Use of Triple Bottom Line sustainability framework in rural wine entrepreneurship (UseWine)

RURAL DEVELOPMENT AUTHORITIES

Europe is a leading producer of wine. Producing some 175m hl every year, it accounts for 45% of wine-growing areas, 65% of production, 57% of global consumption and 70% of exports in global terms. Since the introduction of the common market organisation (CMO), the wine market has developed considerably. In brief, it has been characterised by a very short initial period of equilibrium, followed by a very marked increase in production against a constant level of demand, and finally, a continuous decline and a very noticeable qualitative change in demand from the 1980s. These changes have been dealt with by significantly developing the CMO.

It started out very liberal, with no curbs on plantings and very few market regulation instruments. It then coupled freedom on plantings with the virtually guaranteed sales, thus generating serious structural surplus. From 1978 it became very interventionist with the ban on planting and the obligation to distil the surplus. Towards the end of the 80s financial incentives for giving up vineyards were reinforced.

The 1999 reform of the CMO for wine strengthened the goal of achieving a better balance between supply and demand on the Community market, giving producers the chance to bring production into line with a market demanding higher quality and to allow the sector to become competitive in the long term by financing the restructuring of a large part of present vineyards.

This reform proved insufficient to reduce wine surpluses and considerable sums still had to be spent on disposing of them. A new reform of the wine market was needed. The reform adopted by the EU in 2008 has the following goals:

- ✓ Making EU wine producers even more competitive - enhancing the reputation of European wines and regaining market share both in the EU and outside:

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- ✓ making the market-management rules simpler, clearer and more effective – to achieve a better balance between supply and demand:
- ✓ Preserving the best traditions of European wine growing and boosting its social and environmental role in rural areas.

After 2015, current EU restrictions on planting vines will be lifted, enabling competitive producers to increase production.

The reform of the EU's wine sector promoted by the European Commission's Directorate-General for Agriculture and Rural Development defines a set of development initiatives and measures, including:

- ✓ **Constructive measures adapted to the local wine growers' needs** that can strengthen the competitiveness of European wine growers. This includes modernising production, improving quality and market orientation through replanting or converting to different vine varieties and promoting wines on export markets as well as providing a safety net for crisis situations. Due to the diversity of Europe's wine sector, the challenge is to tailor local solutions to local needs.
- ✓ **Give competitive producers the means to achieve their ambitions:** successful wine makers are currently hamstrung by their inability to expand their vineyards – an expansion that would greatly increase their competitiveness by offering economies of scale. Whilst restrictions linked to Geographical Indications make sense, preventing successful wine makers from expanding does not. Since the EU will no longer buy up surplus wine, growers are expected to be more cautious and market orientated when planning their production.
- ✓ **Use existing tools to strengthen the European wine sector**: since 2000, the Commission is co-financing programmes for the development of rural areas with Member States, under which it is possible to support the modernisation of the wine sector. Yet so far, they have not been much used for this purpose. They include start-up aid for young farmers, measures for reducing environmental damage and preserving the countryside, investment aid, processing and marketing support as well as support for older producers' early retirement.

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Specifically, the Commission proposes to:

- Allocate funds to each EU producer country, a so-called national envelope, to enable the financing of measures responding to local needs
- Limit the use of these funds to constructive measures from a set menu such as restructuring of vineyards and/or variety conversion, promotion in third countries as well as managing crisis situations
- Set common rules to avoid distortion of competition
- Allow planting of vines freely from 1 January 2014 onwards to put EU wine growers on an equal footing with their competitors
- Maintain restrictions on areas and production conditions covered by Geographical Indications.
- To transfer part of the wine sector's funds to rural development, where it will be earmarked for wine producing regions.

Source: http://ec.europa.eu/agriculture/index_en.htm

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