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EU Wine Policy Report

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Report Highlights:

The EU remains the world's largest wine producer despite lower production levels in 2016 compared to 2015. U.S. exporters should be aware that specific wine labeling rules set out in the EU's Single Common Market Organization regulation 1308/2013 are supplemented by the EU's general labeling rules set out in the "Food Information to Consumers" regulation 1169/2011. This report provides an overview of policy developments and EU legislation on wine.

EU Wine Policy Report

Intro

The EU remains the world's largest wine producer despite lower production levels in 2016 compared to 2015. EU wine imports from non-EU countries account for nearly 10 percent of all wines consumed in the EU. U.S. exporters should be aware that specific wine labeling rules set out in the EU's Single Common Market Organization 1308/2013 are supplemented by the EU's general labeling rules set out in the "Food Information to Consumers" regulation 1169/2011. This report provides an overview of EU legislation and policy developments on wine.

Wine Trade

With around 60 percent of world production, the EU remains the world's largest wine producer. In 2015, five main destinations for EU wine exports accounted for 65 percent of the EU's total exported volumes: the United States (26 percent), China (13 percent), Russia (11 percent), Canada (8 percent) and Switzerland (8 percent). Five countries accounted for up to 88 percent of the EU's total imported volumes: Australia (25 percent), South Africa (21 percent), Chile (21 percent), the United States (15 percent) and New Zealand (8 percent). (Source: Eurostat)

EU-28 EXPORTS IN VOLUME (hectoliters)			
	2015	2014	Change
Total exported volumes	21 971 600	21 325 697	3%
5 main destinations:			
United States	5 623 566	5 281 098	6.5%
China	2 849 612	2 204 721	29.3%
Russia	2 420 220	2 793 409	-13.4%
Canada	1 768 980	1 712 003	3.3%
Switzerland	1 707 400	1 676 461	1.8%
EU-28 IMPORTS IN VOLUME (hectoliters)			
Total imported volumes	14 179 461	13 891 375	2.1%
5 main origins			
Australia	3 494 192	3 298 810	5.9%
South Africa	3 021 156	3 008 433	0.4%
Chile	3 018 353	3 018 240	0%
United States	2 189 054	2 269 909	-3.6%
New Zealand	757 357	675 639	12.1%

(Source: Eurostat)

Statistics on EU wine production and trade can be found on the DG AGRI's website at http://ec.europa.eu/agriculture/wine/statistics/index_en.htm. Statistics on 2016 world wine production are available on the "Organisation Internationale de la Vigne et du Vin" (OIV) website at <http://www.oiv.int/public/medias/4888/en-communique-depresse-octobre-2016.pdf>.

Wine Reform

The latest reform of the Common Market Organization (CMO) for wine was adopted in 2008 ([Regulation 479/2008](#)) and incorporated into the EU's [Single CMO regulation 1308/2013](#) adopted in 2013. As reported in the [2015 Annual Wine Report \(GAIN report IT1512\)](#), the 2008 wine reform phased-out expensive market intervention measures in order to make EU wine more competitive on the world market. The wine CMO covers [national support programs](#), marketing rules, trade with non-EU countries, production potential, Protected Designations of Origin (PDO) and Protected Geographical Indications (PGI), competition rules and controls. Detailed rules for the implementation of the wine CMO were published in [Commission Regulations 555/2008](#), [436/2009](#), [606/2009](#) and [607/2009](#).

Implementing Rules

[Commission Regulation 555/2008](#) covers imports from non-EU countries. Chapter II of this regulation sets out certification and analysis report requirements. Imports of wine into the EU must be accompanied by a "VII" document, i.e. a certificate of origin and analysis issued in the country of origin. Non-EU countries listed in Annex XII, Part B, which currently includes the United States, Australia and Chile, can follow a simplified procedure. Under this procedure, wine producers that have received individual approval of the competent authorities may draw up the VII document. The Alcohol and Tobacco Tax and Trade Bureau provides detailed information on certification of U.S. wine for export to the EU on its website https://www.ttb.gov/agreements/us_ec_wine_agreement.shtml. The list of approved U.S. wine producers and laboratories delegated to draw up the VII document is published on the European Commission's website: <http://ec.europa.eu/agriculture/wine/lists/06.pdf>.

[Commission Regulation 436/2009](#) sets out detailed rules for Member States on keeping vineyard registers, mandatory harvest and production declarations and documents and records that must accompany wine shipments.

