

# **Evaluation of the CAP policy on protected designations of origin (PDO) and protected geographical indications (PGI)**

## **Short Summary**

**This study, financed by the European Commission, has been carried out by London Economics in association with ADAS and Ecologic**

**The conclusions, recommendations and opinions presented in this report reflect the opinion of the consultant and do not necessarily reflect the opinion of the Commission**



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## ***1. Introduction***

The present evaluation of the scheme for protected designations of origin (PDO) and protected geographical indications (PGI) provides a detailed description of the implementation and usage of the PDO/PGI scheme over the evaluation period 1992-2006 and assesses the effectiveness of the PDO/PGI scheme.

### ***1.2 The PDO/PGI scheme***

The EU PDO/PGI regulation (Regulation 510/2006 and its predecessor Regulation 2081/92) provides EU-wide protection to names of agricultural products and foodstuffs that have a close link to their geographic region of production. Such products must be produced in a specified territory and according to a certain production specification.

Any application for a PDO or PGI must include a product specification containing at least a product description, a method of production and the geographical area where it is produced. In addition, applications must provide evidence that some quality, reputation or other characteristic associated with the product is linked to the region of production.

Once a name is registered, any producer complying with the product specification and controlled by a control body or national authorities can use the name.

In the case of a PDO, there must be an objective and exclusive link between the features of the product and its geographical origin. Furthermore, all stages of the production process must take place in the defined geographical area.

For a PGI product, the link with the geographical area does not need to be 'essential or exclusive' but has to be causal. It is sufficient that the features or the reputation of the product are 'attributable' to the geographic origin and at least one stage of production takes place in the defined area.

Administrative bodies in the Member States enforce the PDO/PGI regulations in Member States and provide protection of the name and exclusive rights for its use to producers who meet the product specification.

## ***2. The evaluation methodology***

### ***2.1 The methodology***

Due to a lack of administrative and statistical data in most Member States on various aspects of the scheme, the present evaluation relies to a large extent

on case studies in Belgium, Denmark, Germany, Greece, France, Hungary, Italy, Spain, Sweden and the UK.

Each case study covered two PDO/PGI products and two non-PDO/PGI products as comparators except the case studies of Denmark and Sweden which each covered only 1 PDO/PGI (see table overleaf).

The PDO/PGI products were chosen so as to reflect the distribution by product category (cheeses, fresh meat, etc.) of the whole PDO/PGI population.

## ***2.2 Information sources***

The main information sources in the case studies were surveys of:

- producers of PDO/PGI and comparator products;
- other stakeholders in the PDO/PGI value chain (farmers, processors, producers' groups, traders, retailers);
- consumer associations;
- public authorities;
- a group of producers of PDO/PGI and comparator products whose products have faced difficulties linked to the implementation of the scheme.

In addition, a survey focusing on the implementation of the scheme was directed at officials from the Member States' public authorities responsible for such implementation of the scheme and a pan-European consumer survey was undertaken.

The evaluation also takes account of previous findings from the literature on PDOs/PGIs and uses all publicly available data.

## ***2.3 Limitations of the evaluation***

The limited number of case studies does not allow one to draw firm conclusions that would be applicable to the total population of PDOs and PGIs. However, any commonalities in findings across the case studies are suggestive of findings which are likely to apply to the population of PDOs and PGIs more generally.

The analysis of the uptake of the scheme and the consumer survey do not face such limitations as they either cover the whole population of PDO/PGI products or a representative sample of consumers.

<b>Table: List of PDO/PGI products covered in the case studies</b>			
<b>Country</b>	<b>Product</b>	<b>Type*</b>	<b>Comparator</b>
<b>BE</b>	Fromage de Herve PDO	CH	Wynendale (brand)
	Jambon d'Ardenne PGI	MB	Jambon d'Aoste TM
<b>DE</b>	Lübecker Marzipan PGI	BP	Zentis
	Spreewälder Gurken PGI	FV	Kühne TM
<b>EL</b>	Feta PDO	CH	Cubable white cheese from both inside and outside Greece
	Sitia Lasithi Kritis PDO	OO	Non PDO Extra virgin Olive oil (unbranded)
<b>ES</b>	Jamón de Teruel PDO	MB	Uncertified ham
	Turrón de Alicante/ Jijona PGI	BP	Generic hard nougat (for T. de Alicante) and generic soft nougat (for T. de Jijona)
<b>FR</b>	Riz de Camargue PGI	FV	Taureau Ailé TM
	Volaille de Bresse PDO	FM	Le Gaulois TM
<b>HU</b>	Szegedi Szalámi PDO	MB	Herz Teli.szalami (Hertz Salami) TM
	Szegedi Fűszerpaprika PDO <sup>1</sup>	S	Chili-Trade Grounded Paprika TM
<b>IT</b>	Toscana PGI	OO	Extra-virgin olive oil from both inside and outside Tuscany
	Mela Val di Non PDO	FV	Consortio la Trentina TM
<b>SE</b>	Svecia PGI	CH	Vasterbotten TM
<b>DK</b>	Esrom PGI	CH	Havarti (several trademarks)
<b>UK</b>	Jersey Royal Potatoes PDO	FV	Cornish Earlies (several trademarks)
	Whitstable Oysters PGI	FF	Lindisfarne Oysters (several trademarks)

Notes; (1) Szegedi Fűszerpaprika is not yet a PDO but is expected to become a PDO in the near future. Legends: Cheeses (CH); Meat-based products (MB); Fresh meat (and offal) (FM); Fruit, vegetables and cereals (FV); Oils and fats / Olive oils (OO); Bread, pastry, cakes, confectionery, biscuits and other baker's wares (BP); Fresh fish, molluscs and crustaceans and products derived there from (FF); Other Annex I products (spices etc.) (S).

