Wine appellations & EU measures to respond the COVID-19 crisis

EFOW, the **European Federation of Origin Wines** (www.efow.eu), is the Brussels-based organisation representing PDO and PGI wines towards European and international institutions.

The European wine sector is the example of a modern, value-added business rooted in a skill-rich tradition which cannot be outsourced or imitated on the cheap. Its model of production supports a network of small, often family-owned businesses that provide key jobs directly and indirectly in rural areas. **There is just no alternative to wine production in many regions across the EU**. Add to that the thousands of jobs generated through oenotourism and you begin to see a more complete picture of the sector's contribution to the economy. Geographical Indication (GI) wines represents 60% of EU production in terms of volume but over 80% in terms of value.

COVID-19 economic context

The COVID-19 situation is of enormous concern due to the **significant loss of sales and income brought by the closure of the HORECA and other distribution channels. The crisis has also a devastating impact on wine export markets, wine-makers' activities and the oenotourism sector**.

The only marketing channels that are still active in most Member States are the wholesale retailers and e-commerce. However, many wine appellation operators are not present in supermarkets and the e-commerce channel is still highly under-developed in our sector. **Many GI wines operators are barely moving wines except for occasional export operations**.

Moreover, as the hotel and catering industry is closed, its distributors and the hoteliers are delaying payments. **This implies that on top of the loss of sales, operators are also facing non-payments and significant liquidity problems which could force many wineries to close down**. This will have an important impact in terms of loss of jobs and businesses in many rural areas across the EU.

The COVID-19 crisis adds to other on-going crises faced by the wine sector in export markets, namely the 25% *ad valorem* US tariffs and the difficulties faced in Asian countries.

The need for CMO market measures

The CMO Regulation includes several important tools which must be activated to support operators and ensure that they can navigate through these troubled waters.

1. It is of the outmost importance that **unused wine CMO funds remain at the disposal of Member States (and not be returned to the EU budget) to finance measures that would help operators notably those included in the Wine National Support Programmes (WNSP) but also other types of measures if necessary.**

2. It is essential **to provide each Member State with maximum flexibility in the management of its WNSP. Operators may no longer be able to keep their initial commitments and should not be penalised if they can no longer or no longer wish to implement an action.**

This might be the case of numerous WNSP measures (ex. investments, restructuring/reconversion of vineyards, promotion, innovation etc.). In practice, this inability to implement foreseen actions will free some budgets. These budgets should be made available to tackle other pressing demands.

3. **As the priority is to stabilise markets, it is fundamental to activate all market measures available to the wine sector.**

    a. **WNSP have market support measures which should be temporarily adjusted to allow for a quick response.**
        i. **Green Harvesting**: as it is impossible to know when the crisis will end, it is difficult for operators to take a decision now as to the possible use of this tool. This situation requires a modification of the provisions which refer to the "*total destruction or removal of grape bunches while still in their immature stage*". It is crucial to allow operators to activate this measure even if the grapes have matured. This means that the deadline for the activation of this measure should be postponed. Furthermore, the percentage of eligible funding should also be modified from 50% to 80%.
        ii. **Mutual Funds**: These funds might help operators finance activities to secure markets in the long run and their scope should be as large as possible.

    b. Member States should be allowed to **activate article 216 of EC Regulation 1308/2013** regarding payments for **distillation of wine in cases of crisis**. Member States should use exceptional amounts outside of the WNSP budget and the total budget available should be higher than the one defined by article 216 (i.e. higher than 15% of each Member States WNSP).

    c. **As the COVID-19 has generated a period of severe imbalance in wine markets, the European Commission should act to adopt exceptional measures available under articles 219 and 221 of EC Regulation 1308/2013 to support the wine sector such as**
        i. **Stock wines**
        ii. **Grub-up vines**
        iii. **Export refund operators affected by the US tariffs**

    d. **The European Commission should also activate article 222 of EC Regulation 1308/2013 to allow recognised wine producer organisations, and recognised wine interbranch organisations to take decisions to stabilise the sector.**

4. **Member States should be allowed to co-finance information campaigns in the Single market on GI wines to relaunch the dynamism of the EU market.**

The need for CMO regulatory measures

As per market measures, each Member State should have maximum subsidiarity in deciding on the implementation of regulatory measures to its national operators.

1. It is of the outmost importance to allow a **1-year extension of the validity of planting authorisations held by producers** (derogation from Article 62, paragraph 3 of EC Regulation 1308/2013) **ending in 2020 and in 2021 and *mutatis mutandis* for replantings** (derogation from article 66, paragraph 2 of EC Regulation 1308/2013). Furthermore, given the changed

market situation, should operators no longer wish to plant or replant, **penalties should not apply**.

2. Member States should be allowed to grant a **temporary flexibility for indicating the 2020 vintage for some PDO wines**. This is important for those which have an important stock from 2019 due to the impact of the US tariffs and the COVID-19 crisis and will have a weak harvest due to frost or other adverse meteorological conditions. A derogation could be introduced: from 85% to 70%. This would be subject to a decision from the national authority and should be evaluated on a case-by-case basis linked to two factors mentioned above: an important stock of the PDO wine and adverse climate conditions which have partially destroyed the 2020 vintage.

   <u>Draft amendment proposal</u>:

   Considering that the COVID-19 global pandemic has had a major impact on wine sales in all distribution networks, that the crisis period occurred during the most favourable period for the disposal of the 2019 vintage stocks, a period which cannot be postponed for certain wines whose seasonality is very marked on the one hand and which are not considered as long ageing wines on the other hand, that in addition to the COVID-19 crisis, some European wines have seen an important fall of their sales in the US due to the 25% ad valorem tax;

   Considering furthermore that some vineyards have suffered a frost of considerable magnitude, suggesting a very small harvest in 2020, that the frost is an aggravating factor in the deterioration of the turnover of wine producers,

   Considering that the 2019 vintage may present qualitative criteria allowing it to be blended with the 2020 vintage without damaging the final product and without altering the perception that the consumer will have of it in his act of purchase,

   In view of these various factors, the Member State concerned should be able, on an exceptional basis for wines produced on their territory, to authorise a relaxing of the blending rules for the 2020 vintage provided for in Article 49 of Delegated Regulation 2019/33 in order to ensure continuity of supply to the market and avoid the destruction of quality wines.

   "On an exceptional basis, by way of derogation from Article 49 of Delegated Regulation 2019/33, for the 2020 vintage, Member States may authorise certain wines produced on their territory to mention the vintage year on the labelling, provided that at least 70% of the grapes used were harvested during the year in question".

3. **Temporary amendments** of GI wine specifications should be allowed and encouraged in this time of crisis. The EU legislation provides for temporary amendments *"resulting from the imposition of obligatory sanitary and phytosanitary measures by the public authorities or linked to natural disasters or adverse weather conditions formally recognised by the competent authorities*". Given the exceptional circumstances, the COVID-19 crisis should be assimilated to a natural disaster.

4. A **temporary derogation to Regulation (EU) No 1144/2014** to allow GI wines to undertake alone simple programmes should be considered in this difficult moment.