Distillation: An Effective Response to the Wine Surplus in the European Community?

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INTRODUCTION

During the 1970s, a structural surplus[1] in the market for table wine[2] emerged within the European Community (EC or Community).[3] Since then, the problem of surplus table wine has plagued the Community.[4] This surplus is due to the combination of several factors, including the increased production of wine.[5] From 1970 to 1983, the annual rate of increase was 1 percent.[6] Recent years have shown an even greater rate of increase.[7] Another factor contributing to the surplus is the decreasing consumption of wine within the Community.[8] Total wine consumption within the main wine producing Member States[9] declined by approximately 20 percent over a 15-year period from the early 1970s to the mid-1980s.[10] Additionally, Spain and Portugal joined the EC in 1986 and have significantly added to wine production within the Community.[11] Because these factors are of a structural nature, only affirmative action on the part of the EC can restore equilibrium to the wine market.

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[1] A "structural surplus" refers to a permanent overproduction and the problem of disposing of stocks. *1992 Euroscope: Agriculture*, Coopers & Lybrand, Aug. 27, 1992, *available in* LEXIS, Europe Library, Alleur File, at *2.2 [hereinafter Agriculture Report].

[2] Table wine is most easily understood as a lower quality wine. The European Community [hereinafter EC or Community] has outlined several technical requirements for qualification as table wine. *See* Council Regulation 822/87, Annex I, ¶ 13, 1987 O.J. (L 84) 1, 44 [hereinafter Regulation 822/87].

[3] Court of Auditors, Special Report No. 4/87 on Community Wine Distillation Measures Accompanied by the Commission's Replies, 1987 O.J. (C 297) 14, 16 [hereinafter Special Report].

[4] *See* Timo Kortteinen, *Alcoholic Beverages and Agriculture in the European Community*, CONTEMP. DRUG PROBS., Winter 1990, at 497, 501; Special Report, *supra* note 3, at 16.

[5] *See* Kortteinen, *supra* note 4, at 501; *see also* Commission Proposals on the Prices for Agricultural Products and on Related Measures, COM(87)1 final at 77 [hereinafter Commission Proposals].

[6] Kortteinen, *supra* note 4, at 501.

[7] *See id.*; *see also* Special Report, *supra* note 3, at 18.

[8] Kortteinen, *supra* note 4, at 501; *see* Special Report, *supra* note 3, at 16, 20; Commission Proposals, *supra* note 5, at 77.

[9] Of the ten Member States during the time period considered, Italy, France, the Federal Republic of Germany, Greece, and Luxembourg produced wine. Special Report, *supra* note 3, at 17.

[10] *Id.* at 20.

[11] *See* Kortteinen, *supra* note 4, at 521; *see also EC Executive Draws Up Plans to Cut Wine Surplus*, Reuters, Mar. 2, 1988, *available in* LEXIS, NEXIS Library, Intl File.

Currently, the wine market within the EC is regulated as part of the Community's common agricultural policy (CAP).[12] Under CAP, a common organization of the market[13] in wine, commonly referred to as the "wine regime," has been established.[14] Since the general purpose of the wine regime is to establish an efficient and profitable wine market,[15] attempts to eliminate the wine surplus have been and continue to be made through the structure of the regime.

The distillation of table wine is one of the various measures[16] taken in response to the wine surplus.[17] It has developed into a major device for addressing the problem.[18] Although originally intended as a temporary remedy designed to deal with short-term imbalances, distillation has been used continually in the face of the persistent wine surplus.[19] The Community, through the use of a price system and aid granting, supports the distillation of wine for conversion into alcohol with a view toward eliminating the surplus.[20] Given the existence of a wine surplus for close to

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[12] *See* Kortteinen, *supra* note 4, at 498–99. Common agricultural policy principles provide for the establishment of special market organizations to market agricultural products, including wine. *Id.*

[13] "Common organization of the market" is the expression used to refer to all basic regulations on agricultural products. Agriculture Report, *supra* note 1, at *3.1.

