

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

## **Final report**

**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**



**November 2008**

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## Glossary

AC	Autonomous Community
AGRESTE	Statistique Agricole, Ministère de l'Agriculture et de la Pêche
Agrocert	Organisation for Certification of Inspection of Agriculture Products
APAQW	Agence Wallonne pour la Promotion d'une Agriculture de Qualité
CFI	(European) Court of First Instance
COFRAC	Comité Français d'Accréditation
Defra	Department for Environment, Food and Rural Affairs
DPMA	Patent and Trade Mark Office (Slovakia)
DSU	Dispute Settlement Understanding (at the WTO)
ECJ	Court of Justice of the European Communities
EU	European Union
GATT	General Agreement on Tariffs and Trade
GI	Geographical Indication
HPA	Hoofdproductschap Akkerbouw
INAO	Institut National de l'Origine et de la Qualité
IPO	Industrial Property Office (Czech Republic)
ISTAT	Instituto Nazionale di Statistica
MAPyA	Ministerio de Agricultura, Pesca y Alimentación
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
TRIPS	Trade Related aspects of Intellectual Property rights
VLAM	Vlaams Centrum voor Agro- en Visserijmarketing
WTO	World Trade Organisation

*Member State abbreviations*

BE	Belgium	LU	Luxembourg
BG	Bulgaria	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
EL	Greece	PT	Portugal
ES	Spain	RO	Romania
FR	France	SI	Slovenia
IE	Ireland	SK	Slovakia
IT	Italy	FI	Finland
CY	Cyprus	SE	Sweden
LV	Latvia	UK	United Kingdom
LT	Lithuania		

# 1 Introduction

## 1.1 The scope of the evaluation

The present study provides an evaluation of the PDO/PGI scheme. The terms of reference of the project listed two key issues which were to be addressed by the evaluation study<sup>1</sup>:

- First, the study has to provide a detailed description of the implementation and usage of the PDO/PGI scheme over the evaluation period 1992-2006;
- Second, the study has to evaluate the effectiveness of the PDO/PGI scheme itself.

While the analysis of the implementation and usage of the scheme covers the 27 Member States over the period 1992 to 2006, the evaluation of the effectiveness of the scheme is based on publicly available information, research and academic literature, and detailed case studies of 18 PDO/PGI products in 10 Member States.

## 1.2 Structure of the report

The structure of the present report is as follows:

- Chapter 2 provides detailed information on the PDO/PGI scheme. It first presents the current PDO/PGI regulation. Next, it highlights the main differences between the current PDO/PGI regulation and the previous PDO/PGI regulation. Finally, the chapter presents the logic model underpinning the PDO/PGI scheme. This model identifies the objectives of the scheme, the intervention and the intended outputs and effects (results and outcomes).
- Chapter 3 sets out the methodology used for the evaluation of the PDO/PGI scheme. The chapter describes in detail how the required qualitative and quantitative evidence was collected in order to address the themes listed in the terms of reference of the study. This description of the methodology also provides detailed information on

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<sup>1</sup> TENDER N° AGRI / 2007-G4-04, *Evaluation Of The CAP Policy On Protected Designations Of Origin And Protected Geographical Indications.*

the target population of the various surveys undertaken as part of this project.

- Chapter 4 addresses the implementation of the scheme across the EU. This chapter presents information on the institutions responsible for the PDO/PGI scheme in the Member States and describes the role of the Member States and the European Commission in the management of the scheme. In addition, the chapter also examines some specific issues in the implementation of the scheme in different Member States.
- Chapter 5 analyses the usage of the scheme across the different EU regions and food sectors. Furthermore, this chapter examines the costs and benefits of the scheme for various players in the supply chain of PDO/PGI products; the usage of the European PDO/PGI symbols; and the usage of alternative means of protection for names of agricultural products.
- Chapter 6 analyses the effectiveness of the scheme in achieving its objectives. As per the terms of reference of the study, the assessment of the effectiveness of the scheme covers the contribution of the scheme in relation to the following aspects:
  - ensuring the quality and diversity of products;
  - increasing the market shares of PDO/PGI products;
  - the returns along the supply chain;
  - prevention of effects which would impact on the normal operation of the market for non-PDO/PGI products;
  - increasing economic activity in rural areas (in particular in the absence of the list of generics); and,
  - establishing cultural value in rural areas.
- Chapter 7 finally provides summary conclusions and sets out a number of recommendations.

### 1.3 Contributors to the report

This report was produced by London Economics in association with ADAS and Ecologic.

The project team was assisted by a number of experts who undertook the field work and case studies, provided advice at different stages of the

evaluation and validated the results and conclusions of the report. These experts are:

- Belgium: Xavier Gellynck and Bianka Kühne;
- France: Georges Giraud;
- Germany (Ecologic): Ralph Czarnecki, Sandra Naumann, Katharina Umpfenbach;
- Greece: Thanasis Kizos, Hristos Vakoufaris;
- Hungary: Barna Kovács;
- Italy: Filippo Arfini, Andrea Marescotti, Giovanni Belletti;
- Spain: Mariano Riccheri;
- Sweden/Denmark: Cecilia Hammarlund; and
- UK (ADAS): John Elliott and Yiyang Cao.

In addition, Angela Tregear provided overall guidance to the evaluation. The evaluation itself was undertaken by London Economics and ADAS.

## 1.4 Acknowledgments

We would like to thank all the stakeholders who have been surveyed as part of the present study for their willingness to share information and data with the project team.

## 2 Description of the regulatory framework and intervention logic model

### 2.1 Background

The EU PDO/PGI regulation provides EU-wide protection to names of agricultural products and foodstuffs that have a close link to their geographic region of production.

Fundamentally, the regulation aims to prevent the use of registered names unless the products are produced in a specified territory and according to a certain production specification.

The protection is also open to names of products produced in third countries (countries outside the EU), where these names are themselves protected in their own country of origin.

In order to benefit from the PDO/PGI protection, EU producers make voluntary applications to register a name to their national authorities. In the case of applications from non-EU producers, the Commission can receive applications not only from national authorities of third countries, but also directly from producers in third countries.<sup>2</sup>

All applications must contain a product specification that must include at least the following:

1. the name of the product comprising the designation of origin or geographical indication;
2. a product description, including the raw materials, if appropriate, and principal physical, chemical, microbiological or organoleptic characteristics;
3. the geographical region where it is produced (and any details relating to the origin of raw materials used in production of the product);
4. a method of production, including local methods of production and, if appropriate, packaging of the product;
5. details of the link between the quality or characteristics of the product and the geographical environment in the case of a PDO *or, as the case*

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<sup>2</sup> See Section 2.3 of this report for more details on applications from third countries.

may be, the link between a specific quality, the reputation or other characteristic of the product and the geographical origin in the case of a PGI;

6. the name and address of the authorities or bodies verifying compliance with the provisions of the specification and their specific tasks;
7. any specific labelling rule for the agricultural product or foodstuff in question.

In addition, applications must provide evidence that some quality, reputation or other characteristic associated with the product is linked to the region of production. If the application is successful and the name is registered, then any producer from within the region complying with the product specification and controlled by a control body or national authorities can use the name.

Following registration of a name, PDO/PGI regulations are enforced by public authorities in Member States. Enforcement authorities in the Member States provide protection of the name and exclusive rights for its use to producers who can meet the product specification.

## 2.2 The main features of the current PDO/PGI regulation (Regulation 510/2006)

Regulation 510/2006, in its different articles, provides a precise definition for PDO and PGI; sets out the rules defining what must be included in the product specification; establishes the rules regarding the application procedure and the rules for objecting to an application; describes the protection offered by the Regulation; and sets out how the protection afforded must be enforced. Each of these elements of the regulation is reviewed in the sub-sections below.

### 2.2.1 Definitions of PDO and PGI

The definitions of PDO and PGI are given in Article 2 of Regulation 510/2006. They are as follows:

*'Designation of origin' [PDO] means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:*

- *Originating in that region, specific place or country;*

- *The quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors; and*
- *The production, processing and preparation of which take place in the defined geographical area.*

*'Geographical indication' [PGI] means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:*

- *Originating in that region, specific place or country; and*
- *Which possesses a specific quality, reputation or other characteristics attributable to that geographical origin; and*
- *The production and/or processing and/or preparation of which take place in the defined geographical area.*

Hence, for a product name to be protected as a PDO there must be an objective and exclusive link between the features of the product and its geographical origin. Further, all stages of the production process must take place in the defined geographical area.

Exceptions to this are allowed under Article 2.3 of Regulation 510/2006 and formerly under Article 2.4 of Regulation 2081/92.

According to Regulation 510/2006, designations of origin for products using raw materials coming from an area larger than or different from the defined geographical area of production may be allowed provided the following three conditions are met, namely that: a) the production area of the raw materials is defined; b) special conditions exist for the production of the raw materials; and c) there are inspection arrangements to ensure that these conditions are adhered to. According to Article 2.3, this provision only applies when the name has been protected in the Member State or country of origin before 1<sup>st</sup> May 2004.

For a PGI product, the link with the geographical area does not need to be 'essential or exclusive' but has to be causal. In this sense, it is sufficient that the features or the reputation of the product are 'attributable' to the geographic origin. Further, not all stages of production have to take place in the defined area (in fact, it is sufficient that only one stage of production takes place in the defined area).

## 2.2.2 Product specification

The product specification required by the Regulation sets out the conditions that producers must respect. The specification has to contain all the technical information regarding the product and is the reference point for the control that producers using registered names are complying with the rules.

The product specification is the determining factor in obtaining registration. As such, the product specification must comply with a set of rules stipulated in Article 4 of Regulation No 510/2006<sup>3</sup> and have to include:

- The product name;
- A description of the product, including raw materials and “physical, chemical, microbiological or taste characteristics”;
- The definition of the geographical area;
- Evidence that the product in the market bearing the PDO/PGI originates in the defined geographic area;<sup>4</sup>
- A description of how the product is obtained including relevant information on production, processing and packaging methods;
- Details of the link between the geographical area and the product’s quality, reputation or characteristics;<sup>5</sup>
- Names and addresses of bodies verifying compliance with the specification;
- Any specific labelling requirements; and,
- Any requirements laid down by Community or national provisions.

An important element of the product specification is the link between the product and the geographical area. The specification must show how the characteristics of the particular region affect the product in a way that others cannot. Demonstration of such a link is necessary for obtaining registration

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<sup>3</sup> Further details are given in Regulation 1898/2006 which lays down the rules for the implementation of Regulation 510/2006. See *Commission Regulation (EC) No 1898/2006 of 14 December 2006 laying down detailed rules of implementation of Council Regulation (EC) No 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs* published in the *Official Journal of the European Union* L361 on 23 December 2006.

<sup>4</sup> Article 6 of Regulation 1898/2006 provides details on the evidence that must be provided.

<sup>5</sup> Article 7 of Regulation 1898/2006 provides details of the link that that must be provided.

(the details and rules for demonstrating the geographic link are provided in Regulation 1898/2006).

In the case of a PDO, the details must include (according to Article 7(2) of Regulation 1898/2006):

- Details of the geographical area, including natural and human factors, relevant to the link;
- Details of the quality or characteristics of the agricultural product or foodstuff essentially or exclusively due to the geographical environment; and,
- A description of the causal interaction between the factors referred to in the two points above.

In the case of a PGI, the details of the link must include (Article 7(3) of Regulation 1898/2006):

- Details of the geographical area relevant to the link;
- Details of the specific quality, reputation or other characteristics of the agricultural product or foodstuff attributable to the geographical origin; and,
- A description of the causal interaction between the details referred to in the two points above.

The link between the product and the area has to be stronger for a PDO than for PGI. Article 7(2) states that, for PDOs, the characteristics of the product must be “essentially or exclusively due to the geographical environment”, whereas Article 7(3) states that for PGIs the characteristics need only to be “attributable to the geographical origin”.

### 2.2.3 Application and objection procedure at the Member State level

Groups of producers or, under certain conditions, individuals can apply to register a product name on a voluntary basis. Applications are made to the relevant national authorities who assess the application. The rules for the application process are laid down in articles 5 and 6 of Regulation No 510/2006.

The Regulation states that only a ‘group’ is entitled to apply for registration. For the purposes of the Regulation, a group is defined as “any association, irrespective of its legal form or composition, of producers or processors working with the same agricultural product or foodstuff”. However, it should

be noted that the group is not limited to producers and other interested parties may participate in a group (Article 5 of Regulation 510/2006).

Further, a single person may be treated as a group if the producer is the only producer in the defined area willing to submit an application and the area's characteristics differ appreciably from neighbouring areas or the characteristics of the product are different from those produced in neighbouring areas (Article 2 of Regulation No 1898/2006).

Applications to the relevant authorities in the Member States must provide a product specification including a concise definition of the geographical area, and a description of the causal link between the product and the geographical area.

The Member State authorities scrutinise applications to check that they meet the conditions of the Regulation.<sup>6</sup> This includes initiating a national objection procedure with adequate publication/consultation and a reasonable period for complaints to be lodged. The Member State authorities also ensure that any favourable decision (and the product specification itself) is made public and any person with a legitimate interest has the right to appeal.

If the Member State authorities decide that the requirements of the Regulation are met, they forward a 'Single Document' presenting all the main points of the application to the Commission. If not, the Member State authorities reject the application.

A detailed description of the implementation of the scheme in the EU27 Member States is provided in Chapter 4.

#### 2.2.4 Application and objection procedure at the EU level

The Commission has twelve months to scrutinise any Single Document received from a Member State to check that the application is justified and meets the conditions laid down in the Regulation. If the Commission decides that the conditions are met, it publishes the Single Document or the summary in the *Official Journal of the European Union* series C. Otherwise, the Commission rejects the application.

Within six months of the publication of the application in the *Official Journal of the European Union*, any Member State or third country, and any natural or legal person with a legitimate interest and established or resident in a Member State other than the Member State from which the application originated or in a third country may lodge an objection. The precise rules

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<sup>6</sup> As specified by Regulation 510/2006 and Regulation 1898/2006.

concerning the objection procedure at the EU level are laid down in Article 7 of Regulation No 510/2006.

The Commission checks the admissibility of objections submitted to it. If the Commission receives no objections that are considered to be admissible it will register the name by publishing the registration in the *Official Journal of the European Union* series L.

If an objection is admissible, the Commission will invite the interested parties to engage in discussions. A further six months is allowed for these discussions to result in an agreement between the parties.

If no agreement is reached between the parties within these six months, the Commission shall suggest to the Standing Committee on Protected Geographical Indications and Protected Designations of Origin either endorsing the initial application, or upholding the objector's stance or suggest an alternative solution (such as providing for a transition period).<sup>7</sup>

Moreover, consistent with Article 5.4 of the Council Decision of 28 June 1999<sup>8</sup> setting out the general Comitology rules and procedures<sup>9</sup>, if the Commission wishes to take a decision different from the one adopted by the Standing Committee, the Commission shall, without delay, submit to the Council a proposal relating to the measure to be taken.

The decision taken by the Standing Committee or the Council is published in the *Official Journal of the European Union* series L.

### 2.2.5 Protection

The product name protection through the PDO and PGI scheme is quite wide, giving producers who meet the specification exclusive rights to use the

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<sup>7</sup> This Standing Committee on Protected Geographical Indications and Protected Designations of Origin assists the Commission and operates under rules set out in the *Council Decision of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission (1999/468/EC)* published in the *Official Journal of the European Communities* L 184 on 17 July 1999 as amended by Council Decision 512/2006 of 17 July 2006 published on 22 July 2006 in the *Official Journal of the European Communities* L 2006.

<sup>8</sup> See footnote above.

<sup>9</sup> Comitology in the European Union refers to the committee system which oversees the acts implemented by the European Commission. See *Council Decision of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission (1999/468/EC)* published in the *Official Journal of the European Communities* L 184 on 17 July 1999 as amended by Council Decision 512/2006 of 17 July 2006 published on 22 July 2006 in the *Official Journal of the European Communities* L 2006.

registered name for their products in the EU. The rules on the protection given by the Regulation are laid down in Article 13 of Regulation 510/2006.

Registered names are protected by Article 13(1) of Regulation 510/2006 against:

- Direct or indirect commercial use of a registered name on a non-registered product, if the registered and non-registered products are comparable, or if the non-registered product exploits the reputation of the protected name;
- Misuse, imitation or evocation of the protected name on a non-registered product, extending to expressions such as “style”, “type”, “method”, “as produced in”, “imitation” or similar;
- False or misleading indication about the provenance, origin, nature or qualities of products on packaging, advertising material or documents relating to the product that might give a false impression as to their origin.

The protection covers all practices that refer to a PDO or PGI in such a way as to mislead the consumer over the true origin of the product.

However, in exceptional cases, the exclusive right to use the name does not prevent the possibility of registering homonymous names<sup>10</sup> provided that this does not mislead the public into believing that products originate from another territory (Article 3(3) of Regulation 510/2006).

### 2.2.6 The coexistence rule

When a trademark conflicts with a name which is registered as a PDO/PGI, the trademark may continue to be used provided a) the trademark has been registered, applied for or established by use in good faith before either the date of protection of the PDO/PGI in the country of origin or before 1 January 1996 and b) no grounds for its invalidity or revocation exists as specified by the First Council Directive 89/1004/EEC of 21 December 1988<sup>11</sup> to approximate the laws of the Member States relating to trade marks or Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trademark<sup>12</sup>.

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<sup>10</sup> Homonymous names share the same spelling and the same pronunciation, but have different meanings.

<sup>11</sup> Published in the Official Journal of the European Community, Series L40, on 11 February 1989.

<sup>12</sup> Published in the Official Journal of the European Community, Series L, on 14 January 1994.

The rules concerning the coexistence of registered and non-registered products with the same name referring to a region in a Member State are laid down in Regulation 510/2006 (Article 13(4)).<sup>13</sup>

The Commission may allow the coexistence of a registered and non-registered name if all of the following conditions are met: a) the non-registered name has been in use for at least 25 years before 24 July 1993; b) it is shown that the purpose of the non-registered name is not to benefit from the reputation of the registered name; and, c) that the consumer could not be misled as to the true origin of the product. The names may co-exist for a maximum period of 15 years after which the non-registered name must cease to be used (Article 13(4)).

### 2.2.7 Control of compliance

According to Article 11(1) of Regulation 510/2006, control of compliance with the product specifications before products are placed on the market is ensured by the authorities (referred to in Article 10 of Regulation 510/2006), and/or a control body (as defined in Article 2 of Regulation 882/2004<sup>14</sup>) operating as a product certification body. The costs of this verification are met by the producers subject to the controls.

When the authorities verify compliance with the specifications, they must guarantee objectivity and impartiality, and have qualified staff and resources necessary to carry out their responsibilities (Article 11(4) of Regulation 510/2006).

A detailed description of the implementation of the scheme in the EU27 Member States is provided in Chapter 4.

