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EU Rallies to Rescue Wine Industry Amidst Unprecedented Crisis

Can the EU Save Its Wine Industry? New Group to Tackle Consumption Slump & Climate Change

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The European Commission has summoned EU member states to join a new wine policy group to address the profound challenges facing the viticultural sector. The inaugural meeting is set for September 11. This initiative, announced by EU Agriculture Commissioner Janusz Wojciechowski during the latest Agriculture and Fisheries Council meeting, comes in response to requests from the European wine trade.

This effort arises at a time when the wine sector is grappling with unprecedented climatic events and a decline in wine consumption, particularly in Mediterranean countries like France, Spain, and Italy, where wine drinking is a cultural staple.

A report from the French Wine and Spirits Exporters' Association (FEVS) highlights a significant drop in the volume of French beverage exports by 10.4% last year. Additionally, it notes that 39% of French individuals under 35 now prefer beer over wine. In Italy, daily wine drinkers have decreased by 400,000, according to the Italian Wine Union (UIV). Meanwhile, Spain has seen a dramatic fall in wine consumption since the COVID-19 pandemic, as per the Spanish Wine Market Observatory (OEMV).

Moreover, last year's harvest in the Prosecco region was deemed an "annus horribilis" by local producers. In Bordeaux, vintners received government support to manage the crisis, while regions in Spain like Catalonia faced droughts and hailstorms, and Rioja struggled with a sales crisis and unprecedented stock surpluses.

The European Commission's group will invite interest organizations alongside member state representatives to the initial meeting to present their assessment of the situation and a broader perspective for the EU's viticultural sector.

Over the past two decades, the EU wine sector has been a success story for the bloc, with a comprehensive regulatory system and exports that tripled in value during this period. However, despite its substantial contribution to the EU GDP, the sector faces challenges such as climate change, decreased domestic consumption, and an unstable global market that affects key export destinations.

The Commission stated that the EU wine sector "must adapt to these new realities" and that its policy framework should be equipped to support the necessary "transition." The new forum will explore potential solutions for the sector, meeting at least three times a

year, with the expectation of offering conclusions and policy recommendations early next year.

Wine holds significant cultural and economic value for the EU. According to the bloc, the wine value chain creates approximately 3 million full-time jobs, mostly in rural areas. It contributes around €130 billion to the EU GDP, including direct and induced value generated across the supply chain. The EU is a global leader in wine production, accounting for 60% of global production, 48% of consumption, and 60% of export value.

However, wine consumption is at its lowest in three decades, and traditional export markets for EU wines are affected by declining consumption and geopolitical factors, leading to more erratic import patterns. Recent European Commission data showed a significant drop in wine consumption in traditional producer and consumer countries, with declines of 7% in Italy, 10% in Spain, 15% in France, 22% in Germany, and over a third in Portugal.

The formation of the high-level group follows the aid provided by the Commission to the wine market in various EU regions last year, addressing wine surpluses. National wine support programs allowed member states to include crisis distillation to remove excess wine from the market and gain greater flexibility in implementing and financing these programs.

In France, a crisis distillation aid fund comprised of €160 million from the EU, increased to €200 million with French funds, was primarily used in Bordeaux and Languedoc regions. This allowed surplus wine to be distilled into ethanol for industrial uses, including perfumes and hydroalcoholic gels.

The EU allocates an annual budget of €1.06 billion to support the sector in investment, innovation, product promotion, restructuring, and crop insurance. Under the current Common Agricultural Policy (CAP), wine support measures are included within the CAP Strategic Plans. Compared to the previous framework, the same budget is allocated to the wine sector, and all current eligible measures are maintained. However, the EU has strengthened objectives and interventions to promote a more sustainable wine sector, dedicating at least 5% of spending to these goals.