



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.07.1998

COM(1998) 370 final

98/0126 (CNS)

Proposal for a
COUNCIL REGULATION (EC)

on the common organization of the market in wine

(presented by the Commission)

EXPLANATORY MEMORANDUM

The following proposal for legislation which the Commission is transmitting to the Council, Parliament, Economic and Social Committee and Committee of the Regions seeks to implement changes to the common market organization for wine. It follows the overall guiding principles of the Agenda 2000 proposals for changes to the common agricultural policy. Accordingly, a detailed analysis of the wine sector has been made and published as a working document in the CAP 2000 series, entitled "Situation and Perspectives - Wine." ("Situation et Perspectives - Vin").

THE COMMUNITY WINE SECTOR

The Community wine sector, in terms of production, consumption and trade plays a significant role on a global scale. Community vineyards currently account for 45% of the world's production area and some 60% of volume, whilst Community consumers account for almost 60% of worldwide consumption. The Community is also the world's foremost exporter and importer of wine. Nevertheless, as is also recognized in the Regulation for rural development as part of Agenda 2000, the contribution of wine to the economy can vary significantly from region to region. Beyond its economic role, the production and enjoyment of wine continues to make a vital contribution to the Community's culture, heritage and in preserving the landscape and environment in a wide diversity of regions.

In considering the reform, it has been important to take account of the specificity of wine as a product and the vineyards which produce it. Wine is an extremely diverse product in terms of quality, price, production methods and origin. Vineyards are similarly diverse and differ significantly from other commodity sectors, in particular in terms of the length of their productive life (up to 30 years), which necessitates a longer term strategy for the sector.

1. THE NEED FOR REFORM OF THE COMMON MARKET ORGANIZATION

Establishment of a common market organization for wine began in 1962. The existing framework was established in 1987 and responded to the situation in the sector in the 1980s; a period when Community production had been characterized by frequent and persistent surpluses.

Since that time, there have been important changes in the European wine sector. Developments in the market situation have resulted in fewer surpluses in recent marketing years, as a result of grubbing-up measures and adjustments in 1987 to the common market organization, as well as conjunctural factors such as climate. The area in the Community planted with vines has decreased from almost 4 million hectares in 1987 to 3.4 million hectares in 1997. The overall impact on production from this reduction in vineyard area has been increased, to some extent, by the use of lower yielding, higher quality grape varieties, but to a greater extent by the ageing of vineyards, due to the fact that they have been renewed at an insufficient rate.

Reconversion measures were last available to producers in the common market organization between 1980 and 1994 (Council Regulation (EEC) No 458/80). These measures combined with the availability of abandonment premiums had a particularly positive impact in Languedoc-Rousillon. Production in this region reduced from 30 million hectolitres annually to 20 million hectolitres and is significantly more targeted to market demand.

With the exception of certain regions, the Commission recognizes that the most significant market problem currently facing the Community wine sector is its limited ability to adapt sufficiently rapidly to competitive changes on both the internal and external market.

Alongside developments in the market situation, policy developments such as the implementation of the Uruguay Round agreements in July 1995 and the enlargement of the Community from 12 to 15 Member States, have had an impact on the sector.

The implementation of the Uruguay Round agreements resulted in reductions in subsidized exports of Community wines. Whilst the majority of Community producers export without subsidies, their reduction reinforces the need for Community producers to continue to improve their competitive performance. In the case of imports, the Agreements resulted in potential increased access for third country wines through the removal of the protective reference price system and the lowering of customs duties. The result is that the traditional intervention measures of the current market organization can no longer control volumes and prices in a less defined and more open Community market. As such, any measures taken would simply attract additional quantities of imports and prices could not increase beyond the price of imported products.

In addition to these developments, the sector will need to anticipate the future expansion of the Union, already analysed in Agenda 2000. In addition, the new round of agricultural talks under the WTO will require measures to ensure Community producers' increased participation in the expanding world market and less reliance on market support.

There is a general consensus that these developments make a reform of the present market organization necessary. The system no longer addresses the current situation in the sector and there must be a refocusing of objectives to take account of the new situation, in line with the overall objectives of Agenda 2000. In particular, the current system has failed to offer solutions for wine-growing areas where production is clearly unable to find a remunerative market and, for those areas with expanding markets, there has been insufficient scope for development. In addition, it is clear that the excessive amount of legislation which exists, albeit due to the sector's highly technical nature, requires simplification.

Thus the Commission, whilst recognizing the specificity of the wine sector, considers the reform of the wine sector should take account of seven broad aims:

- maintaining improved balance between supply and demand on the Community market, allowing producers to take advantage of expanding markets;
- enabling the sector to become more competitive in the longer term;

- eliminating the availability of intervention as an artificial outlet for surplus production;
- continuing to maintain all traditional outlets for potable alcohol and vine-based products;
- accommodating regional diversity;
- formalizing the potential role of producer and interbranch (or equivalent) organizations;
- considerably simplifying legislation.

The Commission recognizes the importance of maintaining the improved balance between supply and demand, which has characterized the Community market during recent years due to a series of lower Community harvests and measures undertaken within the common market organization.

In 1997/98 total Community wine production was around 160 million hectolitres, comprising 58 million hectolitres of quality wine, around 91 million hectolitres of table wine and 13 million of other wines. In 1987/88 (EU 12) production exceeded 200 million hectolitres; comprising 51 million hectolitres of quality wine, 135 million hectolitres of table wine and over 15 million other wine. The wine-growing area itself has declined from almost 4 million hectares in 1987 to 3.4 million hectares in 1997.

There is also evidence that the decline in consumption which began in the late 1980s/early 1990s, has slowed, due in part to the increased consumption of quality wines offsetting the decrease in consumption of table wines (see also CAP 2000 Wine report). The result is that the current level of Community production potential satisfies overall demand.

Nevertheless, the occurrence of surpluses on a pluriannual basis remains possible, in particular given the sector's inherent potential for marked fluctuations in production from one harvest to the next. In addition, certain regions in the Community remain with persistent structural surpluses and where production is no longer adapted to demand. In contrast, other areas produce wines for which demand (on the internal and external market) may outweigh supply, therefore justifying their expansion.

Therefore, the reform must guarantee a dynamic equilibrium in the market; accounting for areas with surpluses and those where expansion is justified in the context of the need to maintain a balanced Community market within the wider global marketplace. Whilst the reform will allow for a positive expansion in the sector by means of a new, more flexible regime for planting rights, investments already made in grubbing up measures since 1988 should not be undermined.

Enabling the Community wine sector to become more competitive in the long term is a key objective of the reform, in order to guarantee increased participation by Community producers in an increasingly competitive, yet expanding global market. The exposure of Community producers to external competition, already begun as a result of the implementation of the Uruguay Round agreement, is likely to be further increased as a result of measures negotiated within the next WTO Round negotiations.

It is clear that in certain regions production, mainly of more basic table wines, has not kept pace with changes in consumer demand, which increasingly favours higher quality products of a distinctive character. In such regions, measures will be made available to make production market orientated, i.e. by means of varietal conversion, relocation of vines, adaptation of vineyard management techniques. Measures will not contribute to the normal renewal of vineyards, which is required as a matter of course when vineyards are at the end of their productive life. A distinction will be made between those measures available within the market organization and those available to producers via the new rural development regulation.

Since wine will be eligible within the Commission's forthcoming generic promotion measures, specific sectoral measures for promotion do not feature in the proposal. The integration of wine into the overarching export strategy foreseen is intended to enhance the benefits for high value products, such as wine, where generic promotion on export markets is known to be cost effective. The scientific findings highlighting the potential benefits of moderate wine consumption may be a relevant point of departure in this context.

Eliminating intervention measures as an artificial outlet for surplus production is necessary to reinforce the aim of ensuring vineyards produce for the marketplace. For investments in improving competitiveness to be effective, any assistance for such measures cannot be supplemented by permanent guarantees for disposing of unmarketable products.

Moreover, intervention measures have lost their potential impact as it is impossible to raise floor prices within the Community following the abolition (post Uruguay Round) of the reference price system. In terms of volumes, removing quantities of wine from a more open market merely creates a gap which can be filled by more imports.

Existing intervention measures in the market organization take the form of a range of voluntary and compulsory distillation measures. Over time, a number of these measures have lost their relevance and will, therefore, be abandoned. Measures which take account of the current situation (reduced likelihood of surpluses and more open market) are proposed.

The existing obligatory distillation measure for grapes not solely classified as wine varieties, which absorbs surpluses of some 2 million hl annually, will be retained. This will be a transitional measure in order to avoid market disruption, pending the introduction of reconversion or grubbing-up measures to adapt or remove production potential.

The Commission considers there is justification for maintaining all traditional outlets for Community produced potable alcohol and vine-based products. In the case of potable alcohol alone, an average of 14-15 million hectolitres of wine is required by the Community potable alcohol industry annually. This concerns a total of around 1 million hectares of Community vineyards. In the case of vine-based products (eg. grape juice, vinegar, aromatized wines), some 6.5 million hectolitres of wine are required annually to supply these markets. Thus the sector represents a vital complement to the production of wine itself, in terms of maintaining employment, conserving traditional landscapes and environments.

Accommodating regional diversity where appropriate is a key consideration of the reform. Agenda 2000 has highlighted the diversity of agriculture in the fifteen countries of the Union and that Member States should have the means of settling issues by taking better account of the diverse characteristics and local conditions which apply. This is particularly relevant to the wine sector given the often extreme diversity not only between Member States, but at regional level. Retaining control of measures which directly affect vineyards within the common market organization in conjunction with recognition for producer and interbranch (or equivalent) organizations, will allow specific local conditions to be addressed. The establishment of regional reserves of planting rights in conjunction with national reserves provides increased involvement in the operation of the common market organization at regional level.

Simplifying legislation in the sector is necessary given the large number of Council Regulations currently in application (23). These existing Regulations have become too detailed and complex and some have become redundant or obsolete. Incorporating legislation into the proposed single Council Regulation will result in improved transparency and will aid compliance. In relevant cases, in particular technical issues, there has been increased delegation of responsibility to the Commission and increased subsidiarity by delegating appropriate matters to Member States. The Council remains responsible for all substantive decisions, following the opinion of the Parliament.

2. MEASURES IN THE PROPOSED REFORM

In order to achieve the seven broad objectives outlined above, the following measures are proposed. They include: (i) new measures and (ii) certain existing measures, which are refocused as necessary to address the new situation:

To contribute to maintaining improved balance between supply and demand, the existing ban on new vineyard plantings should be retained for a further transitional period. Where replantings (i.e. those plantings which do not lead to an increase in the overall area under vines) are permitted, there will be a technical change to the existing rules to allow grubbing to take place following replanting.

However, in order to enable plantings in areas with expanding demand, an initial quantity of additional planting rights will be allocated to Member States via a new system of managing planting rights, with priority for young entrants to the sector. The system will involve establishing "pools" (i.e. reserves) of planting rights and is intended to be more flexible than the existing arrangements by facilitating transfers of unused planting rights to those producers in greatest need. In the first instance, the reserves will exist at regional level: any rights not used at regional level will flow to a national reserve, administered by the Member State.

A pre-condition for regions or Member States receiving any of the initial quantity of additional planting rights or transferred rights will be the completion of an inventory. The inventory will include information on areas under vines, varieties and planting rights and, as such, will act as a control and monitoring tool for plantings. The existing Vineyard Register (Casier Viticole) remains in force to enable Member States to complete it and the Commission will review its future role in the light of the introduction of the inventory.

The allocation of additional planting rights will also be dependant on Member States dealing with cases of irregular plantings (i.e. new plantings made where no planting right had been obtained). The total quantity of additional planting rights will be equivalent to 1% of Member States' respective production areas (approximately 34 000 hectares in total). These quantities must be reduced by the quantities of irregular plantings identified in the case of each Member State before 1 August 1998. This regularization must be carried out under strictly controlled conditions and may require producers to purchase planting rights to cover the areas concerned.

Grubbing-up measures are to be retained, but will be more specifically targetted by Member States in those regions with serious and persistent structural surplus.

To support the objective of continuing planting limitations within the market organization, measures to improve the sector's competitiveness which have a direct impact on production potential, namely the vineyards, are kept within the scope of the market organization. Other "restructuring" measures not aimed directly at the vineyards (i.e. cellars, marketing infrastructure, promotion, training) will be available to producers via either the Agenda 2000 rural development regulation or other appropriate horizontal regulations.

Thus the measures available within the market organization will be reconversion measures, aimed at adapting vineyards to produce marketable wines. Such measures will typically include varietal conversion, relocation of vineyards and adoption of new production techniques and provisions may be introduced by the Commission to ensure there is no resultant increase in production. A clear distinction between reconversion and renewal of vineyards required as a matter of course will ensure that only reconversion is eligible for Community financing. To ensure effective controls, the inventory required as a pre-condition for receipt of planting rights will function in the same way for Member States, regions and producers wishing to benefit from reconversion measures.

These measures may be carried out at sub-regional (via producer, interbranch or equivalent organizations), regional or Member State level. In addition, to account for the possibility that the measures are more appropriately carried out by those with direct knowledge of the sector and market requirements, Title IV formalizes the role of producer organizations and those organizations (interbranch or equivalent) representative of the sector. It is envisaged that producer organizations will contribute to the sector's performance in better targetting supply to demand, reducing production costs and promoting the use of environmentally sound practices. Interbranch (or equivalent organizations) will carry out a range of activities which contribute to the performance of the economic activities of the sector.

Community funding for reconversion measures will be necessary for two components:

- (i) for loss of receipts in either the case of producers who retain both old and reconverted vines until the reconverted vines become productive (no compensation needed) or, those who grub and replant on the same plot at a later date (full Community financing).
- (ii) for the material costs of reconversion at the level of 50% Community funding (75% in Objective 1 areas), the remainder being met by the beneficiaries.

Eliminating intervention as an artificial outlet for production will be achieved by a refocusing of intervention mechanisms. The following existing measures are abandoned: “preventive distillation” (Article 38 of Regulation (EEC) No 822/87), compulsory distillation of table wines (Article 39 of Regulation (EEC) No 822/87) and “support distillation” (Article 41 of Regulation (EEC) No 822/87). In the light of the reduced likelihood of surpluses and more open market, the Commission considers that, in addition to a specific measure to supply the potable alcohol market (see below), the following measures are required:

- a “crisis” distillation measure, available on a voluntary basis, to deal with exceptional cases of market disturbance and serious quality problems. If used, it can also act to ensure continuity of supply from one harvest to the next. Prices will be determined by the Commission, based on the market situation;
- private storage aid is retained to ensure continuity of supply, with the addition of technical changes;
- the distillation of by-products measure to avoid the over-pressing of grapes will be retained as a quality measure in its current form, pending a more cost effective solution;
- the specific measure for distillation of wine from non wine-grape varieties remains unchanged as a transitional measure.

Alcohol distilled as a result of intervention measures will no longer be owned by Member States.

Whilst the Commission already seeks to maintain traditional outlets for wine and vine-based products, the current system for supplying the potable alcohol market via preventive distillation has not been sufficiently effective. It is therefore proposed to replace preventive distillation by a specific distillation measure for the potable alcohol market (Title III). In order to account for potential fluctuations in supply from the potable alcohol sector and avoid the accumulation of unnecessary surpluses, the system will be applied flexibly and operate in conjunction with a system of private storage aid contracts.

Outlets for vine-based products, such as grape juice, will continue by the retention of existing aid measures.

Rules on oenological practices as well as product specifications (description, designation, presentation and protection) are included in the proposal (Title V). In appropriate cases, detailed technical rules have been transferred to Commission competence for greater simplification and efficiency. No significant changes have been made in the short term. Existing rules on the issues of enrichment and acidification have been reproduced in the proposal with the exception of minor, non substantive technical changes.

Title VI outlines the basic principles for quality wines psr, which had previously featured in a separate Council Regulation ((EEC) No 823/87). Matters relating to descriptions, designations, presentation and protection have been delegated to Commission powers to improve transparency whilst retaining the current level of protection. Whilst there has been no change to the substance of the rules on quality wines, their inclusion in the

Regulation is intended to improve transparency and there has been a radical simplification of the other existing Council Regulations in application.

Title VII explains the arrangements for trade with third countries, in particular requirements for the presentation of import licences, entry prices, the operation of tariff quotas, export refunds, safeguard measures as well as various technical standards.

In more general terms, the Commission intends to take a more active role in the forum of the OIV given that it is not currently a member in its own right. The Commission will continue to employ the scientific competence and techniques of the European Office for Wine, Alcohol and Spirit Drinks within the Joint Research Centre at ISPRA to carry out checks on wine products and to ensure the correct implementation of Community rules.

3. CONCLUSIONS AND IMPACT

The proposal establishes a new Common Market Organization for Wine and seeks to achieve the general objective of uniform application of the common agricultural policy. The measures proposed fall within the exclusive competence of the Community and will apply from 1 August 2000.

The proposed Regulation repeals Regulations (EEC) Nos 346/79, 351/79, 460/79, 456/80, 457/80, 458/80, 1873/84, 895/85, 822/87, 823/87, 1442/88, 3877/88, 4252/88, 2046/89, 2048/89, 2389/89, 2390/89, 2391/89, 2392/89, 3677/89, 3895/91, 2332/92 and 2333/92. Where appropriate, elements of these Regulations have been retained in the new CMO. For reasons of clarity, simplification and transparency, it is considered appropriate to replace the current Regulations with a single Regulation.

The proposed measures aim to have a positive impact on the competitive performance of the Community wine sector in the context of an expanding global economy. The measures will address the new situation in the sector in the immediate and medium term (over a period of ten years).

The availability of reconversion measures to adapt vineyards to the market will be beneficial to small and medium-sized enterprises, as will the formalization of producer and interbranch (or equivalent) organizations. Their establishment will also be of potential benefit to the environment. Their aims include those specifically targeted at promoting environmentally sound techniques to protect the quality of water, soil and the landscape and to preserve and encourage biodiversity.

The market mechanisms proposed will refocus their aims to the current situation; i.e. maintain all traditional outlets for wine and vine-based products, allow the Commission to address exceptional cases of serious structural surplus, ensure continuity of supply and ensure the quality of wine reaching the market. A number of obsolete mechanisms are removed as is the possibility of finding artificial outlets for unmarketable products.

The successful application of reconversion measures is intended to reduce any potential need to trigger the crisis distillation measure and the Commission will target the objectives of reconversion measures flexibly, according to the sector's needs.

The new system for planting rights will enable a disciplined increase of Community wine production potential to enable development of areas with a manifest need. A new system for managing planting rights will lead to greater flexibility and allow for the regularization of plantings. The introduction of an inventory will enhance controls and information.

The radical simplification which the proposal achieves will vastly improve transparency and understanding in the sector.

Proposal for a
COUNCIL REGULATION (EC)

on the common organization of the market in wine

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 42 and 43 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Having regard to the opinion of the Economic and Social Committee³,

Having regard to the opinion of the Committee of the Regions⁴,

- (1) Whereas the operation and development of the common market in agricultural products should be accompanied by the establishment of a common agricultural policy to include in particular a common organization of agricultural markets which may take various forms depending on the product;
- (2) Whereas the aim of the common agricultural policy is to attain the objectives set out in Article 39 of the Treaty and in particular, in the wine sector, to stabilize markets and ensure a fair standard of living for the agricultural community concerned; whereas these objectives may be attained by adjusting resources to needs, in particular through the pursuit of a policy for the adaptation of wine-growing potential and a quality policy;
- (3) Whereas the existing framework of the common organization of the market in wine was established by Council Regulation (EEC) No 822/87⁵, as last amended by Regulation (EC) No 2087/97⁶; whereas in the light of experience it would be appropriate to replace it in order to address the current situation in the wine sector, notably the less frequent occurrence of structural surpluses but the remaining possibility of surpluses on a pluriannual basis, in particular owing to the sector's inherent potential for dramatic fluctuations in production from one harvest to the next;

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5 O J L 84, 27.3.1987, p. 1.

6 O J L 292, 25.10.1997, p. 1.

- (4) Whereas the implementation of the Uruguay Round agreements in 1995 has resulted both in a more open Community market in which traditional intervention measures have lost much of their potential impact, and in less scope for subsidized exports, which means that Community producers need to improve their competitive performance; whereas the majority of exports are already being effected without subsidy;
- (5) Whereas the most significant market problem currently facing certain parts the Community wine sector is their limited ability to adapt sufficiently rapidly to competitive changes on both the internal and external market; whereas the existing common organization of the market has failed to offer solutions for wine-growing areas where production is clearly unable to find a remunerative market; whereas for those areas with expanding markets there has been insufficient flexibility to allow scope for development;
- (6) Whereas in 1994 the Commission presented a proposal for the reform of the common organization of the market in wine which was not, however, adopted; whereas the market situation has changed since that proposal was made;
- (7) Whereas, therefore, there should be a reform of the common organization of the market in wine to guarantee the necessary flexibility to adapt smoothly to new developments with the following broad aims: maintaining improved balance between supply and demand on the Community market; allowing producers to take advantage of expanding markets; enabling the sector to become more competitive in the longer term; eliminating the availability of intervention as an artificial outlet for surplus production; continuing to maintain all traditional outlets for potable alcohol and vine-based products; accommodating regional diversity; and formalizing the potential role of producer organizations and interbranch (or equivalent) organizations;
- (8) Whereas Regulation (EEC) No 822/87 was supplemented and implemented by Council Regulations (EEC) No 346/79⁷, (EEC) No 351/79⁸, as last amended by Regulation (EEC) No 1029/91⁹, (EEC) No 460/79¹⁰, as last amended by Regulation (EEC) No 3805/85¹¹, (EEC) No 456/80¹², as last amended by Regulation (EEC) No 1597/83¹³, (EEC) No 457/80¹⁴, (EEC) No 458/80¹⁵, as last amended by Regulation (EEC) No 596/91¹⁶, (EEC) No 1873/84¹⁷, as amended by Regulation (EC) No 2612/97¹⁸, (EEC) No 895/85¹⁹, as last amended by Regulation (EEC)

⁷ OJ L 54, 5.3.1979, p. 72.

⁸ OJ L 54, 5.3.1979, p. 90.

⁹ OJ L 106, 26.4.1991, p. 6.

¹⁰ OJ L 58, 9.3.1979, p. 1.

¹¹ OJ L 367, 31.12.1985, p. 39.

¹² OJ L 57, 29.2.1980, p. 16.

¹³ OJ L 163, 22.6.1983, p. 52.

¹⁴ OJ L 57, 29.2.1980, p. 23.

¹⁵ OJ L 57, 29.2.1980, p. 27.

¹⁶ OJ L 67, 14.3.1991, p. 16.

¹⁷ OJ L 176, 3.7.1984, p. 6.

¹⁸ OJ L 353, 24.12.1997, p. 2.

