



DIRECTORATE-GENERAL FOR INTERNAL POLICIES   
POLICY DEPARTMENT B   
STRUCTURAL AND COHESION POLICIES   
  


# THE FUTURE OF THE QUALITY POLICY IN THE LIGHT OF THE CAP POST-2013

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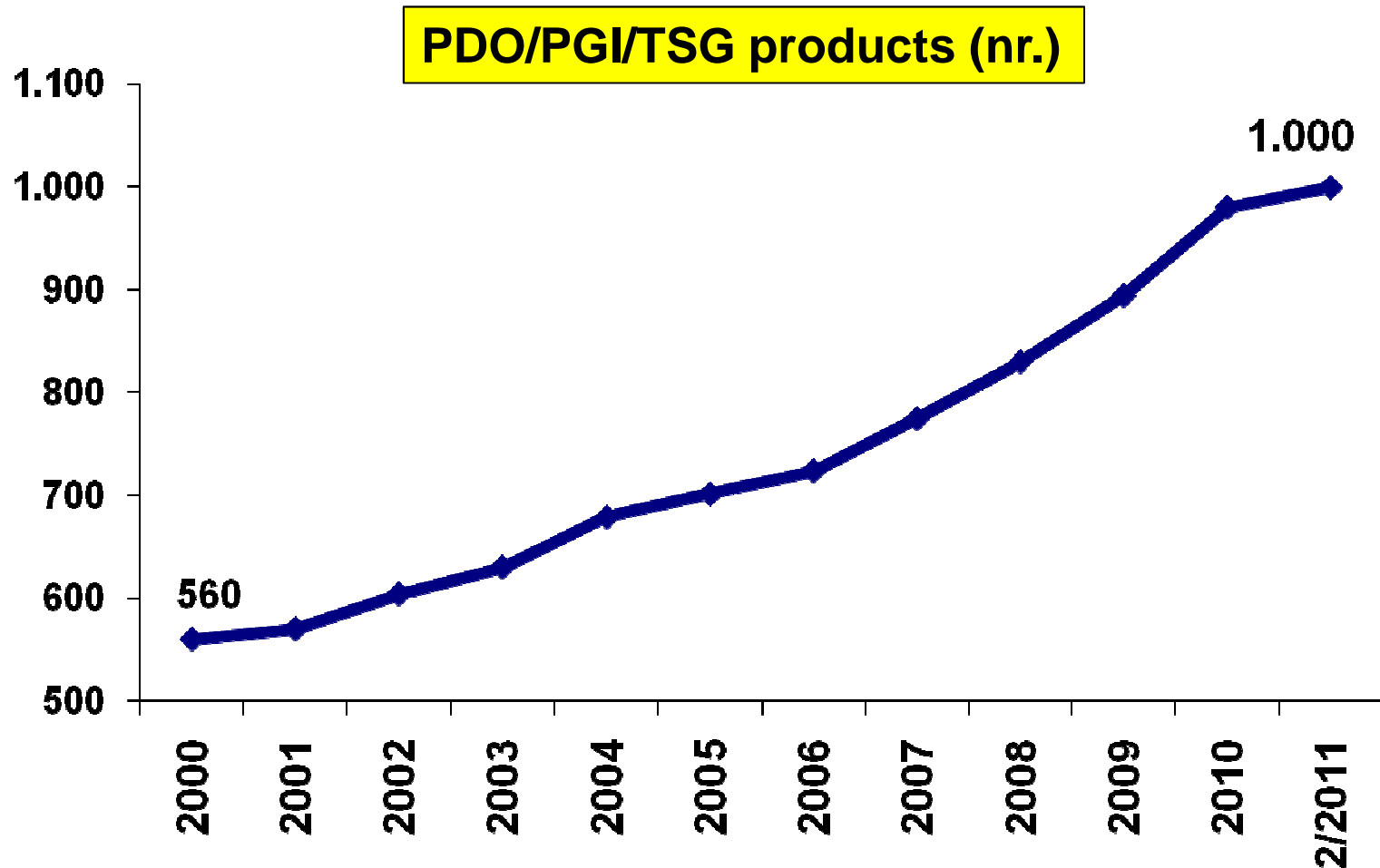
Workshop  
“The EU Quality Package”  
Brussels, 15 march 2011



