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Production and marketing of wine products and spririts in Europe

Report[1]
Committee on Agriculture and Rural Development
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1. 1958 - 10th Session - Second part

A. Draft Recommendation

The Assembly,

Considering that wine and vine products harvested in Europe represent the greater part of world production and that there is a vigorous international trade in these commodities;

Having regard to the importance of vine-growing for the internal economy and trade of European countries;

Believing that there are disparities between national legislations which may prejudice the wine market and international trade in wine;

Having regard to the need to consider the effect of the entry into force of the European Economic Community Treaty and of the possible establishment of a European Economic Association;

Emphasising that while, as provided for under the Madrid Convention, it is important to prevent international fraud it is also important, in the interest of consumers, the trade and producers, to aim at a high-quality product such as will facilitate marketing and offer every guarantee;

Noting:

that most vineyards are family undertakings and as such are highly sensitive to changes in traditional habits or in regulations;

that , from the outset, every effort must be made to promote the success of a project which, in view of the broad sector it covers, can further the progress of European economic integration;

tha t any treaty, convention or agreement concluded without the consent or the participation of those concerned, may cause apprehension and produce results different from those intended;

tha t the harmonisation of legislation in this branch of agriculture raises complex economic, social and political problems, which can only be solved with the help of the trade organisations and that, moreover, most of the countries concerned have long-established associations of this type enjoying the confidence of the parties concerned,

Hopes that the countries of Western Europe which are not Members of the Council of Europe but are large producers of wines and spirits will participate in this work, a principle already accepted in the Food and Agriculture Directorate of O.E.E.C.;

For these reasons, invites its Committee on Agriculture to organise without delay a conference with the various specialisad and qualified national associations of the countries concerned. This conference, made up of a small number of highly representative personalities, would guide the experts whose, designation is recommended hereunder, in their work, follow their proceedings, and make suggestions for obtaining a favourable response from the various economic sectors concerned;

Recommends that the Committee of Ministers arrange as soon as possible for a meeting of a group of experts, instructed:

to prepare, in co-operation with the appointed representatives of the Committee on Agriculture, and after consultation with trade organisations, a draft Convention which would lay down the general lines of a common policy for the production and marketing of vine products and spirits and for the protection of trade names which are warranties of origin;

to plan the structure and operation, if necessary by means of partial agreements, of bodies intended to ensure the effective implementation of the proposed Convention or agreement.

B. Explanatory Memorandum - Special features of vine growing

1.

Productivity of the vine lasts from 30 to 40 years. The development of communications in the second half of the 19th century resulted in the spread of vine-growing to all continents—and in the appearance of three American vine parasites: phylloxera (from which vine-growers protect European vines by grafting them on to American stock with roots resistant to the phylloxera, a minute insect) and crypto-gamic diseases: vine-mildew and brown-rot, requiring treatment with sulphur, copper sulphate or organic products recently produced by synthesis.

Of all agricultural activities in vine-growing areas, vine-growing is second only to horticulture in the amount of manpower required (100 working days per hectare of vineyard). The high cost of bringing a vine into production and the amount of manpower required, are essential features of human and social conditions in vine-growing districts. They are responsible for the density of the population, the persistence of family holdings, the satisfactory standard of living and the considerable volume of trade. Vine-growers sell a higher proportion of their produce than any other kind of grower, and the everyday attention required by vines demands more specialised equipment and a greater quantity of industrial products (fertilisers, insecticides, antiparasitics, cellar equipment, etc.). The extension of vine-growing in the Mediterranean region of France after 1850 has provided a livelihood for the increasing rural population. The spread of vineyards in Algeria has kept pace with the population increase, while one of the reasons for the increasing area under vines in Italy is the need to find work for an ever-growing population.

The fact that wine consumption has remained fairly constant has been a limiting factor in the spread of wine-growing, and a production capacity in excess of demand has caused several slumps since 1905.

Like all food substances produced by fermentation wine is a live product. Wines from different sources can easily be blended, and the constituents cannot then be chemically identified, any more than it is possible to isolate or analyse the substances which give flavour and bouquet.

A feature of vine-growing is the diversity of the products: fresh grapes, raisins, grape-juice, white wine, red wine, rose, sparkling wines, natural sweet wine, liqueur wine, white brandy distilled from marc, brandy distilled from wine, cream of tartar (baking powder) etc.

The variety to be found in wine is due to the large number of different strocks cultivated throughout the world (5,000 commonly-grown, out of a total of several hundreds of thousands). Variations also depend on the place where the grapes are grown, the way in which they have been cultivated and the wine-making process.