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<sup>13</sup> Article 13 (4) of Regulation 510/2006 states that: "... Commission may decide to allow, under the procedure provided for in Article 15(2), the coexistence of a registered name and an unregistered name designating a place in a Member State or in a third country where that name is identical to the registered name, provided that all the following conditions are met: (a) the identical unregistered name has been in legal use consistently and equitably for at least 25 years before 24 July 1993; (b) it is shown that the purpose of its use has not at any time been to profit from the reputation of the registered name and that the consumer has not been nor could be misled as to the true origin of the product; (c) the problem resulting from the identical names was raised before registration of the name. The registered name and the identical unregistered name concerned may co-exist for a period not exceeding a maximum of 15 years, after which the unregistered name shall cease to be used."

<sup>14</sup> See Corrigendum to Regulation (EC) No 882/2004 of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (Official Journal of the European Union L 165 of 30 April 2004) published in the Official Journal of the European Union, L191 on 28 May 2004. Article 2 of Regulation 882/2004 defines a control body as an independent third party to which the competent authority has delegated certain control tasks.

### 2.2.8 Enforcement

Enforcement of the exclusive name rights given to registered PDO/PGI producers is carried out by Member State authorities, acting within rules laid down at EU level (Article 10 of Regulation 510/2006).

According to Article 10(1) of Regulation 510/2006, Member States designate competent authorities responsible for ensuring that the obligations established in Regulation 510/2006 are met (this must be done in conformity with Regulation 882/2004).<sup>15</sup> The obligations refer to the enforcement of the Regulation in the market in that Member State. Member States ensure that any producer complying with the Regulation is entitled to be covered by a system of official controls (Article 10(2) of Regulation 510/2006).

A detailed description of the implementation of the scheme in the EU27 Member States is provided in Chapter 4.

### 2.2.9 Cancellation of a registration

A registration can be cancelled under two circumstances:

- The Commission may take the view that compliance with the conditions of the specification for the product covered by the protected name is no longer ensured.
- Or, a legal or natural person with a legitimate interest may request cancellation of the registration and provides reasons for such a request.

Any request for cancellation received by the Commission is to be published in the *Official Journal of the European Union* series C and objections to the proposed cancellation are admissible only if the party objecting to the cancellation can show continued commercial reliance on the registered name.

Any cancellation of a registration is to be published by the Commission in the *Official Journal of the European Union* series L.

### 2.2.10 Institutions involved in the PGI/PDO scheme

As already noted above, at the Community level, Regulation 510/2006 designates the European Commission as the institution responsible for receiving and scrutinising the applications forwarded by the Member States. Decisions on applications for as well as cancellations of registrations are taken

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<sup>15</sup> Article 2 of Regulation 882/2004 defines a competent authority as “the central authority of a Member State competent for the organisation of official controls or any other authority to which that competence has been conferred”.

under the Comitology procedures by the Standing Committee on Protected Geographical Indications and Protected Designations of Origin, or the Council if the Commission wishes to adopt a decision different from that of the Standing Committee.

The European Commission is the institution responsible for maintaining the register of Protected Designations of Origin and Protected Geographical Indications ('the Register'), and a public list of the authorities and bodies of the Member States responsible for the control and verification system required by Articles 10 and 11 of Regulation 510/2006.<sup>16</sup> The list of registered products is published on-line by the Commission at the following address:

[http://ec.europa.eu/agriculture/qual/en/1bbab\\_en.htm](http://ec.europa.eu/agriculture/qual/en/1bbab_en.htm)

For specific implementing measures, Regulation 510/2006 delegates powers under the Comitology rules to the European Commission and the Standing Committee on Protected Geographical Indications and Protected Designations of Origin. Pursuant to this, more detailed rules for the implementation of the scheme have been adopted in Regulation 1898/2006.<sup>17</sup>

Member States are responsible for a) examining whether applications meet all the requirements of the regulation; b) the national objection procedure; c) publication of a favourable decision (along with the product specification) in order to allow for appeals; and, d) forwarding the application to the Commission or rejecting the application.

Pursuant to Articles 10 and 11, Member States are obliged to set up the necessary control bodies to ensure compliance with EU rules. Enforcement of the scheme is carried out by authorities designated by the Member States, acting within the rules laid down at EU level. A detailed description of the institutions administering the PDO/PGI scheme in each Member State is provided in Chapter 4.

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<sup>16</sup> See Publication for information by the Commission, *Inspection structures notified by the Member States in accordance with Article 10(2) of Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs* published in the *Official Journal of the European Union* C 317 on 13 December 2005.

<sup>17</sup> *Commission Regulation (EC) No 1898/2006 of 14 December 2006 laying down detailed rules of implementation of Council Regulation (EC) No 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs* published in the *Official Journal of the European Union* L361 on 23 December 2006.

## 2.3 Main differences with the predecessor regulation (Regulation 2081/92)

The PDO/PGI scheme was first introduced in 1992 by Council Regulation (EEC) No 2081/92 (Regulation 2081/92).<sup>18</sup> In 1999, the United States and Australia formally complained to the World Trade Organisation (WTO) against the EU regulation of geographical indications (GIs) for agricultural products and foodstuffs. The main argument was that the EU regulation discriminated against non-EU GIs and did not provide sufficient protection to pre-existing trademarks that conflicted with EU-designated GIs.

In March 2005, the WTO released the Panel Reports<sup>19</sup> regarding the European GI scheme. The panel's main conclusions were that Regulation 2081/92 was inconsistent with Article 3.1 of the TRIPS Agreement with respect to:

- a) the equivalence and reciprocity conditions, as applicable to the availability of protection for GIs;
- b) the application procedures, insofar as they require examination and transmission of applications by governments;
- c) the objection procedures, insofar as they require verification and transmission of objections by governments; and,
- d) the requirements of government participation in the inspection structures under Article 10 of Regulation 2081/92, and the provision of the declaration by governments under Article 12a(2)(b) of the said Regulation.

The panel recommended that “pursuant to Article 19.1 of the DSU that the European Communities bring the Regulation into conformity with the TRIPS Agreement and GATT 1994” (page 168 of the report).

In response, the European Union revised, amongst others,<sup>20</sup> the rules governing how international GIs are treated through the adoption of

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<sup>18</sup> Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs published in the *Official Journal of the European Communities* L208 on 24 July 1992.

<sup>19</sup> Panel Report, *European Communities – Protection Of Trademarks And Geographical Indications For Agricultural Products And Foodstuffs – Complaint By The United States*, WT/DS174/R 15 March 2005, and Panel Report, *European Communities – Protection Of Trademarks And Geographical Indications For Agricultural Products And Foodstuffs – Complaint By Australia*, WT/DS290 15 March 2005

<sup>20</sup> A number of other changes were made when the new regulation was introduced. For instance, the application process was simplified and the application procedure for applicants from non-EU countries was modified.

Regulation 510/2006. One particular change in the PDO/PGI Regulation permits direct applications from third country producers.

Below, additional information is provided on the main differences between Regulations 2081/92 and 510/2006. These relate to:

- The application process;
- Labelling of PDO and PGI products;
- Enforcement activities; and
- Control of compliance.

### 2.3.1 Application Process

Under the Regulation 2081/92, applicants submitted requests for the registration of a product name to the relevant Member State authorities. The authorities vetted the requests before forwarding the whole application to the Commission. The Commission would then verify that the application satisfied the requirements for registration through a formal examination.<sup>21</sup>

Under Regulation 510/2006, Member States examine the applications using the rules set at EU level.<sup>22</sup> The Commission only scrutinises the main elements of the application to ensure it satisfies the conditions of the regulations and that the approach is uniform across the EU Member States. This change was intended to simplify and speed up the registration process.

Another change in relation to the application process is that the Commission may now receive applications directly from producers in third countries, as well as from national authorities of third countries. Previously these producers had to apply through their national authorities who may not always have been able or willing to process the application.

### 2.3.2 Labelling

In contrast to Regulation 2081/92, Article 20 of Regulation 510/2006 requires that, as of May 1<sup>st</sup> 2009, the labelling of products marketed under a registered name include either the Community indications of geographic origin or the Community symbols.

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<sup>21</sup> In particular the Commission would verify that the product complied with a specification that included all the necessary elements (Article 4 Regulation 2081/92) through a formal investigation (Article 6 of Regulation 2081/92).

<sup>22</sup> As per Article 6 of Regulation 510/2006 and Articles 10 to 13 of Regulation 1898/2006

### 2.3.3 Enforcement Activities

Finally, one of the main changes introduced by the new Regulation 510/2006 was the provision of specific rules in relation to the control of compliance and enforcement activities.

Under Article 10 of Regulation 2081/92, Member States merely had to ensure that inspection structures were in place in order to guarantee that the requirements laid down in the specifications were met. Apart from general and abstract requirements for these inspection processes, there were no specific and concrete obligations in Regulation 2081/92 on Member States (for instance, in relation to the scope and frequency of such inspections).

In contrast, Articles 10 and 11 of Regulation 510/2006 provide for a system of official controls based on the provisions contained in Regulation 882/2004 relating to official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules.<sup>23</sup>

## 2.4 Analytical framework for the evaluation of the PDO/PGI scheme

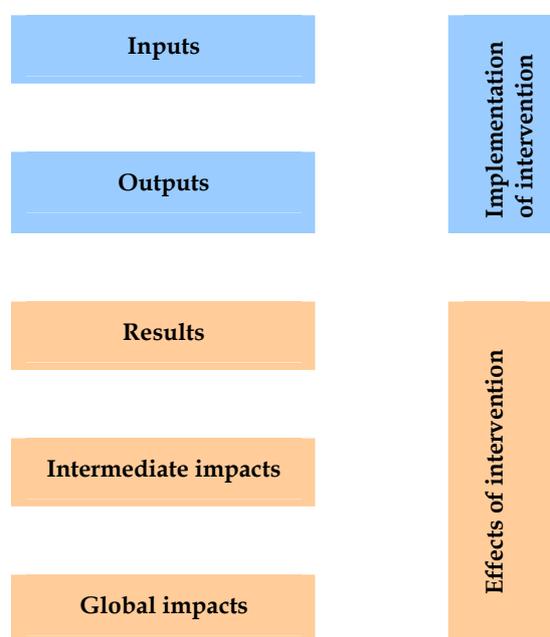
### 2.4.1 Background

A key building block of any evaluation is the development of an intervention logic model which maps the implementation and the effects of a given intervention (see Figure 1 below).

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<sup>23</sup> See *Corrigendum to Regulation (EC) No 882/2004 of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (Official Journal of the European Union L 165 of 30 April 2004) published in the Official Journal of the European Union, L191 on 28 May amended by Commission Regulation (EC) No 776/2006 of 23 May 2006 amending Annex VII to Regulation (EC) No 882/2004 of the European Parliament and of the Council as regards Community reference laboratories published in the Official Journal of the European Union L 136 on 24 May 2006.*

**Figure 1: The building blocks of an intervention logic model**



Source: European Commission, Directorate General for the Budget, *Evaluating EU activities A practical guide for the Commission Services*, July 2004

The inputs refer to the actual intervention itself (a spending program, a regulation, etc) while the outputs refer to the immediate outcome of the intervention.

The results refer to the short-term effect of the intervention on the direct beneficiaries of the intervention while the intermediate impacts refer to the medium-term impacts on both direct and indirect beneficiaries of the intervention.<sup>24</sup> Finally, the global impacts refer to the longer-term and more diffuse effects.

This section sets out the intervention logic model which underpins the evaluation of the PDO/PGI scheme. This model provides a framework for considering the background information and context of the analysis, the aims and objectives associated with the scheme, the nature of the PDO/PGI scheme, and the outputs of the PDO/PGI scheme.

<sup>24</sup> See European Commission, Directorate General for the Budget, *Evaluating EU activities A practical guide for the Commission Services*, July 2004

The context and needs for the PDO/PGI regulation, its main objectives and characteristics, and associated key concepts are summarised in Table 1. This summary is based on the preamble to Regulation 510/2006.

### 2.4.2 The intervention logic model of the PDO/PGI scheme

Below, we set out the different elements of the intervention logic model, namely:

- The context of and the needs for the PDO/PGI scheme;
- The objectives of the PDO/PGI scheme;
- The inputs of the PDO/PGI scheme;
- The expected outputs of the PDO/PGI scheme;
- The expected results of the PDO/PGI scheme; and,
- The expected intermediate and global outputs of the PDO/PGI scheme.

The context and needs for the PDO/PGI regulation, its main objectives and characteristics, and associated key concepts are summarised in Table 1. This summary is based on the preamble to Regulation 510/2006.

#### *A. Context and needs*

The context and needs identified in the preamble to Regulation 510/2006 are the following:

- **Economic importance and geographical linkages:** The production, manufacture and distribution of agricultural products and foodstuffs are important to the overall Community economy. In this context, and in view of continued reform of the Common Agricultural Policy (CAP), the promotion of high value products linked to geographical areas presents opportunities for the development of rural economies and, in particular, of remote and less favoured areas.
- **Protection:** Products often possess specific characteristics or enjoy a positive reputation linked to the area where they are being produced. In this context, the regulation is important for protecting producers against use not in good faith. In addition, upon the creation of the Single Market, there is a need that the approach to geographical names be harmonised across the EU.
- **Consumer trends and information asymmetry:** There is a trend of increasing consumer demand for quality food products and products

with traceable geographic origins. At the same time, while there is a wide diversity of products in the market whose characteristics are often determined by their geographic origin, the information available to consumers is often unclear. In this context, there is a need for a scheme that can signal this information to consumers in a way that is clear and succinct. Harmonisation of consumer information across the EU is also needed to ensure that consistent information is being provided to consumers and to protect the integrity of the scheme.

### ***B. Objectives of the intervention***

According to the preamble of Regulation 510/2006, the PDO/PGI scheme aims to achieve the following objectives:

- Promotion of rural economies. This includes a number of sub-objectives:
  - Improving incomes of farmers;
  - Encouraging the diversification of agricultural production;
  - Achieving a better balance between supply and demand;
  - Development of remote or less-favoured regions; and,
  - Retaining rural populations.

**Table 1: Context, objectives and main features of intervention set out in the preamble to Regulation 510/2006.**

	Recitals of regulation No 510/2006	Key concept
Context and needs	(1) "The production, manufacture and distribution of agricultural products and foodstuffs play an important role in the Community economy."	The regulation concerns an important industry to the EU economy.
	(3) "A constantly increasing number of consumers attach greater importance to the quality of foodstuffs in their diet"... "This quest for specific products generates a demand for agricultural products or foodstuffs with an identifiable geographical origin."	The trend amongst consumers is to place increasing value on quality. Demand for products with traceable geographic origins is increasing.
	(4) "In view of the wide variety of products marketed and the abundance of product information provided, the consumer should, in order to be able to make the best choices, be given clear and succinct information regarding the product origin"	The market is characterised by many products but consumers have difficulty differentiating quality products.
	(5)... "In view of the specific nature, additional special provisions should be adopted for agricultural products and foodstuffs from a defined geographical area"	Products from certain geographic areas often possess specific characteristics which should be clearly indicated and should benefit from special provisions
Objectives	(2) "The diversification of agricultural production should be encouraged so as to achieve a better balance between supply and demand on the markets." (2) "...The promotion of products having certain characteristics can be of considerable benefit to the rural economy, particularly in less-favoured or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas."	Promotion of rural economies <ul style="list-style-type: none"> <li>▪ Improving the incomes of farmers</li> <li>▪ Encouraging agricultural product diversification</li> <li>▪ Achieving a balance between supply and demand.</li> <li>▪ Development of remote or less-favoured regions</li> <li>▪ Retaining rural population</li> </ul>
	(6) "A framework of Community rules on a system of protection permits the development of geographical indications and designation of origin since, ..., such a framework ensures fair competition between the producers of products bearing such indications"	Furthering the Internal Market <ul style="list-style-type: none"> <li>▪ Protect intellectual property and ensure fair competition between producers of products with geographical indications or designations of origin</li> <li>▪ Provide a Community approach/unify the market policy</li> </ul>
	(6) such a framework ... enhances the credibility of the products in the consumer's eyes." (4)... "the consumer should, in order to be able to make the best choices, be given clear and succinct information regarding the product origin."	Increasing consumer choice and information <ul style="list-style-type: none"> <li>▪ Promotion of credibility of the protected names.</li> <li>▪ Clarity of information to consumers</li> </ul>
	(6) "Provision should be made for a Community approach to designations of origin and geographical indications."	<ul style="list-style-type: none"> <li>▪ Provide a harmonised framework for designations of origin and geographical indications</li> </ul>
Intervention	(6) "Provision should be made for a Community approach to designations of origin and geographical indications." (9)... "two different types of geographical description should be defined, namely protected geographical indications and protected designations of origin."	Provide a harmonised framework with two types protection: PDO and PGI
	(10) "An agricultural product or foodstuff bearing such a description should meet certain conditions set out in a specification."	Registered names should meet specifications set out in the application for the registration.
	(7) "The rules provided for should apply without interfering with existing Community legislation on wines and spirit drinks."	Scope - the legislation excludes wines and spirit drinks.
	(8) "The scope of this Regulation should be limited to certain agricultural products and foodstuffs for which a link exists between product or foodstuff characteristics and geographical origin."	Scope - Limited to products for which there is a link to the geographical origin.
	(11)... "applications should be examined by the national authorities of the Member State concerned... The Commission should subsequently be involved in a scrutiny procedure to ensure that applications satisfy the conditions laid down by this Regulation"	Applications are delegated to Member States and the Commission scrutinises the application.

- Furthering the Internal Market. Again, this includes a number of sub-objectives:
  - Protection of intellectual property and ensuring fair competition between the producers of products with geographical indications or designations of origin; and,
  - Adoption of a Community approach unification of market policy.
- Increasing consumer choice and information. The specific sub-objectives include:
  - Promotion of credibility of the protected names in the eyes of consumers; and,
  - Clarity of information to consumers. The regulation aims to ensure that clear and succinct information on the origins of products is provided to consumers.

### *C. Key features of the PDO/PGI scheme*

Given the context and objectives, the key features of the scheme are the following. It:

- Establishes a register for Geographical Indications (subject to conditions set out in Regulation 510/2006 (and its predecessor Regulation 2081/92);
- Creates two definitions of origin names (PDO and PGI) for all agricultural and food products except wines and spirits drinks;
- Provides for wide scope of protection;
- Provides for Community approach;
- Foresees enforcement of protection by administrative means at Member State level;
- Provides for use of specific symbols on packaging; and
- Defines a national procedure (after 2006).

#### ***D. Expected outputs of the PDO/PGI scheme***

As a result of the implementation of the PDO/PGI regulation, a number of outputs are expected to be achieved:

- Registered names protected by PDO/PGI scheme (by EU Member States and by product category);
- Harmonised implementation system across EU countries;
- Awareness and knowledge of PDO/PGI indications and symbols by consumers.