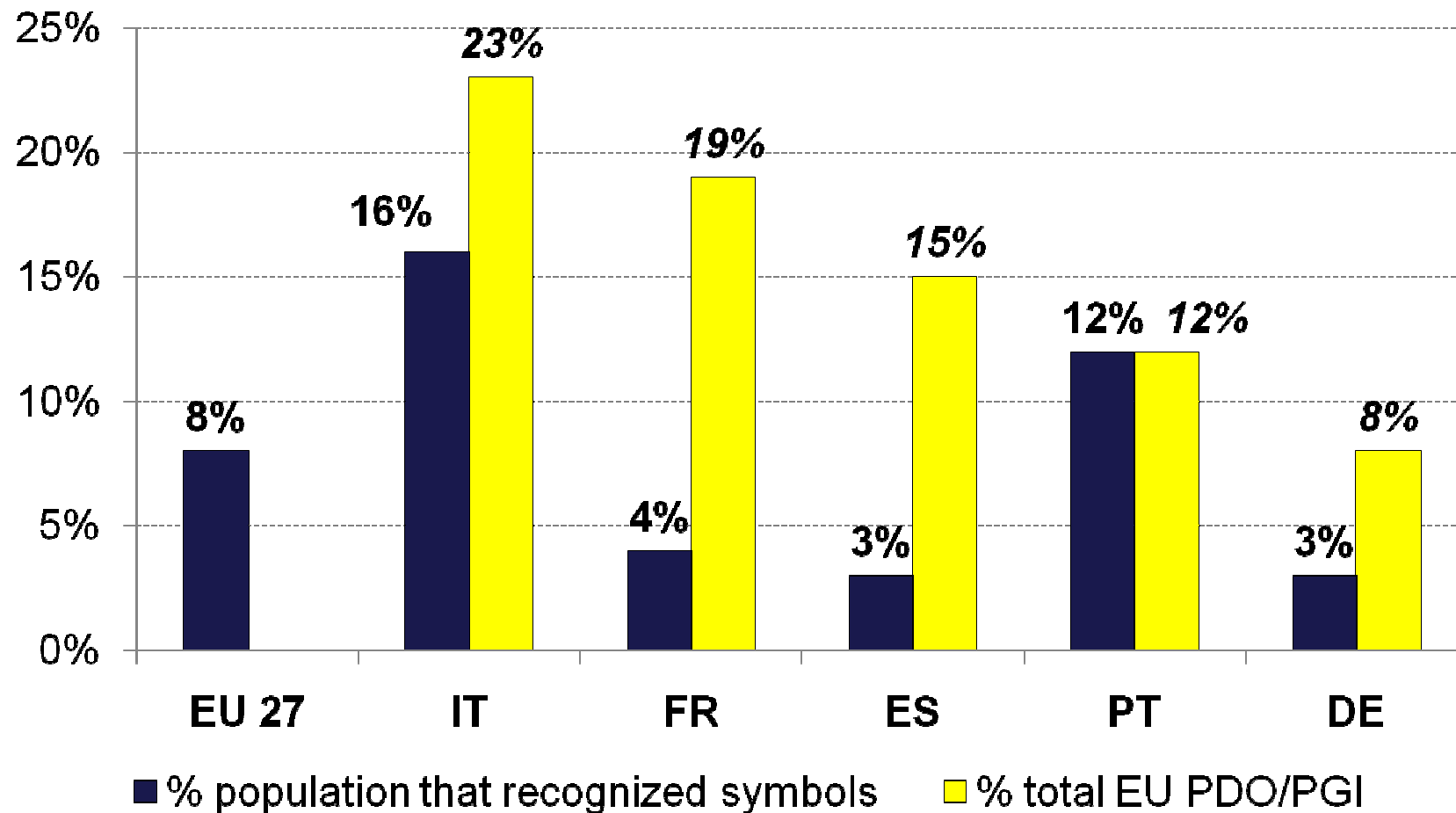
## Focus of Presentation

- ➔ The economic role of quality products in the European agricultural and food system
- ➔ The answers of the “quality package” to the needs for development of quality products
- ➔ Remarks and conclusions: what remains to be done?