Wine is thus identified primarily by the name given to it, which, in the case of high-quality wines, refers to the place where the grapes have been grown. The natural conditions of growth and the labour and skill expended on the product are the elements that make up the notion of warranted origin (appellation d'origine) which has been defined in the wine industry with much greater detail and care than in any other economic sector.

These are the special features of the wine industry which have led producing countries to introduce regulations now gradually coming to be recognised by many importing countries.

The draft Recommendation submitted to you has been based on the foregoing consideration.

Vine-growing—an essentially European industry

The Office International du Vin calculated the number of hectares of vineyards in the world in 1956 at 8,940,000.

In the same vear world wine production amounted to 220 m. hectolitres[2], of which 168 m. are produced in Europe, and 125 m. of these by the European Economic Community countries.

Wine consumption in the six Community countries amounts to 122 m. hectolitres.

Total world exports (excluding those from Algeria to metropolitan France), reached the record figure of 11.3 m. hectolitres in 1956, 5 m. of which were exported by France and Italy.

2. 1 hectolitre (100 litres) = 22 Imperial gallons approx.

The wine industry may find new outlets in increased consumption of wine, fresh grapes, raisins and grape-juice, but the first essential is to organise and co-ordinate production and marketing.

It is normal, when studying marketing, to classify fresh grapes with fruit and vegetables. But, where production is concerned, fresh grapes cannot be separated from wine production:

1. dessert grapes in fact require the same soil conditions and tending as wine grapes. The two are interchangeable and vines for wine may well be replaced by vines for fresh grapes in countries with a tendency towards overproduction of wine;
2. conversely, a surplus, of fresh grapes may be turned into wine, usually of mediocre quality.
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Methods of preserving and marketing grape-juice have not yet been perfected. There is an advantage in linking its production with that of wine.

Lastly, it should not be forgotten that in addition to the commercial activities connected with vine-growing and wine, many other industries depend on it, either as suppliers (of casks, bottles, corks, labels, cases, tanker lorries and tank wagons), or as distributors (restaurants, bars, etc.) and wine production is also bound up with that of spirits and alcohol.

At the time of the entry into force of the Treaty of the Common Market and the preparation of a European Economic Association, the position of the member countries may be summed up as follows:[3]

France

Algeria is to be incorporated in the Community. The area of vineyards in France and Algeria fell from 1,873,000 hectares in 1938 to 1,845,000 in 1956 and average production dropped correspondingly from 75 m. hectolitres before the war to an average of between 70 m. and 71 m. for 1950-1956 (1957: 56 m.). Home consumption 1954-1955: 60 m. hectolitres (145 litres per head of the population).

French wine legislation, introduced 50 years ago, is the most thorough going of all in the matter of restrictions placed on planting, the definition of vine-growing areas (for the production of wines of warranted origin and wines of recognised superior quality) and the supervision of quality.

The declaration of stocks and harvests and the transport licences required have made it possible to keep a strict check on supply and demand and to organise wine-marketing accordingly.

Italy[4]

In Italy there are no restrictions on planting vines. The area under vine expands according to consumer demands, and there has never been any prolonged surplus of wine in Italy. Moreover, the exact area under vine is difficult to assess owing to the fact that about half the vines are planted in isolated rows in fields where other crops are grown.

The total area is estimated at 3,851,000 hectares of which 1,071,000 hectares are entirely devoted to vines and 2,780,000 hectares to mixed crops.

Though the area has increased slightly, wine production has considerably increased from a pre-war average of 40 im hectolitres to 63 m. hectolitres at present (1954/57 average: 53,601,000 hectolitres). There is a distinct tendency to plant vines in more fertile regions, hence the higher production per hectare.

Grape production was 85,237,000 quintals (= approx. cwts.).

Whereas in France wine consumption has not varied very much since the beginning of the century (including the war periods), in Italy it has fluctuated considerably: between 1900 and 1913 it was 120 litres per head per year; between 1930 and 1939 90 litres, between 1945 and 1951 75 litres and in 1956 114 litres.

The quantity of wine for human consumption was 52,016,000 hectolitres.

For the same period production was divided as follows (1954-1957 average):

Residuar y liquor for dis distillation - 3,007,000 qls.

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3. Source : Office International du Vin. Bulletin.
4. Source : Italian National Institute of Statistics 1954-1957 average.

Wine s for distillation or making vinegar - 2,034,375 hi.

Production of alcohol for human consumption - 208,356 hi.

Fresh grapes: home consumption - 5,663,000 qls.

Fresh grapes: export - 928,000 qls.