#### ***E. Expected results of the PDO/PGI scheme***

The expected direct impacts or results of the Regulation are:

- Increased diversity of agricultural production;
- Increased income of farmers;
- Fair competition between producers of products with geographical indications or designations of origin;
- Increased recognition and credibility of registered names amongst consumers;
- Consumers able to make better choices due to clear information on product origin.

#### ***F. Expected intermediate and global impacts***

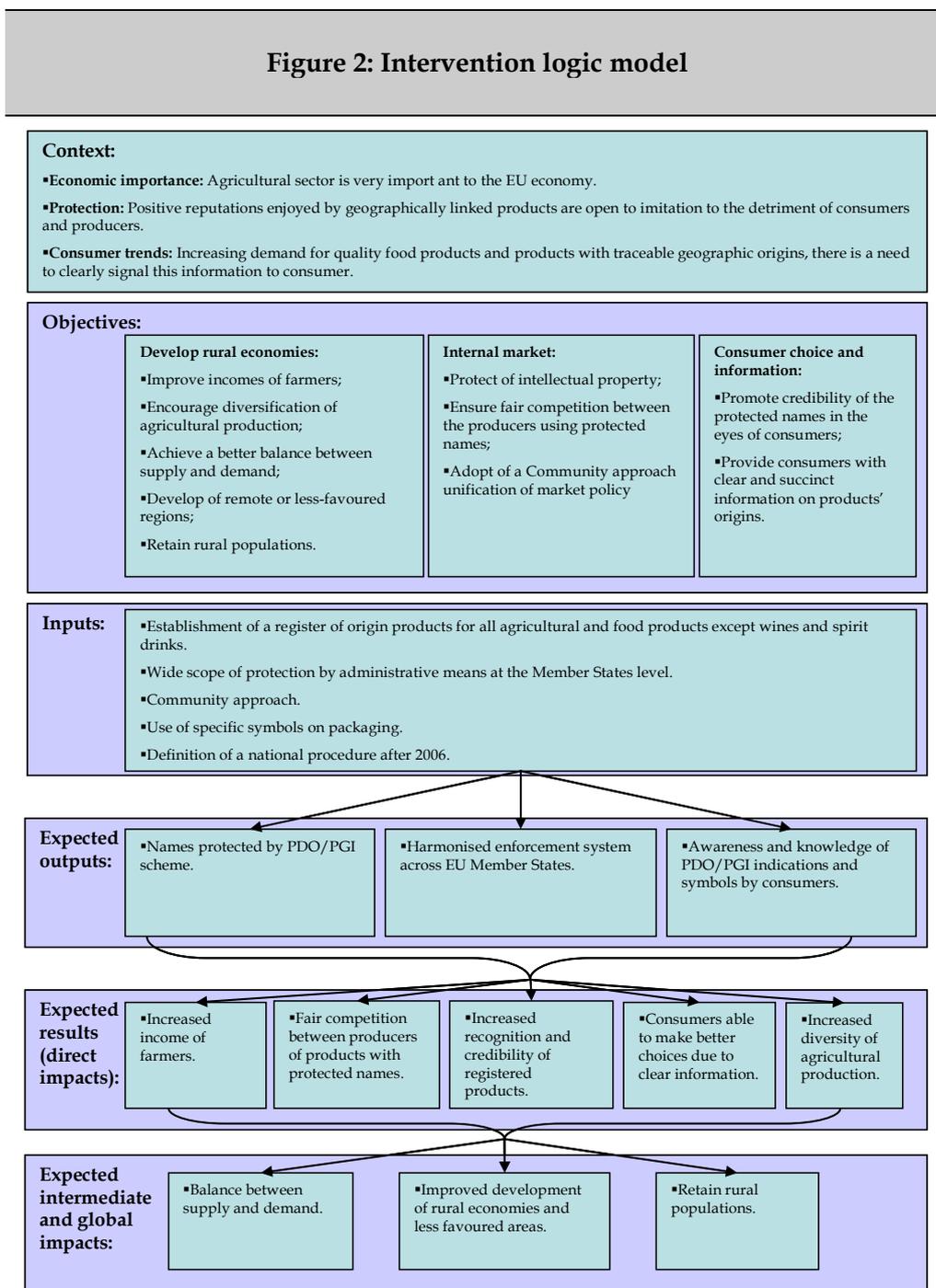
And, the expected medium to longer-term impacts or outcomes are the following:

- Achieving balance between supply and demand;
- Improved development of rural economies and less favoured areas; and,
- Retaining rural populations.

#### ***G. The logic model of the PDO/PGI scheme***

The intervention logic model overleaf summarises the information presented above and sets out the key features of the PDO and PGI regulation by providing in a summary form the context of the Regulation, its objectives, the

scheme, the outputs, the results of the intervention and the intended impacts (Figure 2).



## 3 Methodology

### 3.1 Scope of the evaluation

According to the terms of reference of the evaluation, the research project was to be organised in two parts:

In the first descriptive part, the contractor was to describe:

- The development of the PDO/PGI scheme over the evaluation period, including the regulatory framework and the implementation mechanism;
- The use of the system over the evaluation period, in particular: the type of products and their respective value/turnover introduced in the scheme by farmers, producers and retailers.

The descriptive part had to be based on:

- Work at the national level, providing a description for each Member State of the EU27 or for groups of Member States;
- Case studies which had to be carried out in at least 8 Member State regions.

The second part of the project was the evaluation itself and, according to the terms of reference of the study, had to be structured according to the following themes.

- Theme 1: Relevance of the scheme
- Theme 2: Economic impacts
- Theme 3: Use and perception of the European symbols of PDO/PGI
- Theme 4: Implementation of the scheme
- Theme 5 Impact on rural areas

More details on each theme are provided in section 3.3.

### 3.2 Our approach to the evaluation

The first step in the present evaluation involved:

1. the definition of judgement criteria for each of the evaluation themes listed above;
2. the identification of indicators to be used for each of the criteria.

The second step involved the articulation of a research strategy for collecting the information necessary to populate the indicators.

In the next section, we set out first the criteria and indicators used for each theme and then list the key sources of information which had been identified during the development of the evaluation methodology.

In the subsequent section, we present more information on the approach to the case studies and the different surveys which had been identified as required during the preparatory stages of the evaluation.

### 3.3 Themes, judgement criteria and indicators

#### *Theme 1: Relevance of the scheme*

The first theme addresses three main subject areas, namely, **usage** of the scheme, **quality and diversity** of PDO/PGI products and **alternative means of protection** for names. These are described below, along with the relevant judgement criteria and indicators for each:

**1) Usage:** This point focuses on the extent to which that PDOs and PGIs have been used in different European regions and sectors, and on the incentives and disincentives for farmers, producers' groups, processors and retailers for registering a name under the PDO/PGI scheme.

The judgement criteria and indicators for this topic are the following:

Judgement Criteria	Indicators
1. Extent of use	1.1 Surface of agricultural land (or heads) used for PDO/PGI production 1.2 Registered firms producing PDO/PGI products 1.3 Turnover attributable to PDO/PGI products
2. Industry awareness of the scheme	2.1 Awareness of the existence of the scheme 2.2 Awareness of the main advantages of using the scheme

	2.3 Awareness of the requirements of the scheme
	2.4 Awareness of the rules of the scheme
3. Incentives to take-up the scheme	3.1 Reasons given by firms for taking-up the scheme
	3.2 Incentives to take-up the scheme provided by public authorities
	3.3 Barriers for using/expanding PDO/PGI production
4. Relevance for firms	4.1 Relevance of the scheme (product type)
	4.2 Relevance of the scheme (distribution channels used)

The assessment of the usage of the scheme (criterion 1) is based on various quantitative measures of usage across several countries and regions. To that end, official data produced by public authorities, producers' groups or cooperatives have been used to populate indicators 1.1., 1.2, 1.3 and 1.4.

The criteria for the remaining indicators have been quantified using primary information collected through surveys of a range of stakeholders, namely farmers, processors, traders and retailers during the case studies. In other words, indicators 2.1, 2.2, 2.3, 2.4, 3.1, 3.2, 3.3, 4.1 and 4.2 have been populated on the basis of survey information gathered during the case studies.

**2) Quality and diversity:** This point focuses on the extent to which the European policy on the PDOs and PGIs for agricultural products and foodstuffs contributes to ensuring quality products and an increased diversity of products.

The judgement criteria and indicators for this topic are the following:

Judgement Criteria	Indicators
1. Quality of PDO/PGI versus comparator	1.1 Consumption characteristics of quality 1.2 Production characteristics of quality
2. Diversification of product range	2.1 Number of products introduced 2.2 Number of products preserved 2.3 Innovation in the industry

The results of surveys of farmers, processors and producers' groups undertaken as part of the case studies were used to populate to various indicators.

3) **Alternative means of protection:** This point relates to the extent to which alternative means have successfully been used in the different regions for protecting and advertising products' names which would normally be registered under a PDO/PGI scheme.

The judgement criteria and indicators for this topic are the following:

Judgement Criterion	Indicators
1. Use and effectiveness of trademarks	1.1 Alternative schemes used 1.2 Effectiveness of alternative schemes for protection of names 1.3 Effectiveness of alternative schemes for marketing the product

The results of surveys of farmers and processors undertaken as part of the case studies were used to quantify indicators 1.1 and 1.2 and the results of surveys of retailers were used to quantify indicator 1.3.

### *Theme 2: Economic impacts*

The second theme focuses on two subject areas, namely the **costs and benefits** to stakeholders on the evolution of the **market shares of PDO/PGI products**. These various aspects of the second theme are described below, along with the relevant judgement criteria and indicators for each:

**1) Costs and benefits:** The extent that the system of protection of PDOs and PGIs causes costs and provides benefits to producers, processors, retailers, traders, consumers and public authorities.

The judgement criteria and indicators for this topic are the following:

Judgement Criteria	Indicators
1. Costs and benefits to farmers	1.1 Profitability 1.2 Stability of the business 1.3 Reputation of the business 1.4 Access to new marketing channels 1.5 Higher prices (vs. comparator) 1.6 Higher prices under different distribution channels 1.7 Overall costs of producing PDO/PGI (vs. comparator) 1.8 Cost of certification 1.9 Cost of joining the group of producers (fees) 1.10 Administrative burden (time filling forms etc.) 1.11 Relationships with other players
2. Costs and benefits to producers	2.1 Profitability

	2.2 Stability of the business
	2.3 Reputation of the business
	2.4 Access to new marketing channels
	2.5 Higher prices (vs. comparator)
	2.6 Higher prices under different distribution channels
	2.7 Overall costs of producing PDO/PGI (vs. comparator)
	2.8 Cost of certification
	2.9 Cost of joining the group of producers (fees)
	2.10 Administrative burden (time filling forms etc.)
	2.11 Relationships with other players
3. Costs and benefits to traders	3.1 Profitability
	3.2 Reputation of the business
	3.2 Closer relationship with suppliers
	3.3 Improved conditions for similar business
	3.4 PDO/PGI margin vs. comparator
4. Costs and benefits to retailers	4.1 Profitability
	4.2 Reputation of the business
	4.3 Closer relationship with suppliers
	4.4 Improved conditions for similar business
	4.5 PDO/PGI margin vs. comparator
5. Cost and Benefits to consumers	5.1 Consumer information
	5.2 Consumers' confidence
	5.3 Value-for-money for consumers
6. Costs and Benefits to public authorities	6.1 Benefits reported by public authorities
	6.2 Costs of monitoring and assistance from public authorities

Criteria 1 and 2 assess the costs and benefits for farmers and processors as a result of the PDO/PGI scheme. A questionnaire directed to farmers and processors asked them to rate (on a scale of 1 to 5) to what extent having registered a name as a PDO/PGI has increased profitability, business stability, reputation and access to marketing channels. This covers indicators 1.1 to 1.4 and 2.1 to 2.4.

Indicators 1.5 and 2.5 were assessed using publicly available data on prices for PDO/PGI products and comparators. The main sources of information were public authorities and data collected by the experts during the case studies.

Indicators 1.6 and 2.6 were also assessed on the basis of the results of the survey of farmers and processors.

The quantification of the indicators of Criteria 3 and 4 is based on the results of a survey of traders and retailers.

Criterion 5 assesses the benefits for consumers as a result of the PDO/PGI scheme. Indicators 5.1 and 5.2 were assessed qualitatively through a survey of retailers while consumer associations were asked for their views on whether the PDO/PGI product represents good value for money for consumers.

Criterion 6 was assessed through a survey of public authorities. The public authorities were asked to provide a qualitative description of any benefits they receive as a result of the scheme. The public authorities were asked whether they incurred any additional monitoring or assistance costs as a result of the scheme.

**2) Market shares:** This sub-theme focuses on the extent to which that the registration of names as PDO/PGIs has contributed to increasing the market shares of the products with the PDOs/PGIs in domestic and export markets, and how the returns of the market shares are distributed along the supply chain.

The judgement criteria and indicators for this topic are the following:

Judgement Criteria	Indicators
1. Market share	1.1 Evolution of domestic market shares (PDO/PGI vs. comparator) 1.2 Evolution export market shares (PDO/PGI vs. comparator)
2. Distribution of returns	2.1 Distribution of prices along the supply chain (PDO/PGI vs. comparator) 2.2 Distribution of revenues along the supply chain (PDO/PGI vs. comparator) 2.3 Distribution of price margin along the supply chain (PDO/PGI vs. comparator)

Information regarding the indicators of criterion 1 and criterion 2 was sourced whenever available from official sources. This information was complemented by information gathered by the experts as part of the case studies, mainly through surveys of the different stakeholders in the PDO/PGI value chain.

### ***Theme 3: Use and perception of the European symbols of PDO/PGI***

The third theme examines extent to which that the PDO/PGI symbols are recognised and understood by the European public:

What is the degree of knowledge of the European symbols; and,

Do consumers differentiate the PDO/PGI symbols from STG symbols, organic symbols and other symbols regulated at international or

national level (e.g., Fairtrade logo, organic farming logos, national food quality scheme logos)?

The judgement criteria and indicators for this theme are the following:

Judgement Criteria	Indicators
1. Consumer perceptions	1.1 Recognition of PDO/PGI symbols 1.2 Understanding of the concept behind PDO/PGI symbols 1.3 Differentiation between PDO/PGI and other symbols 1.4 Confidence in PDO/PGI relative to other symbols

The criterion was assessed on the basis of a consumer survey administered across all 27 Member States.

#### *Theme 4: Implementation of the scheme*

The fourth theme covers four subject areas, namely the **regulatory framework**, the use of **PDO/PGI ingredients** in processed products, the **origin of raw materials in PGIs** and the impact of the absence of a **list of generics**. These are described below, along with the relevant judgement criteria and indicators for each:

**1) Regulatory framework:** The extent to which the regulatory framework including the objection procedure:

- (a) is clear, and
- (b) balances the rights of producers of PDOs and PGIs, and other users (or former users or potential users) of the protected names or names proposed for registration.

This sub-theme also focuses on the extent to which that the coexistence rule for protected names or transitional periods causes additional costs.

The judgement criteria and indicators for this topic are the following:

Judgement Criteria	Indicators
1. Clarity of framework and perceived fairness	1.1 Producer understanding of application procedure 1.2 Producer understanding of objection procedure
2. Fairness	2.1 Perceived fairness of the definition of the geographic area of production during the application process 2.2 Perceived fairness of the definition of the product specification during the application process 2.3 Perceived fairness of the objection procedure at the national and EU level 2.4 Conflicts related to the coexistence rule

Criterion 1 assesses the clarity of the framework for users. The criterion was assessed through a survey of producers.

Criterion 2 aims to assess whether the framework is perceived as fair, and whether it balances the rights of producers of PDO/PGI products and other users of protected names. Producers were asked this question in a survey.

**2) Use of PDO/PGI as ingredients:** This sub-theme focuses on the extent to which that the identification of PDO/PGI products, used as ingredients in processed products, and identified on the labels of the processed products, has caused difficulties for producers' groups and consumers.

The judgement criteria and indicators for this topic are the following:

Judgement Criterion	Indicators
1 Difficulties caused by ingredient labelling	1.1 Evidence of labelling causing confusion for consumers 1.2 Evidence of labelling causing difficulties for producers

A review of court cases was undertaken to gather information on this criterion.

In addition, producers and consumer associations were also asked whether they believed that the labelling of PDO/PGI ingredients causes any difficulties.

**3) Origin of raw materials in PGIs:** Evidence that the non-information on the origin of raw materials in PGIs has created misunderstandings for the consumer.

The judgement criteria and indicators for this topic are the following:

Judgement Criterion	Indicators
1. Difficulties caused by ingredient origin	1.1 Evidence of ingredient non-information causing difficulties

Criterion 1 relates to the non-information on ingredient origin in PGI products and whether this has led to misunderstanding for consumers. A review of court cases was undertaken to populate this criterion. As well, producers and consumer associations were asked whether they believed that the non-information has led to any confusion or misunderstandings for consumers.

**4) List of generics:** This theme examines whether the non-existence of a list of generics has had any impacts on the normal operations of the markets for non PDO/PGI products.

The judgement criteria and indicators for this topic are the following:

Judgement Criterion	Indicators
1. Impact of the lack of list of generics on operations of market for non PDO/PGI products.	1.1.3 Impacts of the lack of a list of generics

Regulation 510/2006 defines a generic name as a name which has become the common name for an agricultural product or foodstuff, despite referring to the specific place where it was originally produced. A review of court cases was undertaken to identify products where the absence of a list of generics may have become a problem. In addition, producers were asked whether a list of generics would have affected their business strategy.

### ***Theme 5 Impact on rural areas***

The last theme investigates the extent to which that the system of protection of geographical indications and designations of origin has contributed to:

- (a) Establishing a cultural value in rural areas, and
- (b) Increasing or retaining economic activities in rural areas.

The judgement criteria and indicators for this theme are the following:

Judgement Criteria	Indicators
1. Conditions for development	1.1 Evidence of improvement in conditions for development 1.2 Reasons for improvement 1.3 Population change in the region
2. Cultural value	2.1 Cultural event linked to the PDO/PGI 2.2 Local associations linked to the PDO/PGI 2.3 Social or environmental benefits linked to the PDO/PGI
3. Economic activity	3.1 The profile of the area 3.2 Benefit to the regional economy (number of business start-ups) 3.3 Employment growth

Information on the indicators of criterion 1 was gathered through the surveys of farmers, producers and producers' groups as well as public authorities.

Information on the indicators of criteria 2 and 3 was elicited through a survey of producers' groups. In addition, public authorities were asked to provide complementary information.

The various themes and sub-themes are addressed as follows in the subsequent chapters of the present report.