[14] *See* Regulation 822/87, *supra* note 2. The common organization of the market in wine consists of "rules governing production and control of the development of wine-growing potential, rules governing oenological practices and processes, a price system and rules governing intervention and other measures to improve market conditions, arrangements for trade with third countries, and rules governing circulation and release to the market." *Id.* at art. 1. Regulation 822/87 supersedes Regulation 337/79 which also provided for the common organization of the market in wine. *See* Council Regulation 337/79, 1979 O.J. (L 54) 1 [hereinafter Regulation 337/79].

[15] One commentator has outlined the main goals of the wine regime as follows:

> to secure the income of the farming sector and stabilize prices in order to achieve a balance of supply and demand within the Community; to regulate trade with third countries in a coordinated manner; to promote structural reform within agriculture toward greater productivity and rationalization; and to ensure equitable supplies for consumers.

Kortteinen, *supra* note 4, at 500.

[16] Stockpiling and grubbing-up, i.e., digging up vines for conversion to other land uses, are some of the measures encouraged and supported by the Community. *See id.* at 508; Commission Proposals, *supra* note 5, at 77.

[17] *See* Regulation 822/87, *supra* note 2, at arts. 35, 36, 38, 39, 41, 42.

[18] Special Report, *supra* note 3, at 16; Commission Proposals, *supra* note 5, at 83.

[19] Kortteinen, *supra* note 4, at 506. At least 18 million hectolitres of wine will be sent out for distillation as a result of overproduction in the 1991–92 wine year. *Internal Market; No. 1728, Wine: No Less Than 18 Million HL Destined for Distillation in 1991*, EUR. REP. (Eur. Info. Serv.), Dec. 11, 1991, *available in* LEXIS, NEXIS Library, Intl File.

[20] *See* Regulation 822/87, *supra* note 2, at arts. 27–51.

two decades, the continued use of distillation as a remedial response is questionable.

This Comment assesses the usefulness of distillation as a response to the wine surplus. Part I outlines the distillation measures as prescribed by various regulations. Part II evaluates the effectiveness of the distillation measures. Part III suggests alternative methods to address more effectively the wine surplus. This Comment concludes, first, that distillation is an inadequate measure for addressing the wine surplus because it fails to address the root of the problem, and second, that structural reform of the wine regime is needed to eliminate the wine surplus.

I. THE DISTILLATION MEASURES

The wine regime provides for six different distillation measures: three compulsory measures[21] and three voluntary measures.[22] For both compulsory and voluntary measures, the distiller gives the producer a minimum price, called the "buying-in price," which varies according to the measure and type of wine or wine by-product that is to be distilled.[23] The buying-in price is calculated as a percentage of a "guide price" set by the EC Council (Council) annually.[24] The distiller is then entitled to distillation aid for any amount distilled.[25] This aid is calculated to compensate the distiller for the difference between its costs and the price of alcohol on the open market.[26] Alternatively, in the case of compulsory distillation, the distiller may surrender the resultant alcohol to an intervention agency rather than trying to sell it independently.[27] Either avenue is available to the distiller if the distilled product meets certain minimum alcoholic strengths.[28]

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[21] *See id.* at arts. 35, 36, 39.

[22] *See id.* at arts. 38, 41, 42.

[23] *See id.* at arts. 35, 36, 38, 39, 41, 42.

[24] *Id.* Each year, the EC Council [hereinafter Council] establishes a guide price for each type of table wine. *Id.* at art. 27, ¶ 2. It is based on the average of prices recorded for the type of wine in question during the two previous years and on the price trends during the current year. *Id.* at art. 27, ¶ 3. It is meant to reflect a fair income for producers. Special Report, *supra* note 3, at 21.

[25] *Id.* at arts. 35, 36, 38, 39, 41, 42.

