

THE MAIN MEASURES OF FINANCING THE VINE AND WINE SECTOR

PRINCIPALELE MĂSURI DE FINANȚARE A SECTORULUI VITIVINICOL

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Abstract. *One of the sectors with an important recovery potential is the vine and wine sector. The representatives of our country have concluded an agreement with the representatives of the European Union in order to reform the joint organization of the vine and wine market. The reform will guarantee the preservation of the environment in the vine areas will safeguard the traditional quality policies and will simplify the labeling rules in the benefit of both the producers and the consumers. It is stipulated a quick reorganization of the vine and wine sector by including of a volunteer three year system of fallowing in order to eliminate the excess of production and the uncompetitive wine. These changes will balance the vine and wine market and will lead to the elimination of the inefficient and expensive actions of market intervention and the reorientation of the budget towards positive and proactive actions which will stimulate the competitiveness of the European wines. To support these reforms substantial funds have been allocated for restructuring and conversion of vineyards, on the basis of agricultural policy measures which were completed in 2008 within the frame of the wine market reform.*

Key words: structural funds, international funds, the vine and wine sector.

Rezumat. *Unul dintre sectoarele cu potențial important de redresare este sectorul vitivinicol. În aceste sens reprezentanții țării noastre au încheiat acorduri cu reprezentanții Uniunii Europene în vederea reformării organizării comune a pieței vitivinicole. Reforma va garanta protecția mediului în regiunile viticole, va salvarda politicile tradiționale și constante privind calitatea și va simplifica normele de etichetare, atât spre beneficiul producătorilor, cât și spre cel al consumatorilor. De asemenea, se prevede o restructurare rapidă a sectorului vitivinicol prin includerea unui sistem voluntar de desțelenire pe o perioadă de trei ani, în vederea eliminării excedentului de producție și a vinului necompetitiv de pe piață. Aceste schimbările vor permite echilibrarea pieței vitivinicole, eliminarea măsurilor ineficiente și costisitoare de intervenție pe piață și reorientarea bugetului spre măsuri pozitive și proactive, care vor stimula competitivitatea vinurilor europene. Totodată pentru sprijinirea acestor reforme s-au alocat fonduri substanțiale pentru restructurarea și reconversia viilor, pe baza unor măsuri de politică agricolă care s-au finalizat în 2008 în cadrul reformei pieței vitivinicole.*

Cuvinte cheie: fonduri structurale, finanțări internaționale, sector vitivinicol,

INTRODUCTION

The wine consumption in the EU has seen lately a steady decline, while the volume of wine exported from the EU since 1996 increased at a pace much slower than that of imports. This has led to a deterioration of the balance between supply and demand, which in turn has considerable consequences on prices and producers' incomes. However not all the tools provided by the EU have proved effective for targeting the wine sector to a competitive and sustainable development.

MATERIAL AND METHOD

The paper aims to emphasize the funding measures for the wine sector, who can access these grants, which are the conditions and the current legal framework under which this financial support is achieved. The study was carried out under effectual legal regulations valid for the wine sector, both at Community and national level, because wine market stabilization, the wine sector restructuring and increasing the competitiveness of wine producers in the EU can not be achieved only on internal financing. Given that, on the one hand, specific measures of market mechanisms were often mediocre from the cost-effectiveness point of view, to the extent that they encouraged structural surpluses without imposing structural improvements, and on the other hand, some of the existing regulatory have unduly restricted the activities of competitive producers in order to restructure the wine sector was appropriate, changing the fundamental rules of the Community sector, so as to achieve the proposed objectives, such as:

- increasing the competitiveness of wine producers in the EU;
- strengthening the reputation of quality wine in the EU as the best worldwide;
- regaining old selling markets and winning of new markets in the EU and worldwide;
- establishment of a wine regime that operates on the basis of clear rules, simple and effective, creating a balance between supply and demand, setting a wine regime that preserves the best traditions of Community wine production, reinforces the social structure of many rural areas and ensure that the entire production process is environment friendly.