No 3768/85²⁰, (EEC) No 823/87²¹, as last amended by Regulation (EC) No 1426/96²², (EEC) No 1442/88²³, as last amended by Regulation (EC) No 191/98²⁴, (EEC) No 3877/88²⁵, (EEC) No 4252/88²⁶, as last amended by Regulation (EC) No 1419/97²⁷, (EEC) No 2046/89²⁸, as last amended by Regulation (EC) No 2468/96²⁹, (EEC) No 2048/89³⁰, (EEC) No 2389/89³¹, as last amended by Regulation (EC) No 2088/97³², (EEC) No 2390/89³³, as last amended by Regulation (EC) No 2611/97³⁴, (EEC) No 2391/89³⁵, (EEC) No 2392/89³⁶, as last amended by Regulation (EC) No 1427/96³⁷, (EEC) No 3677/89³⁸, as last amended by Regulation (EC) No 2796/94³⁹, (EEC) No 3895/91⁴⁰, (EEC) No 2332/92⁴¹, as last amended by Regulation (EC) No 1419/97 and (EEC) No 2333/92⁴², as last amended by Regulation (EC) No 1429/96⁴³; whereas those Regulations have been substantially amended several times; whereas, since further amendments are to be made, they should be recast in the interest of clarity, in a single text;

- (9) Whereas Regulation (EEC) No 822/87 made provision for the Council to lay down general rules for its application; whereas this created a complex structure of layers of legislation; whereas the aforementioned Council Regulations contained a large amount of technical detail which required frequent amendment; whereas therefore this Regulation should in general contain all the necessary guidance for its application; whereas the Council should confer all necessary implementing powers on the Commission in accordance with Article 155 of the Treaty;
- (10) Whereas the rules governing the common organization of the market in wine are extremely complex; whereas in some cases they do not take sufficient account of regional diversity; whereas, therefore, as far as possible the rules should be simplified

19 OJ L 97, 4.4.1987, p. 2.
20 OJ L 362, 31.12.1985, p. 8.
21 OJ L 84, 27.3.1987, p. 59.
22 OJ L 184, 24.7.1996, p. 1.
23 OJ L 132, 28.5.1998, p. 3.
24 OJ L 20, 27.1.1998, p. 15.
25 OJ L 346, 15.12.1988, p. 7.
26 OJ L 373, 31.12.1988, p. 59.
27 OJ L 196, 24.7.1997, p. 13.
28 OJ L 202, 14.7.1989, p. 14.
29 OJ L 335, 24.12.1996, p. 7.
30 OJ L 202, 14.7.1989, p. 32.
31 OJ L 232, 9.8.1989, p. 1.
32 OJ L 292, 25.10.1997, p. 3.
33 OJ L 232, 9.8.1989, p. 7.
34 OJ L 353, 24.12.1997, p. 1.
35 OJ L 232, 9.8.1989, p. 10.
36 OJ L 232, 9.8.1989, p. 13.
37 OJ L 184, 24.7.1996, p. 3.
38 OJ L 360, 9.12.1989, p. 1.
39 OJ L 297, 18.11.1994, p. 1.
40 OJ L 368, 31.12.1991, p. 1.
41 OJ L 231, 13.8.1992, p. 1.
42 OJ L 231, 13.8.1992, p. 9.
43 OJ L 184, 24.7.1996, p. 9.

and policy developed and implemented as close as possible to the producer within a Community framework;

- (11) Whereas, to capitalize on and consolidate the improved market balance, and to better align supply on demand for different types of product, there should be a framework of measures on the management of wine-growing potential, to include restrictions on planting in the medium term, premiums for the permanent abandonment of wine-growing and support for the reconversion of vineyards;
- (12) Whereas structural measures not directly related to the production of wine should fall within the scope of Council Regulation (EC) No [...] [on support for Rural Development from the European Agricultural Guidance and Guarantee Fund (EAGGF)]⁴⁴; whereas measures related to promotion make an important contribution to the sector's competitive performance and notably the promotion of Community wine on third country markets should be stimulated; whereas, however, in order to ensure consistency with the general promotion policy of the Community, measures related to the wine sector should fall within the scope of Council Regulation (EC) No [...] [horizontal promotion Regulation]⁴⁵;
- (13) Whereas the improvement in market balance has been achieved relatively slowly and with difficulty; whereas the existing restrictions on planting have shown themselves to be the essential component in this achievement; whereas in the light of experience it does not seem possible to use any other measures to capitalize on and consolidate the improved market balance; whereas it therefore seems necessary to control the use of producers' property in this manner in accordance with the general interest;
- (14) Whereas the existing restrictions on planting should therefore remain in place for a period limited in the medium term so as to allow the full range of structural measures to take effect, and thus any planting of vines should be prohibited until 31 July 2010 unless otherwise permitted under this Regulation;
- (15) Whereas the existing permission for new planting in respect of mother plantations, land consolidation and compulsory purchase, wine-growing experiments, non-marketed production and graft nurseries has shown itself not to unduly disturb the wine market and should therefore be continued subject to necessary controls;
- (16) Whereas the existing permission for new planting to produce a quality wine produced in specified regions ("quality wine psr") and table wine described by reference to a geographical indication has proved to be a useful component of the quality policy which is designed to better align supply on demand; whereas, however, once a reserve system of planting rights is fully functional, this latter system should fulfil this objective; whereas therefore the existing permission should be continued, subject to necessary controls, for a transitional period until 31 July 2003, by which time the reserve system should be fully functional;
- (17) Whereas the existing permission to replant vines is necessary to allow the normal renewal of exhausted vineyards; whereas the existing system should therefore be maintained subject to necessary controls; whereas for greater flexibility the system

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should also permit, subject to necessary controls, the acquisition and use of replanting rights before the related grubbing-up takes place; whereas replanting rights acquired under prior Community or national legislation should be respected; whereas further, it should be possible to transfer replanting rights to another holding, subject to strict controls, provided that this transfer is for purposes that either do not disturb the market unduly or is in pursuit of the quality policy, or is connected with the transfer of part of the holding;

- (18) Whereas in order to improve the management of wine-growing potential and to promote the efficient use of planting rights and thus to further mitigate the effect of the restrictions on planting, a system of national or regional reserves should be set up;
- (19) Whereas Member States should be given a broad discretion in the management of the reserves, subject to necessary controls, so as to permit them to better align the use of the reserve rights on local needs; whereas this should include the opportunity to purchase planting rights, to fund the reserve and to sell planting rights from the reserve;
- (20) Whereas the grant of specific benefits to young wine producers may facilitate not only their establishment but also the structural adjustment of their holdings after their initial establishment; whereas therefore they should be eligible for the grant of rights from the reserves free of charge;
- (21) Whereas to ensure that resources are used in the most efficient manners and to better align supply on demand, planting rights should be used by their holders within a reasonable time, or failing that, should be allocated to the reserves; whereas rights allocated to the reserves should be granted within a reasonable time for the same reasons;
- (22) Whereas in the light of the improved market balance and the expanding world market, an increase in planting rights can be justified, which should be allocated to the reserves provided that the production linked to these rights is aligned on demand; whereas this increase should be reduced by the extent to which new planting rights have been otherwise authorized and to which the status of unlawfully planted areas is regularized;
- (23) Whereas, notwithstanding the existing restrictions on planting, areas have been planted in breach of those restrictions; whereas the existing sanctions, which are designed to ensure that the products of such areas do not disturb the wine market, have proved to be difficult to enforce; whereas therefore areas planted illegally should be grubbed-up; whereas this requirement should be imposed in respect of all illegal planting which takes place after the proposal for this Regulation has been published, from which time producers should have been aware of the proposal to introduce the requirement;
- (24) Whereas, without prejudice to any existing national measures, for reasons of legal certainty it is not possible to impose at the Community level the grubbing-up requirement on areas planted in breach of restrictions before the proposal for this Regulation has been published; whereas therefore for better control of wine-growing potential, during a fixed period Member States should be able to regularize the position of such areas; whereas such regularization may be

differentiated between those areas where there has been unlawful replanting and unlawful new planting, since it is the latter which is more likely to lead to an increase in production;

- (25) Whereas Member States should be able to take account of local conditions and therefore be able to impose stricter rules in respect of new planting and replanting where necessary;
- (26) Whereas there are areas whose production is not aligned on demand; whereas to encourage a better alignment of the sector as a whole, the permanent abandonment of wine-growing in such areas should be encouraged; whereas therefore a premium should be granted to this end; whereas the management of such a premium should be left to Member States to administer, within a Community framework and subject to the necessary controls, so as better to target the premium on the regions concerned; whereas therefore in particular they should be able to designate the regions concerned and set the levels of the premium, using objective criteria and within an overall ceiling;
- (27) Whereas production in those Member States whose wine production is below 25 000 hectolitres per year does not seriously affect the market balance; whereas therefore those Member States should be exempt from the restrictions on planting but should not have access to the premium for permanent abandonment of wine-growing;
- (28) Whereas there are other areas where production is not aligned on demand, but where production could be better aligned through restructuring of vineyards by varietal conversion, relocation of vineyards or improvement to vineyard management techniques; whereas there should therefore be support to this end subject to necessary controls;
- (29) Whereas to ensure that such reconversion is carried out in a controlled fashion, it should be planned; whereas plans should be drawn up at a level as close as possible to the producer to ensure that regional diversity is taken into account and thus should be drawn up by Member States, regions, interbranch organizations or producer groups; whereas, however, Member States should remain responsible for ensuring that the plans are in conformity with Community law;
- (30) Whereas restructuring has two main financial impacts on the producer, namely loss of receipts during the period of conversion and material costs of the conversion; whereas therefore the support should cover both of these impacts;
- (31) Whereas it is desirable for a better management of wine-growing potential for an inventory of such potential to be compiled by Member States; whereas to encourage Member States to compile the inventory, access to the regularization of unlawfully planted area, the increase in planting rights and support for reconversion should be limited to those who have compiled the inventory;
- (32) Whereas the classification of vine varieties is a task best carried out as close as possible to the producer; whereas therefore Member States should take over this task from the Community;

- (33) Whereas Council Regulation (EEC) No 2392/86⁴⁶, as last amended by Regulation (EC) No 1596/96⁴⁷, should remain in force to enable those Member States who are still in the process of compiling it to complete the task; whereas, however, provision should be made for its subsequent amendment or repeal;
- (34) Whereas, in order to preserve market balance, provision should be made for an aid for the private storage of table wine and types of grape must; whereas the measure should be as flexible and responsive to market movements as possible; whereas in particular it should therefore be possible to this end to terminate its application at short notice;
- (35) Whereas in order to eliminate the availability of intervention as an artificial outlet for surplus production whilst continuing to maintain all traditional outlets for potable alcohol and vine-based products there should be changes to the distillation system; whereas there should therefore be the following forms of distillation: compulsory distillation of by-products of wine-making, compulsory distillation of wine produced from grapes not classified solely as wine grape varieties, a distillation measure to supply the potable alcohol market, and a crisis distillation measure; whereas other forms of distillation should be abandoned; whereas these measures should be as flexible as possible to respond to market needs and specific regional conditions;
- (36) Whereas in view of the poor quality of wine obtained from overpressing, this practice should be prohibited and provision should be made, in order to prevent it, for the compulsory distillation of marc and lees and/or an obligation to distil the by-products of wine-making, or under certain conditions, to withdraw them under supervision;
- (37) Whereas the production of wine obtained from grapes not classified solely as wine-grape varieties should be oriented in the first instance towards traditional uses in the spirits sector and other traditional outlets; whereas provision should be made for the compulsory distillation of such wine produced in excess of the normal quantities oriented towards such uses;
- (38) Whereas the potable alcohol market is an important traditional outlet of wine and vine-based products; whereas therefore there should be Community support for distillation of table wine and wine suitable for yielding table wine to supply this market, in the form of a primary aid paid for distillation and a secondary aid for storage of the resulting distillate;
- (39) Whereas in order to deal with exceptional cases of market disturbance and serious quality problems, there should be a crisis distillation measure; whereas the level and format of aid should be determined by the Commission to take account of specific situations; whereas, the measure should be voluntary for producers;
- (40) Whereas the disposal of alcohol obtained by distillation should be carried out in such a manner as to afford greater transparency and control and to avoid disturbance of traditional markets for alcohol;

⁴⁶ OJ L 208, 31.7.1986, p. 1.

⁴⁷ OJ L 206, 16.8.1996, p. 38.

- (41) Whereas at present, the increase in the natural alcoholic strength by volume is not carried out under the same economic conditions by all Community producers, on account of the various oenological practices allowed by this Regulation; whereas in order to eliminate such discrimination, encouragement should be given to the use of vine products for enrichment, thereby increasing their outlets and helping to avoid wine surpluses; whereas in order to achieve this, the prices of the various products for enrichment should be aligned; whereas this result may be achieved by means of a system of aid for concentrated grape must and rectified concentrated grape must coming from certain regions used for enrichment;
- (42) Whereas it remains necessary, in order to achieve a more stable balance between production and use, to increase the use of vine products; whereas intervention appears to be justified further back than table wine production, by encouraging the use of must for certain purposes other than wine-making by means of an aid to ensure that Community wine products may maintain their traditional market outlets; whereas the measure should be applied so as to avoid distortions of competition, taking into account traditional production methods;
- (43) Whereas producers who have not fulfilled their obligations under compulsory distillation measures should not be allowed to benefit from any other intervention measures;
- (44) Whereas provision should also be made for possible measures in the case of high prices on the Community market;
- (45) Whereas, given the special features of the market in wine, the formation of producers' organizations whose members are obliged to comply with certain rules, in particular as regards marketing, is likely to contribute to the attainment of the objectives of the common organization of the market; whereas provision should therefore be made for measures to recognize the formation and operation of such organizations; whereas such grouping must be effected on a voluntary basis and must prove its utility through the scope and efficiency of the services offered by producer organizations to their members;
- (46) Whereas, in order to further boost the impact of producer organizations and associations thereof and give the market as much stability as is desirable, Member States should be allowed on certain conditions to extend to non-member producers in their region the rules, particularly on production, marketing and environmental protection, adopted for its members by the organization or association for the region concerned; whereas, where proper justification is given, certain costs arising from this extension of the rules should be chargeable to the producers concerned, since they will benefit from the extension;
- (47) Whereas interbranch, or equivalent, organizations set up on the initiative of individual or already grouped operators can, if they account for a significant proportion of the members of the various occupational categories of the wine sector, contribute to behaviour taking closer account of market realities and can facilitate a commercial approach that will improve production reporting, that is to say, the organization of production, product presentation and marketing; whereas since the work of those organizations is able to contribute in general to attaining the objectives of Article 39 of the Treaty and in particular to those of this Regulation, it should be possible, once the relevant tasks are defined, to grant specific recognition

to such of those organizations which provide proof of sufficient representativeness and carry out action in regard to the abovementioned objectives;

- (48) Whereas the provisions on extending the rules adopted by producer organizations and their associations and on sharing the costs resulting from such extension should, given the similarity of the objectives pursued, also apply to interbranch, or equivalent, organizations;
- (49) Whereas in pursuit of the quality policy, authorized oenological processes and practices should be laid down at Community level, these being the only ones permitted for use in the manufacture of products covered by this Regulation; whereas, for similar reasons, only wine grape varieties should be used to produce wines for human consumption; whereas for similar reasons, product specifications should be laid down for products to be released for human consumption;
- (50) Whereas certain processes and practices, namely enrichment, acidification and deacidification should be set out in this Regulation; whereas the same is true for certain product specifications; whereas other such processes, practices and specifications should be set out in implementing rules for simplicity and ease of amendment in the light of experience and technological progress;
- (51) Whereas provision should be made for authorized methods of analysis for wine-sector products;
- (52) Whereas the description, designation and presentation of products covered by this Regulation can have significant effects on their marketability; whereas therefore there should be rules governing these issues which should take into account the legitimate interests of consumers and producers, as well as promoting the smooth operation of the internal market and the production of quality products;
- (53) Whereas the existing provisions on these topics are distributed across a large number of regulations and lack clarity and coherence; whereas, therefore, to promote clarity, simplicity and coherence such rules should be set out in implementing rules subject to basic principles which should include the obligatory use of certain terms, so as to identify the product, and the optional use of others, subject to either Community rules or proof of their accuracy;
- (54) Whereas the right to use geographical indications and other traditional terms is a valuable one; whereas therefore the rules should govern this right, and provide for protection for these terms; whereas, to promote fair competition and so as not to mislead consumers, this protection may need to affect products not covered by this Regulation, including those not found in Annex II to the Treaty;
- (55) Whereas, bearing in mind the interests of consumers and the desirability of obtaining equivalent treatment for quality wine psr in third countries, provision should be made so that reciprocal arrangements can be established whereby wines imported for direct human consumption and bearing a geographical description and marketed in the Community may enjoy these protection and control arrangements;

- (56) Whereas in order to take account of the obligations arising, in particular, from Articles 23 and 24 of the Agreement on Trade-Related Aspects of Intellectual Property Rights which forms an integral part of the Agreement establishing the World Trade Organization approved by Council Decision 94/800/EC⁴⁸, provision should be made for the parties concerned to prevent, under certain conditions, the unlawful use of geographical designations protected by a third-country member of the WTO;
- (57) Whereas the development of a policy of encouraging quality production in agriculture and especially in wine growing is bound to contribute to the improvement of conditions on the market and, as result, to an increase in outlets; whereas the adoption of additional common rules which concern the production and control of quality wines psr falls within the framework of this policy and can contribute towards the attainment of those objectives;
- (58) Whereas, in order to maintain a minimum quality standard for quality wines psr, to avoid an uncontrollable expansion in the production of such wines, and to harmonize the provisions of the Member States so as to establish conditions of fair competition in the Community, a framework of Community rules should be adopted, governing the production and control of quality wines psr, with which the specific provisions adopted by the Member States must comply;
- (59) Whereas, taking into account traditional conditions of production, the nature and scope of the factors which enable each of the quality wines psr to be distinguished must be listed and defined; whereas a common move to harmonize quality requirements should nevertheless be made; whereas these factors should be: the demarcation of the area of production, vine varieties, cultivation methods, wine-making methods, minimum natural alcoholic strength, yield per hectare and analysis and assessment of organoleptic characteristics; whereas particular rules should be laid down for quality liqueur wines psr and quality sparkling wines psr given the particular nature of those products;
- (60) Whereas experience has shown the need to draw up precise rules for reclassifying quality wines psr as table wines and to specify the cases in which the producer has the option of not requesting that a product appearing in his harvest or production declaration as a product suitable for yielding a quality wine psr be classified as a quality wine psr;
- (61) Whereas, in order to preserve the particular quality characteristics of quality wines psr, Member States should be allowed to apply additional or more stringent rules governing the production and movement of quality wines psr, in accordance with fair and traditional practices;
- (62) Whereas the creation of a single Community market for wine involves the introduction of a single trading system at the external frontiers of the Community; whereas a trading system including import duties and export refunds, in addition to the internal market measures, should, in principle, stabilize the Community market; whereas the trading system should be based on the undertakings accepted under the Uruguay Round of multilateral trade negotiations;

⁴⁸ OJ L 336, 23.11.1994, p. 1.

- (63) Whereas, in order to monitor the volume of trade in wine with third countries, provision should be made for a system of import and export licences for certain products, which includes the lodging of a security to guarantee that the transactions for which such licences are granted are effected;
- (64) Whereas in order to prevent or counteract adverse effects on the Community market which could result from imports of certain agricultural products, imports of one or more such products should be subject to payment of an additional import duty, if certain conditions are fulfilled;
- (65) Whereas it is appropriate, under certain conditions, to confer on the Commission the power to open and administer tariff quotas resulting from international agreements concluded in accordance with the Treaty or from other acts of the Council;
- (66) Whereas provisions for granting a refund on exports to third countries, based on the difference between prices within the Community and on the world market, and falling within the WTO Agreement on Agriculture, should serve to safeguard Community participation in international trade in wine; whereas these refunds should be subject to limits in terms of quantity and value;
- (67) Whereas compliance with the value limits should, when refunds are fixed, be ensured through the monitoring of payments under the rules relating to the European Agricultural Guidance and Guarantee Fund; whereas monitoring can be facilitated by the compulsory advance fixing of refunds, while allowing the possibility, in the case of differentiated refunds, of changing the specified destination within a geographical area to which a single refund rate applies; whereas, in the case of a change of destination, the refund applicable to the actual destination should be paid, with a ceiling on the amount applicable to the destination fixed in advance;
- (68) Whereas ensuring compliance with the quantity limits calls for the introduction of a reliable and effective system of monitoring; whereas, to that end, the granting of refunds should be made subject to an export licence; whereas refunds should be granted up to the limits available, depending on the particular situation of each product concerned; whereas exceptions to that rule should only be permitted in the case of food-aid operations, which are exempt from any limit; whereas monitoring of the quantities exported with refunds during the marketing years as referred to in the WTO Agreement on Agriculture should be carried out on the basis of export licences issued for each marketing year;
- (69) Whereas, in addition to the system described above, and to the extent necessary for its proper working, provision should be made for regulating or, when the situation on the market so requires, prohibiting the use of inward processing arrangements;
- (70) Whereas the customs duty system makes it possible to dispense with all other protective measures at the external frontiers of the Community; whereas, however, the internal market and duty mechanism could, in exceptional circumstances, prove defective; whereas, in such cases, so as not to leave the Community market without defence against any disturbances which may arise therefrom, the Community should be able to take all necessary measures without delay; whereas those

measures should be in accordance with the obligations derived from the relevant WTO agreements;

- (71) Whereas products imported from third countries should be subject to rules on certain product specifications which ensure a measure of balance with Community wines; whereas they should also comply with any rules laid down in their country of origin and be accompanied by an analysis report in appropriate circumstances;
- (72) Whereas it should be provided that all the products covered by this Regulation should be furnished with an accompanying document when circulating within the Community;
- (73) Whereas the establishment of a single market would be jeopardized by the granting of certain aids; whereas, therefore, the provisions of the Treaty which allow the assessment of aids granted by Member States and the prohibition of those which are incompatible with the common market should apply in the common market organization for wine; whereas the provisions on premiums for the permanent abandonment of wine-growing should not of themselves preclude the granting of national aid for the same ends;
- (74) Whereas, given the necessary complexity of the rules in the wine sector, there should be Member State authorities responsible for ensuring compliance; whereas the Commission should itself be able to monitor and ensure such compliance through its own inspectors;
- (75) Whereas it is necessary that, as the common market in wine develops, the Member States and the Commission should keep each other supplied with the information necessary for applying this Regulation; whereas producers of grapes for wine-making, must and wine should make a harvest declaration since this is necessary information; whereas Member States should be able to request further information from producers; whereas the Commission should be permitted to use external assistance when assessing any data;
- (76) Whereas, in order to facilitate implementation of the proposed measures, a procedure should be provided for establishing close cooperation between Member States and the Commission within a Management Committee;
- (77) Whereas expenditure incurred by the Member States as a result of the obligations arising out of the application of this Regulation should be financed by the Community in accordance with Council Regulation (EC) No [...] [on the financing of the common agricultural policy]⁴⁹;
- (78) Whereas the common organization of the market in wine should take appropriate account, at the same time, of the objectives set out in Articles 39 and 110 of the Treaty;

⁴⁹ OJ L

- (79) Whereas the common organization of the market in wine should also be applied in the light of the agreements concluded under Article 228(2) of the Treaty, in particular those forming a part of the Agreement establishing the World Trade Organization, notably that on Technical Barriers to Trade;
- (80) Whereas the change from the arrangements in Regulation (EEC) No 822/87 and the other Regulations in the wine sector to those in this Regulation could give rise to difficulties which are not dealt with in this Regulation; whereas, in order to deal with that eventuality, provision should be made for the Commission to adopt the necessary transitional measures; whereas the Commission should also be authorized to solve specific practical problems,

HAS ADOPTED THIS REGULATION:

TITLE I

SCOPE

Article 1

1. The common organization of the market in wine shall comprise rules governing wine-growing potential, market mechanisms, producer organizations and interbranch organizations, oenological practices and processes and product specifications, description, designation, presentation and protection, quality wine psr, and trade with third countries.
2. It shall apply to the following products:

CN Code	Description
(a) 2009 60 2204 30 92) 2204 30 94) 2204 30 96) 2204 30 98)	Grape juice (including grape must) Other grape musts, other than those in fermentation or with fermentation arrested otherwise than by the addition of alcohol
(b) ex 2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009, excluding other grape must of subheadings 2204 30 92, 2204 30 94, 2204 30 96 and 2204 30 98
(c) 0806 10 93) 0806 10 95) 0806 10 97) 2209 00 11) 2209 00 19)	Fresh grapes other than table grapes Wine vinegar
(d) 2206 00 10 2307 00 11) 2307 00 19) 2308 90 11) 2308 90 19)	Piquette Wine lees Grape marc

3. Definitions of the terms used in this Regulation for products shall be set out in Annex I, terms concerning alcoholic strengths in Annex II and wine-growing zones in Annex III. Detailed rules for the implementation of those Annexes may be adopted in accordance with the procedure laid down in Article 75.
4. The wine growing year for the products covered by this Regulation (hereinafter referred to as the “wine year”) shall begin on 1 August each year and end on 31 July of the following year.