[26] *See* Council Regulation 2046/89, arts. 7, ¶ 1, 16, 1989 O.J. (L 202) 14; *see also* Special Report, *supra* note 3, at 21. The aid is chargeable to the European Agricultural Guarantee and Guidance Fund. *See* Kortteinen, *supra* note 4, at 515.

[27] *See* Regulation 822/87, *supra* note 2, at arts. 35, ¶ 6, 36, ¶ 4, 39, ¶ 7.

[28] *See id.*

A. *Compulsory Distillation Measures*

There are three different compulsory distillation measures that require producers to turn over a portion of their production for distillation. Two of the measures are automatically implemented every year: compulsory distillation of the by-products of winemaking and compulsory distillation of wines other than table wines.[29] The EC Commission (Commission) initiates the third measure—compulsory distillation of table wines—when certain circumstances arise.[30]

Compulsory distillation of by-products requires any natural or legal person or group of persons to turn over for distillation all by-products of winemaking and all by-products of any type of grape processing other than vinification.[31] By-products consist of grape marc and wine lees which remain after grapes and wine lees have been pressed.[32] When surrendered for distillation, these by-products must meet certain minimum alcoholic strengths.[33] The distillers determine the buying-in price based on the alcoholic strength of the by-products.[34] By requiring producers to distill their by-products, the EC endeavors to prevent the overpressing of grape marcs and wine lees and the sale of inferior quality wines with a low alcohol content.[35]

Other than table wine, there are two types of wine that are required to be turned over for compulsory distillation: wine made from grapes not of a winemaking variety; and wine made from grapes of both a winemaking variety and a variety suitable for other purposes when production of such wine exceeds normal production.[36] The buying-in price paid to producers by distillers for these wines is 50 percent of the guide price for a certain type

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[29] *See id.* at arts. 35, 36.

[30] *See id.* at art. 39, ¶ 1.

[31] *Id.* at art. 35, ¶¶ 2, 3.

[32] *See id.* at art. 35, ¶ 1. "Wine lees" refers to "the residue accumulating in vessels containing wine after fermentation, during storage or after authorized treatment and the residue obtained from filtering or centrifuging this product." *Id.* at Annex I, ¶ 20. "Grape marc" refers to "the residue from the pressing of fresh grapes whether or not fermented." *Id.* at Annex I, ¶ 21.

[33] *See id.* at art. 35, ¶¶ 2, 3. Certain exceptions to distillation are permitted whereby by-products may be destroyed under supervision or withdrawn. *Id.* at art. 35, ¶¶ 3, 5.

[34] *Id.* at art. 35, ¶ 7.

[35] *See id.* at art. 35, ¶ 1.

[36] Regulation 822/87, *supra* note 2, at art. 36, ¶¶ 1, 2. Normal production is determined with respect to quantities used in traditional manners produced during a certain reference period. *Id.* at art. 36, ¶ 2.

of table wine.[37] By guaranteeing such a low price for their wines, the EC hopes to penalize producers for production or overproduction of inferior wines, thereby ultimately discouraging production in general.

The Commission may exercise the third type of compulsory distillation—distillation of table wines—if a serious imbalance exists in the market.[38] When such an imbalance exists, the Commission establishes the quantity to be distilled with a view toward eliminating enough surplus to restore normal market conditions.[39] This obligatory quantity is shared among the wine-producing regions within the Community.[40]

Once the Commission sets a particular region's quantity for distillation, producers within the region must distill a percentage of their production.[41] Producers may deduct quantities already delivered for preventive distillation[42] from the quantity required for compulsory distillation.[43] Originally, the buying-in price for these types of wine was set at 50 percent of the relevant guide price for the first 12.5 million hectolitres and 40 percent of the guide price for quantities above that level for the 1986–87 and 1987–88 wine years.[44] Today, the buying-in price is fixed when compulsory distillation is elected.[45] As in the case of distillation

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[37] *Id.* at art. 36, ¶ 3.