- Chapter 4 focuses on the implementation of the scheme (i.e., the input of the intervention) and addresses parts of theme 4 (the **regulatory framework**, the use of **PDO/PGI ingredients** in processed products and the **origin of raw materials in PGIs**);
- Chapter 5 focuses on the take-up of the PDO/PGI scheme (i.e., the output of the intervention) and addresses parts of theme 1 (**usage** of the scheme and **alternative means of protection**), parts of theme 2 (**costs and benefits** to stakeholders) and theme 3;
- Chapter 6 focuses on the effectiveness of the PDO/PGI scheme (i.e. the intermediate and global impacts of the intervention) and addresses parts of theme 1 (**quality and diversity** of products), parts of theme 2 (the impact of the scheme on **market shares**), parts of theme 4 (the impact of the absence of a **list of generics**) and theme 5.

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## 3.4 Information sources

As already noted in the previous section, the evaluation requires information from a number of different actors in the supply chain and we identified the following groups of stakeholders as the main sources of information for the evaluation: producers, producers' groups, traders, retailers, consumers, consumer associations and national authorities.

In this report, the term 'producer' refers to any actor involved in the production of an agricultural product or foodstuff at any stage in the production chain.

The term 'farmer' refers to the producer of the raw materials used in the production of food products, whereas the term processor refers to producers involved in the processing of raw materials into products. Collectively, farmers and processors are referred to as producers.

As already noted, the evaluation relied on many surveys to gather the required information. These include:

- surveys of producers, producers' groups, traders and retailers, consumer associations, and public authorities undertaken as part of the case studies;
- A survey of public authorities in all 27 Member States; and,
- A survey of consumers in all 27 EU Member States.

In addition, we gathered and examined relevant secondary data and undertook a literature review on the subject of geographical indications. As there exists an extensive body of literature on PDOs/PGIs, the literature review undertaken as part of this project focused explicitly on the findings from the literature that relate to the evaluation questions listed earlier in this chapter.

Each of these information sources is described in turn below. The majority of surveys of producers, producers' groups, traders, retailers, consumer associations undertaken in the case studies were done in a face-to-face setting. However, some stakeholders in the PDO/PGI value chain in some case studies were reluctant to provide some or all of the required information or not interested in participating in the information gathering exercise. The interviews of public authorities undertaken as part of the case studies were done either over the phone or in a face-to-face setting.

The surveys of all public authorities focusing on the implementation of the scheme were phone surveys. The survey of consumers was done face-to-face.

In cases where the number of stakeholders in the value chain of a selected PDO or PGI was small, all or almost all stakeholders were surveyed. In contrast, in cases with a large number of stakeholders, only a small sample of stakeholders was surveyed as only a limited number of interviews could be undertaken within the scope of the project. More information on the size of the different samples is presented in the next sub-section.

## 3.5 Background information on the case studies

### 3.5.1 General information on the case studies

A total of 10 case studies were carried out in the following Member States:

- Belgium
- Denmark
- Germany
- Greece
- Spain
- France
- Italy
- Hungary
- Sweden
- United Kingdom

The selection of Member States aimed to achieve a balance between northern and southern Member States while also including Scandinavian Member States and one new Member State.

Each case study examined two PDO/PGI products and two non-PDO/PGI products as comparators except the case studies of Denmark and Sweden which each covered only one PDO/PGI (Table 2).

The PDO/PGI products were chosen so that the distribution of the case study products in each category broadly reflects the distribution of all PDO/PGI products in each category (Table 2).

Where possible, the comparators for the PDO/PGI products are products with a strong brand or reputation in the marketplace. This allows the analysis

to assess the additional impact of the scheme relative to the standard effects associated with a having just a brand or reputation.

<b>Table 2: PDO/PGI products and their comparators 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	Kessko
	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 szalámi (Hertz Salami) TM
	Szegedi Fűszerpaprika PDO <sup>1</sup>	S	Chilli-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).

<b>Table 3: PDO/PGI products by product category: Case study PDO/PGI products vs. the total PDO/PGI population.</b>				
Category	Number of PDO/PGI products covered by the case studies		Total population of PDO/PGI products	
	Count	Percentage <sup>2</sup>	Count <sup>1</sup>	Percentage <sup>2</sup>
FV	4	22%	169	22%
CH	4	22%	163	21%
MB	3	17%	86	11%
OO	2	11%	104	21%
BP	2	11%	26	3%
S	1	6%	24	3%
FM	1	6%	107	14%
FF	1	6%	13	2%
Others	0	0%	87	2%
Total	18	100% <sup>3</sup>	779 <sup>1</sup>	100% <sup>3</sup>

Notes: (1) as of June 2008; (2) the figure in the percentage column shows the share of each product category in the total number of PDO/PGIs; (3) because of rounding, the total of the percentages shown for the different products does not add up exactly to 100.

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).

### 3.5.2 Surveys used in the case studies

Different questionnaires were used for each of the different types of stakeholders, namely farmers, processors, traders and retailers, consumer associations, and public authorities.

The following survey questionnaires were developed:

- Questionnaire to Producers A
- Questionnaire to Producers B
- Questionnaire to Producers' Groups
- Questionnaire to traders and retailers
- Questionnaire to Consumer associations
- Questionnaire to public authorities

### Questionnaire to consumers

The questionnaires were designed under the essential premise that responses would provide sufficient information for each indicator used in the evaluation. However, some of the specific issues related to the implementation of the scheme were not relevant for many PDO/PGI producers given their own particular circumstances.

For this reason the survey of producers was split in two: one to provide information on the usage and effectiveness of the scheme (Producers A) and another to address issues related to the implementation of the scheme (Producers B). The details of each sample and type of information collected are the following:

#### **1. Producers A**

In total, 88 producers (of PDO/PGI products and comparators) were surveyed to gather general information on the usage and effectiveness of the scheme. Of these 88 producers, 38 were only producing the PDO/PGI product, 17 were producing only the comparator product and 33 were interviewed as producers of both of the PDO/PGI product and the comparator product.

The questionnaire administered to these producers covered the following specific areas:

- producers' understanding of the scheme;
- the reasons for producers to take up the scheme;
- incentives to take up the scheme from public authorities;
- barriers to taking up the scheme;
- the quality of the PDO/PGI products relative to the comparators;
- the effectiveness of alternative forms of protection (trademarks) relative to the scheme;
- the economic costs and benefits of the scheme for producers; and,
- the impact of the scheme on the region where the PDO/PGI originates.

The table below provides detailed information on the number of completed surveys in each case study.

**Table 4: Number of completed interviews - producers A**

	Number of surveyed producers			Total population of PDO/PGI producers
	Producing the PDO/PGI only	Producing the comparator only	Producing both PDO/PGI and comparator	
<b>Belgium</b>				
Fromage de Herve	3	1	0	7
Jambon d'Ardenne	2	1	0	2
<b>Denmark</b>				
Esrom	2	1	2	4
<b>France</b>				
Riz de Camargue	5	0	1	146
Volaille de Bresse	4	0	1	226
<b>Germany</b>				
Spreewälder Gurken	4	1	0	10
Lübecker Marzipan	3	1	0	3
<b>Greece</b>				
Feta	0	0	8	140-200 (precise figure does not exist)
Sitia olive oil	0	0	6	11
<b>Hungary</b>				
Szegedi Fűszerpaprika	3	1	0	4
Szegedi Szalámi	1	1	0	1
<b>Italy</b>				
Toscana	0	0	6	275
Mela Val di Non	3	2	0	16
<b>Sweden</b>				
Svecia	2	1	0	2
<b>Spain</b>				
Jamón de Teruel	0	0	3	5
Turrón de Alicante/Jijona	0	0	6	21
<b>United Kingdom</b>				
Jersey Royal Potatoes	5	3	0	About 40
Whitstable Oysters	1	4	0	1
Total	38	17	33	

## *2. Other stakeholders in the PDO/PGI value chain*

In addition to producers of the PDO/PGI products (either farmers or food processors), a number of other stakeholders (other than traders and retailers) in the upstream and downstream value chain of the PDO/PGI products, such as upstream producers of primary inputs and downstream processors, were also interviewed using the questionnaire for Producers A. This was done in order to gain a fuller picture of the views of all the stakeholders in the value chain.

These stakeholders are typically farmers when the PDO/PGI is produced by the processor and processors when the PDO/PGI is produced by farmers.

In total, 51 such stakeholders were interviewed, of which 24 stakeholders were involved only in the PDO/PGI supply chain, 10 stakeholders only in the supply chain of the comparator product and 17 stakeholders in the supply chains of both the PDO/PGI and the comparator product.

**Table 5: Number of completed surveys of other stakeholders in the PDO/PGI value chain**

	Involved in the PDO/PGI product supply chain only	Involved in the comparator product supply chain only	Involved in the both PDO/PGI product and comparator product supply chain
<b>Belgium</b>			
Fromage de Herve			
Milk farmer	1	1	-
Jambon d'Ardenne			
Farmer	1	1	-
Butcher	1	1	-
<b>France</b>			
Riz de Camargue			
Processors	6	-	3
Volaille de Bresse			
Processors	3	1	-
<b>Germany</b>			
Spreewälder Gurken			
Farmers	3	2	-
<b>Hungary</b>			
Szegedi Fűszerpaprika			
Farmer cooperative	3	-	-
SPRI*	1	-	-
Szegedi Szalámi			
Farmers (suppliers)	2	2	-
<b>Spain</b>			
Jamón de Teruel			
Drying warehouses	-	-	3
Slaughterhouses	-	-	2
Farmers	-	-	3
<b>Italy</b>			
Toscana			
Farmers	-	-	2
Bottlers	-	-	4
Mela Val di Non			
Farmers	3	2	-
Total	24	10	17

\* Szeged Paprika Research Institute.

### 3. Producers' groups

In addition, 18 producers' groups were interviewed. Fourteen of these were groups covering PDO/PGI producers only, 3 covered both PDO/PGI and non-PDO/PGI producers, and one was an organisation for non-PDO/PGI producers.

### 4. Summary of number of interviews of direct stakeholders in the supply chain

In total, 157 stakeholders directly involved in the farming and processing stages of the PDO/PGI products and their comparator were interviewed (including all those listed under points 1, 2 and 3 above, see table below).

Seventy six of these were only involved in the supply chain of the PDO/PGI, 53 were involved in the supply chains of the PDO/PGI and its comparator product and 28 were only involved in the supply chain of the comparator product.

<b>Table 6: Number of interviews - farmers and processors</b>				
<b>Stakeholder</b>	<b>PDO/PGI only</b>	<b>PDO/PGI and comparator</b>	<b>Comparator only</b>	<b>Total</b>
Producer (farmer or processor)	38	33	17	88
Upstream (farmer) or downstream (processor) stakeholder	24	17	10	51
Producers' group	14	3	1	18
<b>Total</b>	<b>76</b>	<b>53</b>	<b>28</b>	<b>157</b>

### 5. Producers B

We identified a number of products where there have been specific difficulties associated with the implementation of the scheme. The relevant products were identified through a review of court cases and by the experts.

The questionnaire to these producers covered: the producers' understanding of the application and objection procedures; producers' views on the regulatory framework for dividing producers into those who can and those who cannot use protected names; producers' views on extent of the protection provided by the scheme; the impacts of the coexistence rule; how the issue of labelling processed products which contain PDO/PGI products as ingredients is addressed; and the impact of the absence of a list of generics.

The number of interviews undertaken and the products examined are detailed in the table below. In total, 26 producers were surveyed.

**Table 7: Number of completed interviews - Producers B**

Case Study*	Details of interviews undertaken
Denmark (4)	Four former producers of Feta
Germany (1)	Major producer of Lübecker Marzipan (Niederegger)
Greece (3)	Three producers of Feta
Hungary (3)	Three producers of Szegedi Fűszerpaprika
Italy (6)	Two producers of Lardo di Colonnata Producer of Culatello di Zibello Representative from the consorzio for Parmigiano Reggiano Representative from the consorzio for Prosciutto di Parma Producer of Salame di Felino
Spain (3)	Producer of Chufa de Valencia Producer of Jamón de Teruel Producer of Turrón de Alicante/ Jijona
United Kingdom (3)	Representative from Melton Mowbray Pork Pie Association Representative from the Stilton Cheese Makers' Association Representative from West Country Farmhouse Cheesemakers
France (6)	Major poultry processor (the French poultry market leader) Free-lance breeder of Volaille de Bresse Three rice processors with major trademarks Organic rice grower

Note: \* Number of interviews in Parenthesis

## 6. Traders and retailers.

Interviews were conducted with 23 traders and retailers to collect information on their incentives for selling PDO/PGI products, and on the costs and

benefits of the scheme.

<b>Table 8: Number of completed surveys of traders and retailers, consumer associations and public authorities</b>			
<b>Country</b>	<b>Trader and retailers<sup>1</sup></b>	<b>Consumer associations</b>	<b>Public authorities</b>
Belgium	1	1	1
Denmark	0	1	1
France	6	1	2
Germany	1	1	1
Greece	2	1	2
Hungary	3	1	4
Italy	2	1	1
Sweden	1	1	1
Spain	2	1	1
United Kingdom	5	1	5
<b>Total</b>	<b>23</b>	<b>10</b>	<b>19</b>

Notes: (1) includes restaurants

### **7. Consumer associations**

One consumer association in each of the 10 case study countries was surveyed to provide information on the costs and benefits of the scheme for consumers<sup>25</sup>, and on the problems caused by the absence of information of the origin of raw materials used as ingredients in PGI products.

<sup>25</sup> In addition, in Hungary, the National Consumer Protection Office and the Food Safety Office, two public sector organisations, were also interviewed.

### **8. Public authorities**

Public authorities were interviewed in the 10 case study countries to collect information on the incentives provided to producers for taking up the scheme, the costs and benefits of the scheme for public authorities and the impact of the scheme on rural areas.

### **9. Survey of public authorities in 27 Member States on the implementation of the PDO/PGI scheme**

Officials from the relevant public authorities were interviewed in all 27 Member States to obtain information on the implementation of the scheme in each country. The interviews sought information about: the application and objections procedures at the national level; and the control and enforcement of the scheme in the Member State.

In the case of Member States covered by the case studies, this survey on the implementation of the scheme was undertaken by the experts jointly with the survey focusing on the incentives provided to producers for taking up the scheme, the costs and benefits of the scheme for public authorities and the impact of the scheme on rural areas (see point 8 above). The survey of public authorities in the case studies involved a mix of face-to-face and telephone interviews.

In the Member States where no case studies were undertaken, the survey of public authorities focused exclusively on the implementation of the scheme and was undertaken by London Economics. In this case, where possible, telephone interviews were undertaken with the person responsible for the PDO/PGI scheme in the relevant department. In other cases, a questionnaire was completed by e-mail.

### **10. Survey of consumers in 27 EU Member States**

Consumer surveys were undertaken as part of national omnibus surveys conducted by Ipsos across all 27 Member States.

The surveys obtained information on the public's recognition of the PDO/PGI symbols, and whether the public differentiate between the PDO/PGI symbols and other quality food symbols. Further, the survey tested the public's understanding of the concepts behind the symbols.

The consumer surveys were conducted across all 27 Member States. These surveys covered a representative sample of consumers from each Member

State. A total of 16,718 interviews were carried out in the 27 Member States.<sup>26</sup> The number of interviews in each Member State is shown in Table 9.

**Table 9: Number of completed interviews per country in Omnibus surveys**

Country	Number	Country	Number	Country	Number
AT	643	UK*	719	MT	500
BE	670	DE	576	PL	722
BG	582	EL	828	PT	627
CY	653	HU	592	RO	449
CZ	663	IE	600	SK	484
DK	762	IT	505	SI	550
EE	652	LV	534	ES	502
FI	700	LT	574	SE	761
FR	658	LU	504	NL	708

Note: UK\* excludes Northern Ireland.

### *Secondary data*

While, in general, there is a dearth of official data on PDOs and PGIs, especially regarding the total number of all PDO/PGI producers and the turnover of such products, a few Member States provide more detailed information.<sup>27</sup>

As part of the project work, secondary data were sourced from a number of sources such as:

<sup>26</sup> A total of 1,000 individuals per country were contacted but only those who identified themselves as “main shoppers” (i.e. as being responsible, or mainly responsible, for all the household shopping) were included in the survey.

<sup>27</sup> Information on the number of producers for certain PDO/PGI products can be obtained from the producers’ groups or inspection authorities, but usually there exists no aggregate data across all PDO/PGI products for a Member State.

- 
- AGRESTE, France
  - AGROCERT, Greece
  - Agence Wallonne pour la Promotion d'une Agriculture de Qualité (APAQW), Belgium
  - Association des négociants en fromage Herve origine, Belgium
  - Consorzio dell'Olio Toscano, Italy
  - EC DG Agriculture and Rural Affairs
  - Eurostat external trade database
  - Federalimentare, Italy
  - Institut National de l'Origine et de la Qualité (INAO), France
  - Istat, Italy
  - Ministry of Agriculture, Fishing and Food, Spain
  - Ministry for Rural Development and Food, Greece
  - Spreewaldverein, Germany
  - Vlaams Centrum voor Agro- en Visserijmarketing (VLAM), Belgium

In addition, as already noted, we undertook a review of the literature on PDOs/PGIs, focusing in particular on the literature pertinent to the present evaluation.

### **3.6 Statistical analysis and econometric models used in the evaluation**

We used econometric models to a) refine our analysis of why the take-up of the PDO/PGI scheme varies across the Member States, and, b) examine the relationship between the typology dimensions for each product and the impact the scheme has on producers.

These two econometric models are described in turn below.

### 3.6.1 Model of the number of PDO/PGIs in each Member State

We examine how support for the scheme from public authorities, differences in food cultures and differences in EU accession date influence the number of registrations. This is done by estimating the following model which relates the number of PDOs (or PGIs) of a Member State to:

1. the size of Member State's agriculture sector (proxied by the average value added of its agriculture sector over the period 2000-2007);
2. the level of encouragement and support given by the Member State to PDO/PGI applicants. The level of guidance available to PDO/PGI applicants is used as a proxy, and the variable in the model is a dummy variable which takes the value of 1 in the case of guidance, i.e. in the case of Austria, Belgium, Czech Republic, France, Portugal, Slovakia and the United Kingdom and 0 in the case of the other Member States;
3. different food cultures. In the estimation model below, these cultural differences are proxied by a dummy variable which takes a value of 1 in the case of Southern Member States, namely Cyprus, France, Greece, Italy, Malta, Portugal and Spain and 0 in the case of the other Member States;
4. the fact that the Member State is a New Member State. In the estimation model this is captured by a dummy variable which takes a value of 1 when the Member State acceded to the European Union in 2004 or 2007, and 0 otherwise.

To summarise, the model that was estimated is the following:

$$(1) \text{ Number of PDOs (or PGIs)} = \alpha + \beta * \text{Size of the agriculture sector} + \delta * \text{Dummy encouragement} + \gamma * \text{Dummy food culture} + \eta * \text{Dummy New Member State} + \varepsilon$$

The model coefficients to be estimated are  $\alpha$ ,  $\beta$ ,  $\delta$ ,  $\gamma$  and  $\eta$ .  $\varepsilon$  represents the random error term.