TITLE II
WINE-GROWING POTENTIAL

Chapter I

Planting of vines

Article 2

1. The planting of vine varieties classified as wine grapes shall be prohibited until 31 July 2010 unless carried out pursuant to:
 - (a) a new planting right;
 - (b) a replanting right; or
 - (c) a planting right granted from a reserve.

2. In respect of areas where vines have been planted before 1 August 1998 in breach of Community or national provisions concerning planting, a Member State shall, provided that it has compiled the inventory of wine-growing potential referred to in Article 16 for all its territory, regularize the position of such areas before 31 July 2002 in either of two ways:
 - (a) by granting retrospective planting rights for the area concerned where the wine producer concerned had previously grubbed-up other vines on an equivalent area; or
 - (b) by permitting the use of replanting rights where a wine producer has obtained them within a period to be fixed subsequent to the planting of the area concerned.

Grapes obtained from such areas whose position has not been regularized by virtue of the first subparagraph may not be used for producing table wine. Products made from such grapes may be put into circulation only for the purposes of distillation. However, these products may not be used in the preparation of alcohol having an actual alcoholic strength by volume of 80% vol. or less.

3. Vines planted from 1 August 1998 in breach of Community or national provisions concerning planting shall be grubbed up. The expenses of such grubbing up shall be borne by the producer concerned. Member States shall take the measures necessary to ensure the application of this paragraph.

4. Once a Member State has allocated the newly created planting rights referred to in Article 6 to a reserve or reserves, the subsequent regularization of an area under the first subparagraph 2 shall mean that an equivalent planting right allocated to the reserve or reserves related to the region in question shall be extinguished. Should sufficient planting rights not be available in the reserve or reserves concerned, then the regularization may not take place.

Article 3

1. Member States may grant new planting rights to producers in respect of areas:
 - (a) intended for the cultivation of mother plantations;
 - (b) intended for new planting carried out under measures for land consolidation or measures concerning compulsory purchase in the public interest adopted under national legislation;
 - (c) intended for wine-growing experiments;
 - (d) whose vine products are not intended to be marketed; or
 - (e) intended for graft nurseries, provided that grapes coming from these vines are not harvested or, if they are harvested, are destroyed.
2. Member States may also grant new planting rights to be exercised no later than 31 July 2003 for areas for the production of a quality wine psr or a table wine described by means of a geographical indication where it has been recognized that, owing to its quality, the production of the wine in question is far below demand.
3. New planting rights shall be used by the producer to whom they were granted, in respect of the areas and for the purposes for which they were granted.
4. New planting rights shall be used before the end of the second wine year after the one in which they were granted. New planting rights not so used during this period shall be allocated to a reserve in accordance with point (a) of Article 5(2).
5. Once a Member State has allocated the newly created planting rights referred to in Article 6 to a reserve or reserves, the subsequent grant of a new planting right shall mean that an equivalent planting right allocated to the reserve or reserves related to the region in question shall be extinguished. Should sufficient planting rights not be available in the reserve or reserves concerned, then grant of new planting rights may not take place.

Article 4

1. Replanting rights shall be:
 - (a) replanting rights granted under paragraph 2; or
 - (b) equivalent rights acquired under prior Community or national legislation.
2. Member States shall grant replanting rights to producers who undertake to grub up an area of vines. The replanting rights shall be for an area equivalent in terms of pure crop to that from which vines are to be grubbed up.
3. Replanting rights shall be exercised on the holding in respect of which they were granted. Member States may further stipulate that replanting rights may be exercised only on the areas on the holding where the grubbing-up was carried out.

4. By way of derogation from paragraph 3, replanting rights may be transferred, in whole or in part, to another holding where part of the holding concerned is transferred to that other holding. In this case, the right may be used on an area on the latter holding no greater than the area transferred.

Replanting rights may similarly be transferred, in whole or in part, to another holding where areas on that other holding are intended for the production of quality wines psr or table wines which are described by means of a geographical indication, for the cultivation of mother plantations or for graft nurseries, [provided that grapes coming from these vines are not be harvested or, if they are harvested, are destroyed]. In this case, the rights may only be used in respect of the areas and for the purposes for which they were granted.

5. Replanting rights acquired under Community legislation shall be used before the end of the fifth wine year after the end of the one during which the grubbing-up took place. Replanting rights not used during this period shall be allocated to a reserve pursuant to point (a) of Article 5(2).
6. Where replanting rights are transferred to another holding, Member States shall ensure that the location where they are used, the varieties used and the *cultivation* techniques used guarantee that the subsequent production is adapted to market demand and that the yields concerned do not exceed the average in the region where the replanting takes place.

Article 5

1. In order to improve the management of wine-growing potential, at a national or regional level, Member States shall create a national reserve, or as the case may be, regional reserves, of planting rights.
2. The following shall be allocated to the reserve or reserves:
 - (a) new planting rights, replanting rights and planting rights granted from the reserve which are not used within the time-limits laid down respectively in Article 3(4), Article 4(5) and paragraph 6 of this Article;
 - (b) replanting rights allocated to the reserve by producers who hold such rights, where necessary in return for a payment from national funds, the amount of which, and any other details of which, shall be determined by the Member States taking into account the legitimate interests of the parties;
 - (c) newly created planting rights, as referred to in Article 6.
3. Member States may grant the rights allocated to the reserve:
 - (a) without payment, to producers who are under 40 years of age, who possess adequate occupational skill and competence, who are setting up for the first time on a wine producing holding and who are established as the head of the holding; or

- (b) against payment into national funds, to producers who intend to use the rights to plant vineyards whose production has an assured outlet. The Member States shall define the criteria for setting the amounts of the payment which may vary depending on the final intended product of the vineyards concerned.
- 4. Member States shall ensure that the location where planting rights granted from a reserve are used, the varieties used and the cultivation techniques used guarantee that the subsequent production is adapted to market demand and that the yields concerned do not exceed the average in the region where they are used.
- 5. Replanting rights allocated to a reserve may be granted from it no later than the end of the fifth wine year following the one during which they were allocated to it. Replanting rights not so granted shall be extinguished.
- 6. Planting rights granted from a reserve shall be used before the end of the second wine year after the one in which they were granted. Planting rights granted from a reserve not so used during this period shall be reallocated to a reserve under point (a) of paragraph 2.
- 7. Where a Member State creates regional reserves, it may lay down rules permitting the transfer of planting rights between regional reserves. Such transfers may be made subject to a reduction coefficient.

Article 6

- 1. The newly created planting rights shall be calculated, on the date of their allocation to the reserve or reserves, as:
 - (a) an area equal to 1% of the total area in the Member State in question under vines (not counting in that total area any areas which have been planted in breach of Community or national provisions on planting whether or not regularized by virtue of the first subparagraph of Article 2(2));
 - (b) less the total area in the Member State in question under vines planted before 1 August 1998 in breach of Community or national provisions governing new planting, whether or not regularized by virtue of the first subparagraph of Article 2(2), and less the areas in respect of which new planting rights have been granted.
- 2. The newly created planting rights may only be allocated to a reserve or reserves where the Member State has compiled the inventory of wine-growing potential referred to in Article 16 for all its territory.
- 3. The allocation of the newly created planting rights to the reserve or reserves may only take place once.

Article 7

1. The following definitions shall apply to this Chapter:
 - (a) “grubbing-up” means the complete elimination of all vine stocks on a plot planted with vines; and
 - (b) “planting” means the definitive establishment of young vine plants or parts of young vine plants, whether grafted or ungrafted, with a view to producing grapes or to establishing a mother plantation.
2. Detailed rules for the application of this Chapter, including those concerning the recognition referred to in Article 3(2) and the application of the reduction coefficient referred to in Article 5(7), shall be adopted in accordance with the procedure laid down in Article 75.

Chapter II

Abandonment premiums

Article 8

1. A premium may be granted in return for the permanent abandonment of wine growing on a particular area.

The premium may be granted, subject to the provisions of this Chapter, to producers of cultivated wine-growing areas for the production of wine grapes. The area concerned shall not be less than ten ares.
2. Member States may designate in which areas, if any, the premium may be granted. They may also subject the designation to conditions, including those intended to assure a balance between production and ecology in the regions concerned.
3. The grant of the premium shall cause the producer to forfeit any replanting rights in respect of the area for which the premium is granted.
4. Member States shall fix the level of the premium per hectare, taking into account:
 - (a) the agricultural yield or production capacity of the holding;
 - (b) the method of production;
 - (c) the area concerned in comparison with the area of the holding;
 - (d) the type of wine produced; and
 - (e) the existence of associated cultivation.
5. The level of the premium shall not exceed levels to be laid down.

Article 9

The following shall not qualify for the premium:

- (a) cultivated wine-growing areas in respect of which infringements of Community or national provisions regarding planting have been recorded during the last five wine years;
- (b) wine-growing areas which are no longer tended;
- (c) wine-growing areas which were planted during the last five wine years; and
- (d) wine-growing areas which have received financing for their restructuring during the last five wine years.

Article 10

Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75. These rules may in particular include:

- (a) the dates for the submission of applications and for the execution of grubbing-up;
- (b) conditions for the grant of payments;
- (c) the maximum levels of the premium referred to in Article 8(5); and
- (d) environmental considerations.

Chapter III

Restructuring

Article 11

1. A system for the restructuring of vineyards is hereby established.
2. The system shall have as its objectives the adaptation of production to market demands and the promotion of:
 - (a) maintaining and promoting sustainable wine-growing systems;
 - (b) ways of using agricultural land which are compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity;
 - (c) an environmentally favourable extensification of wine growing; and
 - (d) the use of environmental planning in wine-growing practice.

3. The system shall cover:
 - (a) varietal conversion;
 - (b) relocation of vineyards; and
 - (c) improvements to vineyard management techniques related to the objectives of the system.

The system shall not cover the normal renewal of vineyards which have come to the end of their natural life.

4. There shall only be access to the system in those regions of a Member State in respect of which the Member State has compiled the inventory of wine-growing potential referred to in Article 16.

Article 12

1. Proposed plans for restructuring may be drawn up by:
 - (a) Member States;
 - (b) regions of Member States;
 - (c) producer organizations; or
 - (d) interbranch organizations.
2. Where a plan has not been drawn up by the Member State itself, the latter shall be responsible for its approval or rejection.
3. Plans shall comply with the rules laid down in this Chapter and implementing legislation.

Article 13

1. Support for restructuring shall only be granted in relation to plans which have been drawn up and, where necessary, approved. Support shall take the following forms:
 - (a) compensation of producers for the loss of receipts due to implementation of the plan, and
 - (b) contribution to the material costs of restructuring.
2. The compensation of producers for loss of receipts may take either of the following forms:
 - (a) permission for the coexistence of both old and new vines for a fixed period which shall not exceed three years, notwithstanding the provisions of Chapter I of this Title; or
 - (b) financial compensation, which shall be funded by the Community.

3. The Community contribution to the material costs of restructuring shall not exceed 50% of those costs. However, in regions classified as Objective 1 in accordance with Council Regulation (EC) No [laying down general provisions on the Structural Funds]⁵⁰ the Community contribution shall not exceed 75%. Member States may not contribute to the cost in either case.

Article 14

1. The Commission shall make initial allocations to Member States per year on the basis of objective criteria taking into account particular situations and needs, and efforts to be undertaken in the light of the objectives of the scheme.
2. Initial allocations shall be adapted in view of real expenditure and on the basis of revised expenditure forecasts submitted by the Member States taking into account the objectives of the scheme and subject to funds available.

Article 15

Detailed rules for the implementation of this Chapter shall be adopted according to the procedure laid down in Article 75. These rules may include:

- (a) a minimum size for the vineyards concerned;
- (b) provisions governing the use of replanting rights arising from the implementation of plans;
- (c) provisions preventing any increase in production arising out of this Chapter; and
- (d) maximum amounts of support per hectare.

Chapter IV

Information and general provisions

Article 16

The inventory of wine-growing potential shall contain the following information:

- (a) the areas under vines on the territory of the Member State concerned;
- (b) the varieties concerned;
- (c) the allocation of planting and replanting rights to producers and reserves; and
- (d) the national provisions adopted pursuant to Chapter I of this Title.

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Article 17

1. The Commission may assess:
 - (a) the production of wine-sector products;
 - (b) the industrial use of these products;
 - (c) the consumption trends for wine and other wine-sector products which are consumable without further processing;
 - (d) in any other way the management of the market, or the need for adjusting supply.
2. In completing these assessments, the Commission may use external assistance.

Article 18

1. Producers of grapes for wine-making and producers of must and wine shall declare each year the quantities produced from the last harvest.
2. Producers of must and wine, and merchants other than retailers, shall declare each year their stocks of must and wine, whether from the current year's harvest or from the harvests of preceding years. Must and wine imported from third countries shall be stated separately.

Article 19

1. Member States shall classify vine varieties. All classified varieties shall belong to the species *Vitis vinifera* or come from a cross between this species and other species of the genus *Vitis*.
2. In their classification, Member States shall indicate the vine varieties suitable for the production of each of the quality wines produced in their territory. These varieties shall be of the species *Vitis vinifera*.
3. Subject to any more restrictive Community provisions, only varieties shown in the classification may be planted, replanted or grafted within the Community.
4. Areas planted with vine varieties not entered in the classification shall be grubbed up, save where the production of those areas is intended exclusively for the consumption of the wine producer's family. Member States shall take the measures necessary to monitor this exception.
5. Where varieties are deleted from the classification, grubbing up shall take place within 15 years of their deletion.

Article 20

The rules governing the Community vineyard register shall be those set out in Regulation (EEC) No 2392/86.

Article 21

Chapters I and II of this Title shall not apply in Member States where wine production does not exceed 25 000 hectolitres per wine year. This production shall be calculated on the basis of the average production during the last five wine years.

Article 22

Member States may adopt more restrictive national rules in respect of the new planting or replanting of vines.

Member States may require that the applications and information provided for in this Title be supplemented by other information necessary for monitoring the development of wine-growing potential.

Article 23

1. Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75. They may in particular deal with:
 - (a) the format and level of detail of the information required for the inventory referred to in Article 16; and
 - (b) the management of the classification of vine varieties.
2. Provision for an accompanying document for vine vegetative multiplication materials and detailed rules for its application, including those concerned with control, may be adopted in accordance with the procedure laid down in Article 75.
3. Regulation (EEC) No 2392/86 may be amended or repealed in accordance with the procedure laid down in Article 75.
4. According to the procedure laid down in Article 75, it shall be decided whether a Member State has compiled the inventory referred to in Article 16, and whether that decision shall be revoked in appropriate circumstances, including where the Member State has failed to update the inventory as necessary.

TITLE III
MARKET MECHANISMS

Chapter I

Private storage aid

Article 24

1. Aid shall be granted for the private storage of:
 - (a) table wine;
 - (b) grape must, concentrated grape must and rectified concentrated grape must.
2. The aid shall be granted subject to the conclusion with intervention agencies, between 16 December and 15 February of the following year and on conditions to be determined, of a long-term storage contract.
3. Long-term storage contracts shall be concluded for a period which ends:
 - (a) at the earliest, for table wines, on 1 September following the date of conclusion, and for grape musts, concentrated grape musts and rectified, concentrated grape musts, on 1 August following the date of conclusion; and
 - (b) at the latest, on 30 November following the date of conclusion.

Article 25

1. The conclusion of storage contracts shall be subject to conditions relating in particular to the quality of the products in question.
2. For table wines, storage contracts shall contain provision for the termination of aid payments and of the producer's corresponding obligation in respect of all or part of the quantities stored if market prices for the type of table wine concerned rise above a level to be fixed.
3. The amount of private storage aid may cover only technical storage costs and interest charges, both of which shall be fixed at a standard rate.
4. For concentrated grape musts, this amount may be adjusted by a coefficient corresponding to the degree of concentration.

Article 26

1. Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75. These rules may in particular provide:
 - (a) for the fixing of the level, rate and coefficient referred to in Article 25;

- (b) that long term storage contracts for table wine may only be concluded for specific table wines;
 - (c) that grape musts which are the subject of a long term storage contract may be converted, wholly or partially, into concentrated grape must or rectified concentrated grape must during the period of the contract;
 - (d) for rules concerning the application of the provision for the termination of aid payments as referred to in Article 25(2);
 - (e) that grape musts and concentrated grape musts intended for the manufacture of grape juice may not be the subject of a long term storage contract; and
 - (f) for the effective duration of contracts.
2. Under the procedure laid down in Article 75, provision may be made:
- (a) that the private storage aid scheme shall not be applied if it is apparent from the market situation that the scheme is not justified; and
 - (b) that the possibility of concluding further long-term storage contracts may be terminated at any time if this is justified by the market situation and in particular the rate at which contracts have already been concluded.

Chapter II

Distillation

Article 27

1. The overpressing of grapes, whether or not crushed, and the pressing of wine lees shall be prohibited. The re-fermentation of grape marc for purposes other than distillation shall be prohibited.
2. Filtering and centrifuging of wine lees shall not be considered as pressing where:
 - (a) the products obtained are of sound, genuine and merchantable quality; and
 - (b) the lees are not reduced to the dry state.
3. Any natural or legal person or group of persons, having made wine, shall be required to deliver for distillation all the by-products of that winemaking. Partial or total derogation may be granted for producers who prove that they have concluded long-term storage contracts with manufacturers of aromatized wine.
4. The quantity of alcohol contained in the by-products must be at least equal to 10% in relation to the volume of alcohol contained in the wine produced if the wine has been made directly from grapes. It may not be less than 5% where the wine has been made by vinification of grape musts, partially fermented grape musts or new wines in fermentation.

Should the relevant percentage not be reached, those subject to the obligation shall deliver a quantity of wine from their own production ensuring attainment of that percentage.

5. The delivery obligation set out in paragraph 3 may instead be satisfied by delivery to an approved vinegar manufacturer.
6. Any natural or legal person or group of persons who holds by-products of any processing of grapes other than vinification shall be required to deliver them for distillation.
7. Member States may provide that, for some or all of their producers, the distillation obligation imposed in paragraphs 3, 4 and 5 shall be replaced by a monitored system of withdrawal of by-products or by other systems which guarantee that the by-products will not be used in the wine sector. Such systems shall be implemented on the basis of objective criteria. Where any such system is applied, the Member States concerned shall inform the Commission of the measures taken.
8. The buying-in price of grape marc, wine lees and of wine delivered for distillation shall be ECU 0.995 per % vol./hectolitre.
9. The price paid by the distiller may not be lower than the buying-in price.
10. The distiller may either:
 - (a) receive aid in respect of the product to be distilled, provided that the product obtained by distillation has an alcoholic strength of at least 52% vol.; or
 - (b) deliver the product obtained by distillation to the intervention agency, provided that it has an alcoholic strength of at least 92% vol.
11. It may be decided that delivery to the intervention agency may be replaced by delivery to an operator who has submitted a tender in the framework of sales organized for the disposal of the products of distillation.
12. Paragraphs 1 to 11 shall not apply to grape juice or concentrated grape juice or grape must or concentrated grape must intended for the preparation of grape juice.

Article 28

1. Where wine is produced from a grape variety listed in the classification for the same administrative unit as both a wine grape variety and a variety for use for another purpose, any wine which is produced in excess of the normal quantity and which is not exported during the wine year concerned shall be distilled by a date to be determined. Except by derogation, it may not be moved except to a distillery.
2. The quantity of wine normally produced shall be determined from:
 - (a) the quantities produced during a reference period to be determined; and
 - (b) the quantities of wine put to traditional uses.
3. The buying-in price of wine delivered for distillation under this Article shall be ECU 1.34 per % vol./hectolitre.
4. The price paid by the distiller may not be lower than the buying-in price.

5. The distiller may either:
 - (a) receive aid in respect of the product to be distilled, provided that the product obtained by distillation has an alcoholic strength of at least 52% vol.; or
 - (b) deliver the product obtained by distillation to the intervention agency, provided that it has an alcoholic strength of at least 92% vol.
6. It may be decided that delivery to the intervention agency may be replaced by delivery to an operator who has submitted a tender in the framework of sales organized for the disposal of the products of distillation.
7. This Article shall apply notwithstanding Article 1(2).

Article 29

1. The Community may provide support for the distillation of table wines and wines suitable for yielding table wines in order to maintain traditional supplies of wine to the potable alcohol sector.
2. The support shall take the form of a primary aid and a secondary aid paid to distillers.
3. The primary aid shall be paid on the basis of the volume of table wine and wine suitable for yielding table wine which is distilled.
4. The level of the primary aid shall reflect:
 - (a) the need for the average payment by distillers to wine producers to be ECU 2.488 per % vol./hectolitre; and
 - (b) the need to maintain supplies to traditional outlets in the potable alcohol sector at competitive prices.
5. The primary aid shall be implemented on the basis of a system of contracts concluded between distillers and wine producers.
6. The secondary aid shall take the form of a payment for the storage of the resultant product. It shall serve to facilitate the operation of the primary aid system.

Article 30

1. There may be a crisis distillation measure if there is an exceptional case of market disturbance caused by serious surpluses and/or problems of quality.
2. The measure shall have as its objectives:
 - (a) the elimination of specific pockets of surplus; and
 - (b) the assurance of supply continuity from one harvest to another.
3. The measure shall be voluntary on the part of producers.

4. The measure may be limited to certain categories of wine or certain areas of production.

Article 31

Alcohol taken over by the intervention agency shall be disposed of either by public auction or by a tendering process. It may not be disposed of into the sector of alcohol destined for a food use.

However, it may be decided that, where the supply of the part of that sector where the use of wine alcohol is compulsory is not assured by means of the operation of Article 29, then such alcohol may be disposed of into that sector.

Article 32

1. For the wines made by producers who have increased the alcoholic strength by adding sucrose or must having benefited from the aid referred to in Article 34, the buying-in price fixed for each distillation, with the exception of that referred to in Article 27, shall be reduced within each wine-growing area by a similar flat-rate amount calculated on the basis of the level of the aid referred to in Article 34 and the increase in the alcoholic strength prescribed for the wine-growing area concerned.
2. At the request of the producer concerned, the reduction shall apply only within the limits of the quantities subject to the increased alcoholic strength referred to in the paragraph 1.