[Commission Regulation 606/2009](#) specifies which oenological practices are authorized in the EU. The use of oak chips in winemaking and ageing is allowed under certain conditions. The oak chips may not have undergone any processes other than heating. For experimental purposes, Member States may authorize the use of certain oenological practices or processes not provided for in regulation 606/2009 for a maximum of three years.

[Commission Regulation 607/2009](#) sets out detailed rules for protecting designations of origin and geographical indications on certain wine sector products, the use of traditional terms and labeling.

Chapter II of Regulation 607/2009 establishes the application procedure for a designation of origin or a geographical indication. Designations of origin or geographical indications which have been accepted are entered in a "Register of protected designations of origin (PDO) and protected geographical indications (PGI)" maintained by the European Commission. The register lists geographical indications protected in the EU as well as non-EU countries' geographical indications and names of origin protected under bilateral wine trade agreements. The register is available through the [Commission's online "E-Bacchus" database](#). On November 23, 2106, the Comité Européen des Entreprises Vins (CEEV), which represents the EU wine industry, presented a [report "European Wine: a solid pillar of the European](#)

[Union economy](#)". According to this report, 63 percent of EU wines are protected by a PDO/PGI, 21 Member States own either a PDO or PGI wine, 459 wines are registered as PGI wine and 1,291 wines are registered as PDO wines. The EU's GI policy has become an international trade issue. Divergent rules on the protection of GI's have led to conflicting views on whether generic or semi-generic terms can be protected.

Chapter III of Regulation 607/2009 sets out rules on the use of traditional terms. The ["E-Bacchus" database](#) lists the traditional terms that are protected in the EU. The use of expressions such as "style", "type", "method", "as produced in", "imitation", "flavor", "like" or similar, accompanied by a traditional term included in the E-Bacchus database is not allowed. Non-EU countries may use traditional terms not listed in the database. Since Regulation 607/2009 became applicable, the European Commission received several applications from non-EU countries – most of which came from the United States - to use EU protected traditional terms. [Commission Implementing Regulation 723/2012](#) allows the use of the traditional term "Cream" on U.S. grapevine products; [Commission Implementing Regulation 621/2012](#) allows the use of the traditional term "Classic" on U.S. wines. Six years after receiving the applications, the European Commission has still not made any progress on allowing the use of other traditional terms such as "Chateau" on U.S. grapevine products.

Chapter IV of Regulation 607/2009 sets out rules for the indication of compulsory and optional information on wine labels. The mandatory information must appear in the same field of vision on the container, in such a way that all the information (except the lot number) is readable without having to turn the container. The mandatory information must be clearly distinguishable from surrounding text or graphics.

The indication of the grape variety on the label is optional. For non-EU wines, the grape variety must be included in at least one of the lists established by the "international Organization of Vine and Wine (OIV), the "Union for the Protection of Plant Varieties (UPOV)" or the "International Board for Plant Genetic Resources (IBPGR)". Terms such as "barrel matured", "barrel aged" (listed in Annex XVI to Regulation 607/2009) may not be used on wines produced with the aid of oak chips. The use of the term "alcohol free wine" is not allowed in several Member States.

Simplification of Wine Labeling Regulation 607/2009

The European Commission has started discussions with the Member States on a possible simplification of regulation 607/2009. The Commission has dismantled the text of regulation 607/2009 into a series of "working documents" on the different labeling provisions and the application procedure for the protection of traditional terms. Member States expressed their concern with this fragmentation of the text as it makes a proper analysis impossible. In a [note to the Commission](#), 17 Member State delegations are emphasizing the importance of protecting the use of EU traditional terms.

The proposal that the Commission may present in the first half of 2017 is expected to be merely a simple recast of regulation 607/2009 to align it to the Lisbon Treaty. On September 20, 2016, Commissioner for Agriculture and Rural Development Phil Hogan explained in [response to a European Parliamentary question](#) that "As regards the wine labeling provisions, the alignment and simplification process has not yet been launched and the final layout of the relevant implementing and delegated acts has not yet been

decided. However, this process will not substantially modify the specific provisions for wine and will be carried out in broad consultation with Member States and stakeholders.”