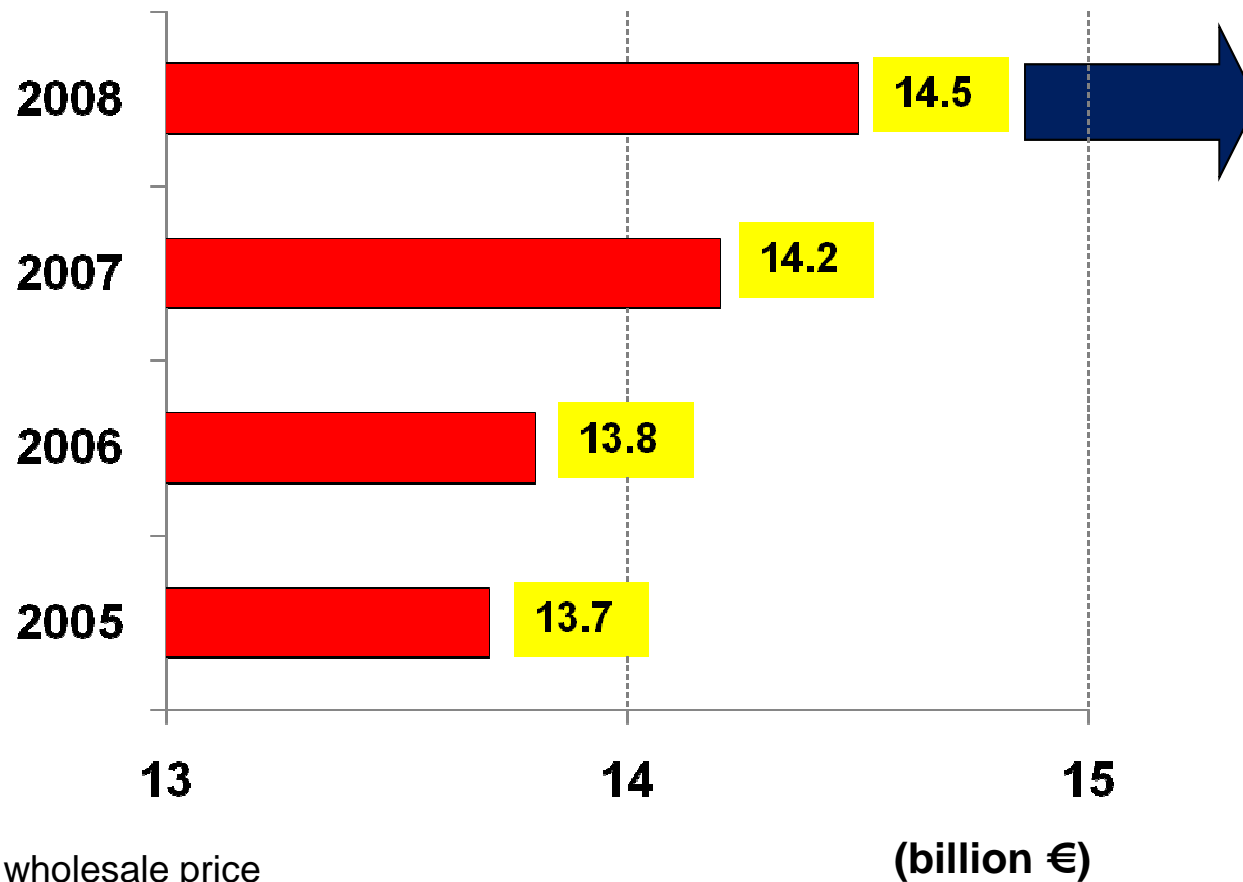
## The race to registration...



## does not imply recognition of PDO/PGI symbols...



# nor a significant increase of the PDO/PGI products value\*



The turnover of the largest European food company in the EU food and drink market is 17.6 billion €

The value of PDO/PGI at retail level is 21 billion €: less of 2% of EU household food consumption