Article 33

1. Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75. These rules may in particular include:
 - (a) the derogations referred to in this Chapter;
 - (b) in respect of Articles 27 and 28, the conditions under which distillation is to be carried out, the assessment of the volume of alcohol contained in the wine produced, the conditions under which products may be delivered to the intervention agency, and the buying-in prices of the products of distillation which can be taken over by the intervention agencies or the criteria for fixing these prices;
 - (c) the minimum standards to be met by marc and lees;
 - (d) the conditions under which withdrawal under supervision as referred to in Article 27(7) may be carried out;
 - (e) the quantities of wine normally produced as mentioned in Article 28(2); and
 - (f) the detailed mechanism for applying the measure referred to in Article 30, including the products covered by it, and the flow of the products of distillation in particular to avoid any disturbance of the market in alcohol and spirituous beverages.

2. The amount of the aids referred to in Articles 27 and 28 which will enable the products obtained to be disposed of, the amount of the aids referred to in Article 29 and rules defining the circumstances which may lead to a triggering of the measure referred to in Article 30 and the level and form of the Community financial support for that measure shall be set by the procedure laid down in Article 75.

Chapter III

Aids for usage of grape musts

Article 34

1. Aid is hereby established for the use of:
 - (a) concentrated grape musts; and
 - (b) rectified concentrated grape musts,produced in the Community, when they are used in order to increase alcoholic strengths as referred to point C of Annex IV and in point F of Annex V.
2. The grant of aid may be reserved for products coming from wine-growing zones C III if the trade patterns in must and coupage wines cannot be guaranteed without this measure.
3. The amount of aid shall be fixed in ECU per % vol. potential alcoholic strength and per hectolitre of concentrated grape must or rectified concentrated grape must, taking into account the difference between the cost of enrichment by means of these products and by means of sucrose.

Article 35

1. Aid is hereby established for the use of:
 - (a) grape musts and concentrated grape musts produced within the Community for the purpose of manufacturing grape juice or manufacturing other products from such grape juice;
 - (b) grape musts and concentrated grape musts produced in zones C III for the purpose of manufacturing, in the United Kingdom and in Ireland, products falling within subheading 2206 00 of the combined nomenclature in respect of which, pursuant to rules adopted under Article 51, the use of a composite name including the word "wine" may be allowed by these Member States;
 - (c) concentrated grape musts produced within the Community as the main element in a set of products marketed in the United Kingdom and Ireland with clear instructions for the consumer to obtain from it a beverage in imitation of wine (home-made wine).

2. By way of derogation from point (b) of paragraph 1, where the geographical restriction related to the production of grape musts and concentrated grape musts referred to in that point gives rise to distortion of competition, it may be decided to extend the granting of the aid to grape musts and concentrated grape musts produced in regions of the Community other than zones C III.
3. The aids shall be reserved for the use of products coming from vine varieties which are classified exclusively as wine grapes or as both a wine grape variety and variety for use for another purpose and may equally be granted to grapes of Community origin coming from the same varieties.
4. The amounts of aid must be fixed so that the supply costs for grape musts and concentrated grape musts originating in the Community are such that they may maintain their traditional market outlets.
5. A part to be determined of the aid provided for in point (a) of paragraph 1 shall be set aside for the organization of campaigns to promote the consumption of grape juice. The aid may, for the purposes of organizing such campaigns, be fixed at a higher level than that resulting from the application of paragraph 4.

Article 36

Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75. These rules shall in particular include:

- (a) the conditions for granting the aid referred to in Article 34(1);
- (b) the measures necessary to ensure control of the use of the products referred to in Article 35(1);
- (c) the amount of the aid referred to in Articles 34 and 35, which shall be fixed before the start of each wine year;
- (d) the decision referred to in the first subparagraph of Article 35(2).

Chapter IV

General provisions

Article 37

Producers subject to the obligations referred to in Articles 27 and 28 shall be entitled to benefit from intervention measures under this Title provided that they have complied with the above obligations for a reference period to be determined. That period, and the detailed rules for the implementation of this Article, shall be adopted in accordance with the procedure laid down in Article 75.

Article 38

1. Where excessively high prices for a type of wine are recorded on the Community market and the situation is likely to continue, thereby disturbing that market, the necessary measures may be taken by the Commission.
2. To the extent necessary to support the market in table wines, intervention measures may be adopted in respect of the products listed in Article 1(2)(b) other than table wine in accordance with the procedure laid down in Article 75.

TITLE IV

PRODUCER ORGANIZATIONS AND INTERBRANCH ORGANIZATIONS

Chapter I

Producer organizations

Article 39

1. For the purposes of this Regulation, “producer organization” means any legal entity:
 - (a) which is formed on the own initiative of producers of products covered by this Regulation;
 - (b) which has in particular the aim of:
 - (i) ensuring that production is planned and adjusted to demand, particularly in terms of quality and quantity;
 - (ii) promoting concentration of supply and the placing on the market of the products produced by its members;
 - (iii) reducing production costs and stabilizing producer prices;
 - (iv) promoting the use of environmentally sound cultivation practices, production techniques and waste-management practices in particular to protect the quality of water, soil and landscape and preserve and/or encourage biodiversity;
 - (c) the rules of association of which require its producer members, in particular, to:
 - (i) apply the rules adopted by the producer organization relating to production reporting, production itself, marketing and protection of the environment;
 - (ii) belong to only one of the producer organizations referred to in point (a) in respect of a given holding's production of one of the products covered by this Regulation;

- (iii) market their entire production concerned through the producer organization. However, where the producer organization so authorizes and in compliance with the terms and conditions it lays down, the producer members may:
 - sell not more than 25% of their production directly on their holdings to consumers for their personal needs; and furthermore
 - market themselves or through another producer organization designated by their own organization, quantities of products which are marginal in relation to the volumes marketable by their organization;
 - market through another producer organization designated by their own organization products which, because of their characteristics, are not normally covered by the commercial activities of the organization concerned;
 - (iv) provide the information requested by the producer organization for statistical purposes, in particular on growing areas, quantities cropped, yields and direct sales;
- (d) the rules of association of which provide for:
- (i) procedures for determining, adopting and amending the rules referred to in subpoint (i) of point (c);
 - (ii) the imposition on members of financial contributions needed to finance the producer organization;
 - (iii) rules enabling the producer members democratically to scrutinize their organization and its decisions;
 - (iv) penalties for infringement of obligations under the rules of association, particularly non-payment of financial contributions, or for breach of the rules laid down by the producer organization;
 - (v) rules on the admission of new members, particularly a minimum membership period; and
 - (vi) the accounting and budgetary rules necessary for the operation of the organization;
- (e) which has been recognized by the Member State concerned pursuant to paragraph 2.

2. Member States shall recognize as producer organizations for the purposes of this Regulation, all producer groups applying for such recognition, on condition that:
 - (a) they meet the requirements laid down in paragraph 1 and provide the relevant evidence, including proof that they have a minimum number of members and cover a minimum volume of marketable production, to be determined in accordance with the procedure laid down in Article 75;
 - (b) there is sufficient evidence that they can carry out their activities properly, both over time and in terms of effectiveness;
 - (c) they effectively enable their members to obtain technical assistance in using environmentally sound cultivation practices;
 - (d) they effectively provide their members with the technical means for storing, packaging and marketing their produce and ensure proper commercial and budgetary management of their activities.

Article 40

1. Member States shall:
 - (a) decide whether to grant recognition to a producer organization within three months of the lodging of an application with all supporting documents;
 - (b) carry out checks at regular intervals to ascertain that producer organizations comply with the terms and conditions for recognition, impose in the event of non-compliance the penalties to apply to such organizations and decide, where necessary, to withdraw recognition;
 - (c) notify the Commission, within two months, of every decision to grant, refuse or withdraw recognition.
2. The Commission shall check that Article 39 and point (b) of paragraph 1 of this Article are complied with by carrying out checks and in the light of such checks shall, where appropriate, call on Member States to withdraw recognition.

Article 41

1. In cases where a producer organization, or an association of producer organizations which have adopted the same rules, which operates in a specific economic area is considered, in respect of a specific product, to be representative of production and producers in that area, the Member State concerned may, at the request of the organization or association, make binding on producers established in the area who do not belong to one of the organizations in question the rules referred to in subpoint (i) of point (c) of Article 39(1).
2. For the purposes of this Article, “economic area” means a geographical zone made up of adjoining or neighbouring production regions in which production and marketing conditions are homogeneous.

3. A producer organization or association of organizations shall be deemed representative within the meaning of paragraph 1 where its members account for at least two-thirds of the producers in the economic area in which it operates and where it covers at least two thirds of the production of that area.
4. The rules which are made binding on all producers in a specific economic area:
 - (a) shall not cause any harm to other producers in the Member State or in the Community;
 - (b) shall not apply, unless they expressly cover them, to products delivered for processing under a contract signed before the beginning of the wine year, with the exception of rules on reporting production;
 - (c) shall not conflict with Community and national rules in force.
5. Member States shall notify the Commission forthwith of the rules which they have made binding on all producers in a specific economic area. Those rules shall be published in the "C" series of the *Official Journal of the European Communities*.
6. The Commission shall decide that a Member State shall repeal an extension of the rules decided on by that Member State:
 - (a) if it finds that the extension in question to other producers excludes competition in a substantial part of the internal market or jeopardizes free trade, or that the objectives of Article 39 of the Treaty are thereby endangered;
 - (b) if it finds that Article 85(1) of the Treaty applies to the agreement, decision or concerted practice which it has been decided to extend to other producers. The Commission's decision with regard to that agreement, decision or concerted practice shall apply only from the date of such a finding;
 - (c) where, following ex-post checks, it finds that this Article has not been complied with.
7. Where paragraph 1 is applied, the Member State concerned may decide, on scrutiny of evidence presented, that non-member producers shall be liable to the organization, or where appropriate, the association, for the part of the financial contributions paid by the producer members, in so far as these are used to cover:
 - (a) administrative costs resulting from applying the rules referred to in paragraph 1; or
 - (b) the cost of research, market studies and sales promotion undertaken by the organization or association and benefiting all producers in the area.

8. Member States shall notify to the Commission a list of economic areas as referred to in paragraph 2. Within one month of notification, the Commission shall approve the list or shall, after consultation with the Member State concerned, decide on the amendments which the latter must make to it. The approved list shall be published in the "C" series of the *Official Journal of the European Communities*.

Chapter II

Interbranch organizations

Article 42

1. For the purposes of this Regulation, "recognized interbranch organizations", hereinafter referred to as "interbranch organizations", means legal entities which:
- (a) are made up of representatives of economic activities linked to the production of and/or trade in and/or processing of the products covered by this Regulation;
 - (b) are established at the initiative of all or some of the organizations or associations which constitute them;
 - (c) carry out several of the following measures in one or more regions of the Community, taking account of the interests of consumers:
 - (i) improving knowledge and transparency of production and the market;
 - (ii) helping to coordinate better the way in which products are placed on the market, in particular by means of research and market studies;
 - (iii) drawing up standard forms of contract compatible with Community rules;
 - (iv) exploiting more fully the potential of production;
 - (v) providing the information and carrying out the research necessary to adjust production towards products more suited to market requirements and consumer tastes and expectations, in particular with regard to product quality and protection of the environment;
 - (vi) seeking ways of restricting the use of plant-health products and other inputs and ensuring product quality and soil and water conservation;
 - (vii) developing methods and instruments for improving product quality at all stages of production, vinification and marketing;

- (viii) exploiting the potential of and protecting organic farming as well as designations of origin, quality labels and geographical indications; and
 - (ix) promoting integrated production or other environmentally sound production methods;
- (d) have been recognized by the Member State concerned on the terms set out in paragraph 2.
2. If warranted by the Member State's structures, Member States may recognize as interbranch organizations all organizations established on their territory which make an appropriate application, on condition that:
- (a) they carry out their activity in one or more regions in that territory;
 - (b) they represent a significant share of the production of and/or trade in and/or processing of the products covered by this Regulation in the region or regions in question and, where more than one region is involved, they can demonstrate a minimum level of representativeness in each region for each of the branches that they combine;
 - (c) they carry out several of the measures referred to in paragraph 1(c);
 - (d) they are not themselves engaged in the production or processing or marketing of the products covered by this Regulation;
 - (e) they do not affect the sound operation of the market organization and carry out any of the activities referred to in Article 43(1).
3. Before granting recognition Member States shall notify the Commission of the interbranch organizations which have applied for recognition, providing all relevant information about their representativeness and their various activities, together with all other information needed for an assessment. The Commission may object to recognition within a time-limit of two months after notification.
4. Member States shall:
- (a) decide whether to grant recognition within three months of the lodging of an application with all relevant supporting documents;
 - (b) carry out checks at regular intervals to ascertain that interbranch organizations meet the terms and conditions for recognition, impose the applicable penalties to such organizations in the event of their failure to do so and, if necessary, withdraw their recognition;
 - (c) withdraw recognition if:
 - (i) the terms and conditions for recognition laid down in this Regulation are no longer met;

- (ii) the interbranch organization contravenes one or other of the prohibitions imposed in Article 43(1), without prejudice to any other penalties otherwise incurred pursuant to national law;
- (d) notify the Commission, within two months, of any decision to grant, refuse or withdraw recognition.
- 5. Only one producer organization may be recognized in relation to the production of quality wines psr in a specified region.
- 6. The Commission shall check that paragraph 2 and point (b) of paragraph 4 are complied with by carrying out checks and may, as a result of these checks, ask a Member State to withdraw recognition.
- 7. Recognition shall constitute an authorization to carry out the measures listed in point (c) of paragraph 1, consistent with the terms of this Regulation.
- 8. The Commission shall publish in the "C" series of the *Official Journal of the European Communities* a list of the interbranch organizations recognized, indicating the economic sphere or the area of their activities and the activities carried out within the meaning of Article 44. Withdrawals of recognition shall also be published.

Article 43

1. Notwithstanding Article 1 of Council Regulation No 26⁵¹, Article 85(1) of the Treaty shall not apply to the agreements, decisions and concerted practices of recognized interbranch organizations intended to implement the measures referred to in point (c) of Article 42(1) which do not:
 - (a) entail the fixing of prices (without prejudice to measures taken by interbranch organizations in the application of specific provisions of Community rules;
 - (b) lead to the partitioning of markets in any manner whatever within the Community;
 - (c) create discrimination or eliminate competition in respect of a substantial proportion of the products in question; or
 - (d) create distortions of competition which are not necessary in achieving the objectives of the common agricultural policy pursued by the interbranch organization measure.
2. A Commission decision declaring that Article 85(1) of the Treaty applies to the agreement, decision or concerted practice shall not come into effect earlier than the date of notification to the interbranch organization concerned.

⁵¹ OJ 30, 20.4.1962, p. 993/62.

Article 44

1. Wherever an interbranch organization operating in a specific region or regions of a Member State is considered to be representative of the production of and/or trade in and/or processing of a given product, the Member State concerned may, at the request of the organization, make some of the agreements, decisions or concerted practices agreed on within that organization binding for a limited period on other operators operating in the region or regions in question, whether individuals or groups, who do not belong to the organization.
2. An interbranch organization shall be deemed representative within the meaning of paragraph 1 where it accounts for at least two-thirds of the production and/or trade in and/or processing of the product or products concerned in the region or regions concerned. Where the application for extension of its rules to other operators covers more than one region, the interbranch organization must demonstrate a minimum level of representativeness for each of the branches it combines in each of the regions concerned.
3. The rules for which extension to other operators may be requested shall concern one of the following aims:
 - (a) production and market reporting;
 - (b) stricter production rules than any laid down in Community or national rules;
 - (c) drawing up of standard contracts which are compatible with Community rules;
 - (d) rules on marketing;
 - (e) rules on protecting the environment;
 - (f) measures to promote and exploit the potential of products;
 - (g) measures to protect organic farming as well as designations of origin, quality labels and geographical indications.

These rules shall have been in force for at least one wine year; they may be made binding for no more than three wine years, and shall not cause any harm to other operators in the Member State or the Community.

Article 45

1. Member States shall notify the Commission forthwith of the rules which they have made binding on all operators in any one or more specific regions. Those rules shall be published in the "C" series of the *Official Journal of the European Communities*.

2. Before publication takes place, the Commission shall inform the Committee provided for in Article 74 of any notification of the extension of interbranch agreements.
3. The Commission shall decide that a Member State shall repeal an extension of the rules decided on by that Member State in the circumstances referred to in Article 41(6).
4. In cases where rules for one or more products are extended and where one or more of the activities referred to in the first subparagraph of Article 44(3) are pursued by a recognized interbranch organization and are in the general economic interest of those persons whose activities relate to one or more of the products concerned, the Member State which has granted recognition may decide that individuals or groups which are not members of the organization but which benefit from those activities shall pay the organization all or part of the financial contributions paid by its members to the extent that such contributions are intended to cover costs directly incurred as a result of pursuing the activities in question.

TITLE V

OENOLOGICAL PROCESSES AND PRACTICES AND PRODUCT SPECIFICATIONS; DESCRIPTION, DESIGNATION, PRESENTATION AND PROTECTION

Chapter I

Oenological processes and practices and product specifications

Article 46

1. Authorized Community oenological processes and practices are established for the production of the products covered by this Regulation other than grape juice and concentrated grape juice and grape must and concentrated grape must intended for the preparation of grape juice.
2. Oenological practices and processes may only be used for the purpose of ensuring proper vinification, proper preservation or a proper refinement of the product.
3. Authorized oenological practices and processes shall exclude the addition of water, except where required by specific technical necessity, as well as the addition of alcohol, except for fresh grape must with fermentation arrested by the addition of alcohol, liqueur wine, sparkling wine, semi-sparkling wine and wine fortified for distillation.
4. Member States may, in respect of oenological practices and processes and product specifications, impose stricter conditions to ensure the preservation of the essential characteristics of quality wines psr, table wines which are described by a geographical indication produced in their territory, sparkling wines and liqueur wines. They shall communicate these conditions to the Commission which shall bring them to the attention of the other Member States.

5. Except where otherwise decided, only grapes belonging to varieties listed in the classification established in accordance with Article 19 as wine grape varieties, or products derived therefrom, may be used in the Community for the manufacture of:
- (a) grape must with fermentation arrested by the addition of alcohol;
 - (b) concentrated grape must;
 - (c) rectified concentrated grape must;
 - (d) wine suitable for yielding table wine;
 - (e) table wine;
 - (f) quality wines psr;
 - (g) liqueur wine;
 - (h) grape must in fermentation, extracted from raisined grapes.

Article 47

1. The authorized oenological practices and processes concerning enrichment, acidification, deacidification and sweetening, and rules concerning sulphur dioxide content and maximum volatile acid content are set out in Annex IV at points A to G.
2. Authorized oenological practices and processes and rules concerning the production of sparkling wine are set out at point H of Annex IV. These rules shall not apply to dietetic sparkling wine.
3. Authorized oenological practices and processes and rules concerning the production of liqueur wine are set out at point I of Annex IV.

Article 48

1. Of the products falling within CN codes 2204 10, 2204 21 and 2204 29, only liqueur wines, sparkling wines, aerated sparkling wines, semi-sparkling wines, aerated semi-sparkling wines, quality wines psr, and where appropriate, notwithstanding Article 49(1), legally imported wines and table wines may be offered or delivered for direct human consumption within the Community.
2. Except for bottled wine in respect of which there is evidence that bottling was performed prior to 1 September 1971, wine other than quality wine psr obtained from the vine varieties referred to in Article 46(5) but not corresponding to the definitions contained in items 12 to 18 of Annex I may be used only for consumption by individual wine-grower's families, for the production of wine vinegar or for distillation.
3. In years when climatic conditions have been unfavourable, it may be decided that products from wine-growing zones A and B which do not possess the minimum natural alcoholic strength by volume laid down for the wine-growing zone in question may be used in the Community for the production of sparkling wine and

aerated sparkling wine, provided that such wines have an actual alcoholic strength by volume of not less than 8.5% vol., or for the production of aerated semi-sparkling wine. In that event, they shall be enriched subject to the limits referred to in paragraph 5 of point D of Annex IV.

4. Without prejudice to any more restrictive provisions which Member States apply with respect to this preparation in their territory of products not falling within CN codes 2204 10, 2204 21 and 2204 29, fresh grape must with fermentation arrested by the addition of alcohol may be used only in the preparation of such products.
5. Grape juice and concentrated grape juice may not be made into wine or added to wine. These products shall be subject to control with respect to their use. They may not undergo alcoholic fermentation in the territory of the Community.
6. The provisions of paragraphs 4 and 5 shall not apply to products intended for the production, in the United Kingdom and Ireland, of products falling within CN code 2206 00 for which, pursuant to rules adopted under Article 51, Member States may allow the use of a composite name including the word "wine".
7. Wine suitable for yielding table wine which does not reach the minimum actual alcoholic strength by volume for table wines may not be put into circulation except for the production of sparkling wine, vinegar making, distillation and other industrial uses. The enrichment of such wine and coupage thereof with a table wine in order to bring its actual alcoholic strength by volume up to the level laid down for a table wine may take place only on the premises of the wine-maker or on his behalf.
8. With the exception of alcohol, potable spirits and piquette, neither wine nor any other beverage intended for direct human consumption may be made from wine lees or grape marc.
9. Piquette, where its production is authorized by the Member State concerned, may be used only for distillation or for consumption in the families of individual wine-growers.
10. Wine fortified for distillation may only be used for distillation. However, imported wine fortified for distillation may be used for the manufacture of potable spirits.
11. Grape must in fermentation, extracted from raisined grapes, may be put on the market only for the manufacture of liqueur wines and only in the wine-growing regions where this usage was traditional on 1 January 1985.

Article 49

The following products may not be offered or disposed of for direct human consumption:

- (a) products falling within CN codes 2204 10, 2204 21, 2204 29 and 2204 30 10, whether imported or not, which have undergone oenological practices not authorized by Community rules or, where this is permitted, by national rules;
- (b) products as referred to in points (a), (b) and (c) of Article 1(2) which are not of sound and fair merchantable quality;

- (c) products as referred to in Article 1(2) which do not comply with the definitions shown in Annex I.

Article 50

1. Detailed rules for the application of this Chapter, and Annex IV, shall be adopted in accordance with the procedure laid down in Article 75. These rules shall, in particular, provide for:
 - (a) in respect of point A of Annex IV, transitional measures concerning wines produced before 1 September 1986 and amendments to these lists of wines at paragraph 2;
 - (b) the decisions, exceptions, derogations, conditions and lists referred to in this Chapter and Annex IV;
 - (c) the application of points C to G of Annex IV to products harvested in Community regions not included within the wine-growing zones specified in Annex III; and
 - (d) in respect of point I of Annex IV, the lists referred to in paragraphs 2(b) and 6 thereof, the derogations referred to in paragraph 4(b) and the declaration and registration procedure referred to in paragraph 6.
2. The following rules shall be adopted according to the procedure laid down in Article 75:
 - (a) the authorized oenological practices and processes, other than those set out in points C to I of Annex IV, for the production and preservation of the products referred to in Article 46(1);
 - (b) dispositions regulating the blending and coupage of musts and wines; if provision is made for the blending of white wine and red wine, the proportion of white wine in the end product may not exceed 10%;
 - (c) the purity and identification specifications of substances used in oenological practices;
 - (d) administrative rules for carrying out the oenological processes and practices authorized; these rules may provide that certain oenological practices and processes may only be carried out under the supervision of a person recognized by the Member State who possesses sufficient knowledge to guarantee the quality, hygiene and healthiness of the product;
 - (e) the conditions governing holding and circulation, the use of products as referred to in Article 49 or lists of products excepted from the requirements of that Article, and the establishment of criteria for the purpose of avoiding hardship in individual cases, the conditions under which Member States may authorize the holding, circulation and use of products not complying with the provisions of this Regulation other than those referred to in point (a) of Article 49, or with provisions adopted pursuant to this Regulation; and

- (f) the conditions for the experimental use of otherwise unauthorized oenological practices and processes.
3. The methods of analysis for determining the composition of the products covered by this Regulation and the rules whereby it may be established whether these products have undergone processes contrary to authorized oenological practices shall be adopted in accordance with the procedure laid down in Article 75.