Nutrition & Allergen Labeling

In addition to the EU’s specific wine labeling rules (see “Implementing Rules” – Regulation 607/2009), general labeling requirements set out in the [Food Information to Consumers \(FIC\) regulation 1169/2011](#) also apply to wine. The FIC regulation prescribes a minimum font size for the labeling of allergens. For wine, the presence of sulphur dioxide and milk- and egg-based products used to clarify wine must be indicated on the label in a font size of at least 1.2 mm.

The allergen warning statement must be provided in the following format:

Allergen	Wording	Mandatory when content exceeds
Sulphur dioxide	“Contains sulphur dioxide” or sulfur dioxide, sulphites/sulfites	10 milligrams per liter
Egg & Milk fining agents	<p>“Contains ...” followed by the name of the allergen:</p> <p>“egg”, “egg protein”, “egg products”, “egg lysozyme” or “egg albumin”</p> <p>“milk”, “milk products”, “milk casein” or “milk protein”</p>	0.25 milligrams per liter

According to the [Single CMO Regulation 1308/2013](#) (see “Wine Reform”), compulsory and optional particulars must appear “in one or more official languages of the Union” on wine labels. This provision applies only to the labeling requirements set out in Regulation 1308/2013. Any other mandatory information covered by the FIC Regulation, such as allergen labeling, must be indicated in “a language easily understood by the consumers of the Member State where the food is marketed”, which generally means the official Member State language(s). U.S. exporters should verify with their importers about Member State language requirements. Belgium for example, requires labeling in Dutch and French.

[Implementing regulation 579/2012](#) allows the use of pictograms to complement but not replace written allergen statements. This regulation also provides translations in all official EU languages of the required warning statements.

The FIC regulation exempts wine from the mandatory ingredient listing and nutrition labeling. However, the FIC regulation required the Commission to prepare a report by end 2014 assessing the need to introduce mandatory nutrition labeling and ingredients listing for alcoholic beverages. To date, the Commission has not released the report but is expected to do so early 2017.

Member States have the right to deviate from EU rules on grounds of public health protection. In January 2016, Ireland notified the European Commission of a draft “Alcohol Bill”, introducing, inter alia, mandatory nutrition labeling requirements for alcoholic beverages. The new Irish law would require a specific label for the Irish market. The Irish Alcohol Bill may set an unwanted precedent and trigger other Member States to follow suit potentially disrupting not only the single market but also exports of U.S. wines and distilled spirits. For more information see [GAIN report “Irish Alcohol Bill Could Impact U.S. Exports to the EU”](#).

Bottle Sizes

The Annex to [Directive 2007/45](#) sets out the mandatory nominal quantities for wine.

Impact of 2013 CAP Reform on Wine Sector

The CAP reform adopted in 2013, essentially maintained the measures and approaches agreed in the 2008 wine reform (introduction of National Support Programs, phasing out of expensive intervention measures) but replaced the EU’s planting rights regime by a new scheme of vine planting authorizations. The old regime prohibited any new vine plantings until December 31, 2015. Replanting was allowed only to renew or replace areas where producers had voluntarily pulled up the vines. Based on recommendations from the [High Level Group on Vine Planting Rights](#), the 2013 CAP reform introduced a new scheme of vine planting authorizations for the period 2016-2030. The new scheme, managed by the Member States, provides flexibility for the EU wine sector to gradually expand production in response to growing world demand. Authorizations are limited to 1 percent growth in a Member State’s vine surface per year. In order to avoid the risk of oversupply or devaluation of a particular Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI), Member States may decide to apply a lower percentage at national level. All Member States participating in the vine planting authorization scheme decided to apply the 1 percent increase for new plantings in 2016, except Spain (0.44 percent) and Germany (0.3 percent). Authorizations are free, non-transferable and expire after 3 years if they are not used. [Commission Delegated Regulation 2015/560](#) sets out criteria for vine planting authorizations. [Commission Implementing Regulation 2015/561](#) sets out detailed rules for the application of the vine planting authorization scheme.

Wine Trade Agreements

The EU has concluded or is negotiating bilateral and multilateral trade agreements in order to facilitate the wine trade. The list of wine trade agreements and their status can be found on DG AGRI’s website http://ec.europa.eu/agriculture/wine/third-countries/index_en.htm.

In March 2006, the United States and the European Union signed the [“Agreement between the United States and the European Community on Trade in Wine”](#). The Agreement covers wine with an actual alcohol content of not less than 7% and not more than 22% and addresses issues regarding production, labeling and import requirements. The Agreement includes specific provisions on the use of certain semi-generic names of origin such as “champagne” on U.S. wine labels. The United States agreed to

change the legal status of the 16 semi-generic names listed in Annex II to the Agreement in order to restrict the use of these names to wines originating in the European Union. A “grandfather” clause allows the continued use of the semi-generic names on U.S. wine labels that were approved before March 10, 2006 (effective date of the Agreement).