During 2006 there were discussions between the Economic and Social Committee and the Committee of the Regions, as a result being adopted the reports on the possibility to reform the wine sector. In early 2007, the European Parliament adopted on its own initiative, a report on the issues mentioned above, the findings being considered in Regulation (EC). 1234/2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products that should be finally applied to the vine and wine sector. The provisions of this Regulation on horizontal issues should be brought to a higher extent possible with the single CMO Regulation, which includes horizontal provisions, particularly in trade with third countries, competition rules, controls and sanctions, information exchange between Commission and the member countries. On this occasion, it is important to provide support measures likely to strengthen competitive structures. Although it is indicated that these measures to be defined and funded by the Community, the member countries should be free to choose the appropriate range of measures to meet the needs of regional organizations, taking into account the peculiarities, if necessary, and to integrate into the national support programs. The member countries should assume the responsibility for implementing these programs.

Concerning the support offered to the vine and wine sector, it should come from structural measures provided in the regulation on support for rural development from the European Agricultural Fund for Rural Development. According to the regulation adopted at the European level, the following measures should be considered a priority for the vine and wine sector: the establishment of young farmers, investments in technical equipment and improvements related to marketing, training, and support for information and promotion granted to producer organizations participating in a quality program, support for agricultural environment, early retirement of farmers deciding to permanently cease all commercial farming activity to transfer the holding to other farmers.

In cases where the amount of money are sufficiently important, in order to supplement the funds available should be established a progressive transfer of funds to the budget. On the other hand, regulatory measures should be applicable in the wine sector, in particular for reasons of health, quality, and for reasons related to consumer expectations.

RESULTS AND DISCUSSIONS

To support the wine sector for the period 2009 - 2014 The European Union has allocated funds for each country. The allocation of the community funds available and budget limitations for each country, expressed in millions of Euros are presented in Figure 1. One can note that the largest limitations in decreasing trend were allocated to Estonia (ES), France (FR), Italy (IT), and the smaller (few thousand Euros) to be allocated to Lithuania (LT) . Romania (RO) receives funds annually from the constant EU the limitations amounting to 42 million.

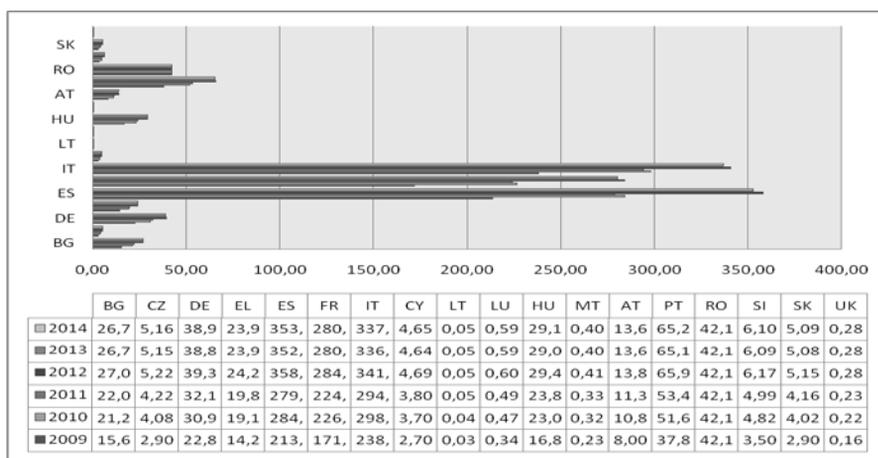


Fig. 1 Budget ceilings for each EU country for supporting the wine sector.

Community support is granted only for eligible expenses incurred after the support programs. The maximum level of aid is applied to the public global financing which includes both EU funds and national funds.

In accordance with EC Regulation on the common organization of the wine market our country adopted measures which are granting financial community support to the wine producers, natural or legal persons or organizations who

provide harvest vineyard with varieties of grapes for wine. Support is provided by the state budget through the Ministry of Agriculture and Rural Development and represents pre-financing by the European Agricultural Guarantee Fund. Payment is carried out from 1 January 2009.

Measures for which community financial support is granted to the wine producers are:

Promotion on the third countries markets of the wines with protected designation of origin or protected geographical indication for wines that show variety. The measures referred to in paragraph may contain only the following: public relations, measures to promote or advertise, which emphasize in particular the advantages of community products, especially in terms of quality, food safety or environmental compliance, attending various events, fairs or exhibitions of international importance, information campaigns, in particular those relating to the designation of origin, geographical indications and organic production, studies of new markets, necessary for the expansion of market outlets; studies evaluating the results of the promotion and information. For the promotion of third-country markets is granted financial aid from the state budget in the form of financing amounting to 30% of the eligible costs.