[38] Regulation 822/87, *supra* note 2, at art. 39, ¶ 1. A serious imbalance is deemed to exist if:

> (a) availabilities recorded at the beginning of the wine year exceed the level of normal utilization by more than four month's [sic] supply, or
> (b) production exceeds the level of normal utilization by more than 9%, or
> (c) the weighted average of representative prices for all types of table wine remains below 82% of the guide price from the beginning of a wine year for a period to be determined.

Id.

[39] *Id.* at art. 39, ¶ 2.

[40] *Id.* at art. 39, ¶ 3. Each region is responsible for a quantity proportional to the difference between the production of table wine in that region during the year in question and a percentage of the average quantity of table wine produced in that region for a certain three-year period. *Id.* For the years through the 1989/90 wine year, the percentage used for a given region was 85 percent of the region's average quantity for 1981/82 through 1983/84. From 1990/91 onward, the Commission has been given the discretion to set both the percentage and the reference period to be used. *Id.*

[41] *Id.* at art. 39, ¶ 4. This percentage is determined according to a progressive scale based on the yield per hectare and may vary among regions according to previous yields. *Id.*

[42] *See infra* notes 46–52.

[43] Regulation 822/87, *supra* note 2, at art. 39, ¶ 4.

[44] *Id.* at art. 39, ¶ 6.

[45] Commission Regulation 441/88, art. 13, ¶ 1, 1988 O.J. (L 45) 15, 21 [hereinafter Regulation 441/88].

of non-table wines, the low buying-in prices for table wines are intended to penalize producers for overproduction and to deter such voluminous production in the future.

B. *Voluntary Distillation Measures*

There are three voluntary distillation measures which producers may elect to exercise. Producers have the option of: (1) preventive distillation;[46] (2) distillation supplementary to long-term storage contracts;[47] and (3) support distillation.[48] These measures allow wary producers to dispose of their production at guaranteed prices in anticipation of insufficient market demand.

Producers may exercise preventive distillation when the Council, in any given year, decides that harvest forecasts indicate that distillation will be necessary to improve the quality of products put on the market.[49] Under this measure, producers surrender for distillation a portion of their production which may not exceed a certain quantity limit per producer.[50] The buying-in price payable to producers is 65 percent of the guide price of the table wine in question.[51] This measure is meant to eliminate inferior quality wines at the beginning of the marketing year.[52]

Producers who have concluded long-term storage contracts may also opt for distillation if certain circumstances arise: other support measures must have proven inadequate; and the representative price[53] of the table wine in question must have remained below 92 percent of the guide price for three consecutive weeks.[54] If a producer elects to distill under this measure, it may deliver up to a specified maximum percentage of its production covered by such contracts.[55] The Council sets the maximum percentage

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[46] Regulation 822/87, *supra* note 2, at art. 38.

[47] *Id.* at art. 42.

[48] *Id.* at art. 41.

[49] *Id.* at art. 38, ¶ 1.

[50] Commission Regulation 2721/88, 1988 O.J. (L 241) 88, art. 2, ¶ 1. This quantity is set at a certain volume per hectare. *Id.* For example, the Commission set the quantity limit per producer at 13 hectolitres per hectare for the 1990/91 wine year. Commission Regulation 2273/90, 1990 O.J. (L 204) 49, art. 1, ¶ 1.

[51] Regulation 822/87, *supra* note 2, at art. 38, ¶ 2.

[52] Kortteinen, *supra* note 4, at 507.

[53] "Representative price" refers to: (1) for certain types of wine, the weighted average of all average prices; and (2) for certain other types of wine, the weighted average of half of the average prices. Regulation 822/87, *supra* note 2, at art. 30, ¶ 1.

[54] *Id.* at art. 42, ¶¶ 1–2, art. 28.