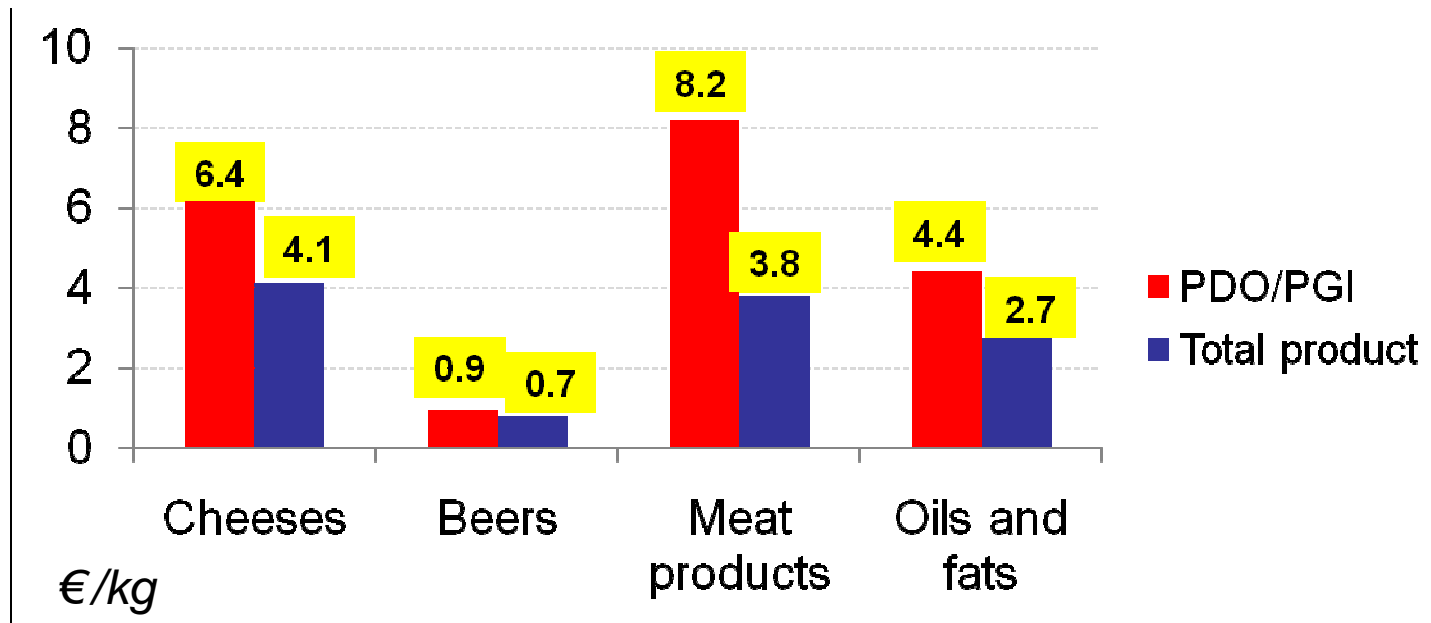
\* wholesale price

## Why this?

- ➔ PDO/PGI production system is highly fragmented: the average production value is approximately € 19,000 per product.
- ➔ Cheeses, beers and meat products account for 73% of total value of PDO/PGI but only 35% of total registered names.
- ➔ PDO/PGI cheeses account for 9% of total EU cheese production volume and for 54% of extra-EU 27 export value.
- ➔ Limited knowledge of PDO/PGI symbols by consumers

## Strenghts and importance of PDO/PGI products

➔ PDO/PGI products obtain the highest prices on the market



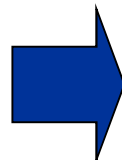
➔ Due to the links to specific geographical areas, PDO/PGI means local development, environment protection, territorial enhancement: in other words, production of public goods

## The need for international protection/1

- ➔ **18%** of PDO/PGI value is obtained on foreign markets (different Member State than that of origin)
- ➔ **5%** of PDO/PGI value (726 million Euros) is achieved from export to third countries.
- ➔ PDO/PGI cheeses are the most extra-EU export-oriented products: **51** names exporting part of their production to third countries, for **400** million Euros.
- ➔ PDO/PGI potential growth in extra-EU market is much higher: imitation of EU quality products is a common practice in third countries, such as in the US market.



## The need for international protection/2

 The proposal of “Quality package” improves the EU protection:

- 1) “...Member States shall take the appropriate administrative and judicial steps to prevent or stop the unlawful use of PDO/PGI” (*“ex-officio” protection*);
- 2) and through the EAFRD supports the necessary activities to protect the use of geographic indications from any action or practice that leads the consumer to misunderstanding, both inside the territory of the European Union and in extra-EU countries.

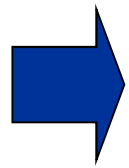
## The need for international protection/2

### *... and what 's on extra-EU protection?*

➔ TRIPS agreement, art. 23.4 (Register): *“In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a **multilateral system of notification and registration** of geographical indications for wines eligible for protection in those Members participating in the system.”*

➔ ... but WTO members have different points of view

## The need for international protection/3



EU (supported by more than 100 other countries) asks for an extension of multilateral register of all food products. The register, which has to be consulted by each MS in occasion of any procedure for protection or registration of trademark or geographical indication, is the proof of the existence of such denomination and of its connection to a specific territory.



