

# PLANTING RIGHTS THE POSITION AT 8 JULY 2011

## *Background*

On 19 December 2007, European Union agriculture ministers agreed to reform the wine CMO after fierce negotiations. Despite the strong efforts of winegrowers and the opposition of the European Parliament, the abolition of planting rights wanted by the European Commission was forced to go through the bargaining process in accordance with a clear schedule:

- **1 January 2016**, the ban on planting will disappear at European level;
- **Until 31 December 2018**, each country can, if it wishes, extend the system;
- **From 1 January 2019**, anyone can plant vines anywhere they want.

The dangers of a liberalisation of planting rights are such that winegrowers have already been working for several months to raise awareness among public and community authorities. The stance of 11 European Union (EU) member wine producing countries, asking the Commission to modify community legislation before 1 January 2016 is a major advance. However, these States do not in themselves represent a majority vote within the EU Council of Ministers and for the moment there is no plan to reopen discussions. These efforts must therefore continue.



## *The regulation: a priority issue for viticulture*

### **1 January 2016: the break**

Conceived in France from 1936, the European Community took over the planting rights system in 1972. But wine has not escaped the wind of liberalisation that is blowing across Europe, thus the end of supervision of production capacity has been announced. In order to justify this decision the European Commission considers that this is the removal of an obstacle to farming development.

With a total freedom to plant, all wines that meet the specifications could be claimed as

RDO and PGI (formerly vins de pays). Wines without geographic indication (wines without GI) with their recognised flexibility such as unlimited yield, extended oenological practices, improvements in labelling, etc. can help to diversify the offer.

On paper, the position is tempting. In reality, it is more of an illusion because the consequences of liberalisation are much more serious than they seem.

## Destabilising the markets and the wine sector

One immediate consequence of the freedom to plant would be the increase in production and the imbalance between supply and demand. In the front line, RDO could see its production triple with over 1 million hectares available in a designation's area.

The situation is equally concerning with regards to wines without GI. Their production could increase in mixed zones, close to designation areas, but also in regions where there are currently no vineyards. Some non-wine producing regions and central European countries have already expressed their intention to create new vineyards.

Of course, this freedom will benefit the winegrower on site, but also any farmer or investor who wanted either to diversify or retrain.

## A major collective impact

A liberalisation of planting rights would have dramatic long-term consequences for the community:

- On the landscapes, with the relocation of certain vineyards from the hillsides to the plains for easier access and to be closer to water resources;
- On the environment (biodiversity, soil erosion) and town and country planning;
- On tourism, particularly where the 'wine route' has been successful in certain regions;

### Differences between RDO planted areas and available areas by vineyard

French regions	Defined RDO area	Planted area 2008	Available area
Alsace	20,000	15,500	4,500
Beaujolais	38,000	20,000	18,000
Bordeaux	220,000	120,200	101,800
Cognac	699,000	73,000	626,000
Bourgogne	59,000	28,000	31,000
Champagne	34,000	33,500	500
Jura	11,000	1,800	9,200
Savoie	4,300	2,100	2,200
Languedoc-Roussillon	342,000	60,000	282,000
Côtes-du-Rhône	120,000	61,000	59,000
Centre	8,900	5,200	3,700
Val de Loire	112,000	44,500	67,500
<b>Total</b>	<b>1,670,200</b>	<b>464,800</b>	<b>1,090,800</b>

European regions	Defined areas	Planted areas
Rioja	350,000	59,212
Porto/Douro	250,000	45,000
Chianti	35,000	17,000

- On employment, with a concentration of the offer and the disappearance of small family farms;
- On the image of wine.

Individually, rights held in portfolios would lose any value and the price of the land could be seriously weakened by changes in the market.

### THE EXAMPLE OF THE ALSACE VINEYARD



The enormous breakthrough in the quality of Alsace wines took place at a time when winegrowers were leaving the plain to return to the hillsides. This small 15,600 ha vineyard has 5,000 producers and helps to create 20,000 jobs. Shaping the landscape, it embodies the region's rural character and contributes to tourism development. Indeed, every year Alsace attracts 7 million visitors, 85% of whom come to explore the wine route. In the event of the liberalisation of planting rights, the vineyard's return to the plain would make it possible to maintain current production with only 8,000 ha of vines, a hundred or so winegrowers and 5 wine production structures. However, there would be no hope of maintaining the level of quality or even the number of tourists on abandoning Alsace's wine identity.

*The objective: to reintroduce a mechanism for regulating production*

### MANAGEMENT OF ALL WINES

The change in the planting rights scheme because the Commission believes it is too strict is not a problem provided that we reconsider the principle of a freedom to plant without any safeguard. This is about reintroducing a mechanism that would be used to control production capacity. And **this applies both to RDO and PGI as well as to wines without GI**. In the end, there are two objectives that should help to satisfy individual and collective challenges:

- To support farming development and the diversification of production
- To ensure a balance between supply and demand

### THE DIFFICULTLY IN MOBILISING POLICY MAKERS

Until now, policy makers were making little or no effort on this subject. We know that the European Commission is very closed and for a long time Member States have stayed quiet; Germany alone took a strong position in 2010 and France joined it at the beginning of the year with the intervention of its President.