Restructuring and conversion of plantations of vineyards with noble varieties of grapes for wine. The goal of the measures on restructuring and conversion of plantations is increasing the competitiveness of producers of wine. The support for restructuring and conversion of plantations can only cover one or more of the following activities: varietal, including by means of repeated grafting; replanting plantations, improving management techniques plantations. The normal replacement of the plantations at the end of their natural life is excluded from support. The support for restructuring and conversion of plantations can only take the following forms:

- Indemnification of producers for loss of income as a result of implementing the measure;
- Contribution to the costs of restructuring and conversion. Compensate producers for their loss of income, may cover up to 100% of relevant losses and take one of the following forms: the authorization of the coexistence with the old vineyards for a period not exceeding three years, expiring at the end of the transitional regarding the planting rights or a financial compensation.
- The Community contribution to the costs of effective restructuring and conversion to plantations must not exceed 50% of them. In regions classified as convergence regions the contribution to the costs of restructuring and conversion does not exceed 75%. In our country support related plans in operation and approved by the Agency for Payments and Intervention for Agriculture is payable in 2008 and is ensured by the state budget through the Ministry of Agriculture and Rural Development.

Harvest grape insurance by the producers in the wine sector. Support for crop insurance to help safeguard producers' incomes when they are affected by

natural disasters, weather phenomena with adverse effects, disease or infestation by pests. Support for harvest insurance may be granted only if the payment of the insurance does not cover 100% of income suffered, taking into account any other compensation that they have obtained under other support schemes about the insured risk.

Use of concentrated grape must to rise the alcoholic strength of wine.

Investment to develop the wine sector.

Bonus paid to producers that are clearing vineyards in 2008-2009, 2009-2010 and 2010-2011 campaigns.

The annual financial support for the first 5 measures is 42.1 million Euros.

To receive financial assistance the payees must meet certain eligibility conditions, such as to prove that exploits an area planted with vine grape of least 0.1 ha; to provide the evidence of admission to the Vineyard Register of the area of vineyards with grape varieties for wine for which the policy of crop insurance was stroked and to conclude with an insurer an insurance crop policy mentioning at least: the grape quantity assured, the area involved, location and amount of insurance bonus.

The amount of financial assistance is either 80% of the cost of insurance premiums paid by producers to ensure against losses resulting from climate phenomena equivalent to adverse effects of natural disasters, or 50% of the cost of insurance premiums paid by producers to ensure against: losses mentioned above and against other losses caused by other climate phenomena, as well as losses caused by animals, plant diseases or infestations of pests. By climatic phenomena with adverse effects that can be assimilated to a natural disaster means weather conditions such as frost, hail, gilding, rain or drought, which are destroying over 30% of the average annual production of wine compared with the average production on 3 previous years or to the average of 3 years based on previous 5 previous years, excluding the highest and the lowest of the values. Finding the damage is done by the insurer in the agricultural producer affected.

Therefore, according to the regulation of wine producers, direct producers will not receive financial support for harvest insurance vineyard with table grapes, harvest insurance vineyard with hybrids (Noah, Othello, Isabelle, Jacquez, Clinton and Herbemont) and crop insurance vineyard subject to the research projects and measures to support such a project.

CONCLUSIONS

Through these financial support measures it was aimed to promote on the third markets, the restructuring and conversion of plantations, harvest insurance, the use of concentrated grape must, and the first deforestation.

Monitoring the trade flows is above all a matter of management, which should be approached with flexibility. The Commission should take a decision on the introduction of requirements in terms of licenses, taking into account the need to introduce licensing for import and export to manage the markets and in

particular, to monitor the imports of the products concerned. However, this regulation should provide the general conditions governing these licenses.

The proper functioning of the single market would be jeopardized by the granting of unqualified aid. Therefore, the provisions of the treaty governing the state aids should apply, in principle, to the products which are covered by the common organization of the vine and wine market. However, the dispositions regarding the first deforestation and some measures within the support programs should not be an obstacle to the granting of national aids with the same purpose.

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