Because the number of protected names cannot be less than 0, we used a cross-sectional Tobit estimation method.<sup>28</sup> As preliminary tests suggested the presence of heteroskedasticity, a robust standard error procedure was used.<sup>29</sup>

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<sup>28</sup> A Tobit model is an econometric model in which the dependent variable is 'censored', i.e., the dependent variable can only take a certain range of values. Values outside this range are not observed. In our case, the range of the dependent variable (the number of registrations) is limited to values greater than zero.

The model was estimated for the number of PDOs alone, the number of PGIs alone and the combined number of PDOs and PGIs.

The data of the various explanatory variables used in the estimation are provided in the table below.

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<sup>29</sup> There is heteroskedasticity in a data-set when the variance of the error terms is not constant, or the error terms come from different distributions for different values of the independent variables (in our case the size of the agricultural sector, etc.).

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Table 10: Data used for regression analysis

Country	Support	Food culture	New Member State	Average value added in agricultural sectors 2000-2007, € million
AT	1	0	0	4.032
BE	1	0	0	2.790
BG	0	0	1	1.727
CY	0	1	1	353
CZ	1	0	1	2.494
DE	0	0	0	20.996
DK	0	0	0	3.261
EE	0	0	1	327
EL	0	1	0	7.689
ES	0	1	0	26.448
FI	0	0	0	4.146
FR	1	1	0	36.319
HU	0	0	1	3.019
IE	0	0	0	2.981
IT	1	1	0	29.473
LT	0	0	1	1.006
LU	0	0	0	131
LV	0	0	1	435
MT	0	1	1	108
NL	0	0	0	9.958
PL	0	0	1	9.261
PT	1	1	0	3.890
RO	0	0	1	6.467
SE	0	0	0	4.197
SI	0	0	1	596
SK	1	0	1	1.232
UK	1	0	0	15.000

### 3.6.2 Model of determinants of ratings

In the survey of PDO/PGI producers, the latter were asked to rate on a scale of one to five (one being very low and five being very high) to what the extent the scheme has improved their profitability, reputation, business stability and access to new markets.

We analyse the impact of the typology dimensions on the average ratings given by producers for each PDO/PGI product when these are considered

together in a multivariate model.<sup>30</sup> Since the dependent variable includes responses on a scale of 1 to 5 we use an ordered logit model.<sup>31</sup> We include in the model details of the scale of production, location of production and concentration to assess how these dimensions jointly affect the probability of rating.

The dimensions are included as the following dummy variables:

- scale (for each observation the variable takes value 1 if the scale of production is large and 0 if it is small);
- location (takes a value of 1 if location of production is in remote areas, and 0 if not); and
- concentration (takes a value of 1 if industry is concentrated, and 0 if not).

In addition, a set of product dummy variables are included to control for product fixed effects.

### 3.7 Typologies of PDO/PGI products

The PDO/PGI scheme covers a wide range of different products with different characteristics. Its implementation and administration at the national level may vary as well across Member States.

Therefore, it is useful to group the PDO/PGI products into different categories which may help explain the differences in the impact of the scheme and the extent to which different objectives are achieved for the different categories of products. Below, we provide two such classifications based on a) product characteristics and b) implementation and administration characteristics.

This latter classification will be used in the analysis of the differences in the rate of the take-up of the scheme across Member States while the

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<sup>30</sup> Multivariate models model the impact of different factors (in this case the dimensions of the typology) on a variable (the 'dependent variable') which can take one of a discrete set of values (in this case a rating, which can be 1, 2, 3, 4 or 5). The model estimates the influence each factor has on the probability that the dependent variable will take each of the possible discrete values.

<sup>31</sup> The ordered logit model takes into account the fact the set of values which the dependent variable can take has a natural ordering (in this case from 1 to 5). Further, the model ensures that the predicted probabilities for each of the possible outcomes for the dependent variable lie between zero and one.

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classification based on product characteristics will be used in the analysis in Chapter 5 of the responses of producers to some of the survey questions.

### 3.7.1 The product characteristics classification system

We use six dimensions for categorising the PDO/PGI products, namely:

- **Distribution channel:** The channels from producers to consumers may be long, reaching well outside of the region of production, even to export markets. Alternatively, the channel may be very short with producers selling directly to consumers within the region of production. A distribution channel has been defined as direct if most (more than 50%) of consumption is specifically located in the region of production.
- **Development of product:** The products may be defined as mature with a long, unbroken history of production, so that the product name has a relatively strong reputation. Alternatively, the product may have been developed or revived relatively recently and, therefore, lower name recognition. Each PDO/PGI product in the sample was classified as mature or recent based on the judgement of the experts.
- **Remote area:** Production may take place in an area which is at a certain distance away from the main consumption markets. Alternatively, production may be located in or close to main consumption markets. On this basis, an area has been defined as remote if there no main consumption markets in it, i.e. the area is characterised by low population density and no large towns or cities. Based on this definition, the experts judged whether each PDO/PGI product in the sample should be classified as being produced in a remote or non-remote region.
- **Concentration:** Production of a PDO/PGI product may be concentrated among a small number of firms. Alternatively, there may be many firms, each contributing a smaller percentage of total output. Concentrated sectors have been defined as those where a relatively small number (less than five) of firms account for a large percentage (50% or more) of total production.
- **Scale of production:** The PDO/PGI may be produced in large volumes, i.e. on an industrial scale. Alternatively, production may be in small volume. Such low volume production is defined as being of an artisan scale. Each PDO/PGI product in the sample was classified as industrial or artisan based on the judgement of the experts.
- **Governance:** Typically, a producers' group is providing overall guidance and direction to the management of the PDO/PGI value chain but this is

not always the case.

### 3.7.2 Application of the classification system

It is interesting to see what type of products fall into the different categories and how the categories relate to each other. For this exercise, we analyse a selected sample of representative products for each Member State covered by the case studies. The experts in each country were asked to classify a number of significant PDO/PGI products according to the dimensions presented earlier.

As part of the project, experts have been asked to provide information on well-known PDO/PGI products (in their home country) covering a broad range of product characteristics. As a result of this exercise, which has been undertaken independently by each expert, information on a total of 52 products and their characteristics was provided by experts and is summarised in the following tables.

There are only a few examples of products that have been developed or revived relatively recently (Table 11). Among these, we have identified only one (Scotch Beef from the United Kingdom) that is being produced on a large scale. The other products (Metsovone; Pomme du Limousin; Riz de Camargue; Pesca dell'Emilia-Romagna; and Whitstable Oysters) are all produced on a small scale.

A large number of PDO/PGI products are identified as mature, and they are produced on both a large and small scale:

- Among the mature/large-scale products there are a number of cheeses (Roquefort, Feta, Allgäuer Emmentaler); meat-based products (Prosciutto di Parma, Jambon de Bayonne, Jambon d'Ardenne, Jamón de Teruel) and products from other categories such as Kalamata, Cítricos Valencianos or Mela Val di Non.
- Examples of mature products produced on a small scale are Fourme d'Ambert, West Country Farmhouse Cheddar Cheese, Pecorino Toscano or Lentille verte du Puy; Noix de Grenoble; and Huile d'olive de Nyons and Toscano.

Table 11: Type of products by development and scale of production

Development of product	Scale of production			
	Large		Small	
Mature	BE	Geraardsbergse mattentaart Jambon d'Ardenne	BE	Fromage de Herve Pâté gaumais Beurre d'Ardenne
	DE	Lübecker Marzipan Allgäuer Emmentaler Schwäbisch-Hällisches Qualitäts-schweinefleisch Spreewalder Gurken Nürnberger (Rost-) Bratwürste	EL	Ladotyri Mytilinis Graviera Naxou Fasolia Gigantes Elef. Prespon Florinas Fistici Aeginas Fistici Megaron Fasolia Plake Megalosp. Prespon Florinas
	DK	Esrom	FR	Volaille de Bresse Fourme d'Ambert Noix de Grenoble Lentille verte du Puy Huile essentielle de lavande de Haute Provence Huile d'olive de Nyons
	EL	Feta Sitia Lasithi Kritis Kalamata	HU	Szegedi Fűszerpaprika Örlemény
	ES	Turrón de Alicante y Turrón de Jijona Torta del Casar Cítricos Valencianos Arroz de Valencia Jamón de Teruel	IT	Pecorino Toscano Lardo di Colonnata Toscano
	FR	Roquefort Volaille d'Auvergne Poulet de Bresse Jambon de Bayonne	UK	West Country Farmhouse Cheddar Cheese White/Blue Stilton cheese Jersey Royal Potatoes
	HU	Szegedi Szalámi		
	IT	Mela Val di Non Prosciutto di Parma		
	SE	Svecia		
	Recent	UK	Scotch Beef	EL
			FR	Pomme du Limousin Riz de Camargue
			IT	Pesca dell'Emilia-Romagna
			UK	Whitstable Oysters

Note: Highlighted products are investigated in the case studies.

Many products in non-remote areas have long distribution channels (Table 12). Several of these are well-known cheeses such as Feta and White/Blue Stilton cheese and fruits such as Cítricos Valencianos and Mela Val di Non. This group also includes products from other product categories such as Prosciutto di Parma and Kalamata olives. Products from non-remote regions with direct distribution channels include Geraardsbergse mattentaart, Whitstable Oysters, and Lardo di Colonnata.

A number of products from remote areas are distributed through direct channels. This group is most highly represented by Greek and French products including Ladotyri Mytilinis and Noix de Grenoble.

However, certain other products, also from remote regions, have long distribution channels. This group includes cheeses such as Roquefort and Fourme d'Ambert, vegetables such as Jersey Royal Potatoes and meat

products such as Jambon de Bayonne. Many French products are included in this group.

**Table 12: Type of products by remote region and distribution channel**

Remoteness	Distribution channel			
	Direct		Long	
Non-Remote	BE	Geraardsbergse mattentaart	BE	Fromage de Herve Beurre d'Ardenne
	IT	Lardo di Colonnata	DE	Lübecker Marzipan Allgäuer Emmentaler Schwäbisch-Hällisches Qualitäts-schweinefleisch Spreewalder Gurken Nürnberger (Rost-) Bratwürste
	UK	Whitstable Oysters	DK	Esrom
			EL	Feta Fistici Aeginas Fistici Megaron Kalamata
			ES	Turrón de Alicante y Turrón de Jijona Cítricos Valencianos Arroz de Valencia
			HU	Szegedi Szalami
			IT	Pecorino Toscano Mela Val di Non Pesca dell'Emilia-Romagna Prosciutto di Parma Toscano
			SE	Spettekaka Svecia
			UK	White/Blue Stilton cheese
	Remote	BE	Pâté gaumais	BE
EL		Ladotyri Mytilinis Fasolia Gigantes Elef. Prespon Florinas Fasolia Plake Megalosp. Prespon Florinas	EL	Graviera Naxou Metsovone Sitia Lasithi Kritis
FR		Noix de Grenoble Lentille verte du Puy Huile essentielle de lavande de Haute Provence	ES	Torta del Casar Jamón de Teruel
HU		Szegedi Fűszerpaprika Örlemény	FR	Roquefort Fourme d'Ambert Volaille d'Auvergne Volaille de Bresse Pomme du Limousin Riz de Camargue Jambon de Bayonne Huile d'olive de Nyons
			UK	West Country Farmhouse Cheddar Cheese Scotch Beef Jersey Royal Potatoes

Note: Highlighted products are investigated in the case studies.

Finally, only a small number of PDO/PGI products identified do not have a producers' group in the supply chain (Table 13). All of these products come from Greece. Among them, there are only two for which production is concentrated among a few firms (Graviera Naxou and Metsovone). The other

products are produced by a number of firms (Feta, Ladotyri Mytilinis, Fasolia Gigantes Elef Prespon Florinas, Fistiki Aeginas, Fistiki Megaron, Fasolia Plake Megalosp Prespon Florinas, Kalamata).

For the majority of products there is a producers' group and these are represented by products from all 10 countries. In our sample of products, those with a producers' group in the supply chain and with concentrated production are the most common. Well known examples of this type are White/Blue Stilton cheese, Roquefort and Jambon de Bayonne.

**Table 13: Type of products by governance structure and concentration**

Governance structure	Concentrated/Not concentrated			
	Concentrated		Not concentrated	
Producers' group	BE	Geraardsbergse mattentaart Fromage de Herve Jambon d'Ardenne Pâté gaumais	DE	Schwäbisch-Hällisches Qualitäts-schweinefleisch
			ES	Citricos Valencianos Arroz de Valencia
	DE	Beurre d'Ardenne Lübecker Marzipan Spreewalder Gurken Nürnberger (Rost-) Bratwürste	FR	Volaille de Bresse Riz de Camargue Fourme d'Ambert Pomme du Limousin Noix de Grenoble Lentille verte du Puy Huile essentielle de lavande de Haute Provence Huile d'olive de Nyons
	DK	Esrom		
	EL	Sitia Lasithi Kritis		
	ES	Turrón de Alicante y Turrón de Jijona Torta del Casar Jamón de Teruel *	IT	Pecorino Toscano Mela Val di Non Pesca dell'Emilia-Romagna Prosciutto di Parma Lardo di Colonnata Toscano
	FR	Roquefort Volaille d'Auvergne Jambon de Bayonne	UK	Scotch Beef Jersey Royal Potatoes
	HU	Szegedi Szalami Szegedi Fűszerpaprika Örlemény		
	SE	Svecia		
	UK	West Country Farmhouse Cheddar Cheese White/Blue Stilton cheese Whitstable Oysters		
No producers' group	EL	Graviera Naxou Metsovone	EL	Feta Ladotyri Mytilinis Fasolia Gigantes Elef. Prespon Florinas Fistiki Aeginas Fistiki Megaron Fasolia Plake Megalosp. Prespon Florinas Kalamata

Note: Highlighted products are investigated in the case studies.

### 3.7.3 Key characteristics of the PDO/PGI products in the cases studies

Overall, the summary information provided in Table 14 shows, that of the 18 PDO/PGI products reviewed by the case studies:

- 2 products are relatively *new products* (Riz de Camargue and Whitstable Oysters) and the other 16 products are *mature products*;
- 6 products are produced on a *small scale* (Fromage de Herve, Riz de Camargue, Volaille de Bresse, Szegedi Fűszerpaprika, Toscano and Jersey Royal Potatoes) and the other 12 products are produced on a *large scale*;
- 2 products are mostly sold through *direct sales* (Szegedi Fűszerpaprika and Whitstable Oysters) while the other 16 products are sold through *long distribution channels*;
- 7 products are produced in *remote locations* (Jambon d'Ardenne, Sitia Lasithi Kritis, Jamón de Teruel, Riz de Camargue, Volaille de Bresse, Szegedi Fűszerpaprika and Jersey Royal Potatoes) while the other 11 products are produced in *non-remote areas*;
- The production of 6 products is *not concentrated* (Feta, Riz de Camargue, Volaille de Bresse, Toscano, Mela Val di Non and Jersey Royal Potatoes) while the production of the other 11 products is *concentrated*;
- Finally, only one PDO/PGI value chain, namely Feta, is characterised by the *absence of a producers' group*.

Thus, the typical 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.

Table 14: PDO/PGI products covered in the case studies

Country	Product	Stage of development		Scale of production		Distribution channel		Location		Concentration		Producers' group	
		New	Mature	Small	Large	Direct	Long	Remote	Non-remote	Yes	No	Yes	No
<b>BE</b>	Fromage de Herve PDO		√	√			√		√	√		√	
	Jambon d'Ardenne PGI		√		√		√	√		√		√	
<b>DE</b>	Lübecker Marzipan PGI		√		√		√		√	√		√	
	Spreewälder Gurken PGI		√		√		√		√	√		√	
<b>DK</b>	Esrom PGI		√		√		√		√	√		√	
<b>EL</b>	Feta PDO		√		√		√		√		√		√
	Sitia Lasithi Kritis PDO		√		√		√	√		√		√	
<b>ES</b>	Jamón de Teruel PDO		√		√		√	√		√		√	
	Turrón de Alicante/ Jijona PGI		√		√		√		√	√		√	

Table 14: PDO/PGI products covered in the case studies

Country	Product	Stage of development		Scale of production		Distribution channel		Location		Concentration		Producers' group	
		New	Mature	Small	Large	Direct	Long	Remote	Non-remote	Yes	No	Yes	No
FR	Riz de Camargue PGI	√		√			√	√			√	√	
	Volaille de Bresse PDO		√	√			√	√			√	√	
HU	Szegedi Szalámi PDO		√		√		√		√	√		√	
	Szegedi Fűszerpaprika PDO <sup>1</sup>		√	√		√		√		√		√	
IT	Toscana PGI		√	√			√		√		√	√	
	Mela Val di Non PDO		√		√		√		√		√	√	
SE	Svecia PGI		√		√		√		√	√		√	
UK	Jersey Royal Potatoes PDO		√	√			√	√			√	√	
	Whitstable Oysters PGI	√				√			√	√		√	

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### 3.8 Implementation and administration classification scheme

Above we presented a PDO/PGI classification system based on a number of key product characteristics. Here, we present a similar classification system, but this time it reflects characteristics of the implementation and administration of the scheme across the Member States.

The key features of such a classification system are:

- **Primary focus of the institutions having the main responsibility for PDO/PGI affairs:** Such institutions may be focussed on agricultural matters or on other matters such as intellectual property rights;
- **Authority responsible for applications:** Applications for a PDO/PGI may be made to the government institution responsible for the scheme or a separate body;
- **Level of guidance and interaction during the application process;**
- **Information provided as part of the objection procedure;**
- **Period for initial objections:** The period given for initial objections following the publication of the application may also differ between Member States;
- **Level of guidance and assistance provided to objectors;**
- **Bodies responsible for compliance control:** Private or public bodies may be involved in the control of compliance;
- **Fragmentation of compliance control;**
- **Regionalisation of compliance control;**
- **Frequency of compliance control;** and
- **Intensity of enforcement.**

This classification system provides the basis for our analysis of the implementation of the scheme across the Member States in the next chapter.

## 4 Implementation of the scheme

In this chapter we examine the implementation of the scheme across the EU. The analysis is based on the information provided by respondents to a survey of the relevant authorities in all 27 Member States.<sup>32</sup> In the survey, four aspects were addressed:

- the nature and type of bodies responsible for the implementation of the scheme;
- the application procedure, including the interaction and guidance given to applicants;
- the objection procedure process; and
- control of compliance and enforcement.

In addition, the country case studies undertaken as part of the evaluation provide additional evidence on the following issues:

- perceived fairness of the regulatory framework and objection procedure;
- identification of PDO/PGI products used as ingredients in processed products; and
- non-information on the origin of raw material used in PGIs.

The evidence collected in the interviews with Member State authorities has been checked against the relevant national laws and regulations on PDOs/PGIs. The following pages summarise the findings, highlighting the main differences between Member States.