Using the same procedure there shall be adopted, if required, maximum figures for substances whose presence indicates that certain oenological practices have been used, and comparative analysis tables.

However, where no provision is made for Community methods of analysis or for the rules referred to in the first subparagraph for the detection and quantification of substances sought for in the product in question, the methods of analysis to be used shall be:

- (a) those recognized by the General Assembly of the International Vine and Wine Office (IWO) and published by that Office; or
- (b) where an appropriate method of analysis does not appear amongst those referred to in point (a), a method of analysis complying with the standards recommended by the International Organization for Standardization (ISO), or
- (c) in the absence of either of the methods referred to in points (a) and (b) and by reason of its accuracy, repeatability and reproducibility:
 - (i) a method of analysis allowed by the Member State concerned; or
 - (ii) if necessary, any other appropriate method of analysis.

Automatic methods of analysis used instead of a Community method of analysis shall be considered equivalent to the Community methods of analysis referred to in the first subparagraph, provided it is established, under the procedure laid down in Article 75, that the results obtained are, as to their accuracy, repeatability and reproducibility, at least equal to the results obtained by the corresponding Community method.

Chapter II

Description, designation, presentation and protection

Article 51

1. Rules relating to the description, designation and presentation of the products covered by this Regulation shall be established. The rules shall take into account, in particular, the following objectives:
- (a) the protection of the legitimate interests of consumers;
 - (b) the protection of the legitimate interests of producers;

- (c) the smooth operation of the internal market; and
 - (d) the promotion of the production of quality products.
2. The rules shall include, in particular, provisions:
- (a) making the use of certain terms compulsory;
 - (b) permitting the use of certain terms, subject to conditions;
 - (c) permitting the use of certain terms, subject to the user's being able to provide proof of their accuracy;
 - (d) governing the use of geographical indications and traditional terms for quality wines psr and certain table wines; and
 - (e) governing protection and control arrangements for certain terms, including those used for quality wines psr. The scope of such protection may extend beyond the products listed in Article 1(2).
3. Imported wine intended for direct human consumption and described with the aid of a geographical description may be eligible, with regard to its marketing in the Community and with the *proviso* of reciprocity, for the protection and control arrangements referred to in point (e) of paragraph 2.
4. The provision laid down in paragraph 3 shall be implemented by means of agreements with interested third countries to be negotiated and concluded in accordance with the procedure laid down in Article 113 of the Treaty.

Article 52

1. Member States shall take all necessary measures to enable interested parties to prevent, on the terms set out in Articles 23 and 24 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, the use in the Community of a geographical indication attached to the products referred to in Article 1(2)(b) for products not originating in the place indicated by a geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as "kind", "type", "style", "imitation" or the like.
2. For the purposes of this Article, "geographical indications" is taken to mean indications which identify a product as originating in the territory of a third country which is a member of the World Trade Organization or in a region or locality within that territory, in cases where a certain quality, reputation or other given characteristic of the product may be attributed essentially to that geographical place of origin.
3. Paragraphs 1 and 2 shall apply notwithstanding other specific provisions in Community legislation laying down rules for the designation and presentation of the products covered by this Regulation

Article 53

Detailed rules for the application of this Chapter shall be adopted in accordance with the procedure laid down in Article 75.

TITLE VI

QUALITY WINE PRODUCED IN SPECIFIED REGIONS

Article 54

1. Quality wines produced in specified regions ("quality wines psr") shall mean wines which comply with the provisions of this Title.
2. The category of quality wines psr shall cover the following sub-categories of quality wines:
 - (a) "quality liqueur wines produced in specified regions", hereinafter called "quality liqueur wines psr", which comply with the definition of liqueur wine;
 - (b) "quality sparkling wines produced in specified regions", hereinafter called "quality sparkling wines psr", which comply with the definition of sparkling wine, including quality sparkling wines of the aromatic type;
 - (c) "quality semi-sparkling wines produced in specified regions", hereinafter called "quality semi-sparkling wines psr", which comply with the definition of semi-sparkling wine; and
 - (d) quality wines psr other than those mentioned in subparagraphs (a), (b) and (c).
3. Products suitable for yielding a quality wine psr shall be defined as being:
 - (a) vine varieties;
 - (b) fresh grapes;
 - (c) grape must;
 - (d) grape must in fermentation;
 - (e) new wines still in fermentation;
 - (f) wine.
4. Quality sparkling wines shall mean sparkling wines (other than quality sparkling wines psr) which comply with the requirements of point K of Annex V.

5. Member States shall forward to the Commission the list of quality wines psr which they have recognized, stating, for each of these quality wines psr, details of the national provisions governing the production and manufacture of those quality wines psr.
6. The Commission shall publish the list in the "C" series of the *Official Journal of the European Communities*.

Article 55

1. The provisions covering the production of quality wines psr shall, in addition to any national rules adopted pursuant to Article 57(1)(a), and regard being had to the traditional conditions of production in so far as these are not such as to prejudice the policy of encouraging quality production and the creation of a single market, be based on the following factors:
 - (a) demarcation of the area of production;
 - (b) vine varieties;
 - (c) cultivation methods;
 - (d) wine-making methods;
 - (e) minimum natural alcoholic strength by volume;
 - (f) yield per hectare;
 - (g) analysis and assessment of organoleptic characteristics.
2. The provisions referred to in paragraph 1 are set out in Annex V at points A to J.
3. The provisions of Annex V, point K shall apply in respect of quality sparkling wine and quality sparkling wine psr only. The provisions of Annex V, point L shall apply to quality liqueur wine psr only.

Article 56

1. Member States shall draw up the rules in accordance with which, at the production stage:
 - (a) a producer:
 - (i) may not request classification as a quality wine psr of a product which appears in his harvest or production declaration as a product suitable for yielding quality wine psr; or
 - (ii) may downgrade a quality wine psr, in particular to a table wine;
 - (b) the competent body to be designated by the Member States may downgrade a quality wine psr.

2. The downgrading of a quality wine psr at the marketing stage shall be effected:
 - (a) by the competent body of the Member State in whose territory the wine is located:
 - (i) where the wine originates in that Member State; or
 - (ii) where small quantities to be determined by the Council acting by a qualified majority on a proposal from the Commission are concerned;
 - (b) by the competent body of the Member State of origin of the wine in cases not referred to in (a).
3. The downgrading referred to in paragraph 2 shall be decided upon in particular where the competent body has established that:
 - (a) the wine has undergone a change during storage or transport which has caused the properties of the quality wine psr in question to deteriorate or alter,
 - (b) the wine has undergone a prohibited treatment or is not legally described as a quality wine psr.

Article 57

1. In addition to the factors listed in Article 55, Member States may, taking into account fair and traditional practices determine such other conditions of production and characteristics as shall be obligatory for quality wines psr.

In addition to the other provisions laid down in this Regulation, Member States may, taking into account fair and traditional practices, lay down additional or more stringent characteristics or conditions of production, manufacture and movement in respect of the quality wines psr produced in their territory.

2. Pursuant to the second subparagraph of paragraph 1, Member States may in particular limit the maximum residual sugar content of a quality wine psr, particularly as regards the relationship between the actual alcoholic strength by volume and the residual sugar.

Article 58

Detailed rules for the application of this Title and Annex V shall be adopted in accordance with the procedure laid down in Article 75. These rules may include:

- (a) the decisions, exceptions, derogations and lists referred to therein;
- (b) the definition of areas in the immediate proximity of a specified region, account being taken in particular of the geographical situation and administrative structures;
- (c) the use to be made of downgraded quality wines psr and the conditions governing such use;

- (d) appropriate provisions relating to the systematic and general application of organoleptic tests, the use to be made of wines which do not satisfy the requirements of the tests and the conditions governing such use; and
- (e) rules dealing with the production of quality sparkling wines of the aromatic type and quality sparkling wines psr of the aromatic type.

TITLE VII

TRADE WITH THIRD COUNTRIES

Article 59

1. Imports into the Community of any of the products listed in Article 1(2)(a) and (b) shall be subject to presentation of an import licence. Imports into the Community of any other products listed in Article 1(2) and exports from the Community of any products listed in Article 1(2) may be subject to presentation of an import or export licence.
2. Licences shall be issued by Member States to any applicant, irrespective of his place of establishment in the Community and without prejudice to measures taken for the application of Articles 62 and 63.

Licences shall be valid throughout the Community.

Such licences shall be issued subject to the lodging of a security guaranteeing that the products are imported or exported during the term of validity of the licence; save in cases of force majeure, the security shall be forfeited in whole or in part if import or export is not carried out, or is carried out only partially, within that period.

3. The following shall be adopted in accordance with the procedure laid down in Article 75:
 - (a) the list of products in respect of which import or export licences are required;
 - (b) the term of validity of the licences and other detailed rules for the application of this Article.

Article 60

1. Unless this Regulation provides otherwise, the rates of duty in the Common Customs Tariff shall apply to the products listed in Article 1(2).
2. For juice and musts falling within CN code 2009 60 and 2204 30 for which the application of the Common Customs Tariff duties depends on the import price of the product, the actual amount of this price shall be verified either by checking every consignment or by using a flat-rate import value calculated by the Commission on the basis of price quotations for the same products in the countries of origin.

Should the declared entry price of the consignment be higher than the flat-rate import value, if such applies, increased by a margin adopted in accordance with paragraph 3 that may not exceed the flat-rate value by more than 10%, security must be lodged equal to the import duties determined on the basis of the flat-rate import value.

If, in the case referred to in the second subparagraph, the entry price of the consignment is not declared, the application of Common Customs Tariff shall be dependent on the flat-rate import value or on the application, under conditions to be determined in accordance with paragraph 3, of the relevant provisions of customs legislation.

3. Detailed rules of application for this Article shall be adopted using the procedure laid down in Article 75. These rules shall in particular cover the setting of criteria for determining which control method is to be applied and what factors are to enter into the calculation of flat-rate import values.

Article 61

1. In order to prevent or counteract adverse effects on the market in the Community which may result from imports of certain products listed in Article 1(2), imports of one or more such products at the rate of duty laid down in the Common Customs Tariff shall be subject to payment of an additional import duty if the conditions set out in Article 5 of the Agreement on Agriculture concluded in accordance with Article 228 of the Treaty in the framework of the Uruguay Round of multilateral trade negotiations have been fulfilled, unless the imports are unlikely to disturb the Community market, or where the effects would be disproportionate to the intended objective.

2. The trigger prices below which an additional import duty may be imposed shall be those forwarded by the Community to the World Trade Organization.

The trigger volumes which must be exceeded for an additional import duty to be imposed shall be determined in particular on the basis of Community imports over the three years preceding the year in which the adverse effects referred to in paragraph 1 have occurred or are likely to occur.

3. The import prices to be taken into account for the imposition of an additional import duty shall be determined on the basis of the CIF import prices of the shipment concerned.

The CIF import prices shall be verified for this purpose on the basis of representative prices for the product in question on the world market, or on the Community import market for the product.

4. The Commission shall adopt detailed rules for the application of this Article in accordance with the procedure laid down in the Article 75. Such detailed rules shall specify in particular:

- (a) the products to which additional import duties shall be applied, in accordance with Article 5 of the Agreement on Agriculture;

- (b) the other criteria necessary for application of paragraph 1 in accordance with Article 5 of the said Agreement.

Article 62

1. Tariff quotas for the products covered by this Regulation resulting from agreements concluded in accordance with Article 228 of the Treaty or from any other act of the Council shall be opened and administered by the Commission in accordance with detailed rules adopted under the procedure laid down in Article 75.
2. Quotas shall be administered by applying one of the following methods or a combination of them:
 - (a) a method based on the chronological order of the lodgment of applications (“first come, first served” principle);
 - (b) a method of distribution in proportion to the quantities requested when the applications were lodged (using the “simultaneous examination” method);
 - (c) a method based on taking traditional trade patterns into account (using the “traditional importers/new arrivals” method).

Other appropriate methods may be adopted. They shall avoid any discrimination between the operators concerned.

3. The method of administration adopted shall, where appropriate, give due weight to the supply requirements of the Community market and the need to safeguard the equilibrium of that market, whilst at the same time possibly drawing on the methods which have been applied in the past to quotas corresponding to those referred to in paragraph 1, without prejudice to the rights resulting from agreements concluded as part of the Uruguay Round of trade negotiations.
4. The detailed rules referred to in paragraph 1 shall provide for annual quotas, if necessary, suitably phased in over the year and shall determine the administrative method to be used and, where appropriate, shall include:
 - (a) guarantees covering the nature, provenance and origin of the product;
 - (b) recognition of the document used for verifying the guarantees referred to in (a); and
 - (c) the conditions under which import licences are issued and their term of validity.

Article 63

1. To the extent necessary to enable the export of:
 - (a) products listed in Article 1(2)(a), (b) and (c);

- (b) sugars falling within CN code 1701, glucose and glucose syrup falling within CN codes 1702 30 91, 1702 30 99, 1702 40 90 and 1702 90 50, including in the form of products falling within CN codes 1702 30 51 and 1702 30 59, incorporated into products falling with CN codes 2009 60 11, 2009 60 71, 2009 60 79 and 2204 30 99;

on the basis of prices for those products in international trade and within the limits resulting from agreements concluded in accordance with Article 228 of the Treaty, the difference between those prices and prices in the Community may be covered by export refunds.

2. For the allocation of the quantities which may be exported with refunds, the method shall be established which:

- (a) is the best suited to the nature of the product and to the situation on the market in question, enabling the most efficient use possible to be made of the available resources, and having regard to the efficiency and structure of Community exports without, however, creating discrimination between large and small operators;
- (b) is the least cumbersome administratively for operators, having regard to management imperatives;
- (c) precludes discrimination between the operators concerned.

3. Refunds shall be the same for the whole Community. They may vary according to destination where the situation on the international market or the specific requirements of certain markets make this necessary.

The refunds referred to in paragraph 1(a) shall be fixed in accordance with the procedure laid down in Article 75. They shall be fixed at regular intervals.

Refunds fixed at regular intervals may, where necessary, be adjusted in the intervening period by the Commission at the request of a Member State or on its own initiative.

The provisions of Article 64 regarding the products referred to therein shall apply on a supplementary basis.

4. Refunds shall be granted only on application and on presentation of the relevant export licence.
5. The refund applicable to exports of products listed in Article 1 shall be that applicable on the day of application for the licence and, in the case of a differentiated refund, that applicable on the same day:
 - (a) for the destination indicated on the licence or, if appropriate;
 - (b) for the actual destination, if it differs from that indicated on the licence. In that case the amount applicable may not exceed the amount applicable to the destination indicated on the licence.

Appropriate measures may be taken to preclude abuse of the flexibility provided for in this paragraph.

6. Paragraphs 4 and 5 may be waived in the case of products listed in Article 1 on which refunds are paid under food-aid operations, in accordance with the procedure laid down in Article 75.
7. Compliance with the limits on volumes arising from agreements concluded in accordance with Article 228 of the Treaty shall be ensured on the basis of the export certificates issued for the reference periods provided for therein and applicable to the products concerned.

With regard to compliance with the obligations arising under agreements concluded in the framework of the Uruguay Round of trade negotiations, the ending of a reference period shall not affect the validity of export licences.

8. Detailed rules for the application of this Article, including provisions on redistribution of unallocated or unused exportable quantities, shall be adopted in accordance with the procedure laid down in Article 75.

Article 64

1. This Article shall apply to the refunds referred to in Article 63(1).
2. The amount of the refund for products referred to in Article 63(1)(b) shall be:
 - (a) in the case of raw sugar and white sugar, the amount of refund for export of these products unprocessed as fixed in accordance with Article 17 of Council Regulation (EEC) No 1785/81⁵² on the common organization of the market in the sugar sector and with the provisions adopted for its application;
 - (b) in the case of glucose and glucose syrup, the amount of the refund for export of these products unprocessed as fixed for each of these products in accordance with Article 13 of Council Regulation (EEC) No 1766/92⁵³ on the common organization of the market in cereals and with the provisions adopted for its application.

To qualify for the refund, processed products must, on export, be accompanied by a declaration from the applicant indicating the amounts of raw sugar, white sugar, glucose and glucose syrup used in their manufacture.

The accuracy of this declaration shall be subject to checks by the competent authorities of the Member State concerned.

3. The following shall be taken into account when refunds are being fixed:
 - (a) the existing situation and likely trends with regard to:

⁵² OJ L 177, 1.7.1981, p. 4.

⁵³ OJ L 181, 1.7.1992, p. 21.

- (i) prices and availability of the products listed in Article 63(1) on the Community market;
- (ii) world market prices for those products;
- (b) the most advantageous marketing and transport costs from the Community markets to the ports or other export points of the Community as well as the costs of shipment to the country of destination;
- (c) the objectives of the common organization of the market in wine, which are to ensure balance on the markets and natural development in respect of prices and trade;
- (d) limits arising out of agreements concluded in accordance with Article 228 of the Treaty;
- (e) the need to avoid disturbances on the Community market;
- (f) the economic aspect of the proposed exports.

4. Community market prices referred to in Article 63(1) shall be determined on the basis of the most advantageous export prices.

The following shall be taken into account the prices in international trade referred to in Article 63(1) are being determined:

- (a) prices recorded on third-country markets;
 - (b) the most advantageous prices in third countries of destination for imports from third countries;
 - (c) producer prices recorded in exporting third countries, account being taken, where appropriate, of subsidies granted by those countries;
 - (d) free-at-Community-frontier offer prices.
5. Without prejudice to the third subparagraph of Article 63(3), the intervals at which the list of products for which a refund is actually granted is to be fixed and the amount at which that refund is to be fixed shall be determined in accordance with the procedure laid down in Article 75.
6. The refund shall be paid upon proof that the products:
- (a) are of Community origin;
 - (b) have been exported from the Community; and
 - (c) in the case of a differentiated refund, have reached the destination indicated on the licence or another destination for which the refund was fixed, without prejudice to point (b) of Article 63(5). However, exceptions may be made to this rule in accordance with the procedure laid down in Article 75, provided that conditions are laid down which offer equivalent guarantees.

Additional provisions may be adopted in accordance with the procedure laid down in Article 75.

7. Without prejudice to point (a) of paragraph 6, in the absence of a derogation granted in accordance with the procedure laid down in Article 75, no export refund shall be granted on products imported from third countries and re-exported to third countries.

Article 65

1. To the extent necessary for the proper working of the common organization of the market in wine, the Council, acting by a qualified majority on a proposal from the Commission, may in particular cases prohibit the use of inward processing arrangements wholly or partially in respect of the products listed in Article 1.
2. By way of derogation from paragraph 1, if the situation referred to in that paragraph occurs with particular urgency and if the Community market is, or is likely to be, disturbed by outward or inward processing arrangements, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures; the Council and the Member States shall be notified of such measures, the period of validity of which may not exceed six months and which shall apply immediately. If the Commission receives a request from a Member State, it shall take a decision thereon within one week of receipt of the request.
3. The Commission's decision may be referred to the Council by any Member State within one week of the day on which it was notified. The Council, acting by a qualified majority, may confirm, amend or annul the Commission's decision. If the Council has not reached a decision within three months, the Commission's decision shall be deemed to have been repealed.

Article 66

1. The general rules for the interpretation of the combined nomenclature and the special rules for its application shall apply to the classification of products covered by this Regulation; the tariff nomenclature resulting from the application of this Regulation shall be incorporated in the Common Customs Tariff.
2. Save as otherwise provided for this Regulation or pursuant to a provision thereof, the following shall be prohibited:
 - (a) the levying of any charge having equivalent effect to a customs duty;
 - (b) the application of any quantitative restriction or measure having equivalent effect.

Article 67

1. The import of the products covered by this Regulation to which alcohol has been added, with the exception of those products equivalent to products originating in the Community in respect of which such a mixture is permitted, shall be prohibited.

2. Detailed rules for the application of this Article, and in particular the conditions for the equivalence of products, and derogations from paragraph 1 shall be adopted in accordance with the procedure laid down in Article 75.

Article 68

1. The products referred to in Article 1(2)(a) and (b) may be imported only if the following conditions are fulfilled:
 - (a) in respect of all the products:
 - (i) if they correspond to the provisions governing production, marketing and, where appropriate, delivery for direct human consumption in the third countries in which they originate, and evidence of compliance with this condition is furnished in the form of a certificate issued by a competent body, included on a list to be determined, in the third country in which the product originates;
 - (ii) where they are intended for direct human consumption, if they are accompanied by an analysis report drawn up by a body or department designated by the third country in which the product originates;
 - (b) in respect of wines intended for direct human consumption other than liqueur wines and sparkling wines:
 - (i) if they have an actual alcoholic strength by volume of not less than 9% vol. and a total alcoholic strength by volume not exceeding 15% vol.;
 - (ii) if they have a total acidity content expressed as tartaric acid of not less than 4.5 grams or 60 milliequivalents per litre.
 - (c) for liqueur wines intended for direct human consumption if they have an actual alcoholic strength by volume of not less than 15% vol. and not more than 22% vol.
2. Provision may be made under the procedure laid down in Article 75 for:
 - (a) derogations from paragraph 1(b) and (c),
 - (b) dispensing with the certificate and the analysis report provided for in point (a) of paragraph 1 in the case of certain products as referred to in paragraph 1 which are transported in limited quantities and put up in small containers;
 - (c) waiving wholly or in part the requirement for the particulars contained in the certificate or the analysis report provided for in point (a) of paragraph 1 in the case of certain wines accompanied by a certificate of designation of origin or by a certificate of origin.
3. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 75.

Article 69

1. If, by reason of imports or exports, the Community market in one or more of the products listed in Article 1(2) is affected by, or is threatened with, serious disturbance likely to jeopardize the achievement of the objectives set out in Article 39 of the Treaty, appropriate measures may be applied in trade with third countries until such disturbance has ceased.

In order to assess whether the situation justifies the application of such measures, the following in particular must be taken into account:

- (a) the quantities in respect of which import licences have been issued or applied for and the figures given in the forecast supply balance;
- (b) where appropriate, the scale of intervention.

The Council, acting by a qualified majority on a proposal from the Commission, shall adopt general rules for the application of this paragraph and define the cases in which and the limits within which Member States may take interim protective measures.

2. If the situation referred to in paragraph 1 arises, the Commission shall, at the request of a Member State or on its own initiative, decide upon the necessary measures; the Member States shall be notified of such measures, which shall be immediately applicable. If the Commission receives a request from a Member State, it shall take a decision thereon within three working days following receipt of the request.
3. Measures decided upon by the Commission may be referred to the Council by any Member State within three working days of the day on which they were notified. The Council shall meet without delay. It may, acting by a qualified majority, amend or annul the measure in question.
4. This Article shall be applied having regard to the obligations arising from agreements concluded in accordance with Article 228(2) of the Treaty.

