Commission Delegated Regulation (EU) 2020/592 of 30 April 2020 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it

COMMISSION DELEGATED REGULATION (EU) 2020/592

of 30 April 2020

on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007[(1)], and in particular to Article 219(1) in conjunction with Article 228 thereof,

Whereas:

(1) The COVID-19 pandemic is causing a significant disturbance of the fruit and vegetables and wine markets throughout the Union. The measures taken by the Member States to address the COVID-19 pandemic, in particular the extensive movement restrictions and social distancing measures, have resulted in a disruption of supply chains, temporary closure of important outlets for the products of the fruit and vegetables sector and the wine sector, respectively, at the wholesale and retail levels and in the catering sector, such as closures of restaurants, canteens, bars and hotels. The COVID-19 related measures are also leading to logistic problems that are affecting with particular severity perishable fruit and vegetable products and the wine sector. The COVID-19 related measures also cause difficulties in harvesting fruit and vegetables and in all wine production-related tasks due to shortages of workforce and in reaching consumers, due to the disruption of supply chains, logistics and temporary closure of important outlets. These circumstances significantly disturb the fruit and vegetables sector and the wine sector in the Union. The farmers in these sectors experience financial difficulties and cash-flow problems.

(2) Given the duration of the restrictions imposed by Member States to address the COVID-19 pandemic and their likely continuation, the long term disruption of logistics and supply chains, as well as severe economic impact on the main outlets for the products of the fruit and vegetables sector and the wine sector, respectively, at the

wholesale and retail levels and in the catering sector, the severe disturbance in both markets and its effects are likely to continue and possibly even deteriorate.

(3) In view of this market disturbance and the unprecedented combination of circumstances, exceptional difficulties have been encountered by farmers in all Member States with the planning, implementation and execution of aid schemes laid down in Articles 32 to 38 of Regulation (EU) No 1308/2013 for the fruit and vegetables sector and in Articles 39 to 54 of that Regulation for the wine sector. It is therefore necessary to alleviate those difficulties by derogating from certain of those provisions.

(4) Recognised producer organisations and associations of producer organisations may implement, as part of their approved operational programmes, crisis and prevention measures in the fruit and vegetables sector that are intended to increase their resilience to market disturbances. However, pursuant to the fourth subparagraph of Article 33(3) of Regulation (EU) No 1308/2013, these crisis prevention and management measures are not to comprise more than one third of the expenditure under the operational programme. In order to provide greater flexibility for those producer organisations and to enable them to focus the resources under operational programmes to addressing the market disturbance caused by measures related to the COVID-19 pandemic, that rule should not apply in the year 2020.

(5) It is estimated that the closure of hotels, bars and restaurants directly affects 30 % of the volumes, corresponding to 50 % of the value, of wine consumed in the Union. It is also observed that consumption of wine at home is not compensating for the decrease in consumption outside the home. Moreover, usual celebrations and gatherings where wine is consumed, such as for birthdays or national holidays, are not possible. In addition, summer season tourism and oenotourism activities risk not going to take place. Wine surpluses are therefore growing on the market. Furthermore, the labour shortage, also due to the pandemic, and the logistical difficulties caused by the pandemic are putting pressure on wine growers and the whole wine sector. Wine growers are facing increasing problems for the upcoming harvest: low prices, reduced consumption, transport and sales difficulties.

(6) At the same time, the Union wine market has been already subject to aggravating conditions throughout 2019 and wine stocks are at their highest level since 2009. This development is due primarily to a combination of the record harvest in 2018 and general decreasing wine consumption in the Union. In addition, the imposition by the United States of America, the Union’s main wine export market, of additional import tariffs on Union wines has impacted exports. The COVID-19 pandemic has delivered a further blow to a fragile sector that is no more able to market or distribute its products effectively, due mostly to the closure of major export markets and to the measures taken to ensure a proper confinement and lockdown in particular the interruption of all catering activities and the impossibility to supply usual customers. In addition, the difficulty in supply of key inputs such as bottles and corks required for wine production is putting a strain on the activities of operators in the wine sector by preventing them from putting on the market wine ready for sale.

(7) Removing from the Union's market some of the quantities of wine that are not being marketed and cannot be stored should help to address the severe market disturbances in the wine sector. Therefore, distillation of wine for reasons related to the crisis due to the COVID-19 pandemic should be introduced temporarily as eligible measure for support under the support programmes in the wine sector to help improve the economic performance of wine producers. In order to avoid distortion of competition, the use of the alcohol obtained should be excluded for the food and drink industry and should be limited to industrial purposes, including disinfection and pharmaceutical, and to energy purposes.

(8) Aid to crisis storage is another measure that should temporarily remove certain quantities of wine from the market and help to manage progressively a return to a more economically viable market situation. Therefore, aid to crisis storage for wine should be temporarily eligible for support under the support programmes in the wine sector. In order to avoid that support is given twice for a same quantity of wine withdrawn from the market, beneficiaries of aid to crisis storage should not receive aid for distillation of wine in case of crisis under the support programmes in the wine sector nor national payments for distillation of wine in cases of crisis.

(9) To help operators respond to the current exceptional circumstances and address this unpredictable and precarious situation, it is appropriate to allow additional flexibility in implementing certain measures under Regulation (EU) No 1308/2013.