### 4.1 Institutions responsible for PDO/PGI

Member States differ in terms of the nature of the institutions having the main responsibility for the administration of the PDO/PGI scheme. Such

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<sup>32</sup> In 12 cases, experts in different Member States gathered the information from publicly available sources and undertook telephone interviews with the person responsible in the relevant governmental department. In 15 cases, an official completed and returned the questionnaire directly to London Economics.

variation across Member States is one of the main sources of differences in implementation across the EU.

In all but four Member States, the institution responsible for the administration of the PDO/PGI scheme is entirely or primarily related to a public authority linked to the agricultural or food sector (such as a Ministry of Agriculture).

Among these, there are a few special cases where the responsibility is either partially or fully decentralised, or another institution plays a role. We review each of these special cases below.

Following this, we review four other exceptional cases, namely Austria, Czech Republic, Germany, and Malta, where the institution responsible for the administration of the PDO/PGI scheme is not a public authority linked to the agricultural or food sector.

#### *Partial or full decentralisation*

Two of the Member States, where the PDO/PGI scheme is entirely or primarily related to a public authority linked to the agricultural or food sector, have separate authorities that operate at a regional level, namely Belgium and Spain. In Spain, the National Ministry has devolved specific functions to regional authorities (Table 15). In Spain, this is a consequence of the constitutional division of responsibilities between the central government and the regions. In Belgium, the Walloon and Flemish Ministries are responsible for the administration of the PDO/PGI scheme in their respective regions.

In Italy, the national Ministry of Agriculture is the only institution responsible for the PDO/PGI scheme. However, some specific functions are undertaken by the regional authorities, in line with the Italian model of devolution and to ensure that the implementation of the scheme is closer to the territory affected by the PDO/PGI scheme.

#### *Other institution plays key role*

In Hungary, the application is administered by the Ministry of Agriculture but the patent office plays a role in the evaluation of the applications. In Hungary, the application for a PDO/PGI has to be submitted first to the national Ministry; the Ministry evaluates the application and starts the objection procedure. If the application is accepted and no valid objections are received, the Ministry sends an official confirmation to the applicant. The confirmation of the Ministry and the accepted product specification is then submitted to the Hungarian Patent Office (HPO), which carries out the appropriate investigation on the formal and substantive matters.

In Slovakia, the Ministry of Agriculture decides on the eligibility of applications and on disputes over objections, but the application is made through the Industrial Property Office. An application is submitted to the Industrial Property Office (IPO). Upon request from the IPO, the Ministry of Agriculture establishes a Committee of experts for an appraisal of the application. If the Committee decides that the application fulfils the set of requirements, it is published, and any interested party can submit objections. Once any objection has been resolved, the application is approved by the IPO, which then sends it to the Commission.

*Austria, Czech Republic, Germany and Malta*

In 3 of these 4 Member States (Austria, Czech Republic and Germany), the administrative responsibilities lie with an institution dealing with intellectual property rights. However, there are some differences between these Member States:

- In Germany, applications are submitted to the German Patent and Trade Mark Office (DPMA), which is responsible for examining the application and initiating the national objection procedure. In the cases where there are no objections or any objections have been resolved successfully, the application is sent to the Federal Ministry of Justice which then submits the application to the Commission.
- In Austria and the Czech Republic, the applicant group submits the application to the national patent office (known as the Patent Office in Austria and the Authority for Industrial Ownership in the Czech Republic), which is responsible for examining the applications, initiating the national objection procedure and sending the application to the Commission.

Finally, in Malta administrative responsibility lies with the Malta Standards Authority, Directorate of Foodstuffs, Chemicals and Cosmetics. This is a national standard-setting organisation with the aim of standardising practices to help the Maltese economy and protect consumers.

**Table 15: Institutions responsible for the administration of PDO/PGI**

Responsible body	Countries
<b>Agricultural</b>	<p>N (National): BG, CY, DK, EE, EL, FI, FR, IE, IT, LU, LV, LT, MT, NL, PL, PT, RO, SE, SK, SL, and UK, HU</p> <p>R (Devolved regional authorities): BE and ES</p>
<b>Intellectual Property Rights</b>	<p>AT and CZ (Patent Office),</p> <p>DE (German Patent and Trade Mark Office, DPMA).</p>
<b>Other</b>	MT (Maltese Standards Authority)

Later in the report we investigate whether differences in the institutional allocation of the responsibility for the PDO/PGI scheme impact on the actual implementation of the PDO/PGI scheme.

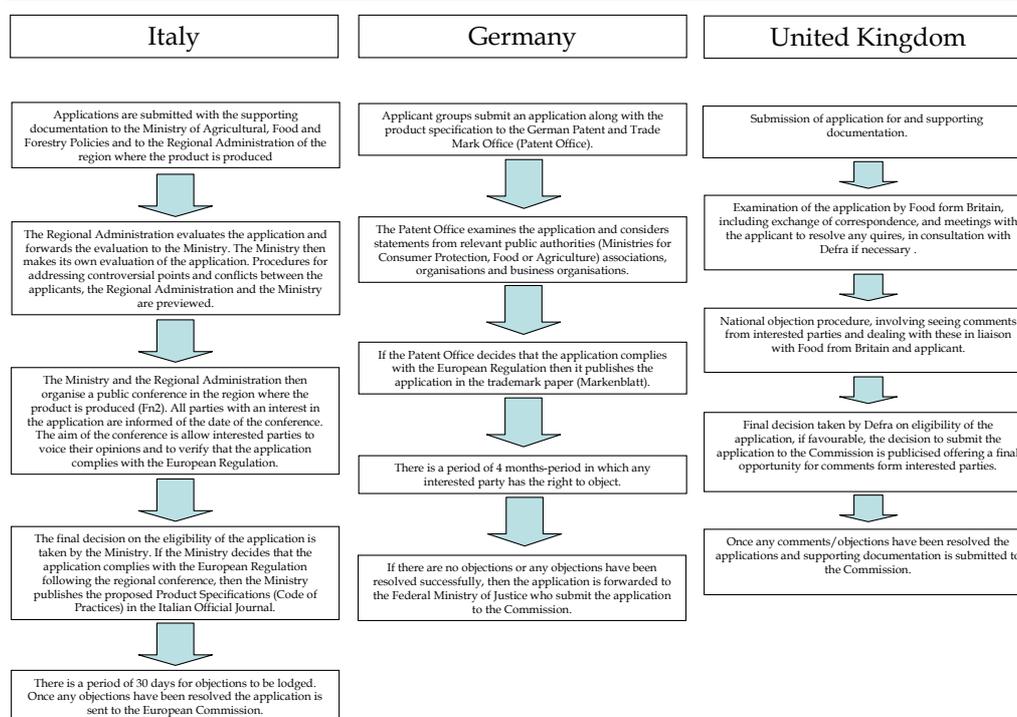
## 4.2 The national procedures for applying for a registration of a name

The domestic procedures for registering a PDO or a PGI involve a number of steps:

- Application to relevant national institution;
- Examination at national level;
- Objection phase following publication of application;
- Transmission by relevant national authorities to the European Commission.

Below, further details are provided on each of these stages. But first, we present in a schematic way the application process in 3 Member States in Figure 3. The figure is intended to provide an illustration of the diversity that exists at the present time. The situation in Germany, Italy and the UK varies in terms of involvement of different organisations such as a patent office (Germany), a Ministry of Agriculture (Italy) and private company (Food from Britain in the UK). Moreover, the approach in Italy includes an interesting and important decentralised element.

**Figure 3: National PDO/PGI registration processes in Italy, Germany and the United Kingdom**



## 4.2.1 Application procedure

### Overview

The nature of the bodies that handle applications and are in contact with the applicants are also different across the EU and this can have an influence on the assessment of the eligibility of the applications, as well as the aid and guidance provided during the application process.<sup>33</sup>

In all Member States except Belgium (Flanders), the Netherlands and the United Kingdom, applications for PDO/PGI are made directly to the governmental institution responsible for the administration of the PDO/PGI scheme. In such cases, the institution handles all of the elements of the application process including receiving the application; offering guidance to the applicant; assessing the application; publicising the application; initiating

<sup>33</sup> Information was gathered from a survey of the relevant authorities in all 27 Member States.

the national objection procedure; and taking the decision to submit to the European Commission.

In the Netherlands and the UK applications are handled by a separate body:

- In the UK, the application process is administered by an independent consultancy company commissioned by the government (Food from Britain), which receives applications, liaises with applicants and helps with the completion of applications. Applications are evaluated by the Department for the Environment, Food and Rural Affairs (DEFRA, the department with overall responsibility for the scheme) before submitting them to the Commission. The national objection procedure is also handled by Food from Britain.
- In the Netherlands the application process is handled by the 'Hoofdproductschap Akkerbouw' (HPA). This organisation is an administrative body representing the agricultural sector, independent of the government.

In Belgium, slightly different systems are used in the Flanders and Wallonia regions:

- Applications from Walloon region are submitted to the Ministry for the Walloon Area (Directorate-General of Agriculture), which also handles the applications;
- In Flanders, the applications are handled by the Regional products department of the Flanders Agricultural Marketing Board. This is a non-profit organisation subsidised by the Flanders region Directorate-General of Agriculture.

In Spain, if the application refers to a product from a single Autonomous Community (AC) then the parties present their application to the competent body of the AC. ACs are obliged to examine the application to see if it complies with the requirements of the EC Regulation. If this is the case, the application is forwarded to the national Ministry of Agriculture (which either accepts it as complete and makes the application public, or returns it to the AC). If the product comes from more than one AC then the application must be sent directly to the national Ministry of Agriculture.

In Italy, applications are submitted to the Ministry of Agriculture, Food and Forestry and to the regional administration. The regional administration first evaluates the application before transferring it to the Ministry which then undertakes its own evaluation. Afterwards, the regional administration and the Ministry jointly organise a public conference in the region of origin of the product to which all interested parties are invited.

Luxembourg has no specific procedures in place to deal with applications at the present time. In the survey, the authorities in Luxembourg stated that, if an application were received, then the person responsible for the scheme would retrieve the relevant forms and guidelines in order to deal with the application (a recent application to modify an existing registration was dealt with in this way).

### *Level of guidance*

The level of guidance and interaction which authorities make available to applicants varies between Member States.

In eight Member States (namely, Austria, Belgium, Czech Republic, France, Italy, Portugal, Slovakia and the UK), there is a high level of guidance and interaction; help is provided to applicants in completing the application in order to give them the best chance of success. In particular, personal help is available, often through face-to-face meetings to discuss the application, as well as through telephone calls and e-mail correspondence.

In seventeen Member States (namely, Bulgaria, Cyprus, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Lithuania, Latvia, Malta, Netherlands, Poland, Slovenia, Spain and Sweden) the guidance and interaction available to applicants is characteristically less intensive, less personal and more passive. Much of the help available in these countries comprises general advice available online or through other published material (for example brochures and fact-sheets). Most correspondence is undertaken via email or telephone and, although face-to-face meetings may take place, they are not the norm and must be initiated by the applicants.

Finally, in Romania there have been no applications to register a name so far, so it is unclear what guidance will be provided. As already mentioned, in Luxembourg there are currently no specific procedures in place to deal with applications.

**Table 16: Level of guidance available to PDO/PGI applicants**

<b>Level of guidance</b>	<b>Countries</b>
High	AT, BE, CZ, FR, IT, PT, SK, and UK
Moderate	BG, CY, DE, DK, EE, EL, ES, FI, HU, IE, LT, LV, MT, NL, PL, SE, and SL
No evidence	LU, RO

### *General publication of applications at the national level*

As required by the Regulation, following an application, all Member States publish the application on-line, providing comprehensive details of the applications, the product specification and the geographical region of production and the applicant group.

However, in two countries some additional publication is made in the national press:

- In Cyprus, press releases on applications are published in the newspapers;
- In Ireland, applications are published in the national press and farming publications.

### 4.2.2 Examination procedure at the national level

Eleven countries (Belgium, Cyprus, Hungary, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal Slovakia and Slovenia) use special committees to assess the eligibility of applications. These committees can include representatives from different government ministries, patent offices and independent experts.

In Belgium, Cyprus and Hungary the expert committees are appointed by the ministry.

In the other Member States, the applications are examined by the same institutions that are responsible for the administration of application procedure.

### 4.2.3 Objection procedure

Regulation 510/2006 states that, following the receipt of an application for a PDO/PGI, the Member State shall initiate a national objection procedure ensuring adequate publication of the application and providing for a reasonable period to allow for any potential opposition from any natural or legal person having a legitimate interest (Article 5(5)). Furthermore, according to the Regulation, Member States shall ensure that the version of the specification on which its favourable decision is based is published and available electronically.

### *Information of stakeholders*

A smaller number of Member States (Austria, Belgium, Greece, Netherlands, Slovenia, Sweden and the UK) also provide further information to stakeholders directly. Parties with an interest in the application are contacted

directly as a matter of principle. This usually takes the form of letters to individuals, organisations representing the industry or related industries (producers and producers' groups, cooperatives, Chambers of Commerce, regional authorities and Ministries of Agriculture).

In Italy, some of the Regional Administrations (not the national Ministry of Agriculture) contact the interested parties directly. Further, in Italy there is a public conference for every application in the designated territory to which interested parties are invited. This meeting serves to inform the parties about the application and gives them a chance to voice their concerns or objections.

### *Timescale of objection*

The PDO/PGI regulation only specifies that a reasonable period should be provided to allow for any potential opposition, but there is no clear guidance on what constitutes a reasonable period.

As a result of different interpretations by Member States of the concept "reasonable period", there is great disparity in the time period provided by Member States for initial objections following publication of the application.

It ranges from one month (Belgium, Bulgaria, Cyprus, Finland, Italy, Lithuania, Portugal and Slovenia) to five months in the Czech Republic (see Table 17).

**Table 17: Timescale for objections to new PDO/PGI applications**

<b>Time limit</b>	<b>Countries</b>
1 month / 4 weeks / 30 days	BE, BG, CY, FI, IT, LT, NL, PL, PT, SI
2 months / 8 weeks / 60 days	FR, EL, ES, HU, IE, MT, RO, SK
3 months / 12 weeks / 90 days	DK, EE, LV, UK
4 months	AT, DE
5 months	CZ
Other (handled on a case by case)	LU, SE

### *Level of guidance to objectors*

There are also significant differences in the level of guidance and assistance provided to objectors across the Member States (this is summarised in Table 18).

In Cyprus, Denmark, Germany, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania, Slovenia and Sweden there is no guidance on how to object other than general information on where to submit the objections.

In Bulgaria, Ireland, Slovakia and the UK the only information provided is a link to the relevant legislation (and in some cases the relevant articles) but without any guidance on how to interpret these.

Seven Member States provide much more detailed guidance.

- In the Czech Republic, Estonia, Finland, France and Latvia, detailed explanations on how to object are provided on the websites of the relevant authority;
- In Spain, the guidance is available at a national level and all the relevant documentation is available upon request;
- In Greece, the Ministry of Rural Development and Food informs the relevant parties about all necessary documentation that must be provided and action that must be taken. Concerned parties can gain access to the relevant case files and documentation at any time.

Finally, in Austria, Belgium and Luxembourg there have been no objections so far and therefore it is not clear what guidance would be provided in practice.

While there exists no official guidance at the present time in Austria, the official interviewed as part of the survey of public authorities stated that, if there were an objection, the objector(s) would be given guidance on a) the grounds for a potential objection and b) to the process for lodging an objection.

Table 18: Guidance on objections to new PDO/PGI applications

Level of guidance	Countries
No guidance	CY, DE DK, HU, IT, LT MT, NL, PL, PT, RO, SE, SI
Link to the relevant legislation	BG, IE, SK, UK
Detailed guidance	CZ, EE, ES, EL, FI, FR, LV
No objections to date	AT, BE, LU

### 4.3 Control of compliance

Council Regulation (EC) No 510/2006 requires a verification of compliance with the product specifications for products carrying a protected name before placing them on the market. In this respect, Member States must appoint certification bodies to ensure compliance of producers with the product specifications. Certification bodies have to be objective and impartial, and have at their disposal the qualified staff and resources necessary to carry out their functions. Further, private certification bodies must comply with European standard EN 45011 or ISO/IEC Guide 65. Controls by public bodies are trusted as valid without the need to comply with this standard.

Within the context of the requirements mentioned above, the certification procedure is not harmonised across Member States. Key areas of disparities include:

- **Bodies responsible for certification and the degree of involvement by public authorities.** For example, in the Czech Republic, Finland and Luxembourg, certification is the responsibility of public bodies, which are not accredited with any European standard. In France, product certification bodies can be public or private. In the case of a private certification organisation, the organisation must be accredited by COFRAC, the French accreditation body, and approved by INAO, which also approves the control plan for each PDO/PGI name.
- **Diversity of certification services within the same Member State.** There are also a range of certification bodies in the different Member States, often including a mix of public and private bodies. This is evidenced by the following examples:
  - In Germany, private certification firms are appointed and supervised by the regional public authorities.

- In Greece, the role of certification is shared by the 52 regional Directorates of Rural Development and Food and Agrocert (the Agricultural Products Certification and Supervision Organisation), a public law legal entity which operates under the auspices of the Ministry of Rural development and Food. All producers must be certified as part of the conditions of the PDO/PGI scheme and this initial certification is performed by Agrocert.
- In Poland, certification bodies are both private firms (for example the PNG Certification Body) and government bodies (for example the Agricultural and Food Quality Inspection).
- In Spain, certification is undertaken by the Regulatory Council for each product (which is then overseen by the competent authority in the relevant Autonomous Community).
- In the UK, certification is undertaken by a designated private firm but in some cases local authorities and Trading Standards officers can also act as nominated inspectors.
- **Differences in the frequency of the inspection controls across Member States.** This is evidenced by the following examples:
  - In France, several random controls of producers and any other stakeholders in a given PDO/PGI supply chain take place each year to ensure compliance with the registered specification. These controls are undertaken by the producers' group that was the applicant for the PDO/PGI registration. There is no set frequency for such controls. An independent body undertakes annually a systematic inspection of the control procedure of the producers' group. The independent body may also undertake additional random checks of the control procedure of the producers' group if it so wishes;
  - In Greece, regular as well as random inspections take place. The frequency of these checks is not specified in the national legislation. However, the survey respondent from the Greek authorities stated that there is one notified inspection of every producer each year and some additional random checks;
  - In Italy, inspections involve at least 35% of registered producers each year. This allows 100% coverage of producers every three years with some producers being inspected more than once during this period;
  - In Poland there are between one and two inspections per year;

- In Belgium and Slovenia there is at least one inspection per year, while in Germany, United Kingdom, Czech Republic, Ireland and Slovakia there is no more than one inspection of producers per year;
- In Luxembourg producers summon inspectors on a voluntary basis and in Hungary inspections take place 'on an ad-hoc basis'. In both cases there is no guarantee of one annual inspection;
- In Sweden and Denmark inspections are carried out as part of the general food control.