TITLE VIII

GENERAL, TRANSITIONAL AND FINAL PROVISIONS

Article 70

1. The products covered by this Regulation may be put into circulation within the Community only with an officially checked accompanying document.
2. Natural or legal persons or groups of persons who hold such products in the exercise of their trade, in particular producers, bottlers and processors, as well as merchants to be determined, shall be obliged to keep goods inwards and outwards registers in respect of those products.
3. Detailed rules for the application of this Article, and in particular the nature and form of the document referred to in paragraph 1, and the derogations from this Article, shall be adopted in accordance with the procedure laid down in Article 75.

Article 71

1. Save as otherwise provided in this Regulation, Articles 92, 93 and 94 of the Treaty shall apply to the production of and trade in the products covered by this Regulation.
2. Chapter II of Title II shall not impede the granting of national aid designed to achieve objectives similar to those sought by that Chapter. Paragraph 1 shall nevertheless apply to such aids.

Article 72

1. Member States shall designate one or more authorities which shall be responsible for ensuring compliance with Community rules in the wine sector. They shall also designate the laboratories authorized to carry out official analyses in the wine sector.
2. Member States shall inform the Commission of the names and addresses of these authorities and laboratories. The Commission shall forward this information to the other Member States.
3. The Commission may designate inspectors responsible for ensuring compliance with Community rules in the wine sector.
4. Detailed rules for the application of this Article shall be adopted in accordance with the procedure laid down in Article 75. These rules may in particular include provisions:
 - (a) to ensure uniform application of Community provisions in the wine sector, in particular as regards control;
 - (b) governing relations between the designated authorities;
 - (c) governing the specific financial procedures for the improvement of controls;
 - (d) governing sanctions; and
 - (e) governing the powers and obligations of the designated inspectors.

Article 73

Member States and the Commission shall communicate to each other the information necessary for implementing this Regulation. Detailed rules governing such communication, including the nature and format of the information to be transmitted, and time-limits for its communication as well as distribution of the information gathered shall be adopted in accordance with the procedure laid down in Article 75.

Article 74

A Management Committee for Wine (hereinafter called "the Committee") is hereby set up consisting of representatives of Member States and chaired by a representative of the Commission.

Article 75

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee, either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time-limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority provided for in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission may defer application of the measures which it has decided for a period of not more than one month from the date of such communication.

The Council, acting by a qualified majority, may take a different decision within the time-limit referred to in the previous paragraph.

Article 76

The Committee may examine any other question raised by the Chairman, either on his own initiative or at the request of the representative of a Member State.

Article 77

1. This Regulation shall be so applied that appropriate account is taken, at the same time, of the objectives set out in Articles 39 and 110 of the Treaty.
2. This Regulation shall be applied having regard to the obligations arising from the agreements concluded in accordance with Article 228(2) of the Treaty.

Article 78

1. Regulation (EC) No [...] [on the financing of the common agricultural policy] and the provisions adopted in implementation thereof shall apply to the products covered by this Regulation.
2. The premium referred to in Chapter II of Title II, the support referred to in Chapter III of that Title, the aid referred to in Chapter I of Title III, the buying-in and support referred to in Chapter II of that Title and the aids referred to in Chapter III of that Title shall be regarded as intervention designed to stabilize agricultural markets within the meaning of Article 2(2) of Regulation (EC) No [...] [on the financing of the common agricultural policy].

3. Notwithstanding any more restrictive provisions, the Community support which may be granted under Title III may only be granted in respect of products produced in the Community from products harvested in the Community.

Article 79

In accordance with the procedure laid down in Article 75, measures shall be adopted:

- (a) to facilitate the transition from the arrangements provided for in the Regulations referred to in Article 80 and those established by this Regulation; and
- (b) where required, to resolve specific practical problems. Such measures, if duly justified, may derogate from certain provisions of this Regulation.

Article 80

Regulations (EEC) Nos 346/79, 351/79, 460/79, 456/80, 457/80, 458/80, 1873/84, 895/85, 822/87, 823/87, 1442/88, 3877/88, 4252/88, 2046/89, 2048/89, 2389/89, 2390/89, 2391/89, 2392/89, 3677/89, 3895/91, 2332/92 and 2333/92 are hereby repealed.

Article 81

This Regulation shall enter into force on the seventh day following that of its publication in the *Official Journal of the European Communities*.

It shall apply from 1 August 2000.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

Definitions of product terms

1. Fresh grapes: the fruit of the vine used in making wine, ripe or even slightly raisined, which may be crushed or pressed by normal wine-cellar means and which may spontaneously produce alcoholic fermentation.
2. Grape must: the liquid product obtained naturally or by physical processes from fresh grapes. An actual alcoholic strength of the grape must of not more than 1% vol. is permissible.
3. Grape must in fermentation: the product obtained from the fermentation of grape must and with an actual alcoholic strength by volume of more than 1% vol. but less than three-fifths of its total alcoholic strength by volume: however, certain quality wines psr having an actual alcoholic strength by volume of less than three fifths of their total alcoholic strength by volume but not less than 5.5% are not considered as grape must in fermentation.
4. Grape must in fermentation, extracted from raisined grapes, the product obtained from the partial fermentation of grape must be obtained from raisined grapes, the total sugar content of which before fermentation is at least 272 grams per litre and the natural and actual alcoholic strength by volume of which may not be less than 8% vol.
5. Fresh grape must with fermentation arrested by the addition of alcohol: a product which:
 - has an actual alcoholic strength by volume of not less than 12% vol. but less than 15% vol.; and
 - is obtained by the addition to unfermented grape must having a natural alcoholic strength by volume of not less than 8.5% vol. and derived exclusively from vine varieties referred to in Article 46(5);
 - of neutral alcohol of vinous origin, including alcohol obtained from the distillation of dried grapes, having an actual alcoholic strength by volume of not less than 95% vol.; or
 - of an unrectified product derived from the distillation of wine and having an actual alcoholic strength by volume of not less than 52% vol. and not more than 80% vol.
6. Concentrated grape must: uncaramelised grape must which is:
 - obtained by partial dehydration of grape must carried out by any authorized method other than by direct heat in such a way that the figure indicated by a refractometer (used in accordance with a method to be prescribed) at a temperature of 20°C is not less than 50.9%;

- derived exclusively from vine varieties referred to in Article 46(5);
- obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested.

An actual alcoholic strength of the concentrated grape must of not more than 1% vol. is permissible.

7. Rectified concentrated grape must: the liquid uncaramelized product which:

- is obtained by partial dehydration of grape must carried out by any authorized method other than direct heat in such a way that the figure indicated by a refractometer used in accordance with a method to be prescribed at a temperature of 20°C is not less than 61.7%;
- has undergone authorized treatment for deacidification and elimination of constituents other than sugar;
- has the following characteristics:
 - a pH of not more than 5 at 25° Brix,
 - an optical density at 425 nm for a thickness of 1 cm of not more than 0.100 in grape must concentrated at 25° Brix,
 - a sucrose content undetectable by a method of analysis to be defined,
 - a olin-Ciocalteau index of not more than 6.00 at 25° Brix,
 - a titratable acidity of not more than 15 milliequivalents per kilogram of total sugars,
 - a sulphur dioxide content of not more than 25 milligrams per kilogram of total sugars,
 - a total cation content of not more than 8 milliequivalents per kilogram of total sugars,
 - a conductivity at 25° Brix and 20° C of not more than 120 µS/cm,
 - a hydroxymethylfurfural content of not more than 25 milligrams per kilogram of total sugars,
 - presence of mesoinositol,
- is derived exclusively from the vine varieties referred to in Article 46(5),
- it is obtained from grape must having at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which the grapes were harvested.

An actual alcoholic strength of the rectified concentrated grape must of not more than 1% volume is permissible.

8. Grape juice: the unfermented but fermentable liquid product obtained by appropriate treatment rendering it fit for consumption as it is; it may be obtained:
- (a) from fresh grapes or from grape must; or
 - (b) by reconstitution:
 - from concentrated grape must; or
 - from concentrated grape juice.

An actual alcoholic strength of the grape juice of not more than 1% vol. is permissible.

9. Concentrated grape juice: uncaramelised grape juice obtained by partial dehydration of grape juice carried out by any authorized method other than by direct heat in such a way that the figure indicated by a refractometer (used in accordance with a method to be prescribed) at a temperature of 20°C is not less than 50.9%.

An actual alcoholic strength of the concentrated grape juice of not more than 1% vol. is permissible.

10. Wine: the product obtained exclusively from the total or partial alcoholic fermentation of fresh grapes, whether or not crushed, or of grape must.
11. New wine still in fermentation: wine in which alcoholic fermentation is not yet complete and which is not yet separated from its lees.
12. Wine suitable for yielding table wine: wine which:
- is derived exclusively from vine varieties referred to in Article 46(5);
 - is produced in the Community; and
 - has at least the minimum natural alcoholic strength by volume laid down for the wine-growing zone in which it was produced.
13. Table wine: wine other than quality wine psr which:
- is derived exclusively from vine varieties referred to in Article 46(5);
 - is produced in the Community;
 - has, whether or not following application of the processes specified in point D of Annex IV, an actual alcoholic strength by volume of not less than 8.5% vol. provided the wine derives exclusively from grapes harvested in wine-growing zone A, B and of not less than 9% vol. in other wine-growing zones, and a total alcoholic strength by volume of not more than 15% vol.;

- subject to derogations which may be adopted, has a total acidity content, expressed as tartaric acid, of not less than 4.5 grams per litre or 60 milliequivalents per litre.

However, in the case of wines from certain wine-growing areas to be determined which have been produced without any enrichment and do not contain more than 5 grams of residual sugar, the upper limit for the total alcoholic strength by volume may be raised to 17% vol.

“Retsina” table wine is table wine which has been subject to the addition of Aleppo pine resin under conditions to be laid down.

14. Liqueur wine: the product:

A. Having:

- an actual alcoholic strength by volume of not less than 15% vol. and not more than 22% vol.;
- an overall alcoholic strength by volume of not less than 17.5% vol., except for certain quality liqueur wines produced in specified regions (quality liqueur wines psr) appearing on a list to be drawn up;

B. obtained:

(a) from:

- grape must in fermentation; or
- wine; or
- a combination of the above products; or
- in the case of certain quality liqueur wines psr to be determined, grape must or a mixture thereof with wine,

all these products being required, in the case of liqueur wines and quality liqueur wines psr:

- to be derived from vine varieties which shall be selected from among those referred to in Article 46(5); and
- with the exception of certain quality liqueur wines psr appearing on a list to be drawn up, to have an initial natural alcoholic strength by volume of not less than 12% vol.;

(b) and by addition:

(i) Individually or in combination:

- of neutral alcohol of vine origin, including alcohol produced from the distillation of dried grapes, having an actual alcoholic strength by volume of not less than 96% vol.;
- of wine or dried grape distillate, having an actual alcoholic strength by volume of not less than 52% vol. and not more than 86% vol.;

(ii) together with one or more of the following products where appropriate:

- concentrated grape must;
- a combination of one of the products referred to in (i) with a grape must referred to in the first and fourth indents in (a);

(iii) for certain quality liqueur wines psr appearing on a list to be drawn up:

- either of products listed in (i) individually or in combination;
- or of one or more of the following products:
 - wine alcohol or dried grape alcohol with an actual alcoholic strength by volume of not less than 95% vol. and not more than 96% vol.;
 - spirits distilled from wine or from grape marc, with an actual alcoholic strength by volume of not less than 52% vol. and not more than 86% vol.;
 - spirits distilled from dried grapes, with an actual alcoholic strength by volume of not less than 52% vol. and of less than 94.5% vol.;
- together with one or more of the following products, where appropriate:
 - partially fermented grape must obtained from raisined grapes;

- concentrated grape must obtained by the action of direct heat, complying with the exception of this operation, with the definition of concentrated grape must;
- concentrated grape must;
- a combination of one of the products listed in the second indent with a grape must referred to in the first and fourth indents in (a).

15. Sparkling wine; save for the derogation provided for in Article 48(3), the product which is obtained by first or second alcoholic fermentation:

- of fresh grapes;
- of grape must;
- of wine, suitable for yielding table wine;
- of table wine;
- of quality wine psr,

which, when the container is opened, releases carbon dioxide derived exclusively from fermentation and which has an excess pressure, due to carbon dioxide in solution, of not less than 3 bar when kept at a temperature of 20°C in closed containers.

16. Aerated sparkling wine: the product which:

- is obtained, from table wine, or equivalent third country wine;
- releases, when the container is opened, carbon dioxide derived wholly or partially from an addition of that gas; and
- has an excess pressure, due to carbon dioxide in solution, of not less than 3 bar when kept at a temperature of 20°C in closed containers.

17. Semi-sparkling wine: the product which:

- is obtained from table wine, quality wine psr or from products suitable for yielding table wine or quality wine psr provided that such wine or products have a total alcoholic strength of not less than 9% vol., or equivalent third country wine;
- has an actual alcoholic strength by volume of not less than 7% vol.;
- has an excess pressure, due to endogenous carbon dioxide in solution of not less than 1 bar and not more than 2.5 bar when kept at a temperature of 20°C in closed containers;
- is put up in containers of 60 litres or less.

18. Aerated semi-sparkling wine: the product which:
- is obtained from table wine, quality wine psr or from products suitable for yielding table wine or quality wine psr, or equivalent third country wine;
 - has an actual alcoholic strength of not less than 7% vol. and a total alcoholic strength of not less than 9% vol.;
 - has an excess pressure of not less than 1 bar and not more than 2.5 bar when kept at a temperature of 20°C in closed containers due to carbon dioxide in solution which has been wholly or partially added;
 - is put up in containers of a capacity not exceeding 60 litres.
19. Wine vinegar: vinegar which:
- is obtained exclusively by acetous fermentation of wine; and
 - has a total acidity of not less than 60 grams per litre expressed as acetic acid.
20. Wine lees: the residue accumulating in vessels containing wine after fermentation, during storage or after authorized treatment and the residue obtained from filtering or centrifuging this product.
- The following are also considered as wine lees:
- the residue accumulating in vessels containing grape must during storage or after authorized treatment;
 - the residue obtained from filtering or centrifuging this product.
21. Grape marc: the residue from the pressing of fresh grapes, whether or not fermented.
22. Piquette: the product obtained:
- by the fermentation of untreated grape marc macerated in water; or
 - by leaching fermented grape marc with water.
23. Wine fortified for distillation: the product which:
- has an actual alcoholic strength by volume of not less than 18% vol. and not more than 24% vol.;
 - is obtained exclusively by the addition to wine containing no residual sugar of an unrectified product derived from the distillation of wine and having a maximum actual alcoholic strength by volume of 86% vol.; and
 - has a maximum volatile acidity of 1.5 grammes per litre, expressed as acetic acid.

24. Wine of overripe grapes: the product:

- produced in the Community, without enrichment, from grapes harvested in the Community, coming from the vine varieties set out in Article 46(5) and which are set out in a list to be drawn up;
- having a natural alcoholic strength of more than 15% vol.;
- having a total alcoholic strength not less than 17% vol., and an actual alcoholic strength of not less than 12% vol.; and
- having been the subject of ageing for not less than two years, calculated from the 1 January following the harvest of the grapes concerned.

Alcoholic strengths

1. Actual alcoholic strength by volume means the number of volumes of pure alcohol contained at a temperature of 20°C in 100 volumes of the product at that temperature.
2. Potential alcoholic strength by volume means the number of volumes of pure alcohol at a temperature of 20°C capable of being produced by total fermentation of the sugars contained in 100 volumes of the product at that temperature.
3. Total alcoholic strength by volume means the sum of the actual and potential alcoholic strengths.
4. Natural alcoholic strength by volume means the total alcoholic strength by volume of a product before any enrichment.
5. Actual alcoholic strength by mass means the number of kilograms of pure alcohol contained in 100 kilograms of product.
6. Potential alcoholic strength by mass means the number of kilograms of pure alcohol capable of being produced by total fermentation of the sugars contained in 100 kilograms of the product.
7. Total alcoholic strength by mass means the sum of the actual and potential alcoholic strengths by mass.

Wine growing zones

1. Wine-growing zone A comprises:
 - (a) in Germany: the areas under vines other than those included in wine-growing zone B;
 - (b) in Belgium: the Belgian wine-growing area;
 - (c) in Luxembourg: the Luxembourg wine-growing region;
 - (d) in the Netherlands: the Netherlands wine-growing area;
 - (e) in the United Kingdom: the United Kingdom wine-growing area.

2. Wine-growing zone B comprises:
 - (a) in Germany, the areas under vines in the region of Baden;
 - (b) in France, the areas under vines in the departments not mentioned in this Annex and in the following departments:
 - in Alsace:
Bas-Rhin, Haut-Rhin;
 - in Lorraine:
Meurthe-et-Moselle, Meuse, Moselle, Vosges;
 - in Champagne:
Aisne, Aube, Marne, Haute-Marne, Seine-et-Marne;
 - in the Jura:
Ain, Doubs, Jura, Haute-Saone;
 - in Savoie:
Savoie, Haute-Savoie;
 - in the Val de Loire:
Cher, Deux-Sevres, Indre, Indre-et-Loire, Loir-et-Cher, Loire-Atlantique, Loiret, Maine-et-Loire, Sarthe, Vendee, Vienne, and the areas under vines in the arrondissement of Cosne-sur-Loire in the department of Nièvre.
 - (c) in Austria: the Austrian wine-growing area.

3. Wine-growing zone C I (a) comprises the area under vines:
- (a) in France:
- in the following departments:
Allier, Alpes-de-Haute-Provence, Hautes-Alpes, Alpes-Maritimes, Ariège, Aveyron, Cantal, Charente, Charente-Maritime, Corrèze, Côte-d'Or, Dordogne, Haute-Garonne, Gers, Gironde, Isère, Landes, Loire, Haute-Loire, Lot, Lot-et-Garonne, Lozère, Nièvre except for the arrondissements of Cosne-sur-Loire, Puy-de-Dôme, Pyrénées-Atlantiques, Hautes Pyrénées, Rhône, Saône-et-Loire, Tarn-et-Garonne, Haute-Vienne, Yonne;
 - in the arrondissement of Valence and Die in the department of Drome (except for the cantons of Dieulefit, Loriol, Marsanne and Montelimar);
 - in the department of Ardeche, the whole of the arrondissement of Tournon and the cantons of Antraigues, Buzet, Coucouron, Montpezat-sous-Bauzon, Privas, Saint-Etienne de Lugdaires, Saint-Pierre-Val, Valgorgne and la Voulte-sur-Rhône.
- (b) In Spain, in the provinces of Asturias, Cantabria, Guipuzcoa, La Coruna and Vizcaya.
- (c) In Portugal, the areas under vines in that part of the region of Norte which corresponds to the designated wine area of "Vinho Verde".
4. In Italy, wine growing zone C I (b) comprises the areas under vines in the Valle d'Aosta region and in the provinces of Sondrio, Bolzano, Trento and Belluno.
5. Wine-growing zone C II comprises:
- (a) in France, the areas under vines:
- in the following departments: Aude, Bouches-du-Rhône, Gard, Hérault, Pyrénées-Orientales (except for the cantons of Olette and Arles-sur-Tech), Vaucluse;
 - in the part of the department of Var bounded in the south by the northern limit of the communes of Evenos, Le Beausset, Sollies-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Saint-Maxime;
 - in the arrondissement of Nyons and the cantons of Dieulefit, Loriol, Marsanne and Montelimar in the department of Drome;
 - in those parts of the department of Ardeche not listed in point 3(a).

- (b) in Italy, the areas under vines in the following regions: Abruzzi, Campania, Emilia-Romagna, Friuli-Venezia Giulia, Lazio, Liguria, Lombardy except for the province of Sondrio, Marche, Molise, Piedmont, Tuscany, Umbria Veneto except for the province of Belluno, including the islands belonging to those regions, such as Elba and the other islands of the Tuscan archipelago, the Ponziene islands, Capri and Ischia.
 - (c) in Spain, the areas under vines:
 - in the following provinces:
 - Lugo, Orense, Pontevedra;
 - Ávila (except for the communes which correspond to the designated wine "comarca" of Cebreiros), Burgos, León, Palencia, Salamanca, Segovia, Soria, Valladolid, Zamora;
 - La Rioja;
 - Álava;
 - Navarra;
 - Huesca;
 - Barcelona, Gerona, Lerida;
 - in that part of the province of Zaragoza which lies to the north of the river Ebro;
 - in those communes of the province of Tarragona included in the Penedés registered designation of origin;
 - in that part of the province of Tarragona which corresponds to the designated wine "comarca" of Conca de Barberà.
 - (d) in Portugal, the areas under vines not included in zones C I(a) and C III.
6. In Greece, wine growing zone C III (a) comprises the area under vines in the following nomoi: Florina, Imathia, Kilkis, Grevena, Larisa, Ioannina, Levkas, Achaca, Messinia, Arkadia, Korinthia, Iraklio, Khania, Rethimni, Samos, Lasithi and the island of Thira (Santorini).
7. Wine-growing zone C III (b) comprises:
- (a) in France, the areas under vines:
 - in the departments of Corsica;

- in that part of the department of Var situated between the sea and a line bounded by the communes (which are themselves included) of Evenos, Le Beausset, Solliès-Toucas, Cuers, Puget-Ville, Collobrières, La Garde-Freinet, Plan-de-la-Tour and Sainte Maxime;
 - in the cantons of Olette and Arles-sur-Tech in the department of Pyrenees Orientales;
- (b) in Italy, the areas under vines in the following regions; Calabria, Basilicata, Apulia, Sardinia and Sicily, including the islands belonging to those regions, such as Pantelleria and the Lipari, Egadi and Pelagian Islands;
- (c) in Greece, the areas under vines not listed in point 6;
- (d) in Spain, the areas under vines not included in 3(b) or 5(c); and
- (e) in Portugal, the areas under vines in the following regions: Alentjeo, Algarve.
8. The demarcation of the territories covered by the administrative units mentioned in this Annex is that resulting from the national provisions in force on 15 December 1981 and, for Spain, from the national provisions in force on 1 March 1986 and Portugal, from the national provisions in force on 1 March 1998.

Oenological practices and processes and product specifications**A. Sulphur dioxide content**

1. The total sulphur dioxide content of wines, other than sparkling wines and liqueur wines, may, on their release to the market for direct human consumption, not exceed:
 - (a) 160 milligrams per litre for red wines; and
 - (b) 210 milligrams per litre for white and rosé wines.
2. Notwithstanding paragraph 1 (a) and (b), the maximum sulphur dioxide content shall be raised, as regards wines with a residual sugar content, expressed as invert sugar, of not less than five grams per litre, to:
 - (a) 210 milligrams per litre for red wines and 260 milligrams per litre for white and rosé wines;
 - (b) 300 milligrams per litre for:
 - wines entitled to the description “Spätlese” in accordance with Community provisions;
 - quality white wines psr entitled to the registered designations of origin Bordeaux supérieur, Graves de Vayres, Côtes de Bordeaux, St Macaire, Premières Côtes de Bordeaux, Ste-Foy Bordeaux, Côtes de Bergerac (whether or not followed by the description 'Côtes de Saussignac'). Haut Montravel, Côtes de Montravel and Rosette;
 - quality white wines psr entitled to the designations of origin Allela, La Mancha, Navarra, Penedés, Rioja, Rueda, Tarragona and Valencia;
 - White quality wines psr originating in the United Kingdom described and presented in accordance with British legislation by the term “botrytis”, or other equivalent terms, such as “noble harvest”, “noble late Harvested” or “special late harvested”;
 - (c) 350 milligrams per litre for wines entitled to the description 'Auslese' in accordance with Community provisions and white wines described as 'superior wine of designated origin', in accordance with Romanian legislation and entitled to bear one of the following names: Murfatlar, Cotnari, Tîrnave, Pietroasele, Valea Calugareasca;

- (d) 400 milligrams per litre for wines entitled to the descriptions 'Beerenauslese', 'Ausbruch', 'Ausbruchwein', and 'Trockenbeerenauslese' and 'Eiswein' in accordance with Community provisions and quality white wines psr entitled to the registered designations of origin Sauternes, Barsac, Cadillac, Cérons, Loupiac, Sainte-Croix-du-Mont, Monbazillac, Bonnezeaux, Quarts de Chaume, Coteaux du Layon, Coteaux de l'Aubance, Graves Supérieures and Jurançon.
3. Where climatic conditions have made this necessary it may be decided that the Member States concerned may, in certain wine-growing zones of the Community, authorize, for wines produced within their territory, the maximum total sulphur dioxide levels of less than 300 milligrams per litre referred to in this point to be increased by a maximum of 40 milligrams per litre.
4. Member States may apply more restrictive provisions to wines produced within their territory.