[55] *Id.* at art. 42, ¶ 3.

which may not exceed 18 percent.[56] The buying-in prices are 90 percent of the relevant guide price for all white table wines and 91.5 percent of the relevant guide price for all red table wines.[57] This distillation measure, often referred to as a "price support guarantee," is designed to guarantee producers a disposal price.[58] Not surprisingly, producers find this the most attractive distillation measure.[59]

Finally, producers subject to compulsory distillation of table wines may distill additional quantities.[60] Producers may also opt for distillation even when not subject to compulsory distillation of table wines if the Council decides such additional distillation is appropriate for the year in question.[61] This option is known as "support distillation."[62] Under this measure, the Council sets the maximum quantity, not to exceed 6.2 million hectolitres, that may be distilled in a given year.[63] If the quantity set by the Council proves inadequate, the Council may increase the maximum quantity above 6.2 million hectolitres.[64] The Council may also restrict the availability of support distillation to producers who have exercised preventive distillation[65] to certain table wines[66] and to certain regions.[67] The buying-in price payable to producers is 82 percent of the relevant guide price.[68] Support distillation basically provides a catch-all distillation measure available at the option of the producer.

II. EFFECTIVENESS OF THE DISTILLATION MEASURES

As it stands, the EC relies on the wine distillation measures as the principal means of addressing the wine surplus within the Community.[69] Despite the measures taken, however, the wine

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[56] *Id.*
[57] *Id.*
[58] *See* Special Report, *supra* note 3, at 22; *see also* Kortteinen, *supra* note 4, at 507.
[59] Special Report, *supra* note 3, at 22.
[60] Regulation 822/87, *supra* note 2, at art. 41, ¶ 1.
[61] *Id.* at art. 41, ¶ 2.
[62] *See* Kortteinen, *supra* note 4, at 507; Special Report, *supra* note 3, at 22.
[63] Regulation 822/87, *supra* note 2, at art. 41, ¶ 5.
[64] *Id.* at art. 41, ¶ 5.
[65] *Id.* at art. 41, ¶ 3.
[66] *Id.* at art. 41, ¶ 7.
[67] *Id.*
[68] *Id.* at art. 41, ¶ 6.
[69] Special Report, *supra* note 3, at 34; *see* Kortteinen, *supra* note 4, at 506.

surplus continues to exist.[70] There are two main reasons for the ineffectiveness of the distillation measures: they fail to provide sufficient incentives to producers to reduce production, and they convert the wine surplus problem into another problem.[71]

A. *Inadequacy of Incentives to Reduce Production*

First, the distillation measures are inherently flawed with respect to the goals they strive to achieve. Distillation was originally intended as a temporary measure designed to address short-term imbalances.[72] It deals with the surplus problem after the fact—it eliminates surplus only after surplus exists and does not prevent the creation of surplus. Thus, distillation is a reactive measure which fails to address the root of the problem.[73]

Moreover, distillation aid or the possibility of surrendering distilled products to an intervention agency contingent solely on the alcoholic strength of the distilled products can facilitate the production of undesirable wines. Wines of low alcoholic content usually imply higher yields. Distillation measures which treat such wines favorably encourage an increase in their production.[74] Furthermore, basing distillation options on alcoholic strength is conducive to the fraudulent increase of the alcohol content of the wines delivered for distillation.[75] Thus, rather than providing for proper safeguards to ensure that the distillation measures serve their intended purpose, the measures lend themselves to easy manipulation for producers disinclined to reduce or stop production.

Second, the distillation measures arguably promote production of undesirable table wine. By guaranteeing an outlet for otherwise unmarketable table wine, the measures encourage the continued production of table wine.[76] Moreover, the buying-in prices for the different measures are frequently quite attractive relative to

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[70] *See* Special Report, *supra* note 3, at 34; Commission Proposals, *supra* note 5, at 77. The Community structural surplus is about 20 Mio hectolitres annually which was 20 percent of table wine production in 1987. Special Report, *supra* note 3, at 34. An estimate that the surplus could achieve 25 percent of production by the 1992/93 wine year has been made. Commission Proposals, *supra* note 5, at 77.

