Producer Single Commodity Transfer: a comparison of policy intervention between wine and others European agriculture products

Davide Gaeta, Paola Corsinovi
Department of Business Administration, University of Verona - Italy

1. Objectives

The study investigates the wine policy intervention through the historical evolution of support percentage. Producer Single Commodity Transfer - using the PSTC dataset. The aim is to analyze the agricultural policies support and its efficiency between wine and other three agricultural PSTC products: common wheat, milk and rice. The choice of comparing different agricultural products highlights the different levels of EU supports.

2. Instruments

PSCT "represents the value of gross transfers from consumer and taxpayers to agricultural producers at farm-gate level, arising from policy measures directly linked to the production of a single commodity that the producer must produce with the intention of receiving the transfer" (OECD, 2008).

3. Methodologies:

- The data was collected and estimate from the OECD database (1986-2012)
- PSCT is calculated by adding market price support (MPS) and the $\Sigma$ of the value of budgetary and other transfers.

→ For the wine sector: the $\Sigma$ of the value of budgetary and other transfers do not include the following measures:

  (a) the premium for abandonment area that became from 2009 the incentive for grubbing-up scheme;
  (b) aid for the use of must and compulsory distillation;
  (c) the measure included in the National Support Programs (from 2009).

The measures are not considered (by OECD) to be specific support to wine producers. However, within the subsidies, the OECD does take into consideration the CSE - Consumer Support Estimate.

4. How the agricultural sector is supported?

The CAP (Common Agricultural Policy) is still the largest component of European Union (EU) expenditures, accounting for approximately 39% of the total EU budget for the period 2014-2020 (€380,00 billion).

In the CAP’s history:

- Common wheat, milk and rice were supported by the CAP: until the Mac Sharry reform (1992) they were sustained through “coupled” payments to the quantity produced. The result was the increase of surplus and high agricultural expenditures.

- The decoupling, introduced by the 2003 reform, is the removal of the link between the receipt of a direct payment and the production of a specific product.

- It was calculated by examining the average payments granted to the farmer during the reference period of 2000-2002. Farmers were free to produce or not produce and would still receive aid in the form of their single payment as long as they met the cross-compliance requirements.
4. How the wine sector is supported?

The wine CMO (Common Market Organization) is the legal and regulatory basis of the European wine market, covering everything from vineyards to wine production: it is one of the most complex structures within the CAP.

A CMO is a set of measures that enables the EU to manage the markets for agricultural products. The purpose of market management is to stabilize markets and thus to ensure that farmers do not suffer from excessively low prices and that consumers have a secure supply of food at reasonable prices.

From 1962 - the first legal text was published with Reg. 86/1962 - to 2009 (Reg. 479/2008) the wine sector was governed by wine CMO.

Until July 31, 2009 the content of Reg. 479/2008 was moved to the Single CMO Regulation—Single CMO covers all the agricultural products.

From 2008 (Reg. 479/2008), the revolution in European wine policy focused on four main points:

1) specific support measures for national support programs (NSP)

2) new measures for the classification system for quality wines and labeling rules;

3) measures relating to trade with third countries;

4) rules governing production potential – Grubbing up system.

<table>
<thead>
<tr>
<th>BUDGET</th>
<th>2009</th>
<th>%</th>
<th>2010</th>
<th>%</th>
<th>2011</th>
<th>%</th>
<th>2012</th>
<th>%</th>
<th>2013</th>
<th>%</th>
<th>2009–2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSP</td>
<td>794,447</td>
<td>63.13</td>
<td>1,025,953</td>
<td>75.44</td>
<td>1,020,212</td>
<td>78.71</td>
<td>1,248,069</td>
<td>1,231,674</td>
<td>6,320,355</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grubbing</td>
<td>464,000</td>
<td>36.87</td>
<td>334,000</td>
<td>24.56</td>
<td>276,000</td>
<td>21.29</td>
<td>—</td>
<td>—</td>
<td>1,074,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CMO</td>
<td>1,258,447</td>
<td>100.00</td>
<td>1,359,953</td>
<td>100.00</td>
<td>1,296,212</td>
<td>100.00</td>
<td>1,248,069</td>
<td>1,231,674</td>
<td>6,394,355</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own creation from European Commission, 2014

In 2013 with the reform of the Single CMO (Reg. 1308/2013) the new wine sector policy looks significantly different to the previous CMO.

<table>
<thead>
<tr>
<th>Reg. 479/2008 CMO wine</th>
<th>Timetable</th>
<th>Reg. 1308/2013 CMO single</th>
<th>Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single payment scheme</td>
<td>2009-2013</td>
<td>Promotion</td>
<td>2014-2020</td>
</tr>
<tr>
<td>Green harvesting</td>
<td>2009-2013</td>
<td>Mutual funds</td>
<td>2014-2020</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>2009-2013</td>
<td>Harvest insurance</td>
<td>2014-2020</td>
</tr>
<tr>
<td>Harvest insurance</td>
<td>2009-2013</td>
<td>Investments</td>
<td>2014-2020</td>
</tr>
<tr>
<td>Investments</td>
<td>2009-2013</td>
<td>By-product distillation</td>
<td>2014-2020</td>
</tr>
<tr>
<td>By-product distillation</td>
<td>2009-2013</td>
<td>Potable alcohol distillation</td>
<td>2009-2012</td>
</tr>
<tr>
<td>Potable alcohol distillation</td>
<td>2009-2012</td>
<td>Crisis distillation</td>
<td>2009-2012</td>
</tr>
<tr>
<td>Crisis distillation</td>
<td>2009-2012</td>
<td>Concentrated grape must</td>
<td>2009-2012</td>
</tr>
<tr>
<td>Concentrated grape must</td>
<td>2009-2012</td>
<td>Phasing-out</td>
<td>2009-2012</td>
</tr>
</tbody>
</table>

Source: Authors’ own creation from European Commission, 2014
### 1. Discussion Point: State versus Market?

The question is **State versus Market?**

- The latest CMO did not solve all of its fundamental issues: surpluses; competition with third countries; lack of a uniform European market and excessive red tape.

- A policy which is too focused on subsidies or guaranteed prices - there is a clear reference to the long period of guaranteed prices and distillations measures - can enable inefficient businesses to **survive** by encouraging inefficiency over merit.

- There is a process called **"double movements"** of **protectionism and liberalism** or **state regulation**.

- The decision makers (EU policy) try to liberalize the EU wine policy but they face strong opposition from the internal lobbies (EU and national).

- These pressure groups aimed at the public decision-making system: a request for a re-distributive policy in favor of their own interest groups versus the political need to maximize consensus or simply survive.

### References


Thanks for your attention

Gaeta Davide, Corsinovi Paola

www.palgravemacmillan.com