B. Volatile acid content

1. The maximum volatile acid content may not exceed:
- (a) 18 milliequivalents per litre for grape must in fermentation;
 - (b) 18 milliequivalents per litre for white and rosé wines and, until 31 December 1989 at the latest, for the products of a "coupage" of white wine with red wine on Spanish territory; or
 - (c) 20 milliequivalents per litre for red wines.
2. The levels referred to in paragraph 1 shall apply:
- to products from grapes harvested within the Community, at the production stage and at all stages of marketing;
 - to grape must in fermentation and wines originating in third countries, at all stages following their entry into the geographical territory of the Community.
3. Provision may be made for exceptions to paragraph 1 as regard:
- (a) certain quality wines psr and certain table wines designated by means of a geographical indication where they:
 - have matured over a period of at least two years; or
 - have been produced according to particular methods;
 - (b) wines with a total alcoholic strength by volume of at least 13% vol.

C. Enrichment limits

1. An increase in the natural alcoholic strength by volume (actual or potential) of fresh grapes, grape must, grape must in fermentation, and new wine still in fermentation, obtained from the vine varieties referred to in Article 46(5), as well as of wine suitable for yielding table wine and table wine is permitted.
2. An increase in natural alcoholic strength by volume may not be authorized in respect of the products referred to in the paragraph 1 unless their minimum natural alcoholic strength by volume is as follows:
 - (a) in wine-growing zone A: 5% vol.;
 - (b) in wine-growing zone B: 6% vol.;
 - (c) in wine-growing zone C I (a): 7.5% vol.;
 - (d) in wine-growing zone C I (b): 8% vol.;
 - (e) in wine-growing zone C II: 8.5% vol.; or
 - (f) in wine-growing zones C III: 9% vol.
3. The increase in minimum natural alcoholic strength by volume shall be achieved by means of the oenological practices referred to in point D and may not exceed the following limits:
 - (a) in wine-growing zone A: 2% vol.;
 - (b) in wine-growing zone B: 1.5% vol.; or
 - (c) in wine-growing zone C: 1% vol.
4. Where climatic conditions so require, Member States may increase these limits up to the following levels:
 - (a) in wine-growing zone A: 3.5% vol.;
 - (b) in wine-growing zone B: 2.5% vol.; or
 - (c) in wine-growing zone C: 2% vol.
5. In years when climatic conditions have been exceptionally unfavourable, the limits on increases in the alcoholic strength by volume provided for in the paragraph 4 may be raised to the following levels:
 - (a) wine-growing zone A: 4.5% vol.; or
 - (b) wine-growing zone B: 3.5% vol.

D. Enrichment processes

1. The increase in natural alcoholic strength by volume provided for in point C may only be effected:
 - (a) in respect of fresh grapes, grape must in fermentation or new wine still in fermentation, by adding sucrose, concentrated grape must or rectified concentrated grape must;
 - (b) in respect of grape must, by adding sucrose or concentrated grape must or rectified concentrated grape must or by partial concentration; and
 - (c) in respect of wine suitable for yielding table wine and table wine, by partial concentration through cooling.
2. The processes mentioned in paragraph 1 shall be mutually exclusive.
3. The addition of sucrose provided for in paragraph 1(a) and (b) may only be performed by dry sugaring and only in:
 - (a) wine-growing zone A;
 - (b) wine-growing zone B;
 - (c) wine growing zone C with the exception of vineyards in Italy, Greece, Spain, Portugal and vineyards in the French departments under jurisdiction of the courts of appeal of:
 - Aix en Provence;
 - Nîmes;
 - Montpellier;
 - Toulouse;
 - Agen;
 - Pau;
 - Bordeaux;
 - Bastia.
4. The addition of concentrated grape must or rectified concentrated grape must shall not have the effect of increasing the initial volume of fresh crushed grapes, grape must, grape must in fermentation or new wine still in fermentation by more than 11% in wine-growing zone A, 8% in wine-growing zone B and 6.5% in wine-growing zones C.
5. If paragraph 5 of point C is applied, the limits on increases in natural alcoholic strength by volume shall be raised to 15% in wine-growing zone A and to 11% in wine-growing zone B.

6. The concentration of grape must, of wine suitable for yielding table wine or of table wine subjected to this process, shall not have the effect of reducing the initial volume of these products by more than 20% and in no case shall it increase by more than 2% vol. their natural alcoholic strength by volume.
7. In no case shall the above mentioned processes have the effect of raising to more than 11.5% vol. in wine-growing zone A, 12% vol. in wine-growing zone B, 12.5% vol. in wine-growing zones C I (a) and C I (b), 13% vol. in wine-growing zones C II and 13.5% vol. in wine-growing zones C III the total alcoholic strength by volume of the fresh grapes, grape must, grape must in fermentation, new wine still in fermentation, wine suitable for yielding table wine or table wine subjected to those processes.
8. However, for red wine, the total alcoholic strength by volume of the products mentioned in paragraph 7 may be raised to 12% vol. in wine-growing zone A and 12.5% vol. in wine-growing zone B.
9. Wine suitable for yielding table wine and table wine may not be concentrated when the products from which they were obtained have themselves been subjected to the processes mentioned in paragraph 1(a) and (b).

E. Acidification and deacidification

1. Fresh grapes, grape must, grape must in fermentation, new wine still in fermentation and wine may be subject to:
 - (a) partial deacidification in wine-growing zones A, B, C I (a) and C I (b);
 - (b) acidification and deacidification in wine-growing zones C II and C III (a), without prejudice to paragraph 3; or
 - (c) acidification in wine-growing zone C III (b).
2. Acidification of the products, other than wine, referred to in the paragraph 1 may be carried out only up to a limit of 1.50 g/l expressed as tartaric acid, or 20 milliequivalents per litre.
3. Acidification of wines may be carried out only up to a limit of 2.50 g/l expressed as tartaric acid, or 33.3 milliequivalents per litre.
4. Deacidification of wines may be carried out only up to a limit of 1 g/l expressed as tartaric acid, or 13.3 milliequivalents per litre.
5. Moreover, grape must intended for concentration may be the subject of partial deacidification.
6. In years when climatic conditions have been exceptional, Member States may authorize acidification of the products referred to in paragraph 1 in wine-growing zones C I (a) and C I (b), under the conditions referred to in paragraph 1 as regards zones C II, C III (a) and C III (b).

7. Acidification and enrichment, except by way of derogation to be decided on case by case, and acidification and deacidification of one and the same product shall be mutually exclusive processes.

F. Sweetening

1. The sweetening of table wine shall be authorized only:
 - (a) with grape must which has at most the same total alcoholic strength by volume as the table wine in question, if the fresh grapes, grape must, grape must in fermentation, new wine still in fermentation or wine suitable for yielding table wine, or the table wine itself, have undergone one of the processes mentioned in paragraph 1 of point D;
 - (b) with concentrated grape must, or rectified concentrated grape must or grape must, provided that the total alcoholic strength by volume of the table wine in question is not raised by more than 2% vol., if the products mentioned under (a) have not undergone one of the processes mentioned in paragraph 1 of point D.
2. The sweetening of imported wines intended for direct human consumption and bearing a geographical ascription shall be forbidden within the territory of the Community.
3. The sweetening of imported wines other than those referred to in paragraph 2 shall be subject to rules to be determined.

G. Processes

1. None of the processes referred to in points D and E, with the exception of the acidification and deacidification of wines, shall be authorized unless carried out as a single operation at the time when the fresh grapes, grape must, grape must in fermentation or new wine still in fermentation are being turned into wine suitable for yielding table wine, into table wine, or into any other beverage intended for direct human consumption referred in Article 1(2) other than sparkling wine or aerated sparkling wine in the wine-growing zone where the fresh grapes used were harvested.
2. The same shall apply to the concentration, acidification and deacidification of wine suitable for yielding table wines.
3. The concentration of table wines must take place in the wine-growing zone where the fresh grapes used were harvested.
4. Acidification and deacidification of wines may take place only in the wine making undertaking and in the wine-growing zone where the grapes used to produce the wine in question were harvested.

5. Each of the processes referred to in paragraphs 1 to 4 must be notified to the competent authorities. The same shall apply in respect of the quantities of sucrose, concentrated grape must or rectified concentrated grape must held in the exercise of their profession by natural or legal persons or groups of persons, in particular producers, bottlers, processors and merchants to be determined, at the same time and in the same place as fresh grapes must in fermentation or wine in bulk. The notification of these quantities may, however, be replaced by entry in a goods inwards and stock utilisation register.
6. Each of the processes referred to in point E must be recorded on the officially checked accompanying document under cover of which the products having undergone the processes are put into circulation.
7. Those processes may, subject to derogations justified by exceptional climatic conditions, only be carried out:
 - (a) before 1 January, in wine-growing zones C;
 - (b) before 16 March, in wine-growing zones A and B, and only for products of the wine harvest immediately preceding those dates.
8. However, concentration by cooling and acidification and deacidification of wines may be practised throughout the year.

H. Sparkling wine

1. For the purposes of this Annex:
 - (a) cuvée means:
 - the grape must;
 - the wine; or
 - the mixture of grape musts or wines with different characteristics, intended for the preparation of a specific type of the sparkling wines;
 - (b) tirage liqueur means:

the product added to the cuvée to provoke secondary fermentation;
 - (c) expedition liqueur means:

the product added to the sparkling wines to give them special taste qualities.
2. The expedition liqueur may contain only:
 - sucrose;
 - grape must;

- grape must in fermentation;
- concentrated grape must;
- rectified concentrated grape must;
- wine; or
- a mixture thereof,

with the possible addition of wine distillate.

3. Without prejudice to enrichment authorized pursuant to this Regulation for the constituents of a cuvée, any enrichment of the cuvée shall be prohibited.
4. However, each Member State may, in respect of regions and varieties for which it is technically justified, authorize the enrichment of the cuvée at the place of preparation of the sparkling wines on conditions to be laid down.
5. The addition of tirage liqueur and expedition liqueur shall be considered neither as enrichment nor as sweetening. The addition of tirage liqueur may not cause an increase in the total alcoholic strength by volume of the cuvée of more than 1.5% vol. This increase shall be measured by calculating the difference between the total alcoholic strength by volume of the cuvée and the total alcoholic strength by volume of the sparkling wine before any expedition liqueur is added.
6. The addition of expedition liqueur shall be carried out in such a way as not to increase the actual alcoholic strength by volume of the sparkling wine by more than 0.5% vol.
7. Sweetening of the cuvée and its constituents shall be prohibited.
8. In addition to any acidification or deacidification of the constituents of the cuvée in accordance with the other provisions of this Annex the cuvée may be subject to acidification or deacidification. Acidification and deacidification of the cuvée shall be mutually exclusive. Acidification may be carried out only up to a maximum of 1.5 grams per litre, expressed as tartaric acid, i.e. 20 milliequivalents per litre.
9. In years of exceptional weather conditions, the maximum limit of 1.5 grams per litre or 20 milliequivalents per litre may be raised to 2.5 grams per litre or 34 milliequivalents per litre, provided that the natural acidity of the products is not less than 3 g/l, expressed as tartaric acid, or 40 milliequivalents per litre.
10. The carbon dioxide contained in the sparkling wines may be produced only as a result of the alcoholic fermentation of the cuvée from which such wine is prepared.
11. Regarding sparkling wines other than quality sparkling wines and quality sparkling wines psr:
 - (a) the total alcoholic strength by volume of the cuvées intended for their preparation shall be not less than 8.5% vol.,

- (b) their tirage liqueur may contain only:
- grape must;
 - grape must in fermentation;
 - concentrated grape must;
 - rectified concentrated grape must; or
 - sucrose and wine.
- (c) without prejudice to Article 48(3), their actual alcoholic strength by volume, including the alcohol contained in any expedition liqueur added, shall be not less than 9.5% vol.;
- (d) without prejudice to any more restrictive provisions which Member States may apply to sparkling wines produced on their territory, their total sulphur dioxide content may not exceed 235 milligrams per litre, subject to derogations to be granted.

I. Liqueur wine

1. For the preparation of liqueur wine, the following products shall be used:
- grape must in fermentation; or
 - wine; or
 - mixtures of products referred to in the preceding indents; or
 - grape must or a mixture thereof with wine, for certain quality liqueur wines psr appearing on a list to be drawn up.
2. Furthermore, the following shall be added:
- (a) in the case of liqueur wines and quality liqueur wines psr other than those referred to in (b):
- (i) the products below, either individually or in combination:
- neutral alcohol obtained from the distillation of products of the wine sector, including dried grapes, having an alcoholic strength of not less than 96% vol. and displaying the characteristics specified by Community provisions;
 - wine distillate or dried grape distillate with an alcoholic strength of not less than 52% vol., and not more than 86% vol., and displaying the characteristics specified in Annex I,
- (ii) together with one or more of the following products, where appropriate:
- concentrated grape must;

- the product obtained from combining one of the products listed in the first indent with a grape must referred to in the first or fourth indents of paragraph 1;
- (b) as regards certain quality liqueur wines psr appearing on a list to be drawn up:
- (i) either the products listed in (a), first indent, individually or in combination;
 - (ii) or one or more of the following products:
 - wine alcohol or dried grape alcohol with an alcoholic strength of not less than 95% vol. and not more than 96% vol. and with the characteristics specified by Community provisions, or, in the absence of the latter, by the relevant national provisions;
 - spirits distilled from wine or from grape marc with an alcoholic strength of not less than 52% vol. and not more than 86% vol. and displaying the characteristics specified by Community provisions or, in the absence of the latter, by the relevant national provisions;
 - spirits distilled from dried grapes with an alcoholic strength of not less than 52% vol. and less than 94.5% vol. and displaying the characteristics specified by the Community provisions or, in the absence thereof, by the relevant national provisions;
 - (iii) together with one or more of the following products, where appropriate:
 - partially fermented grape must obtained from raisined grapes;
 - concentrated grape must obtained by the action of direct heat, complying, with the exception of this operation, with the definition of concentrated grape must;
 - concentrated grape must;
 - the product obtained from combining one of the products listed in the second indent with a grape must referred to in the first or fourth indents of paragraph 1.
3. The products referred to in paragraph 1 and used for preparing liqueur wines and quality liqueur wines psr may have undergone, where appropriate, only the oenological practices and processes referred to in this Regulation.

4. However:
- (a) the increase in natural alcoholic strength by volume may be due only to the use of the products referred to in paragraph 2; and
 - (b) derogations may be adopted for specified products, where this is a traditional practice, to permit the use of calcium sulphate to be authorized by the Member State concerned, provided that the sulphate content of the product so treated is not more than 2.5 g/l, expressed as potassium sulphate. Moreover, these products may undergo additional acidification by means of tartaric acid up to a maximum limit of 1.5 g/l.
5. Without prejudice to any provisions of a more restrictive nature which the Member States may adopt for liqueur wines and quality liqueur wines prepared within their territory, such products shall be authorized to undergo the oenological practices and processes referred to in this Regulation.
6. The following are also authorized:
- (a) sweetening, subject to a declaration and registration requirement, where the products used have not been enriched with concentrated grape must, by means of:
 - concentrated grape must or rectified concentrated grape must, provided that the increase in the total alcoholic strength by volume of the wine in question is not more than 3% vol.;
 - concentrated grape must or rectified concentrated grape must or partially fermented grape must, obtained from raisined grapes, for products to be listed and provided that the increase in the total alcoholic strength by volume of the wine in question is not more than 8% vol.;
 - concentrated grape must or rectified concentrated grape must for wines to be listed and provided that the increase in the total alcoholic strength by volume of the wine in question is not more than 8% vol.
 - (b) the addition of alcohol, distillate or spirits, as referred to in paragraphs 1 and 2, in order to compensate for losses due to evaporation during ageing;
 - (c) ageing in vessels at a temperature not exceeding 50 °C, for products to be listed.
7. Without prejudice to any provisions of a more restrictive nature which the Member States may adopt for liqueur wines and quality liqueur wines prepared within their territory, the total sulphur dioxide content of such wines, when released to the market for direct human consumption, may not exceed:
- (a) 150 mg/l where the residual sugar content is less than 5 g/l,
 - (b) 200 mg/l where the residual sugar content is more than 5 g/l.

8. The vine varieties from which the products referred to in paragraph 1 are produced, used for the preparation of liqueur wines and quality liqueur wines psr, shall be selected from those referred to in Article 46(5).
9. The natural alcoholic strength by volume of the products referred to in paragraph 1 used for the preparation of a liqueur wine, other than a quality liqueur wine psr, may not be less than 12% vol.

Quality wine psr

A. Specified regions

1. "Specified region" shall mean a wine-growing area or a combination of wine-growing areas which produces wines with particular quality characteristics and whose name is used to designate quality wines psr.
2. Each specified region shall be precisely demarcated, as far as possible on the basis of the individual vineyard or vineyard plot. Such demarcation shall be effected by each Member State concerned and shall take into account the factors which contribute towards the quality of the wines produced in those regions, such as the nature of the soil and subsoil, the climate and the situation of the individual vineyard or vineyard plot.

B. Vine varieties

1. Each Member State shall draw up a list of vine varieties suitable for producing each of the quality wines psr produced in its territory, these varieties being only of the species *Vitis vinifera* and must belong to the recommended or authorized categories referred to in Article 19.
2. Vine varieties which do not appear on the list referred to in paragraph 1 shall be removed from the vineyards or vineyard plots intended for the production of quality wine psr.
3. However, notwithstanding the foregoing paragraph, the presence of a vine variety which does not appear on the list may be permitted by Member States for a period of three years from the date on which the demarcation of a specified region comes into effect, where the said demarcation was made after 31 December 1979, provided that such vine variety belongs to the species *Vitis vinifera* and that it does not represent more than 20% of the vine varieties on the vineyard or vineyard plot involved.
4. At the latest by the end of the period laid down in paragraph 3, any vineyard or vineyard plot intended for the production of quality wines psr may consist only of vine varieties appearing on the list provided for in paragraph 1. Where this provision is not observed, none of the wines obtained from grapes harvested within the vineyard or vineyard plot shall be entitled to the designation "quality wine psr".

C. Wine-growing methods

1. Each Member State shall lay down the provisions regarding wine-growing methods which are required in order to ensure the best possible quality for quality wines psr.
2. Irrigation within a wine-growing zone may be carried out only to the extent that the Member State concerned has authorized it. Such authorization may be granted only where ecological conditions justify it.

D. Processing areas

1. Quality wines psr may be produced only:
 - (a) from grapes of vine varieties which appear on the list provided for in paragraph 1 of point B and are harvested within the specified region;
 - (b) by processing grapes as referred to in subparagraph (a) into grape must and processing the must thus obtained into wine, as well as by the production of such wine, within the specified region where the grapes used were harvested.
2. Notwithstanding subparagraph (b) of paragraph 1, a quality wine psr may be produced in an area in immediate proximity to the specified region concerned, where this has been expressly authorized by the Member State concerned subject to certain conditions.
3. Moreover, Member States may, by means of individual authorizations subject to appropriate control, permit a quality wine psr to be produced by processing grapes into must and must into wine, as well as by producing such wine, even outside an area in immediate proximity to the specified region concerned:
 - (a) in the case of a traditional practice, provided this practice:
 - was in use before 1 September 1970, or, in the case of Member States which acceded to the Community after that date, before the effective date of their accession;
 - has continued without interruption since those dates; and
 - involves quantities which, for the processor in question, have not increased since that date more than those corresponding to the general market trend;
 - (b) in other cases and in the case of a practice in use before 1 September 1989, during a transitional period ending on 31 August 1992 at the latest.
4. Any natural or legal person or group of persons which has grapes or musts which satisfy the conditions laid down for obtaining quality wines psr on the one hand and other products not satisfying these conditions on the other hand, shall ensure a separate wine-making process and storage for the former; otherwise, the wine obtained cannot be considered as quality wine psr.

5. The provisions of this point, other than paragraph 4, shall not apply to quality liqueur wines psr.

E. Minimum alcoholic strength

1. Each Member State shall fix a minimum natural alcoholic strength by volume for each of the quality wines psr obtained in its territory. When this natural alcoholic strength by volume is being determined, account shall be taken in particular of the alcoholic strengths which have been recorded over the ten preceding years. Only harvests of satisfactory quality from the most representative soils of the specified region shall be considered.
2. The minimum natural alcoholic strength by volume referred to in the first subparagraph may be fixed at different levels for the same quality wine psr depending on:
 - (a) the subregion, local administrative area or part thereof;
 - (b) the vine variety or varieties,from which the grapes used are obtained.
3. Except where otherwise decided, and except for quality sparkling wines psr and quality liqueur wines psr, the alcoholic strengths referred to in paragraph 1 may not be less than:
 - (a) 6.5% vol. in zone A with the exception of the specified regions Mosel-Saar-Ruwer, Ahr, Mittelrhein, Sachsen, Saale-Unstrut, Moselle luxembourgeoise, England and Wales, in which the said alcoholic strength shall be 6% vol.;
 - (b) 7.5% vol. in zone B;
 - (c) 8.5% vol. in zone C I a);
 - (d) 9% vol. in zone C I b);
 - (e) 9.5% vol. in zone C II;
 - (f) 10% vol. in zones C III.

F. Vinification and manufacturing methods

1. The specific vinification and manufacturing methods used for obtaining quality wines psr shall be laid down for each of those wines by Member States.
2. Where weather conditions have made it necessary in one of the wine-growing zones referred to in point E, the Member States concerned may permit an increase in the (actual or potential) natural alcoholic strength by volume of fresh grapes, grape must, grape must in fermentation, new wine still in fermentation and wine, suitable for yielding quality wine psr, with the exception of products intended for processing into quality liqueur wine psr. The increase may not exceed the limits laid down in paragraph 4 of point C of Annex IV.

3. In years when weather conditions have been exceptionally unfavourable, it may be decided that the increase in alcoholic strength provided for in paragraph 2 may attain the limits laid down in paragraph 5 of point C of Annex IV. Such authorization shall not prejudice the possibility of a similar authorization for table wines as provided for in that paragraph.
4. The increase in natural alcoholic strength by volume may be effected only in accordance with the methods and conditions referred to in point D of Annex IV, excepting paragraph 7 thereof. However, Member States may exclude the use of concentrated grape must.
5. The total alcoholic strength by volume of quality wines psr shall not be less than 9% vol. However, for certain white quality wines psr appearing on a list to be adopted that have undergone no enrichment, the minimum total alcoholic strength shall be 8.5% vol. This paragraph shall not apply to quality sparkling wines psr and quality liqueur wines psr.

