation on promotion

The NSPs and the horizontal regulation on promotion are coherent and complementary.

- The constraints associated with the application for the horizontal regulation limited the interest of the eligible wine operators.
- In Italy, however, the horizontal regulation was used to support information actions, thus replacing the corresponding measure of the NSP.

Horizon 2020 and ERDF

- Used in the different Member States to fund operations of the wine sector, in addition to the NSP (e.g. research and innovation programmes or investments for external promotion).



For every scheme, demarcation criteria were set in the NSPs, and controls ensured that double-financing was avoided

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RELEVANCE OF NSP MEASURES

The NSP measures are generally relevant to the needs of the sector...

- ➔ **Restructuring and conversion, investment and promotion** measures **provide a range of tools adapted** to the various levels of development of local supply chains.
- ➔ **Risk management** measures (support for setting up mutual funds in case of market fluctuations and for harvest insurance to protect against natural disasters) appear relevant; however, the support for mutual funds was never been implemented, most probably thanks to positive market trends over the studied period.
- ➔ **Measures aimed at internal market equilibrium (green harvesting)** were relevant even though implemented to a very limited extent, in the context of relative market equilibrium.
- ➔ **Support to by-product distillation** is relevant as an incentive for producers to choose the most environment-friendly elimination process.

However, **some needs are insufficiently addressed:**

- ➔ **Maintenance and adaptation of the smallest operators,**
- ➔ **Generation renewal and training of the workforce,**
- ➔ **Environmental issues (adaptation to climate change, biodiversity and pesticide use).**



EU ADDED VALUE

The EU framework provided added value.

- It created a level playing field among MS,
- Adaptation to market demand would have been slower and may have left small players behind.
- It allowed a strategic approach and long-term planning across the sector in some MS.

EU labelling rules provide added-value in terms of fostering fair competition, facilitating trade and providing clear information to consumers.

EU rules on oenological practices and varieties

- Are relevant for competitiveness (differentiation of products, quality).
- Rules on varieties provided added value, since there are no international standards regarding authorised varieties.
- Add real value by limiting distortions across MS and recognising specificities.
- Changes proposed for authorised varieties are relevant to the current context

RECOMMENDATIONS

On existing NSP measures

- Better tackle environmental challenges through the NSPs, make greater use of the potential of NSP measures to contribute to changes in sector 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, to support the dissemination of innovations.
- Provide technical advice to the Member States to ensure equal access to the promotion measure for all beneficiaries in the EU.
- Support only promotion 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.

RECOMMENDATIONS

On the implementation of NSP

- Require better justification from Member States for their strategic choices as regards measures implemented and better monitoring.
- 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 risks of fraud.
- Maintain a stable NSP regulation over a programming period.

On the next generation of programmes

- 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 issues of pesticide use, environmental performance of the supply-chain, and generation renewal.

RECOMMENDATIONS

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*, to allow the development of vines resistant to disease or droughts.
- Include products with less than 8.5° of alcohol in the 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.

On EU rules on labelling

- Look for more consensus between health and agriculture authorities, both at Member State and EC level, for greater coherence among wine policy, public health, and consumer information objectives.
- Address consumers' increasing concern about transparency on the environmental impact of wine products.