#### ***2.4 Key characteristics of PDO/PGI products covered by the evaluation***

The PDO/PGI scheme covers a wide range of products with different characteristics such as the:

- length of the distribution channel;
- degree of product maturity;

- location of the production (remote versus non-remote regions);
- level of production concentration;
- scale of production; and,
- presence or not of a producers' group in the value chain.

The typical PDO/PGI product in the case studies is a mature product, whose production is concentrated and undertaken on a large scale in a non-remote location, and a producers' group is active in the PDO/PGI value chain.

### ***3. Evaluation results***

#### ***3.1 Implementation of the scheme***

Currently, one observes across Member States significant disparity in terms of:

- the institution responsible for promotion and administration of the scheme;
- the level of support and guidance available for the application process;
- the time period allowed for objections at national level; and,
- the control of compliance and enforcement.

This suggests that the expected output of the scheme "Harmonised implementation system across EU countries" is not fully achieved.

#### ***3.2 Usage of the scheme***

As of June 2008, 779 names had been registered as PDO or PGI (446 PDOs and 333 PGIs). France and Italy account for more than 40% of all registrations, and these 2 countries together with Germany, Greece, Portugal and Spain account for almost 90% of all protected names.

A statistical analysis of the causes of the differences in the number of PDO/PGI registration across Member States shows that, besides the size of the agricultural sector, other explanatory factors are the level of encouragement and support given to PDO/PGI applicants, differences in food cultures and the EU accession date.

Information on the contribution of PDO and PGI products to the overall turnover of the agro-food sector is available only for France, Germany and Spain. It shows that the contribution of PDOs/PGIs is small but economically still significant, accounting for between 1% and 5% of the turnover of the agro-food sector.

### ***3.3 Use of PDO/PGI products as ingredients***

The use and labelling of ingredients in processed products does not appear to cause problems for producers and some case studies show that industry can manage this on an agreed basis between producers of PDO/PGI products and the processors.

### ***3.4 Reason for participating in a PDO/PGI scheme***

The main reasons given by producers for taking up the scheme are economic and relate to marketing, gaining or securing market share to keep businesses viable or profitable through the protection of the use of names, or sending quality assurance signals to consumers.

### ***3.5 Impact on producer prices and costs***

The PDO/PGI scheme yields higher prices for 14 of the 18 PDO/PGI products in the case studies and the price premium ranges from 5% to 300%.

However, 10 of the 18 PDO/PGI products are also more costly to produce than their comparators, and the additional cost ranges from 3% to 150%. In the other 8 cases, the cost is equal or only marginally higher. The higher costs reflect higher production, certification and producers' group costs.

As a result of the higher cost, a higher price for a PDO/PGI product does not necessarily translate into a higher profit margin. Nevertheless, in 12 cases, the margin is higher than for comparator products and ranges from 2% to 150%. And, in 4 cases, the margin is the same.

### ***3.6 Traders and retailers and PDOs/PGIs***

In the case studies, most traders and retailers indicated that PDO/PGI products account for a very small share of their overall business and they are seen as quite unimportant. The most important benefit, particularly for smaller or specialised retailers, is the gain in reputation associated with selling high quality products.

### ***3.7 Other benefits of PDOs/PGIs***

The case studies show that:

- producers of PDOs/PGIs located in remote areas see greater benefits of the scheme in terms of profitability and reputation of their business;
- producers of PDOs/PGIs produced on a small scale see a greater impact of the scheme in terms of the stability of their business;
- producers of PDOs/PGIs produced on a large scale see a greater impact of the scheme in terms of the reputation of their business.

### ***3.8 Consumers and PDOs/PGIs***

The level of recognition of the PDO and PGI symbols is low in the EU, even in Member States with large number of PDOs/PGIs. Across the EU, just 8% of shoppers recognised any of the PDO or PGI symbols.

Moreover, there is confusion about the meaning of these symbols. For example, only 51% of consumers, who recognised the PDO/PGI symbols, correctly indicated that the symbols mean that a product is produced in a specific area.

In addition, about 25% of survey respondents erroneously believed that the PDO/PGI symbol refer to a product being produced in an environmentally friendly way or using a traditional recipe and distinguishing features.

One should note that it is only after May 2009 that the terms “protected designation of origin” and “protected geographical indication” or the associated EU symbols must be included on the labelling of products originating in the EU and marketed under a registered name.