## 4.4 Enforcement in the market place

The previous section focused on the controls of compliance by producers of PDO/PGI products with the product specification. The present section focuses on the protection of the PDO/PGI products in the market place.

Article 13 of Regulation 510/2006 specifies that:

1. *Registered names shall be protected against:*

- (a) *any direct or indirect commercial use of a registered name in respect of products not covered by the registration in so far as those products are comparable to the products registered under that name or in so far as using the name exploits the reputation of the protected name;*
- (b) *any misuse, imitation or evocation, even if the true origin of the product is indicated or if the protected name is translated or accompanied by an expression such as "style", "method", "as produced in", "imitation" or similar;*
- (c) *any other false or misleading indication as to the provenance, origin, nature, or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false sense of impression as to its origin;*
- (d) *any other practice liable to mislead the consumer as to the true origin of the product.*

Moreover, under the *General Food Law* set out in Regulation (EC) No. 178/2002, consumers are to be protected against fraudulent, deceptive and misleading practices. More precisely, article 8 of Regulation 178/2002, *Protection of consumers' interests* states that:

1. *Food law shall aim at the protection of the interests of consumers and shall provide a basis for consumers to make informed choices in relation to the foods they consume. It shall aim at the prevention of:*
  - (a) *fraudulent or deceptive practices;*
  - (b) *the adulteration of food; and,*
  - (c) *any other practices which may mislead the consumer.*

Enforcement of protection of PDO/PGI names in the market place is the responsibility of Member States. Typically, enforcement of the scheme in the market place is part of the general enforcement activities under the General Food Law as any infringement of Article 13 of Regulation 510/2006 would mean that the consumer is subject to fraudulent, deceptive or misleading practices.

Indeed, according to Regulation (EC) No. 882/2004<sup>34</sup>, *“the Member States should enforce feed and food law, animal health and animal welfare rules and monitor and verify that the relevant requirements thereof are fulfilled by business operators at all stages of production, processing and distribution. Official controls should be organised for that purpose.”* (Whereas (6)).

The controls foreseen by Regulation 882/2004 aim, among others, at *“guaranteeing fair practices in feed and food trade and protecting consumer interests including feed and food labelling and other forms of consumer information”* (Title 1, article 1(b)).

Only two Member States were identified during the survey of public authorities as employing resources specifically dedicated to the protection of PDO/PGI names in the market place:

- In Luxembourg, one government official makes routine inspections of every supermarket on a monthly basis to detect fraudulent PDO/PGI practices.
- In Italy some enforcement activities are undertaken by regional authorities and inter-professional bodies (Consorti di Tutela) representative of all the producers involved in each PDO/PGI. Inter-professional bodies have their own resources for the enforcement of the Regulation. In addition, other public authorities collaborate to enforce the PDO/PGI regulation.

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<sup>34</sup> Corrigendum to Regulation (EC) No. 882/2004 of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules published in the *Official Journal of the European Union*, series L, on 25 May 2004.

According to the responses from the public authorities, in a number of countries (Germany, Greece, Ireland, Sweden, Slovenia, Netherlands, Cyprus, Spain and Portugal) the enforcement of the PDO/PGI scheme in the market place is typically undertaken as part of the general enforcement of Food law in the market place. No information was available from the public authorities in the case of Austria, Bulgaria, the Czech Republic, Denmark, Hungary, Lithuania, Romania and Slovakia.

## 4.5 Costs of the co-existence rule

As already noted in section 2.2.6, the Commission may allow, provided a number of conditions are met, the co-existence of a registered and non-registered name for a period of up to 15 years following the registration of the name.

As two of the necessary conditions for the granting of the permission for the continued use of a non-registered name are that: 1) the purpose of the registered name is not to benefit from the reputation of the registered name and 2) consumers cannot be misled as to the true origin of the product, it is unlikely that the co-existence of a registered and non-registered name would lead to consumer detriment and harm. Obviously, this is only true if the use of the non-registered name does indeed conform to the conditions listed above.

As well, as there should not be any confusion among consumers about the protected and non-protected names, producers of the PDO/PGI product should not suffer from any unfair competition in the market place from the producers of the product with the non-registered name.

Thus, the only cost that may arise from the existence of the co-existence rule is the additional costs of the monitoring and enforcement in the market place of the respect of the conditions for the continued use of a non-registered name. Such costs may be incurred by public authorities and/or the producers of the PDO/PGI.

## 4.6 Perceived fairness of the regulatory framework and objection procedure

The success or failure of an application dictates who can use a name and who cannot, with potentially significant economic consequences for applicant businesses. When a product name is registered some individuals may feel unfairly treated because they consider that the product specification places an unfair burden on them or they are prevented from using the name.

- **How the product specification was drawn up:** Producers may consider that the geographic area of production is unfairly defined and/or that the method of production is too restrictive.
- **The objection procedure:** Producers or other affected parties may consider that they have insufficient opportunity to object; that they are provided with insufficient warning of the application; or that the grounds for objection are not extensive enough.

We address each of these issues in turn.

### *Product specification: definition of the geographic area of production*

Producers outside of the region of production defined in the specification are excluded from using a registered name. However, boundaries of the region are to a certain extent a matter of choice for the applicant group, and some producers may feel unfairly excluded.

The specification must provide evidence that a characteristic of the product is linked to the geographical area (Article 4 of Regulation 510/2006). However, the area defined in the specification can be a subset of the region satisfying these criteria.<sup>35</sup>

This means that the delimitation of the region depends on the area proposed by the applicant group.<sup>36</sup> In this respect, the composition of the applicant group and the influence of its members on the group's decisions can be an important determinant of how the geographic area is defined. Producers excluded from using the name despite producing on neighbouring land which they perceive as having similar or identical characteristics to the defined area can object to the registration but the guidelines on this issue are vague.

The case study of Lardo Di Colonnata provides a good example of disputes over definition of the geographic area of production. Details are provided in the box below.

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<sup>35</sup> Article 4 of Regulation No 1898/2006 which lays down detailed rules for the implementation of Regulation No 510/2006 provides more guidance on the definition of geographical area. This Article states that the geographical area shall be delimited with regard to the link between the characteristics of the product and the geographical environment, and that the area must be defined without ambiguities.

<sup>36</sup> The type of group who can make an application is defined as "any association, irrespective of its legal form or composition, of producers or processors" and "other interested parties" (Article 5 of Regulation No 510/2006).

**Case study: Lardo Di Colonnata**

The case of Lardo di Colonnata illustrates the potential for disputes during the application process, based on the definition of the geographic area of production. The application for PGI was started by a small group of traditional producers grouped into an Association (Associazione di tutela del Lardo di Colonnata). The application and product specifications indicated that the boundaries of the production area were limited to the small village of Colonnata (500 inhabitants), located in a mountain area, near marble quarries, from which the traditional Lardo derives its name.

Some larger firms producing Lardo di Colonnata (and other salami products) set up another association (Consorzio per la Tutela dei Salumi Tipici delle Apuane) and presented an “alternative” product specification (in 2000).

The result was that two different applications for the same denomination were therefore presented to Regional (Tuscan Region) and National Authorities (the Ministry of Agriculture). Both institutions decided to reject the Consorzio’s application (because the production area was too wide as compared to the name of the product, and on the basis that the production techniques were not always “traditional”) and pushed forward the Associazione proposal.

The Consorzio’s producers objected to the decision taken by the public Authorities, in compliance with the national objection procedure implementing Reg. EEC 2081/92, in particular during the Public hearing. In 2001, the Consorzio appealed also to the Administrative Regional Tribunal (TAR - Tribunale Amministrativo Regionale) against the decisions taken by the Public Authorities, which, in the opinion of the Consorzio, had not taken into account the documents and evidence provided by the Consorzio. The TAR initially suspended the decisions taken by public Authorities, but then the Consiglio di Stato (Decision n.6369/2005) decided in favour of the Associazione and the Public Authorities. The Ministry of Agriculture subsequently published the product specifications of the Associazione’s application in the Italian Official Journal.

The Consorzio, in compliance with the National procedures of registration, and in particular with the objection procedures, presented a formal opposition but the Ministry rejected this and soon after transmitted the application to the EU Commission, which was published on 5 June 2003 in the *Official Journal of the European Union* C131. The registration of the name was published on 27 October 2004 in the *Official Journal of the European Union* L324.

**Morbier**

Another case which has seen a dispute over of the definition of the area of production and location of processing workshops is Morbier cheese. This cheese originates in the mountainous Jura region of France, close to the Swiss border where the small town of Morbier is located. However, despite its geographical name, the cheese had also been produced for decades in two other regions of France, Brittany and the Massif Central. An application from Jura based-producers to register Morbier was made in June 1990.

The application defined a large area of production including villages up to 110km from the town of Morbier. The INAO received 70 objections to the application, mainly over the definition of the area from dairies located outside of the region (some located just 100km from Morbier). The objectors’ claims were dealt with by a consultancy commission who organised six meetings over a three-year period in order to allow any interested parties to take part in the discussion. The PDO was finally granted in December 2000 with a slightly different area of production to the area proposed in the original application.

The dairies located outside of the area of production were given a transitional period of five years to comply with the regulation. Some of these firms relocated production inside the area. Others who were excluded from using the name have developed alternative trademarks. During the interviews undertaken as part of the field work for this study the objectors in the Morbier case acknowledged that the large discussions that took place as part of the objection procedure were useful to make their objections heard.

Although, in theory, some producers may potentially feel unfairly treated, the evidence gathered during the study suggests that is not a frequent occurrence. Overall, the PDO/PGI scheme does not appear to have resulted in many cases where some producers felt aggrieved by the registration of a name as a PDO or PGI.

### *Product specification: method of production*

Product specifications are necessary to preserve the nature of PDO/PGI products. However, some producers may consider themselves unfairly excluded from using a registered name because they cannot comply with the method of production set out in the product specification. Alternatively some producers may be burdened with restrictive and expensive practices as a result of the method of production.

The production method must be fully described at the application stage in the product specification. The rules on the production method are quite broad; Article 4(2) point (e) of Regulation 510/2006 simply states that the specification must include “a description of the method of obtaining the agricultural product or foodstuff and, if appropriate, the authentic and unvarying local methods”.<sup>37</sup>

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<sup>37</sup> Articles relating to the method of production:

Article 4(2) point (e) of Regulation 510/2006: The production specification shall include.... a description of the method of obtaining the agricultural product or foodstuff and, if appropriate, the authentic and unvarying local methods as well as information concerning packaging, if the applicant group within the meaning of Article 5(1) so determines and gives reasons why the packaging must take place in the defined geographical area to safeguard quality or ensure the origin or ensure control;

Article 5(2) of Regulation 1898/2006: Any restriction on the origin of raw materials for a geographical indication must be justified in relation to the link referred to in point (ii) under point (f) of Article 4(2) of Regulation (EC) No 510/2006.

Article 5(3) of Regulation 1898/2006: In respect of a product of animal origin designated as a designation of origin, detailed rules on the origin and quality of feed shall be included in the product specification. Feed shall be sourced as far as practicable from within the defined geographical area.

Theoretically, the scheme may allow an applicant group to define the product specification in such a way that would exclude other producers of a similar product from the same region from being able to benefit from the name protection. This is because the lack of precise rules on the definition of the production method may mean that the applicant group has significant influence over the detail of the production method.

In this regard, the composition of the application group and their specific interests are important factors to consider. Two alternative situations which could arise are:

- On one hand, larger and more powerful firms may try to design the code of practice in a more industrial manner to the detriment of small and traditional firms;
- On the other hand, small producers may try to specify extensive or highly involved production methods and limit the scale of production.

This could potentially limit the impact of the scheme. For example, an unduly rigorous product specification may limit the scale of production and increase production cost, resulting in small volumes of a highly priced product whereas more flexibility in ingredient specification or use of technology may retain the essential character of the product but offer economies of scale or efficiency. This can impact on the extent to which scheme objectives are achieved:

- **Consumer choice:** A small volume of highly priced product limits the number of consumers that can access it.
- **Rural economy:** Returns for the small number of farmers and processors involved are restricted by the cost and scale of production, limiting the economic flows and employment in the local economy.

These issues are highlighted by the case studies of Melton Mowbray Pork Pies (UK) and Culatello di Zibello (IT).

#### Case studies: Melton Mowbray Pork Pies and Culatello di Zibello

##### Melton Mowbray Pork Pies

The Melton Mowbray Pork Pie Association applied for PGI status in 1999, on behalf of five local producers using a traditional recipe. The application relied on the historic significance of the local area in producing pies and the traditional recipe. The application was disputed by Northern Foods, a large food manufacturer that produced pork pies outside the proposed PGI area and sold them as Melton Mowbray Pork Pies. Northern Foods argued that there was no relationship between the PGI area and the nature of the product or its history of production and felt that the main aim was to exclude competitors from producing this premium product. Northern Foods has now invested

£11 million in a new manufacturing plant within the proposed PGI area and adopted the traditional recipe. Consequently, the vast majority of pies sold as Melton Mowbray Pork Pies now originate from within the PGI area and are produced according to the traditional recipe. The application was recently at the European consultation phase, which ended on the 6<sup>th</sup> of October 2008.

#### **Culatello di Zibello**

Culatello di Zibello (PDO) is a traditional cured ham produced in the region of Parma (Italy). The historical roots of the product are linked to the characteristics of small farm households, where pigs were bred for family consumption. Until recent decades, most Culatello production was undertaken at a household level, with only a few small restaurants and shops producing it on a commercial scale. "Industrial" production of Culatello began in 1980, by a local firm. During the application of the PDO for the Culatello di Zibello, one group of artisan producers requested a long seasonal period of production, whereas industrial producers argued for shorter, year-round production to be allowed. In the end, after a period where no decision was made, the local governments (Regione Emilia Romagna) reached a compromise whereby two designations, with different codes of practice, were applied. The first designation is the "Culatello di Zibello" PDO for the year-round production and the second is the "Culatello di Zibello of the Consorzio del Culatello", which is an internal differentiation within the same PDO for artisan producers with a tight code of practices and is highly reflective of the traditional, artisan method and excludes industrial producers.

### *Perceived fairness of the national objection procedure*

The case studies of Lardo di Colonnata and Salame di Felino (see box overleaf) show how the lack of clarity of the objection procedure and the grounds for upholding an objection can in some cases result in situations where the objection procedure may be judged to be unfair by either a party objecting to a name registration (Lardo di Colonnata) or seeking a name registration (Salame di Felino).

That being said, very few such examples have been identified by the experts undertaking the case studies, suggesting that, overall, the fairness of the national objection procedure may not be a major issue.

#### **Case studies: Lardo di Colonnata and Salame di Felino**

##### **Lardo di Colonnata**

In the case of Lardo di Colonnata, the Consorzio's interviewed firms believe that the application procedure did not allow for full account to be taken of their remarks and the documentation they produced. For example, they stated that during the public meeting on the code of practices, there was no opportunity for an in-depth discussion of different

positions or for considering technical evidence. They also felt that the EU regulation and national implementation do not give the right of opposition against the decisions taken by national authorities before submission of the application to the Commission.

In addition, it was not clear to producers that they could no longer oppose once the application had been submitted to the Commission. It was also mentioned that at national level the precise requirements for proving the origin of the product should be more clearly detailed (e.g. what kinds of documents, studies, oral sources, etc. could be provided to demonstrate origin).

#### **Salame di Felino**

“Salame di Felino” (Parma) is not yet registered due the opposition of some large industrial producers. In fact, there is a pending case at the ECJ regarding this product. The producers located in the area of Parma started the process of official PGI recognition almost six years ago but the registration delays are due to the strong opposition from large industrial producers (ASSICA) who are in favour of modern production techniques, especially regarding the use of additives, origin of the raw material (meat and fat), use of bowels (natural or synthetic) and minimum period of seasoning.

## **4.7 Identification of PDO/PGI products used as ingredients in processed products**

The current Regulation does not provide any guidance on how to deal with the identification of PDO/PGI products used as ingredients in processed products.

The use of PDO/PGI products as ingredients in processed products represents an opportunity to extend production, and its impact, to a higher level. The identification of PDO/PGI products used as ingredients on the packaging of the processed products offers an opportunity for promotion of the name to a wider audience at relatively minor cost.

However, the reference to PDO/PGI products used as ingredients on the packaging of processed products can potentially cause difficulties for producers or consumers. For example:

- There may be consumer confusion and detriment if the ingredients of a processed product include a PDO/PGI product and a similar non-PDO/PGI product. In such a case, the packaging of the processed product may induce the consumer to believe that the processed product uses only or mainly the PDO/PGI product as an ingredient whereas in reality the share of the non-PDO/PGI product in the particular type of ingredient may be substantial.

- The lack of guidance may also create an unlevel playing field for producers of similar processed products using similar ingredients if one of the producers provides unclear information about the precise importance of the PDO/PGI as an ingredient while the other producer provides detailed information about the relative shares of the PDO/PGI product and the similar non-PDO/PGI product in the make-up of the processed product.

No cases from the ECJ and CFI were found which relate to PDO/PGI products used as ingredients in processed products.

However, the case studies show that there exist different approaches in the Member States in relation to the identification of PDO/PGI ingredients in processed products (this is illustrated in the box below):

- Only one Member State, Italy, has developed national legislation regarding the identification of PDO/PGI ingredients in the name and packaging of the processed products using PDO/PGI products as ingredients.
- In two other Member States (Spain and the UK) a few agreements have been made between the producers' groups of certain PDO/PGI products and food processors using the PDO/PGI product as ingredients.
- In Germany, following a legal challenge, a temporary agreement regarding the reference to a PGI used as an ingredient on the packaging of a processed product was reached between producers of the PGI Spreewälder Gurken and a processor using Spreewälder Gurken as an ingredient.
- No other arrangements have been identified in the other case study countries.

#### Case studies: Italy, Spain, UK and Germany

##### Italy

In Italy Decreto Legislativo n. 19/11/2004 GURI 15/12/2004 makes a distinction between ordinary ingredients (those that are only one component of the product) and characteristic ingredients (those that are also cited in the name of the product).

Producers do not need any permission to use a PDO/PGI as an ordinary ingredient. However, producers who wish to use a PDO/PGI as a characteristic ingredient, which is referred to in the name of the processed product, must ask for permission from the PDO/PGI Consortia or Association. The Consortia or Association determine the specific controls on the use of each PDO/PGI as an ingredient. Processors also have to be registered in a specific "list of users" with specific agreements.

**Spain**

In Spain, the use of Turrón de Jijona in processed products and its labelling has been standardized through rules set down by the association of producers. As a result, the use of Turrón de Jijona as an ingredient and reference to the PGI name can only be made for those products containing a minimum percentage of this product (17% for ice creams). In such cases, the producers using Turrón de Jijona as an ingredient can also use the label (albeit with a different colour) of the collective trademark of the association.