G. Acidification, deacidification and sweetening

1. The conditions and limits for the acidification and deacidification of fresh grapes, grape must, grape must in fermentation, new wine still in fermentation and wine, suitable for yielding quality wine psr, and the procedure for granting authorizations and derogations, shall be those laid down in point E of Annex IV.
2. The sweetening of a quality wine psr may be authorized by a Member State only if it is carried out:
 - (a) in compliance with the conditions and limits laid down in point F of Annex IV;
 - (b) within the specified region in which the quality wine psr was produced, or within an area in immediate proximity, except in certain cases to be determined;
 - (c) using one or more of the following products:
 - grape must;
 - concentrated grape must;
 - rectified concentrated grape must.
3. The grape must and concentrated grape must referred to in subparagraph (c) of paragraph 2 must originate in the same specified region as the wine for the sweetening of which it is used.
4. This point shall not apply in respect of quality sparkling wines psr and quality liqueur wines psr.

H. Enrichment, acidification and deacidification processes

1. Each of the enrichment, acidification and deacidification operations referred to in point F and paragraph 1 of point G shall be authorized only if carried out under the conditions laid down in point G of Annex IV.
2. Subject to the provisions of paragraph 4 of point D, such operations may be carried out only in the specified region where the fresh grapes used were harvested.

I. Yields

1. A yield per hectare expressed in quantities of grapes, of grape must or of wine shall be fixed for each quality wine psr by the Member State concerned.
2. When this yield is being fixed, account shall be taken in particular of the yields obtained over the preceding ten years. Only harvests of satisfactory quality from the most representative soils of the specified region shall be considered.
3. The yield per hectare may be fixed at different levels for the same quality wine psr depending on:
 - (a) the sub-region, local administrative area or part thereof; and
 - (b) the vine variety or varieties,from which the grapes used are derived.
4. The yield so fixed may be adjusted by the Member State concerned.
5. Overshoot of the basic yield set shall entail a prohibition, covering the entire yield, on use of the claimed description.
6. The competent authority appointed by the Member State may, however, permit its use where there is an overshoot provided:
 - (a) the weather has been especially favourable to grape production, particularly as regards its quality;
 - (b) the overshoot is no more than 20% of the basic yield; and
 - (c) a quantity corresponding to the overshoot is distilled without public aid.
7. Member States may provide that half the overshoot be stocked with no possibility of marketing during the wine year of production. This quantity may be recognized under the following harvest(s), possibly after blending with quality wine psr therefrom.

J. Organoleptic tests

1. Producers shall be obliged to submit wines for which they are requesting the designation "quality wine psr" to an analytical and to an organoleptic test where:

- (a) the analytical test shall at least measure the factors enabling the quality wine psr in question to be distinguished, as listed in Annex I. The upper and lower limits for such factors shall be laid down by the producer Member State in respect of each quality wine psr; and
 - (b) the organoleptic test shall relate to colour, clarity, smell and taste.
2. Until appropriate provisions relating to their systematic and general application are adopted, the tests provided for in paragraph 1 may be carried out on samples by the competent agency designated by each of the Member States.

K. Quality sparkling wine psr

1. The total alcoholic strength by volume:
- (a) of the cuvées intended for the manufacture of quality sparkling wines shall be not less than 9% vol.;
 - (b) of the cuvées intended for the manufacture of quality sparkling wines psr shall be not less than:
 - 9.5% vol. in C III wine-growing zones;
 - 9% vol. in other wine-growing zones.
2. However, the cuvées intended for the manufacture of certain quality sparkling wines psr appearing on a list to be adopted and manufactured from a single vine variety, may have a total alcoholic strength by volume not less than 8.5% vol.
3. A list of the quality sparkling wines psr referred to in paragraph 2 shall be drawn up.
4. The actual alcoholic strength by volume of quality sparkling wines, and quality sparkling wines psr, including the alcohol contained in any expedition liqueur added, shall be not less than 10% vol.
5. The tirage liqueur for quality sparkling wines may contain only:
- (a) sucrose;
 - (b) concentrated grape must;
 - (c) rectified concentrated grape must; and
 - (d) grape must or grape must in fermentation from which a wine suitable for yielding a table wine can be obtained;
 - (e) wine suitable for yielding a table wine;
 - (f) table wines; or
 - (g) quality wines psr.

6. The tirage liqueur for quality sparkling wines psr may contain only:
- (a) sucrose;
 - (b) concentrated grape must;
 - (c) rectified concentrated grape must;
 - (d) grape must;
 - (e) grape must in fermentation;
 - (f) wine,
 - (g) quality wine psr,
- suitable for yielding the same quality sparkling wine psr as that to which the tirage liqueur is added.
7. Notwithstanding point 15 of Annex I, quality sparkling wines and quality sparkling wines psr, when kept at a temperature of 20 °C in closed containers, shall have an excess pressure of not less than 3.5 bars. However, for quality sparkling wines and quality sparkling wines psr kept in containers of a capacity of less than 25 centilitres, the minimum excess pressure shall be 3 bars.
8. Without prejudice to any more restrictive provisions which Member States may apply to quality sparkling wines and to quality sparkling wines psr, produced within their territory, and subject to derogations where climatic conditions have made this necessary in certain wine-growing areas of the Community to be adopted the total sulphur dioxide content of these sparkling wines shall not exceed 185 milligrams per litre.
9. The duration of the process of making quality sparkling wines and quality sparkling wines psr, including ageing in the undertaking where they are made and reckoned from the start of the fermentation process designed to make the wines sparkling, may not be:
- (a) less than six months where the fermentation process designed to make the wines sparkling takes place in closed tanks;
 - (b) less than nine months where the fermentation process designed to make the wines sparkling takes place in the bottles.
10. The duration of the fermentation process designed to make the cuvée sparkling and the duration of the presence of the cuvée on the lees shall not be less than:
- 90 days;
 - 30 days if the fermentation takes place in containers with stirrers.

L. Quality liqueur wine psr

1. Subject to derogations to be adopted, the products referred to in paragraph 1 of point I of Annex IV and the concentrated grape must or the partially fermented grape must obtained from raisined grapes referred to in paragraph 2 of that point, used for the preparation of a quality liqueur wine psr, must be obtained from the specified region of which the quality liqueur wine psr in question bears the name.
2. Subject to derogations to be adopted, the operations referred to in paragraphs 3 to 6 of point I of Annex IV for the preparation of quality liqueur wines psr may be performed only within the specified region referred to in paragraph 1.
3. Without prejudice to any provisions of a more restrictive nature which the Member States may adopt for quality liqueur wines psr prepared within their territory:
 - (a) the natural alcoholic strength by volume of the products referred to in paragraph 1 of point I of Annex IV used for the preparation of a quality liqueur wine psr may not be less than 12% vol. However, some quality liqueur wines psr on a list to be drawn up may be obtained from:
 - (i) grape must with a natural alcoholic strength by volume of not less than 10% vol. in the case of quality liqueur wines psr obtained by the addition of spirit obtained from wine or grape marc with a registered designation of origin, possibly from the same holding; or
 - (ii) or from fermenting grape must or, in the case of the second sub-indent below, from wine with an initial natural alcoholic strength by volume of not less than:
 - 11% vol. in the case of quality liqueur wines psr obtained by the addition of neutral alcohol, or of a distillate of wine with an actual alcoholic strength by volume of not less than 70% vol., or of spirit of vinous origin;
 - 10.5% vol. for wines to be listed prepared from white grape must;
 - 9% vol. in the case of a quality liqueur wine psr, the production of which is traditional and customary in accordance with the national laws which made express provision for such a wine;
 - (b) the actual alcoholic strength by volume of a quality liqueur wine psr may not be less than 15% vol. or more than 22% vol.;
 - (c) the total alcoholic strength by volume of a quality liqueur wine psr may not be less than 17.5% vol.
4. However, the total alcoholic strength by volume may be less than 17.5% vol., but not less than 15% vol., for certain quality liqueur wines psr on a list to be drawn up where national laws applicable thereto before 1 January 1985 expressly so provide.

FINANCIAL STATEMENT

VI/4462/98-EN (..../EN/./....)

DATE: 19 June 1998

1. BUDGET HEADING: 16 APPROPRIATIONS: ECU 806 million (B 1998)

2. TITLE: Council Regulation (EC) on the common organization of the market in wine

3. LEGAL BASIS:

4. AIMS OF PROJECT: To reform the COM for wine in order in particular to take account of the actual market situation as regards production and utilization.

5. FINANCIAL IMPLICATIONS	PERIOD OF 12 MONTHS	CURRENT FINANCIAL YEAR (98)	FOLLOWING FINANCIAL YEAR (99)	
	ECU million	ECU million	ECU million	
5.0. EXPENDITURE				
- CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTION)	1 234.0	not applicable	not applicable	
- NATIONAL ADMINISTRATION				
- OTHER				
5.1. REVENUE				
- OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES)				
- NATIONAL				
	2000	2001	2002	2003
5.0.1. ESTIMATED EXPENDITURE	not applicable	1 293	1 305	1 292
5.1.1. ESTIMATED REVENUE				

5.2. METHOD OF CALCULATION: See Annexes

6.0. CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?
not applicable

6.1. CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?
YES/NO

6.2. IS A SUPPLEMENTARY BUDGET NECESSARY?
YES/NO

6.3. WILL FUTURE BUDGET APPROPRIATIONS BE NECESSARY?
YES

OBSERVATIONS: Expenditure for the 2004 and 2005 financial years (normal period) are ECU 1 263 and 1 234 million respectively.

ANNEX 1 - ANNUAL EXPENDITURE

		FINANCIAL YEAR				
		2001	2002	2003	2004	2005
A.	Measures currently in force					
1	Refunds (Article 63)	44,0	44,0	44,0	44,0	44,0
2	Storage of wine and must (Article 24)					
	storage of wine	31,9	31,9	31,9	31,9	31,9
	storage of must	13,6	13,6	13,6	13,6	13,6
	Storage - total	45,5	45,5	45,5	45,5	45,5
3	Wine from dual-purpose grapes (Article 28)					
	a) Aid for distillation	9,8	9,8	9,8	9,8	9,8
	b) Buying-in of alcohol (losses on sales)	15,5	15,5	15,5	15,5	15,5
	Dual-purpose grapes - total	25,3	25,3	25,3	25,3	25,3
4	Compulsory deliveries for distillation (By-products) (Article 27)					
	a) Aid for distillation	64,4	64,4	64,4	64,4	64,4
	b) Buying-in of alcohol (losses on sales)	132,0	132,0	132,0	132,0	132,0
	By-products - total	196,4	196,4	196,4	196,4	196,4
5	Aid for must (Article 34 and 35)					
	concentrated must	4,2	4,2	4,2	4,2	4,2
	rectified concentrated must	116,9	116,9	116,9	116,9	116,9
	for juice (including part set aside)	20,6	20,6	20,6	20,6	20,6
	other	0,5	0,5	0,5	0,5	0,5
	Aid for must - total	142,3	142,3	142,3	142,3	142,3
6	Grubbing-up (Article 8)	45,0	45,0	45,0	45,0	45,0
	Current measures - total	498,5	498,5	498,5	498,5	498,5
B.	New measures					
1	Distillation - potable alcohol (Article 29)					
	a) Total cost to distiller (wine and costs)	439,3	439,3	439,3	439,3	439,3
	Reimbursement of costs and losses (EAGGF)	73,5	73,5	73,5	73,5	73,5
	Alcohol obtained and net cost	365,8	365,8	365,8	365,8	365,8
	Estimated product from sale of alcohol	161,9	161,9	161,9	161,9	161,9
	Additional aid for disposal	203,9	203,9	203,9	203,9	203,9
	Total for distillation (Article 29(5))	277,4	277,4	277,4	277,4	277,4
	b) Secondary aid (private storage of alcohol)					
	technical costs	5,7	5,7	5,7	5,7	5,7
	financial costs (on total value)	9,2	9,2	9,2	9,2	9,2
	Total for storage (Article 29(6))	15,0	15,0	15,0	15,0	15,0
	Total for EAGGF	292,4	292,4	292,4	292,4	292,4
2	Crisis distillation (Article 30)					
	a) Aid for distillation	62,5	47,1	29,5	14,7	p.m.
	b) Take-over of alcohol					
	technical costs	2,4	1,8	1,1	0,6	p.m.
	financial costs (after writing off 70%)	0,6	0,4	0,3	0,1	p.m.
	losses on sales	56,5	42,7	26,7	13,3	p.m.
	Total for alcohol	59,5	44,9	28,1	14,0	p.m.
	Total for EAGGF	122,0	92,0	57,5	28,8	p.m.
	New distillation measures - total	414,3	384,4	349,9	321,1	292,4
3	Conversion of areas under vines (Article 13)					
	a) Compensation for loss of income (at 47 hl/ha)	42,3	84,5	105,7	105,7	105,7
	b) Contribution to costs of reconversion	337,5	337,5	337,5	337,5	337,5
	1) in general	135,0	135,0	135,0	135,0	135,0
	2) in Objective 1 regions (50% of areas)	202,5	202,5	202,5	202,5	202,5
	Total for EAGGF	379,8	422,0	443,2	443,2	443,2
	New measures - total	794,1	806,5	793,1	764,3	735,6
	GRAND TOTAL	1292,6	1305,0	1291,6	1262,8	1234,1

ANNEX 2 - EXPLANATORY NOTES AND REMARKS

There are two sections in the table on forecast expenditure per financial year (Annex 1). The first gives the measures currently in force which are maintained in the new COM, while the second sets out the new measures introduced under the proposed reform.

The new arrangements introduced no longer focus on table wine but relate to the total quantity of wine produced in the EU. In addition, the costs were assessed using a figure for average production defined as statistically the most frequent.

Lastly, expenditure for a particular wine year ($n/n + 1$) has been charged in full to a given financial year ($n + 1$). Any amounts carried over to a subsequent financial year should, under the new arrangements, turn out to be limited and in the case of the first year, they will be offset by the amounts still outstanding from preceding wine years. In view of the results of the most recent harvests, however, these amounts (which basically concern costs relating to compulsory distillation and the payment of grubbing-up premiums) should also be very low.

First section - Current measures

For easier consultation and so that comparisons may be made, the measures covered by this section are given in the order in which they appear in the current budget. As a general rule, expenditure is assessed on the basis of past figures and applying the methods and parameters currently used for calculations.

- | | |
|---|---|
| 1 Refunds
(current budget heading: 1600) | In the absence of other factors, the WTO ceilings on "value" in force for the 2000 financial year were used. |
| 2 Storage of wine and must
(current budget heading: 1610) | The estimate is based on the average quantities recorded in recent wine years and the aid measures in force (there is no change compared with the current situation). |
| 3 Wine from dual-purpose grapes
(current budget heading: 1611 and 162) | The estimate is based on the average quantities distilled in recent wine years, bearing in mind the ban on the vinification of wine from table grapes - which entails in particular a slight rise in the alcoholic strength of wine - with the application of distillation aid as determined by the price fixed and, as regards the take-over of the alcohol, the cost components currently applying. |
| 4 Distillation of by-products measure
(current budget heading: 1612 and 162) | The estimate is based on the average quantities of alcohol recorded in recent wine years, with the application of the distillation aid as determined by the fixed price and, as regards the buying-in of the alcohol, the cost components currently in application. |
| 5 Aid for must
(current budget heading: 163) | The estimate is based on the average quantities on which aid was paid in recent wine years, using the amounts of aid applicable. |
| 6 Grubbing-up
(current budget heading: 164) | The costs shown are based on an estimated total area of 5000 ha grubbed up each year, at an average premium of ECU 9 000/ha. |

Second section - New measures

The measures covered by this section are intended, on the one hand, to ensure that production potential is aligned more closely to market requirements and, on the other hand, to ensure better management of any production surplus.

There is provision, firstly, for voluntary distillation to ensure traditional supplies to the potable alcohol market, corresponding to average annual requirements of around 1.4 million hl of pure alcohol.

In addition, another type of distillation measure, also voluntary, can be triggered in the event of a crisis. The quantities involved should be limited and should not occur on a regular basis.

Lastly, there is provision for Community support for the reconversion of areas under vines in the EU with a view to bringing production more closely into line with market outlets, which also should reduce any surpluses.

1 Distillation for potable alcohol market

The estimated costs are based on the price fixed for wine (equivalent to 65% of the current guide price). The distillation costs and losses to be reimbursed can be estimated at ECU 0.500% vol/hl, i.e.

mid-way between those currently applied in the budget for neutral alcohol and raw wine alcohol. The additional amount necessary to dispose of the alcohol obtained depends on the price that it can fetch on the market, which these calculations put at ECU 115.9/hl, i.e. the amount currently used in the budget.

- secondary aid (private storage)

The draft reform also provides for aid for the private storage of the alcohol obtained: the expenditure has been estimated by applying the flat-rate amounts (technical and financial costs) currently in force to the estimated average quantities in storage in a given year.

The figure of 60% is obtained by a simplified calculation of the average stocks so as to take account of the probable staggering of sales during the year and the possibility that around 80% may be sold by the end of the financial year. This quantity will obviously be significantly affected by the probable fluctuations in harvests.

2 Crisis distillation

This distillation measure should only be triggered exceptionally.

However, to assess accurately the total expenditure to the EAGGF, the potential cost was assessed using as a basis aid as determined by a wine price corresponding to 50% of the current guide price.

Taking costs and losses (estimated, as in the preceding case, at ECU 0.500% vol/hl) into account and assuming the alcohol is worth ECU 115.9 ECU/hl, that potential cost comes to ECU 1.122% vol/hl. The quantity used as a working hypothesis was 5.3 million hl for the 2000/01 harvest.

Reconversion is expected to bring about a gradual reduction in the quantity concerned, to an estimated 4.0 million hl in 2001/02, 2.50 million hl in 2002/03 and 1.25 million hl in 2003/04.

- public storage

The take-over of alcohol obtained from crisis distillation will generate storage costs, estimated here on the basis of parameters (price of alcohol and flat-rate amounts) currently applying for the storage of alcohol from compulsory distillation. To estimate the average quantities in storage, the simplified calculation is based on the sale of 50% of the quantities in store by the end of the financial year.

3 Reconversion of areas under vines

- compensation for loss of income

Expenditure connected with restructuring is based on an estimated area concerned of 54 000 ha (corresponding to around 1.6% of areas under vines in the EU).

The assessment of the theoretical annual income is based on the assumption that 25% will opt for conversion "in parallel". The yield per hectare is estimated at 47 hl wine (the Community average) at 10.5% vol, at a price of ECU 2.488/hl (corresponding to 65% of the current guide price, i.e. the same parameters as those used for the other measures). The amount obtained has been multiplied by a reducing coefficient (put at 15%), the vineyards for restructuring being by definition less capable of generating income.

In addition, in view of the fact that, even if a new vineyard is generally considered to be fully productive from the fourth year only, it is very likely there will be some output in the third year, the foreseeable compensation for that third year has been reduced by half.

Expenditure per financial year when the scheme is up and running is thus put at 2.5 times the annual amount calculated.

- contribution to costs

The calculation of expenditure takes account of the real costs of replanting (estimated to average ECU 10 000/ha in the EU), with a 50% contribution from the EAGGF. The percentage contribution rises to 75% in Objective 1 regions, which account for 50% of the areas under vines in the Community.

ANNEX 3 - FACTORS FOR CALCULATIONS

	factors used for calculations							First harvest		
	alcoh. strength %vol	unit value purchase	unit value sale/ costs	unit value aid	average quantity obtained/ considered	average quantity still in storage	% interest/ contribut	total ECU/ha	quant million hl or ha	expenditure ECU million
Measures currently in force										
Refunds (Article 63)										44,0
Storage of wine and must (Article 24)										
storage of wine								4,56	7,000	31,9
storage of must								5,43	2,500	13,6
Storage - total										45,5
Wine from dual-purpose grapes (Article 28)										
a) Aid for distillation	9,0	1,340	0,459	0,640				5,76	1,700	9,8
b) Take-over of alcohol (losses on sales)	100	1,159	0,090		95%			106,90	0,145	15,5
Dual purpose - total										25,3
Compulsory deliveries for distillation (By - products) Article 27)										
a) Aid for distillation	100	0,995	0,659	0,495				49,55	1,300	64,4
b) Take-over of alcohol (losses on sales)	100	1,159	0,090		95%			106,90	1,235	132,0
By-products - total										196,4
Aid for must (Articles 34 and 35)										
concentrated must								1,70	2,5	4,2
rectified concentrated must								2,21	53,0	116,9
for juice (including part set aside)								8,26	2,5	20,6
other								310,30	1500	0,5
Aid for must - total										142,3
Grubbing-up (Article 8)								9000	5000	45,0
Current measures - total										498,5
New measures										
Distillation - potable alcohol (Article 29)										
a) Total cost to distiller (wine and costs)	10,5	2,488	0,500					31,38	14,000	439,3
Reimbursement of costs and losses (EAGGF)	10,5		0,500					5,25	14,000	73,5
Alcohol obtained and net cost	100	2,619			95%			261,92	1,397	365,8
Estimated product from sale of alcohol	100		1,159					115,90	1,397	161,9
Additional aid for disposal total for distillation (Article 29(5))										203,9
b) Secondary aid (Private storage of alcohol)								261,92	1,397	277,4
technical costs				6,040	100%	80%	60%	4,12		5,7
financial costs (on total value)							4,2%	11,00	0,838	9,2
total for storage (Article 29(6))										15,0
Total for EAGGF										292,4
Crisis distillation (Article 30)										
a) Aid for distillation	10,5	1,914	0,500	1,122	95%			11,78	5,300	62,5
b) Take-over of alcohol										
technical costs				6,040	100%	50%	75%	4,56	0,529	2,4
financial costs (after writing off 70%)	100	0,348					4,2%	1,46	0,397	0,6
losses on sales	100	1,159	0,090					106,90		56,5
total for alcohol										59,5
Total for Feoga										122,0
New distillation measures - total										414,3
Conversion of areas under vines (Article 13)										
a) Compensation for loss of income (at 47 hl/ha)	10,5	2,488		1228	85%		75%	1044	40500	42,3
b) Contribution to costs of conversion								10000	54000	337,5
1) in general							50%	5000	27000	135,0
2) in Objective 1 regions (50% of areas)							75%	7500	27000	202,5
Total for Feoga										379,8
New measures - total										794,1
GRAND TOTAL										1292,6

Crisis distillation - harvest							
2001/2002		2002/2003		2003/2004		2004/2005	
million hl	MillionECU	million hl	MillionECU	million hl	MillionECU	million hl	MillionECU
4,000	47,1	2,500	29,5	1,250	14,7	p.m.	p.m.
0,399	1,8	0,249	1,1	0,125	0,6	p.m.	p.m.
0,299	0,4	0,187	0,3	0,094	0,1	p.m.	p.m.
	42,7		26,7		13,3		p.m.
	44,9		28,1		14,0		p.m.
	92,0		57,5		28,8		p.m.

ISSN 0254-1475

COM(98) 370 final

DOCUMENTS

EN

03 10 02

Catalogue number : CB-CO-98-398-EN-C

ISBN 92-78-37305-2

Office for Official Publications of the European Communities

L-2985 Luxembourg