### ***3.9 Non-information on origin of raw materials***

Non-information on raw material origin used in PGI products is a concern only in Germany and Italy where consumer associations expressed the view that consumers may be misled if is not explicitly noted on the packaging of the PGI product that some ingredients of the product come from outside the PGI region.

### ***3.10 Protection of names***

The main difference between PDO/PGI and trademarks is that more stringent conditions (related to special characteristics of the region) apply for the registration of a PDO/PGI.

The case studies found that a trademark is generally not viewed as being as effective as the PDO/PGI scheme for protecting a name but a trademark is often used together with the PDO/PGI indication or symbol for marketing purposes. The former is a means to segment the market and build producer-specific brand value while the latter is viewed as sending a strong quality signal to consumers and generating evocations of “terroir”.

Overall, trademarks and the PDO/PGI appear to be complements rather than substitutes.

### ***3.11 Ensuring quality products***

In most cases in the case studies, the producers of PDO/PGI products believe the products are of higher quality. Consumer associations in most countries covered by the case studies also noted that PDO and PGI products provide good quality for their prices.

### ***3.12 Improving incomes of farmers***

The case studies show that the registration of a name under the PDO/PGI scheme does not in itself guarantee an increase in market shares, domestically or abroad. Market shares will grow only if a number of additional factors are present such as an active market expansion approach being pursued individually and collectively by producers, interest from consumers, a combined use with a trademark and the existence of niche markets.

The case studies also show that the pattern of distribution along the supply chain of any additional profits and revenues accruing as a result of participating in the PDO/PGI scheme varies across products. In some cases a significant profit impact was reported by producers.

More generally, the scheme is perceived by PDO/PGI producers as yielding significant reputational benefits.

### ***3.13 Prevention of effects impacting normal market operations of non-PDO/PGI products, in particular in the absence of the list of generics***

No impacts of the scheme on normal market operations of non PDO/PGI products were noted in the case studies.

Regarding the absence of a list of generics, established case law clearly underlines the fact that a national judge would still need to decide on a case-by-case basis the generic character of a given designation in case of a dispute about a designation. Moreover, the validity of any such list could be challenged at any time under Article 234 of the Treaty by a Member State or a legal or physical person directly and individually concerned.

Therefore, the existence of a list would be unlikely to reduce uncertainty.



### *3.14 Ensuring an increased diversity of products*

While the PDO/PGI scheme has helped preserve the production of products, it has contributed little to foster the introduction of new products and innovation. Moreover, only a few producers in the case studies have diversified their production as a result of participating in the scheme.

### *3.15 Increasing or retaining economic activities in rural areas*

The limited evidence from the case studies suggests that there is a small positive and varied impact across PDOs/PGIs. This is consistent with the fact that the scheme is only one of many, often more important, factors driving economic development in rural areas.

### *3.16 Establishing cultural value in rural areas*

Overall, the case studies suggest that the existence of the PDOs/PGIs seems, at the very least, to reinforce the cultural heritage and value of the region of production of the PDOs/PGIs.

## **4. Recommendations**

The following recommendations are made on the basis of the findings reported above.

The dearth of administrative and statistical data on the PDO/PGI scheme and products is a lacuna which would need to be addressed to allow for a good monitoring of the scheme and its implementation, and build up a solid evidence base to inform future policy regarding the scheme.

- **Recommendation 1: Increase the availability of administrative data (such as, for example, the number of controls) and statistical data (such as, for example, the size of the agricultural areas devoted to the production of PDOs/PGI, value and volume of production and sales).** This recommendation is addressed to both the European Commission and Member States.

Consideration should be given by the European Commission to developing with Member States a collection system of administrative and economic data on PDOs/PGIs. The national institutions responsible for agricultural statistics would be best placed to undertake such an exercise.

There is a large disparity in the number of PDOs/PGIs across the EU27. The evaluation analysis shows that a higher level of information and support tend to result in more registrations.

To the extent that producers of PDOs/PGIs benefit from the scheme, it could be worth investing some resources in increasing producer awareness of the scheme and its benefits, especially in Member States in which the actual take-up rate of the scheme appears low.

- **Recommendation 2: Actively promote the scheme and stronger provision of support for the applicant.** This recommendation is primarily addressed to Member States but there is also scope for the European Commission to engage in such promotional activities.

The results of the pan-European consumer survey show that the level of recognition and understanding of the PDO and PGI symbols is very low in the EU.

- **Recommendation 3: Undertake an active communication campaign to raise consumer knowledge of the PDO/PGI scheme and the PDO/PGI symbols.** This recommendation is addressed to both Member States and the European Commission. Such a campaign could be undertaken by Member States or the European Commission.

The non-information on origin of raw materials in the case of PGIs may cause, at times, consumer confusion about the true origin of the ingredients used in some PGIs.

- **Recommendation 4: Consider ways to increase information about raw material ingredients in PGIs by, for example, providing detailed origin information on at least the main ingredients on the PGI package.** This recommendation is addressed to the European Commission. This would address consumers concerns about traceability and sourcing of ingredients and eliminate any potential confusion about the geographical source of ingredients in PGIs.