In 1956, Italy imported 55,900 hectolitres of wine and exported 2,000,000 hectolitres.

In recent years, an attempt has been made to define and protect special wines by law. The wine producers' co-operative movement is also developing, the Italian vine-grower usually selling his grapes to the owner of his land (if he is a tenant farmer) or to a dealer

Italy has made good progress in improving the quality of table and special wines.

Luxembourg[5]

This country is an outstanding example of the position mid-way between the group of wine-producing countries (France and Italy) and that of wine-importing countries (Belgium, Netherlands, Germany) in the Community.

The Grand Duchy's vineyards cover an area of 1,250 hectares on the banks of the Moselle and in a normal year produce 100,000 hectolitres or more (80-100 hectolitres to the hectare).

Vine planting has been controlled since 1936. It is governed by Government regulations on the planning and reduction of vineyards. It is necessary to obtain authorisation from the Ministry of Viticulture before vines may be planted.

Vine plants have been laid down over the 1,250 hectares in the following proportions (as at September 1956): —Elbling 36%, Riesling-Syl-vaner 31.4%, Riesling 15.2%, Auxerrois, White and Pink Pinot 13.2%, Sylvaner 2.2%, Traminer and others 2%.

Continuous efforts made to improve the quality of wine have led to the introduction of the " Marque nationale du vin Luxembourgeois ". Wines so labelled are of warranted origin and quality.

In Luxembourg, wine consumption is high (27 litres per head) having regard to been consumption (110 litres). It is rarely drunk with meals but is served in cafes and bars in large brandy glasses containing 20 centilitres.

In 1955, Luxembourg exported a little over half of its production; 51,000 hectolitres (40,000 to Belgium, 5,000 to Federal Germany and 6,000 to the Netherlands).

Producing only white wine, Luxembourg imported in 1955 about 30,000 hectolitres of red and white wines from various countries; in particular from France, Italy, Spain, Algeria, Greece, Yugoslavia, Portugal and even Chile.

Germany[6]

The Federal Republic can point with pride to its vineyards which give employment to half a million people, although their total area is only 64,000 hectares (one-third of the area of vineyards in the French Department of Hérault) but this is now increasing and will probably reach the pre-war figure of 70,000 hectares. The vines are very sensitive to frost; they may produce 100 hectolitres to the hectare (average for the last 10 years: 2,500,000 hectolitres), or scarcely anything at all, according to weather conditions in the spring. The spring of 1956 was disastrous (928,000 hectolitres).

Consumption is round about 4.5 to 5 m. hectolitres (1956/57, 4,500,000 hectolitres), of which, in normal years, half is supplied by home production and half is imported. Consumption is rising slowly (from 7 litres per head in 1938 to 9 litres in 1956).

1957 imports were 1,958,000 hectolitres

1957 exports were 86,904 hectolitres.

5. Source: Luxembourg Ministry of Viticulture.
6. Source: Federal German member of the Committee.

The German wine trade is also very important. Vine-growers are not permitted to produce wine direct from hybrid stock, nor have merchants the right to import wines produced from hybrids, even mixed with other wines.

The quantity of imported French wines with a 23° alcohol content distilled in Germany is roughly equivalent to the amount of spirits distilled in France. German production of vermouths from imported base wines amounts to half the French production of aperitifs with a wine base. Processes for making sparkling wines have been brought to a high degree of perfection in Germany.

If one excludes French imports from Algeria, Germany is the world's largest wine-importing country.

Belgium and the Netherlands

In Belgium and the Netherlands vines are grown under glass and for dessert grapes only. Before the war Belgium used to export about 3,000 tons of black grapes to Great Britain, but that country has now reduced its grape imports from Belgium by 90%. Black grape production has therefore been turned over to wine, but the amount produced is negligible.

Austria

In 1956, vines covered an area of 35,000 hectares. Wine production in 1954 amounted to 1,474,886 hectolitres (1956: 700,000 hectolitres), total grape production reaching 106,000 tons in 1953. Consumption was estimated at 1,200,000 hectolitres in 1955. In 1954, Austria imported 89,500 hectolitres of wine and exported 9,400 hectolitres.

Greece

The total area of vineyards was 229,988 hectares in 1956, while total grape production amounted to 1,115,000 tons and wine production to 4,123,000 hectolitres.

In 1953, Greece consumed 131,000 tons of fresh grapes and produced 417,000 tons of dried grapes.

Total wine consumption in 1956 was 3,750,200 hectolitres (48.8 litres per head).

Wine exports amounted to 261,590 hectolitres in 1956 (5-year average: 223,510 hectolitres).