USA, together with countries such as Argentina, Australia, Canada, Chile, etc., would downgrade the multilateral register to a simple database made on a “strictly volunteer” basis. No extension to products other than wine and spirits.

## The need for international protection/4

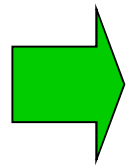
➔ Negotiation within the WTO should now focus on single issues that regulate the functioning of this multilateral register (notification, registration, legal effects, fees and cost, etc.)

➔ To facilitate negotiation, the “Quality package” proposal makes the definitions of PDO and PGI more closely aligned to international usage.

### *Meanwhile, to improve international protection ...*

➔ Bilateral and regional agreements, in all potential extra-EU markets of PDO/PGI/TSGs.

# The need to strengthen the bargaining power of PDO/PGI/TSG producer/1

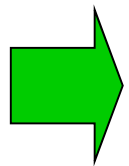


PDO/PGI: small quantities per product / many small sized farms and SMEs

- *Italy: 221 products / 1.1 million of tons / 76,000 farmers*
- *France: 183 products / 600,000 tons / 56,000 farmers*

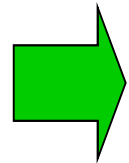
## PDO/PGI Cheeses:

- *Italy: 42 products / 450,000 tons / 1,400 dairies*
- *Spain: 25 products / 29,500 tons / 433 dairies*

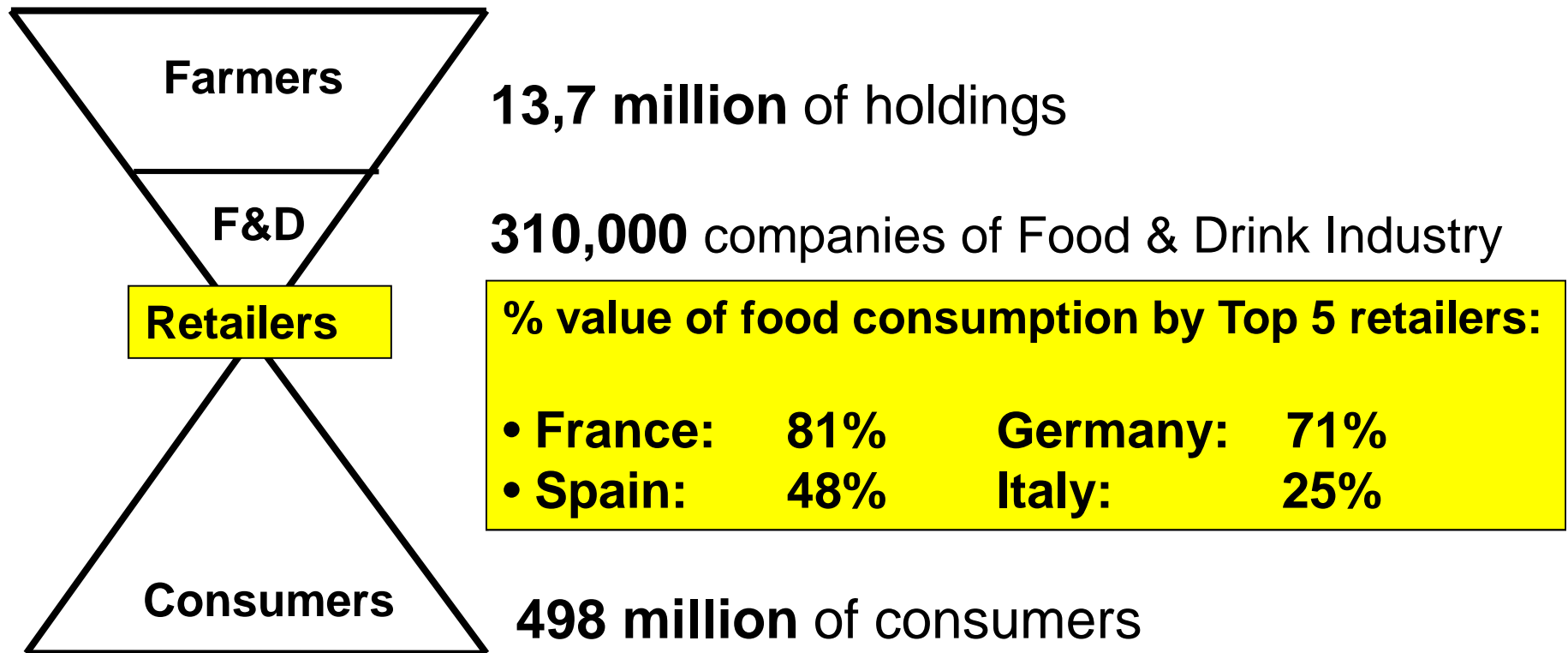


Over 70% of French PDO cheeses production is distributed by large-scale retailers. In Italy, this percentage is about 65%.