The Agreement allows imports of U.S. wines under the simplified certification procedure established by Article 45 of [EU regulation 555/2008](#). All U.S. wine imports must be accompanied by a [certificate](#) using the format specified in Annex III (a) to the Agreement.

The Agreement’s “Protocol on Wine Labeling” sets conditions for the use of optional particulars on wine labels. [Commission Regulation 1416/2006](#) concerns the protection of U.S. names of origin in the EU.

Promotion Initiatives in Non-EU Countries

The EU’s new promotion policy set out in [Regulation 1144/2014](#) has been in place since December 1, 2015. A key element of the new policy is the adoption of annual work programs through “implementing acts” in which the Commission sets out the strategic priorities for promotion measures in terms of products, schemes, target markets and the allocation of resources. The objective is to adapt the program each year to emerging market opportunities and the needs of certain sectors. Priority is given to promotion programs that target non-EU countries. EU promotion programs for wine cover wines with a protected designation of origin (PDO) or protected geographical indication (PGI) and wines carrying an indication of the wine grape variety. The European Commission provides detailed information on the new promotion policy in a [Q & A document](#).

Regulation 1144/2014 introduces “simple promotion programs” and “multi promotion programs”. Each year, the Commission will publish a call for proposals detailing the different types of funding schemes available and the procedure to follow. A simple program is a promotion program submitted by one or more proposing organizations from the same Member State while multi promotion programs are to be submitted by at least two proposing organizations from at least two Member States or one or more European organizations. Simple programs for wine must be associated with at least one other product, for example wine and cheese. Promotion programs are no longer co-financed by Member States but compensated by higher EU co-financing rates gradually rising to EUR 200 million in 2019. The EU co-financing rate is 70 percent for programs implemented within the EU and 80 percent for programs targeting non-EU countries. A 5 percent top-up applies to beneficiaries from [Member States under financial assistance](#). The rest is financed exclusively by the proposing professional or producer organization.

The [annual work program](#) for 2016, the first year of implementation of the new promotion policy, foresaw a total budget of EUR 111 million of which EUR 12 million was allocated to selected information and promotion programs in the United States and Canada. On November 22, 2016, the Commission published a [list of 60 approved programs](#) for a range of product categories. Out of the 60 programs, 24 target the internal market and 36 target non-EU countries and regions. All programs are “simple programs”, i.e. proposed by one Member State.

Sample of Approved 2016 Promotion Programs				
Member	Proposing Organization	Products	Target	EU Grant

State			Market	in EUR
France	Bureau National Inter-professionnel du Cognac	Spirit Drinks	U.S.	1 280 000
Italy	Consorzio tutela del Lambrusco di Modena	Wine, Cider, Vinegar, Meat Preparations	U.S. Canada	1 036 004
Spain	Organización Interprofesional de la Aceituna de Mesa	Table Olives	U.S.	5 934 515
France	Consortium du Jambon de Bayonne	Meat Preparations	U.S.	918 007

On November 10, 2016, the Commission adopted the [work program for 2017](#) increasing the budget to EUR 133 million of which EUR 11.6 million is earmarked for programs in the United States, Canada and Mexico. A call for proposals will be launched in January 2017. An extra EU 9.5 million will be available for promotion actions directly managed by the Commission (e.g. EU pavilions at fairs in non-EU countries, high level missions).

Exchange rate: EUR 1 = USD 1.073 (Dec. 7, 2016)

Organic Wine

[Commission Implementing Regulation 203/2012](#), applicable since August 1, 2012, sets out specific rules for the production and labeling of organic wine. Only wines produced in accordance with this regulation qualify as “organic wine” and can carry the EU organic logo. Labeling wine as “made from organic grapes” is no longer allowed in the EU which means that U.S. wines labeled as such cannot be imported into the EU. The maximum sulfite content may not exceed 100 mg per liter for red wine (150 mg per liter for conventional) and 150 mg per liter for white/rosé wines (200 mg per liter for conventional) with a residual sugar level lower than 2 mg per liter. In the United States, the addition of sulfites is not allowed in organic wines. [Commission Implementing Regulation 508/2012](#) only authorizes imports of U.S. wines that are certified to comply with the EU’s organic wine rules.