[71] *See* Special Report, *supra* note 3, at 34–38.

[72] *See* Kortteinen, *supra* note 4, at 509.

[73] *See id.*

[74] Special Report, *supra* note 3, at 44; *see* Commission Proposals, *supra* note 5, at 82.

[75] Special Report, *supra* note 3, at 35; *see* Commission Proposals, *supra* note 5, at 84.

[76] Special Report, *supra* note 3, at 34.

market prices.[77] Distillation supplementary to long-term storage contracts offers a buying-in price in excess of 90 percent of the guide price of any given table wine. This usually guarantees a price far greater than the corresponding market price.[78] Even compulsory distillation of table wines, which guarantees producers only 50 percent of the relevant guide price, offers an attractive price to producers in some regions.[79] Thus, the distillation measures not only make it viable to continue in the wine producing industry notwithstanding adverse market forces, but it also makes it attractive.

B. *Conversion of the Wine Surplus into an Alcohol Surplus*

By converting surplus wine into alcohol, the EC only creates another problem for itself: a surplus in the alcohol market.[80] Alcohol can be created in a variety of ways, the most expensive of which is through the distillation of wine.[81] Because alcohol created from the distillation of wine is relatively expensive, alcohol so produced is the first to be stored rather than sold on the open market.[82] These accumulated stocks, in turn, create an imbalance in the alcohol market.[83] Thus, distillation does not eliminate the wine surplus but rather converts it into an alcohol surplus.

III. PROPOSALS FOR MORE EFFECTIVE METHODS

In order for the EC to address effectively the wine surplus, it must concentrate on structural reform and decrease its heavy reliance on distillation measures. The wine surplus is due to structural causes and thus needs structural remedies. Two factors have created the wine surplus: increased production of table wine and decreased consumption of wine.[84] Because the decrease in

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[77] *See id.* at 35; Commission Proposals, *supra* note 5, at 80–81.

[78] Special Report, *supra* note 3, at 35.

[79] *Id.* at 36.

[80] *See* Kortteinen, *supra* note 4, at 517; Special Report, *supra* note 3, at 35.

[81] Kortteinen, *supra* note 4, at 517; Special Report, *supra* note 3, at 35.

[82] *Id.* As of August 1986, accumulated alcohol stock within the Community equaled 13.4 million hectolitres. *Id.*

[83] Kortteinen, *supra* note 4, at 517. In a recent effort to move some of the alcohol stock, the Commission tendered 20,000 hectolitres of alcohol stock for sale for export to the Caribbean region in 1991. *Alcohol: Latest Tenders for Sales for Use as Motor Fuel,* EUROPE ENERGY, Feb. 8, 1991, *available in* LEXIS, Nexis Library, Intl File.

[84] *See* Commission Proposals, *supra* note 5, at 77.

consumption is a function of the largely uncontrollable variable of consumer taste, measures designed to reduce production are the soundest methods for eliminating the wine surplus and restoring equilibrium to the wine market. Such measures should include a vigorous grubbing-up policy and stringent planting and replanting rights.[85] Better administration and stricter enforcement of Community programs are also needed.[86]

A vigorous grubbing-up policy, which compels producers to dig up their vines, is the most important measure the EC can take. Currently, the EC promotes grubbing-up for both the cessation of farming and the conversion of land use to other crops.[87] Cessation of farming is aimed at older farmers—ages 55 through 65—through the provision of premiums and annual allowances.[88] To promote conversion of land use to other crops, the EC provides financial aid to those making such conversions.[89] These measures, although a step in the right direction, are inappropriately structured.