(10) In particular, to enable Member States to support the producers severely impacted by the crisis, it is necessary to derogate from Article 44(2) of Regulation (EU) No 1308/2013 in relation to the mutual funds measure as referred to in Article 48 of that Regulation as to allow that expenditure incurred under operations which are implemented in their fourth year in 2020, is eligible even if it was incurred before the submission of the relevant draft support programme by the Member State. This would allow Member States to grant additional aid to the administrative costs of already established mutual funds for another 12 months during the financial year 2020. In order to provide an economically adequate support and by derogation from Article 48(2), the aid granted should be non-degressive and amounting to the financing granted in the third year of implementation.

(11) It is further necessary, as an exceptional measure, to provide for a derogation from Articles 46(6), 47(1) and (3), 49(2) and 50(4) of Regulation (EU) No 1308/2013 and temporarily increase the maximum Union contribution to the measures 'restructuring and conversion of vineyards', 'green harvesting', 'harvest insurance' and 'investments'. These temporary measures are necessary because, due to reasons related to the COVID-19 pandemic, operators are incurring, and will continue to incur, significant losses of income and additional costs arising from the disruptions in the market and in their production. Increasing the Union contribution for the measures in question and consequently decreasing the beneficiary's contribution would provide beneficiaries with some financial relief.

(12) The flexibility introduced by increasing the Union contribution represents a form of financial support, which, however, does not require additional Union financing since the budgetary limits for the national support programmes in the wine sector laid down

in Annex VI to Regulation (EU) No 1308/2013 continue to apply. Member States may thus decide to allocate higher amounts to the measures in question only within the yearly budget provided for in that Annex. The increased financial rates are aimed, therefore, at providing support to the sector in the given unstable market situation without having to mobilise additional funds in the first place.

(13) The preventive instrument harvest insurance is eligible for support under the wine support programmes to encourage a responsible approach to crisis situations. Article 49 of Regulation (EU) No 1308/2013 provides that support for harvest insurance is to contribute to safeguarding producers' incomes where there are losses as a consequence of natural disasters, adverse climatic events, diseases or pest infestations. In view of the dramatic consequences on wine producers' incomes as a result of the COVID-19 pandemic due to the sometimes insurmountable difficulties arising at all stages of wine production and marketing, it is appropriate to extend Union support to cover harvest insurance where losses are a consequence of a human pandemic. It is also appropriate to increase temporarily the rate of Union support up to 60 % in such cases to provide some financial relief for wine growers.

(14) Green harvesting as provided for in Article 47 of Regulation (EU) No 1308/2013 is used as a market management measure when an excessive production of grapes is expected. That Article requires that grape bunches be destroyed or removed totally on a holding in order to benefit from Union support. Under the current circumstances, wine growers encounter unprecedented difficulties to mobilise the workforce needed to carry out such a complete operation. It is therefore appropriate to derogate from this obligation and allow the destruction or removal of immature grape bunches on part of a holding, provided that this is carried out on entire parcels.

(15) For imperative grounds of urgency, in particular considering the ongoing market disturbance, its severe effects on the fruit and vegetable and wine sectors and its continuation and likely deterioration, it is necessary to take immediate action and urgently adopt measures to alleviate its negative effects. Delaying immediate action to address this market disturbance would threaten to aggravate the market disturbance in both sectors and would be detrimental to the production and market conditions in both sectors. In view of this, this Regulation should be adopted pursuant to the urgency procedure laid down in Article 228 of Regulation (EU) No 1308/2013.

(16) In view of the necessity to take immediate action, this Regulation should enter into force on the day of its publication in the *Official Journal of the European Union*,

HAS ADOPTED THIS REGULATION:

***Changes to legislation:** There are currently no known outstanding effects for the Commission Delegated Regulation (EU) 2020/592. (See end of Document for details)*

CHAPTER I

FRUIT AND VEGETABLES

[F1 Article 1

Temporary derogations from Articles 33(3) and 34(1) of Regulation (EU) No 1308/2013

By way of derogation from the fourth subparagraph of Article 33(3) of Regulation (EU) No 1308/2013, the limit of one third of expenditure for crisis prevention and management measures under the operational programme referred to in that provision shall not apply in the year 2020.

By way of derogation from Article 34(1) of Regulation (EU) No 1308/2013, the Union financial assistance to the operational fund in the year 2020 shall not exceed the amount of the Union financial contribution to operational funds approved by Member States for the year 2020 and shall be limited to 70 % of the actual expenditure incurred.**]**

Textual Amendments

F1 Substituted by Commission Delegated Regulation (EU) 2020/1275 of 6 July 2020 amending Delegated Regulation (EU) 2020/592 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it.

CHAPTER II

WINE

SECTION 1

Crisis support measures

[F1 Article 2

Derogations from Article 43 of Regulation (EU) No 1308/2013

By way of derogation from Article 43 of Regulation (EU) No 1308/2013, the measures set out in Articles 3 and 4 of this Regulation may be financed under support programmes in the wine sector through advance payments or payments during financial year 2020.**]**

Textual Amendments

F1 Substituted by Commission Delegated Regulation (EU) 2020/1275 of 6 July 2020 amending Delegated Regulation (EU) 2020/592 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market