Product Environmental Footprint (PEF) Pilot Program

In 2013, the European Commission (EC) launched a three-year Product Environmental Footprint (PEF) pilot program in order to test a harmonized Life Cycle Assessment (LCA) methodology for the calculation of the environmental footprint of different products. Organizations volunteered to test the process of developing product- and sector specific rules, to test different approaches to verification and to test business-to-business and business-to-consumer communication vehicles. On July 29, 2016, the EC launched a [public consultation on a series of draft PEF Category Rules](#) for feed, food and drink products, including wine for which the consultation closed on September 9, 2016. After the finalization of the pilot phase, expected by mid-2017, the Commission will start discussions on different policy options which could include labeling schemes. At this stage it is unclear whether PEF will become mandatory or remain voluntary. For more information on the EU’s PEF initiatives see [GAIN report “Final Consultation on Product Environmental Footprint”](#) and the [FAS/USEU website](#).

EU Alcohol Strategy

The EU has established an [“EU Alcohol Strategy”](#) to support MS in reducing the health, social and economic problems related to alcohol abuse. The Commission’s Public Health Program co-finances projects such as the 3-year (2014-2016) “Joint Action on Reducing Alcohol-Related Harm” ([JARARHA](#)) project. According to the Treaty on the Functioning of the EU, health policy, including policies on alcohol-related harm, is primarily the responsibility of the MS. Measures to reduce alcohol consumption such as taxation, accessibility, age limits and licenses to sell alcohol must be adopted at national level.

Taxes & Duties

The EU’s [online “Taric” customs database](#) covers all measures related to tariff and trade legislation. It can be consulted to search for codes and look up the relevant import duties. The EU’s Tariff Schedule is published annually at the end of October. Customs duties for wines are listed in Chapter 22 of the Tariff Schedule.

A list of excise duties applicable on alcoholic beverages can be found at https://ec.europa.eu/taxation_customs/business/excise-duties-alcohol-tobacco-energy_en. Excise duties on wine range from EUR 3.77 per hectoliter in France to EUR 616.45 in Ireland.

A list of VAT rates applicable in the different Member States can be found at http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf. For wine, VAT rates vary between 13 and 25 percent.

Counterfeit Wines

In July 2016, the EU office for intellectual property (EUIPO) released a [report](#) on the economic cost of infringements in the wine and spirits sector. The report analyses how lost sales translate into lost jobs and lost public revenue. According to the report, 2.3% of legitimate sales of wine are lost each year in the EU due to trade in counterfeit wines. The total annual loss of government revenue in terms of household income taxes, social security contributions, corporate income taxes, VAT and excise duties is roughly estimated at EUR 1.2 billion. The biggest annual losses were recorded in Spain (EUR 236 million), followed by Italy (EUR 162 million), Germany (EUR 140 million) and France (EUR 136 million). The lost sales translate into direct employment losses of approximately 4,800 jobs.

On November 21, 2016, a group of French and Italian European Members of Parliament (MEPs) forwarded a [written declaration](#) to the Council and the Commission on combating counterfeiting in the wine and spirits industry. Referring to the figures in the EUIPO report, the MEPs call on the Commission to work with Member States in order to combat the counterfeit market in the wine and spirits sector as these sectors are fundamental to the French and Italian economies.

In September 2016, the European Commission's DG Taxation and Customs (TAXUD) published its "[Report on EU customs enforcement of intellectual property rights – results at the border 2015](#)". This annual report provides statistics by product category on the number of counterfeit goods detained at the external EU borders. Statistics show that 30,694 bottles of counterfeit alcoholic beverages were seized in 2015 of which 89.49 percent originated in Mexico and 19.51 percent in China.

Related GAIN Reports

- [EU-28 Wine Annual Report and Statistics 2015](#)
- [EU-28 Food and Agricultural Import and Regulations \(FAIRS\) Report 2015](#)
- [EU-28 Wine Annual Report and Statistics 2015](#)
- [EU-28 Food and Agricultural Import and Regulations \(FAIRS\) Report 2015](#)
- [Annual Wine Report – Bulgaria](#)
- [Background on the Italian Wine Sector](#)
- [The Italian Wine Sector Overview](#)
- [2015 Was a Record Year for Spanish Wine Exports](#)
- [U.K. Wine Market Report 2016](#)