Turkey

In 1956 the area under vine in Turkey was 689,877 hectares.

The total grape production was used as follows:

35% fo r dried grapes,

25% fo r fresh fruit consumption,

5% fo r wine-making.

The main reasons for the very small production and consumption of wine in Turkey are to be found in the habits, traditions and religious convictions of the population.

Great Britain

Mainly an importer of wines, Great Britain imported 619,747 hectolitres in 1955 [7]. She has acquired a place of first importance in the production and marketing of spirits thanks to whisky, the annual production of which is 800,000 hectolitres of pure alcohol. Stocks in 1939 were 5,500,000 hectolitres; in 1957 they reached 7,500,000 hectolitres. Home consumption fluctuates around 220,000 hectolitres; exports are continually rising (582,000 in 1955 and 619,000 in 1956 [8]).

Ireland

7. Source: Office International du Vin.
8. The Economist, 24th August 1957.

Mainly a wine-importing country, Ireland produces well-known brands of whisky and beers of high alcoholic content, frequently exported. She imports an average of 30,000 hectolitres of wine per year.

Denmark

In Denmark there is no restriction on trade in wine and spirits. Beer exports partially make Up for imports of wine and spirits. Thus, in 1956, France supplied 11 million Danish crowns worth of wine and spirits and received 5 million crowns worth of beer.

Imports: 60,000 hectolitres of wine; consumption of spirits: 40,000 hectolitres of pure alcohol.

Sweden

On the 1st October 1955, Sweden ended rationing of spirits because of the considerable increase in the consumption of wine, though still retaining the monopoly of sales. As compared with 1936/1938, consumption of spirits rose by 50% and that of wines by 700%.

Aggregate monopoly sales were about 920,000 hectolitres.

It should also be noted that imports of beer amounted to 2 million Swedish crowns worth .[9]

Norway

Imports, production and the sale of wines and spirits are carried out by a State monopoly, as in Sweden. In 1956, the State monopoly sold 95,000 hectolitres of alcohol of which a little more than half was home produced, the remainder having been imported. In 1956, Norway imported 42,000 hectolitres of wine.

What changes can be expected in this situation ? The example of Luxembourg quoted above shows that increased wine consumption is possible without prejudice to beer consumption.

In the Saar, which, for ten years, was economically attached to France, wine consumption has shown a remarkable increase (63 litres per head per annum in 1956, or 9 times as much as the German average for that year).

For every extra litre a year bought by the 70 million Europeans in the small wine-consuming countries of the Community (Germany, Belgium, Netherlands), French and Italian outlets will be increased by 700,000 hectolitres. With such high figures involved, the break-even point of the French and Italian wine industries is going to move rapidly.

The first task will be to co-ordinate French and Italian wine production. France is at present temporarily without surplus to be absorbed; in Italy, the Government is spending 3 billion francs on distilling about 2,000,000 hectolitres of second-class wine.

Quality for quality, ordinary Italian "wines are worth 15% less than French wines; lut in Northern Italy an agricultural labourer earns 20% less than a vineyard worker in the South of France.

French and Italian wine exports for the period of 1937 to 1956 have progressed as follows (in thousands of hectolitres):

1937 - 1950 - 1951 - 1952 - 1953 - 1954 - 1955 - 1956

France - 900 - 1,350 - 1,850 - 1,800 - 2,700 - 3,500 - 3,700 - 4,200

Italy - 1,800 - 1,100 - 1,000 - 1,200 - 1,200 - 1,100 - 1,100 - 1,800

Comparison of the movements of French and Italian exports shows stability in the case of Italy (the sharp increase in 1956 was due to the frosts elsewhere, and remarkable progress since 1952 in the case of France. The greater volume of French exports means that they are even more exposed to the ill effects of French price movements, following the disastrous years of 1956 and 1957.

The foregoing considerations amply justify the appointment of experts to outline a common agricultural policy for the fifteen countries, with a view to organising the production and marketing of vine products and spirits.

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9. Of all alcoholic drinks, beer is the most popular in Europe, but only typical or special brands are marketed. Annual consumption in litres per head is as follows: Belgium 139, Luxembourg 110, United Kingdom 81, Federal Republic of Germany 73, Denmark 04.5, France 29, Sweden 28, Netherlands 18 and Italy 3.7.

Where market organisation is concerned, the principal aims should be:

to ensure that warrants of origin (appellations d'origine) are respected;

to foster consumption of vine products in certain member countries;

to prepare a joint convention.

In conclusion, we would point out that we consider it desirable that vine products and spirits should be included in the prospective agreements in connection with the European Economic Association.