# The need to strengthen the bargaining power of PDO/PGI/TSG producer/2



PDO/PGI/TSG products are subject to the “hourglass model” that characterizes the EU agri-food chain



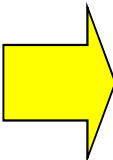
## The need to strengthen the bargaining power of PDO/PGI/TSG producer/3

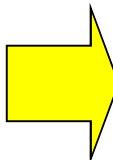
➔ “Product specification” makes the production by different companies homogenous, and small size companies cannot afford differentiation strategies to promote trademarks

➔ In case of large productions (cheeses, beers and meat), existence of a mature market and concentration of retailers, PDO/PGI become similar to commodity products (producers are *price takers*)

➔ PDO/PGI producers cannot reduce production costs without reducing quality (due to product specification). If profit decreases below production costs, the company may close. But closure of a PDO/PGI company has several negative impacts: not only economic, but also social, as well as related to safeguard of territory and to the loss of historical and cultural heritage.

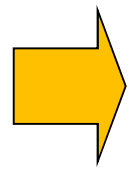
## The need to strengthen the bargaining power of PDO/PGI/TSG producer/4

 The “Quality package” proposal: recognition of the roles and responsibilities of Groups (those who have applied for registration of names) with regard to monitoring, promotion and communication ...

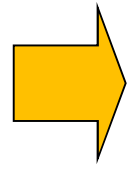
 ... but to improve the bargaining power of PDO/PGI producers and in order to ensure better quality, it is very important to promote agreements aimed at planning the production in line with market trends.



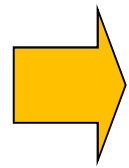
# The need for administrative and commercial simplification/1



On the one hand, “Quality package” simplifies the registration process for PDO/PGI/TSG: the procedure to register names is shortened, but....



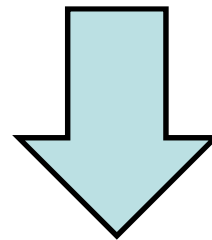
..., on the other hand, “Quality package” does not simplify maintaining separate schemes for food products and wine & spirits



Use of the instrument of delegated acts in the package: article 290 TFEU provides that a legislative act may delegate to the Commission the power to adopt non-legislative acts of general application to supplement or amend certain non-essential elements of the legislative act.

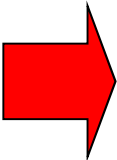


## The need for administrative and commercial simplification/2

“...delegation can never become an ordinary instrument of legislation and the European Parliament must ensure that this procedure remains exceptional. Extensive use of delegated acts would threaten the institutional balance, the principle of transparency and, finally, the very legitimacy of the Union’s legislative procedures.”



Wide use of delegated acts in the package!  
(stated in 18 out of the 51 articles in the proposal of the agricultural products quality schemes).

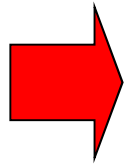
## Conclusions: what remains to be done?/1

-  The strength and relevance of the European agri-food quality system cannot be based exclusively on the number of registered names but should also come from the social and economic values conveyed by PDO/PGI/TSG products.
-  As for all agri-food products, also for the PDO/PGI/TSG a larger production of public goods stems from economic and market growth and this can only be supported by a policy that mainly takes into account the competitive capacity of companies.
-  The small average value assigned to PDO/PGI/TSG is not just a peculiarity that differentiates these productions, quite often it is the result of a problem: the market success.

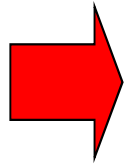
## Conclusions: what remains to be done?/2



The weakness of the EU quality policy: more inclined to preserve than to develop local products.



But preservation is more linked to a social than to an economic policy.



An ambitious policy means tools that are able to:

- facilitate associations between PDO/PGI/TSG producers,
- planning production in function of the market,
- promote awareness of PDO/PGI/TSG logos,
- rationalize the system of denomination registration so that international partners will give more credit to a EU quality system where products are really different and special in comparison with standard products.



**Thanks for your attention!**