*“I am opposed to the liberalisation of planting rights. To abolish or liberalise planting rights [...], is ultimately to condemn a culture of expertise and quality. [...] This is an idea which will lead to catastrophe”, N. Sarkozy, 18 January 2011, during his address to the farming community.*

On 4 April, a forum was organised by the Senate's viticulture study group, presided over by Gérard César, on the subject of planting rights. In addition to the significant attendance of 200 people, this event brought together members of parliament from several EU member countries all agreeing to say that the mechanism for regulating production as well as viticulture specificities should be maintained in the next CAP reform. The agriculture minister, Bruno le Maire, announced his approach aimed at uniting other countries around a strong position. Thus:

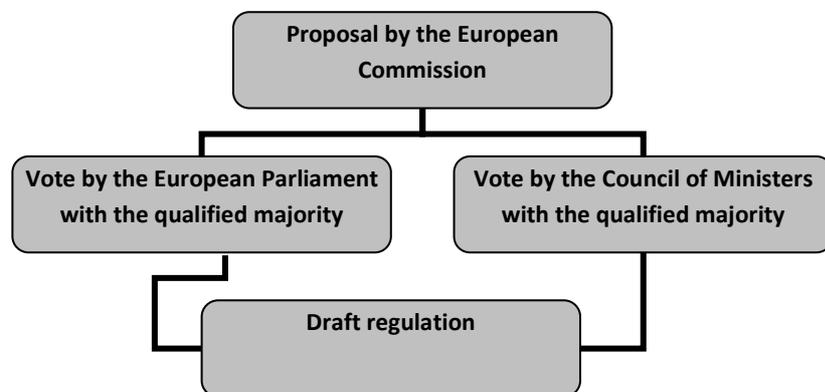
- Several days after the forum, Italy, Austria and Hungary declared their opposition to the liberalisation of planting rights.



- On 14 April, 9 wine producing countries (**Germany, France, Italy, Cyprus, Luxemburg, Hungary, Austria, Portugal and Romania**) sent a letter to the Commission in which they declared that they were in favour of the planting rights scheme continuing beyond 2015. They asked the Commission to modify the community regulation before the 1 January 2016 so as to maintain a European planting scheme for all wines.
- In early May, the Spanish agriculture minister publically responded to the “accusation” by the president of the Rioja autonomous region by confirming that **Spain** is against the liberalisation of planting rights and if necessary, she would sign the letter. This will have been during May.
- In late May, **the Czech Republic** also declared itself to be against this liberalisation of planting rights, thus bringing the number of countries to 11.
- On 23 June 2011, **the European Parliament adopted the Dess report on the future of the CAP**. European ministers asked for planting rights to be maintained beyond 2015 and wanted this issue to be handled as part of the progress report to be drafted by the Commission in 2012.

### A COMPLEX PROCEDURE

To return to the liberalisation of planting rights, there must be a proposal by the Commission, then a decision by the 27 member countries of the European Union in agreement with the European Parliament. All in accordance with the extremely complex absolute majority rules.



14 Member States and 255 votes are needed to obtain a majority vote within the European Union. The group of countries that have signed the letter to the Commission only amount to 11 Member States and 182 votes. **Thus, 3 more Member States and 73 votes** are needed to hope to win the vote.

This means that efforts to mobilise other wine producing countries (Greece, Slovakia, Slovenia, Bulgaria and Malta) must continue, but will still not be sufficient since wine producing countries only represent 218 votes. Sooner or later the **support of one or several consumer States**, who are, for the moment, totally indifferent, will be needed. The network of local authorities will also be an important support.

## *The urgency of making a decision*

### **There is no planned reopening of the discussions.**

With the exception of the CAP reform, no European text on viticulture appears on the agenda of European institutions before 1 January 2016. Some consider that the subject of planting rights should be included in the progress report on the CMO to be drafted by the Commission in 2012. However, winegrowers think that **this issue should be resolved in 2011.**

Postponing the discussion until after 2012 and leaving it to a progress report is dangerous:

- There is nothing forcing the Commission to make a legislative proposal after this progress report;
- The expansion to other viticulture topics risks dividing wine producing countries as was the case in 2008 (e.g. Chaptalisation);
- The cumbersome decision making process may create difficulties in making a decision before 2015;
- Finally, the re-election of the Commission in 2014 could lead to a legislative standstill in the preceding months.

#### SCHEDULE

- **October/November 2011:** legislative proposal on CAP reform
- **Late 2012:** in principle, Council/European Parliament agreement on the CAP
- **Late 2012 - Early 2013:** progress report on the organisation of the wine market
- **2013 :** national arbitration on the CAP
- **July 2014:** new European Parliament
- **November 2014:** new Commission
- **1 January 2016:** liberalisation of planting rights

At the current time, neither the Commission nor the Member States, concerned with the CAP reform have planned to reopen the short-term discussion on regulating wine production capacity.

**A later return to the discussion risks leading to the status quo, i.e. the liberalisation of planting rights.** Winegrowers are asking the **Council of Ministers to decide on the new positions quickly** and calling on the **Commission to produce a new legislative proposal in 2011.** ■