As for the promotion of the cessation of farming, older farmers are the wrong group to target. Presumably, they will retire relatively soon without incentives, to be replaced by younger farmers. It is the younger farmers who are expected to continue producing wine for many years that should be targeted. Diverting these farmers away from wine production is the best way of reducing the number of producers.[90]

Promotion of conversion of land use to other crops is also ill-advised. Experience demonstrates that producers convert to other crops—typically fruit crops—which also are subject to surplus problems.[91] Thus, such conversion parallels the problematic conversion of the wine surplus into an alcohol surplus which arises from the distillation measures; rather than eliminating the problem, it shifts it to another farming sector.[92]

A better grubbing-up policy would encourage the cessation of farming among producers who are otherwise expected to pursue

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[85] *See* Kortteinen, *supra* note 4, at 513–14; Commission Proposals, *supra* note 5, at 77.

[86] *See* Commission Proposals, *supra* note 5, at 84; *see also* Kortteinen, *supra* note 4, at 516; Special Report, *supra* note 3, at 32–34.

[87] *See* Kortteinen, *supra* note 4, at 514.

[88] *Id.*

[89] *Id.*

[90] *See id.*

[91] *Id.*

[92] *See supra* text accompanying notes 82–85.

wine-producing careers. Such a policy should include education programs that give producers skills in other expanding industries, especially newly-developing industries, and thus provide producers with the ability to cease farming. The incentive to enter such programs could come from the reduction or abolition of distillation measures which currently guarantee producers prices for their wine. The money saved from the down-sized distillation program, in turn, could help finance the education programs. Such a policy would benefit more members of society, rather than merely guaranteeing an income for farmers, the current emphasis of the Community's response.

In conjunction with a vigorous grubbing-up policy, the use of stringent planting and replanting rights can help focus wine production on meeting consumer demands. The trend in consumer tastes shows a move toward quality wine, a drink for savoring, and away from table wine, a drink for swigging.[93] Thus, the EC should substantially restrict replanting rights for vines producing table wine and prohibit new plantings of the same vines.[94] In 1984, the Council passed a regulation prohibiting new plantings of both table wine and quality wine vines until the 1990–91 wine year.[95] The EC should continue this measure because it helps control table wine production. New planting rights for quality wine vines, however, should be granted as needed to meet growing consumer demand for quality wine. In this manner, the EC can tailor the various types of vine holdings based on grape variety to consumer demand.

Finally, better administration and stricter enforcement of Community programs is needed. Administration and enforcement has been carried out by an ad hoc mix of bodies within Member States subject to little oversight at the Community level.[96] In 1987, the EC finally established a vineyard register to serve as a clearinghouse of information on vine holdings and production within the Community. The register was a key step toward better administration, enabling the storage of accurate data on wine production.[97] The EC also should require each Member State to establish a specialized agency to administer the wine regime pro-

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[93] Briget Bloom, *Curing the EC's Alcohol Problem,* FIN. TIMES, Nov. 30, 1988, § 1, at 40.

[94] *See* Kortteinen, *supra* note 4, at 513.

[95] *Id.*

[96] *See* Commission Proposals, *supra* note 5, at 84.

[97] Kortteinen, *supra* note 4, at 515; Commission Proposals, *supra* note 5, at 84.

grams.[98] Furthermore, the Community, as a whole, should establish a specialized agency with oversight powers over the Member State agencies.[99] In this manner, a cohesive agenda can be planned and implemented from the top down.

CONCLUSION

Since the 1970s, the EC has been plagued by a surplus in wine which is mainly due to increased production and decreased consumption. One of the principal means of addressing this problem has been the use of distillation measures which convert wine surplus into alcohol. The distillation measures, however, were originally intended as temporary remedies designed to address short-term imbalances and are reactive in nature. Thus, they have failed to eliminate the wine surplus because they do not provide sufficient incentives to producers to reduce production. In order for the EC to combat this phenomenon effectively, it must pursue more vigorously structural reforms which attack the root of the problem. Such reform measures should include a grubbing-up policy, stringent planting and replanting rights, and better administrative mechanisms. Until the EC uses less reactive distillation measures and concentrates on structural reform, the wine surplus will continue to plague the Community wine market.

Lisa Hirai

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[98] Commission Proposals, *supra* note 5, at 84.
[99] *Id.*