According to the rules, producers who want to use Turrón de Jijona as an ingredient need to make an application to the Association. Certification and supervision of compliance with the rules is carried out by the Foundation of Turrón.

**UK**

In the UK, the Stilton Cheese Makers' Association encourages the use of White/Blue Stilton cheese in processed products and uses a voluntary approach to the use of the protected name in cases where food manufacturers use White/Blue Stilton cheese as an ingredient. The main issues are how the name is used in product labelling (which is covered by general food labelling legislation) and the use of the Association logo.

**Germany**

Thomy, an affiliate company of Nestle used Spreewälder Gurken for a potato-salad sauce under the name "Kartoffelsalat-Sauce mit Spreewälder Gurken". The producers' group raised an objection, arguing that the excellent reputation of the PGI had been exploited and that only undertakings meeting the specifications (applied in the Spreewald region) could use the geographical indication. The district court (Landgericht Berlin) decided to stop further distribution of the potato-salad sauce (Landgericht Berlin, Decision of 23 August 2005 - 102 O 60/05). In a bilateral agreement between Thomy and the Spreewald producers, the company was allowed to sell the salad-potato sauce until July 2006.

In conclusion, there have been no major disputes in the case study countries in relation to the identification of PDO/PGI products used as ingredients. In many cases, producers have worked with manufacturers to agree the approach to labelling the products:

- In Italy, the two main Consortia (Parmigiano Reggiano and Grana Padano) have not encountered any problems relating to the labelling of ingredients, following the introduction of the law.
- In Spain, no instances have been reported of specific problems between producers of the Turrón de Jijona and producers using it as an ingredient.<sup>38</sup>

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<sup>38</sup> After introduction, producers were not clear that the rules applied only to Turrón de Jijona and not any type of turrón. But this was soon clarified.

- In the UK, in the case of the voluntary approach for White/Blue Stilton cheese, there have been no disputes between producers of the cheese and manufacturers using White/Blue Stilton cheese as an ingredient.

From the point of view of consumer associations, there is no evidence that labelling of PDO/PGI ingredients in processed products has led to confusion for consumers in Denmark, Spain, France, Greece, Germany, Hungary, Italy and Sweden. In the UK, no information is available on consumer perceptions of White/Blue Stilton cheese as an ingredient, which suggests this has not been a major issue.

No other problems have been reported by producers or consumer associations in the country case studies.

While, in theory, the lack of guidance on how to deal with the identification of PDO/PGI products used as ingredients in processed products may lead to consumer harm and detriment, and create an unlevel playing field between producers of process products, the information and evidence reviewed during the present study suggests that, so far, this does not appear to actually have been the case or is not perceived as being the case. Moreover, it appears possible for PDO/PGI producers to come to an agreement on the identification of PDO/PGI used as ingredients with processors using their PDO/PGI products. Therefore, there may be no need at the present time to provide specific guidance on how to deal with the identification of PDO/PGI products used as ingredients in processed products.

## 4.8 Non-information on raw material origin used in PGI products

The Regulation does not provide any guidance on how to deal with information on the origin of raw materials used as ingredients in PGI products, allowing for differences in implementation across Member States.

The premium value of PDO/PGI products lies in the association consumers make with specific raw materials and ingredients, artisan processes and aspects of product quality. The designation of origin of the product may lead consumers to infer that the raw materials and processing take place within the area. The actual requirements are as follows:

**PDO:** *Product must be produced and processed and prepared in the designated geographical area of production.*

**PGI:** *Product must be produced and/or processed and/or prepared in the designated geographical area of production.*

That being said there exist some exceptions to the PDO requirements.

For example, in the case of the PDO Prosciutto di Parma', it must be produced in the defined area in the Province of Parma which includes land in the Province of Parma (in the Region of Emilia-Romagna, Italy) lying within 5 kilometres south of Via Emilia at an altitude of no more than 900 metres, defined to the east by the Enza river and to the west by the Stirone river. However, the raw material originates in a geographically wider area than the production area, including all municipalities in the following Regions: Emilia-Romagna, Veneto, Lombardy, Piedmont, Molise, Umbria, Tuscany, Marche, Abruzzi and Lazio (Italy).<sup>39</sup>

In general, consumers do not raise concerns about the origin of raw materials. However, this might be related to their low knowledge of the PDO/PGI scheme and, in particular, of the issues related to the sourcing of the raw materials.

### *Analysis of cases at the ECJ and CFI*

The only court case at the European level concerning the origin of raw material in a PGI is the *Spreewaldgurken* case<sup>40</sup>. The case considers whether the PGI is invalid<sup>41</sup>, partly on the grounds that the designation leads consumers to believe that the ingredients (the gherkins) come from an area much smaller than that specified. However, the ECJ did not rule on the origin of the raw materials used in the PGI, and left the decision on this point to the courts of the Member States.

#### **Case study: Spreewälder Gurken (case C-269/99)**

The national court in Germany considered that the PGI registration might be invalid because several criteria of the regulation had not been met. In particular, the national court considered that the designation had been known to consumers for centuries as referring to products cultivated in an area much smaller than the area designated by the German authorities in the specification. It also considered that the PGI designation suggested to consumers that all the gherkins came from the designated area and were, consequently, of a particular quality. The court indicated that the specifications were misleading to consumers because they provided that only 70% of the gherkins had to come from the area. The national

<sup>39</sup> See, for example, *Summary, Council Regulation (Ec) No 510/2006, 'Prosciutto Di Parma', EC No: IT/PDO/117/0067/09.06.1998* published on 20 April 2007 in the *Official Journal of the European Union* C 86.

<sup>40</sup> C-269/99 - *Carl Kühne GmbH & Co. KG and others v. Jütro Konservenfabrik GmbH & Co. KG*.

<sup>41</sup> The applicants were producers of pickled gherkins competing with the defendant, who used the PGI on its products. Neither the applicants nor the defendant met the conditions for being able to use the PGI. The applicants sought an order in a German court prohibiting the defendants from using the PGI. The defendant argued that the PGI registration was invalid.

court was of the view that registration of the designation Spreewälder Gurken as a PGI may have infringed Articles 2 and 4 of the previously effective Regulation No 2081/92 since the nature of the product and the expectations of consumers mean that it should have been registered as a PDO.

For these reasons, the national court considered that the specifications, as submitted by the German government and registered by the Commission, did not fulfil the criteria for a PGI and that the registration might be invalid. It referred the question to the ECJ.

The ECJ confirmed that the PGI registration was valid (C-269/99 - Carl Kühne GmbH & Co. KG and others v. Jütro Konservenfabrik GmbH & Co. KG). However, its decision was based solely on the finding that the Commission acted lawfully in adopting the regulation on the basis of information provided by the German authorities. Therefore, the ECJ did not rule on the origin of the raw materials (ingredients) used in the PGI, and left the decision on this point to the courts of the Member States.

### *Analysis of case studies*

There are only a few cases where the non-information of the raw materials has created difficulties for consumers, but in Italy and Germany consumer groups have expressed concerns that consumers are being misled. This is detailed in the box below.

#### **Case studies: Italy, Germany, Belgium and Hungary**

##### **Italy**

The retailers and Consorzi interviewed for the Italian case study believe that most consumers do not know the characteristics of the product specifications for PDO/PGI products. As a consequence, few consumers know the characteristics that PDO/PGI products "should" have. This is especially relevant for PGI products where the origin of the raw materials (in particular beef) may be distant.

In Italy, the case of Bresaola della Valtellina PGI (a processed meat product) has recently come to public attention. The product is being produced by some firms using meat from Bovine-Zebu in Brazil. According to these firms, the Brazilian meat has specific characteristics which are suitable as an ingredient for the final product.

The Slow Food Association and the farmers' union (Coldiretti) claim that this is an important example of consumers being misled because they have no knowledge of the true origin of the meat. Despite this, only one newspaper (La Repubblica) has dedicated a full page to the topic while other newspapers have given it much less coverage.

However, the Consorzio della Bresaola della Valtellina has not concealed the origin of the meat. On the website of the Consorzio it states: "Beef meat used in the production process, mostly from South America, is carefully selected by Bresaola's producers and obtained only from wild living animals, the most suitable for the production of Bresaola della Valtellina".

The issue of information on the origin of ingredients in PGI products also arises for other processed PGI products from Italy. In the cases of Speck dell'Alto Adige, Mortadella di Bologna, and Zampone e Cotechino di Modena the origin of the raw material is not defined in the product specifications.

#### **Germany**

The Federation of German Consumer Association (VZBZ) and the producers' group of Spreewälder Gurken stated that there is no evidence that consumers were confused as a result of the specifications of origin of the Spreewälder Gurken (and the fact that 70% of the raw materials must be produced within the area).

However, VZBZ has criticised the PGI more generally for misleading consumers. In its view, the PGI suggests a regional origin of a product whose raw material ingredients might in reality come from many other parts of the world. In a position paper, the VZBZ describe some products where this is the case :

- "Nürnberger Lebkuchen" is a bakery product which is processed in Nuremberg but contains ingredients sourced from many parts of the world.
- For "Schwarzwaldforelle" it is not required that the trout be raised and fished in the Black Forest region;
- Meat products such as "Schwarzwälder Schinken" or "Ammerländer Schinken" use meat from different regions and only the processing has to take place in the region in order to be eligible for PGI protection.
- In the case of Lübecker Marzipan, the VZBV expressed the view, after consulting all consumer organisations at the State level, that there is no evidence of consumer confusion, reflecting the fact that consumers know that almonds do not grow in Germany.

#### **Belgium**

The consumers' association interviewed in Belgium (Test Aankoop) believes that consumers are misled when it is not indicated whether at least the most important raw material ingredients in PGI products originate from the designated region of production.

#### **Hungary**

The issue is that a number of paprika producers were selling a mixture of Hungarian and South American paprika under names or labels incorporating the paprika producing regions' names. While consumers appear to have been unaware of this fact, it became a major issue in Hungary when aflatoxin contaminated paprika from South America was used by the producers. At issue was the combination of the use of an unsuitable product (the South American paprika) and the use of an origin label which misled consumers to believe that the paprika they bought was from the region mentioned on the package. This example is not directly concerned with the lack of information on the origin of raw materials in PGI products, as Szegedi Fűszerpaprika Órlemény is applying for a PDO, not a PGI. However, it highlights the potential consumer protection that a PDO provides, because if the PDO is granted all paprika used in the product will have to come from the region, which would not necessarily be the case if a PGI were given instead.

In Spain and Greece, consumer associations were asked about this subject but they did not raise any concerns. Concerns are limited in Denmark, Sweden and the United Kingdom because consumers have a very limited knowledge of the PDO/PGI symbols. Consumer associations were also contacted in Hungary and France, but no information was provided on the subject.

The issue of non-information on raw material origin used in PGI products is complex. The impact of such lack of information depends entirely on whether the consumer believes that all the ingredients in a PGI are from the region named in the PGI name because either some of the ingredients can or are actually sourced in the region or is actually aware of the fact the ingredients from outside the region can be used.

In the case of the Lübecker Marzipan, consumers do not expect that the key ingredient, namely almonds, is sourced in or around Lübeck.

The Nürnberger Lebkuchen is another interesting case in that the product name does not refer to an agricultural (or close to agricultural) product but a product which is clearly a “manufactured” product as is the Lübecker Marzipan. In these two cases, consumers may not necessarily assume that the ingredients are from the region.

In most of the other cases cited above (Spreewälder Gurken, Bresaola della Valtellina, Speck dell’Alto Adige, Mortadella di Bologna, and Zampone e Cotechino di Modena, Schwarzwaldforelle, Schwarzwälder Schinken, Ammerländer Schinken), the PGI could be interpreted by consumers as suggesting that the raw materials all come from the region as the product is much closer to the agricultural stage of production than the more “manufactured” products cited above.

Interestingly, however, the VZBZ seems to be of a different opinion as they do not view the PGI Spreewälder Gurken as problematic while the Nürnberger Lebkuchen PGI is judged to be misleading consumers.

The bottom line is that the non-information on raw material origin used in PGI may, in some cases, be a source of confusion for consumers.

However, unless comprehensive market research studies are undertaken before the registration of a PGI (in which consumers’ views on their perceptions of the characteristics of the PGI, including raw material origin, are sought), it will be next to impossible to determine whether, after the registration, non-information on the origin of the raw material used in the PGI may mislead consumers. Obviously, once registration has been obtained, and the PGI is put in the market place, consumer surveys can be undertaken to determine whether consumers are confused or not.

A case-by-case approach to carrying out this work, before the registration of every PGI, may not be an optimal solution as it may be very costly time-consuming to undertake such consumer surveys.

Moreover, as traceability and sourcing of food ingredients becomes an increasingly important subject for consumers, the issue of non-information on raw material origin used in PGI products may become more important in the future.

Therefore, on balance, to avoid any potential consumer confusion and detriment, it would be useful if, on the packaging of a PGI product, there was greater clarity about the provenance of the origin of the raw materials used in the PGI product.

## 4.9 Monitoring, data sources and limits

### 4.9.1 Monitoring

The research presented in the subsequent sections highlights an uneven approach to official data collection and monitoring of PDO/PGI products at national level. Only a few countries (often those where the scheme has good levels of uptake) keep statistics on products, firms, regions and estimated turnover. It is unhelpful that a common set of data is not required to be kept at national level and provided to the Commission in order to monitor the uptake of the scheme and support sound evaluation of the scheme.

The consequence for policy makers is that ongoing improvement of the scheme cannot be achieved and the scheme cannot be readily assessed against other policy options that might deliver rural development objectives. Also, any weaknesses in the scheme are not readily evident and are unlikely to be addressed in the absence of strong evidence. It would be worthwhile exploring with Member States how best the issue of lack of data could be remedied so as to build a solid evidence base for PDO/PGI scheme and its possible evolution.

### 4.9.2 Data sources and limits

The data sources on implementation is based on three sources; a survey of responsible authorities in 27 countries on the application and registration process, case studies of PDO/PGI products in 10 countries and secondary evidence from published sources. These are detailed below along with an assessment of key limitations of each:

**Survey of responsible authorities:** The survey was directed to the person responsible for the PDO/PGI scheme in each of the 27 Member States. While the accuracy of the data is good, not all survey participants were fully aware of all procedures and the wider context of the scheme. As such the data is not always complete and we have addressed any gaps using secondary evidence where this was available.

**Case studies of PDO/PGI products:** We have detailed evidence on 18 PDO/PGI products from ten countries and partial evidence on a further list of 5 products to address specific evaluation issues. In the context of a total of 779 registered products (June 2008), the analysis is indicative rather than representative. Product selection and data collection was undertaken by country experts with a wider knowledge of the scheme and access to key organisations and companies. This wider understanding has informed the analysis at country level and has allowed us to consider qualitative as well as quantitative issues. However, for most countries (except Italy, France and Spain) there are gaps in the monitoring data and therefore in the analysis.

The use of a common 'questionnaire' has also allowed comparisons between countries and highlighted the large number of different approaches and attitudes to the scheme.

It is also important to consider the subjective nature of some of the data, notably where some producers or organisations have been negatively affected by the scheme (e.g. prevented from using the name or required to produce to strict specifications). These views were presented as 'perspectives' rather than objective statements.

**Secondary evidence:** This has been accessed on a selective 'as needed' basis and cannot be claimed to be comprehensive. We have made efforts to ensure an objective and balanced use of this evidence.

## 5 Usage of the PDO/PGI scheme

In the intervention logic model presented in chapter 2 of the report, two of the expected results or outputs of the implementation of the PDO/PGI scheme were:

- On the supply side of the market for agricultural and food products, the scheme is expected to be taken up and a number of names are expected to be protected by the PDO/PGI scheme; and,
- On the demand side of the market, consumer awareness and knowledge of PDO/PGI indications and symbols.

This chapter examines to what extent these two results have been achieved.

In a first part, the chapter focuses on the supply side results of the scheme.

- To that end, a first section provides information on the usage of the PDO/PGI scheme in the different Member States, namely on the number of names which have been protected under the PDO/PGI scheme in each of the EU27 Member States, and some information on the number of producers and processors producing PDO and PGI products and the turnover attributable to all PDO and PGI products. It should be noted that information is very limited as, typically, the various national statistical agencies, Ministries of Agriculture and other institutions active in the agriculture and food processing sectors do not collect such detailed PDO/PGI information.
- The second section reviews the usage of the PDO/PGI scheme in the different food categories, focusing on the differences in registration of names across different food categories.
- To better understand the factors affecting the take-up rate, the third section reviews the incentives and disincentives faced by the various stakeholders in the value chain (producers, processors, traders and retailers) in taking up the PDO/PGI scheme.
- In the same vein, the fourth section reviews the costs and benefits of participation in a PDO/PGI scheme accruing to the value chain stakeholders.

In the second part, the chapter focuses on the demand side of the scheme.

- Therefore, a fifth section of this chapter addresses the costs and benefits of the PDO/PGI scheme to consumers.

- The sixth section analyses the use and perception of the European PDO/PGI symbols by the consumers.

Finally, in the third part of the chapter, we review the costs and benefits of the PDO/PGI scheme for public authorities.

## 5.1 Part I: The supply side results of the scheme

As noted above, the analysis of the supply side results of the scheme starts with a review of the actual usage of the scheme.

The usage of the PDO/PGI scheme can be measured in a number of different ways such as the number of registered product names (see 5.1.1), the number of businesses producing under the scheme (see 5.1.3) and the turnover of products with protected names (see 5.1.4). In addition, this section also provides detailed information on the usage of the scheme (proxied by the number of name registrations) for different agricultural and food products (see.5.1.5)

Unfortunately, comprehensive data is available only for the first of these indicators as names are registered at EU level.

Data on the number of producers of PDO/PGI products is available at national level for France, Italy and Spain, and partially for Belgium (for the Walloon region only) and Greece. Data on turnover attributable to PDO/PGI products is available at national level only for France, Germany, Italy and Spain.<sup>42</sup> However, in some instances even this data is incomplete and not recorded on a consistent basis.

Before proceeding to the actual analysis, we provide a brief overview of the literature on PDO/PGI usage.

### 5.1.1 Review of the Literature

In a number of studies, PDO/PGI usage has been measured by the total numbers of registrations. Generally, these studies compare the number of registrations by country and by sector and focus on assessing the reasons for discrepancies in uptake of the PDO/PGI scheme in different EU countries, and more specifically, in understanding why most registrations take place in southern EU countries.

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<sup>42</sup> Data on turnover is available at the national aggregate level, but can be confidential at the individual firm level.

A strand of the literature explains these differences as a consequence of different political and institutional factors. For example, Dimara et al. (2004) note the importance of institutions in encouraging the implementation of PDO and indicate that greater uptake of the scheme can be found in southern countries where institutional support traditionally existed.

Lee and Rund (2003) note the wide variation in the level of usage of GI protection measures across the EU Member States, and the fact that the products registered are concentrated in Southern Europe.<sup>43</sup> They suggest that significant reasons explaining this disparity may be climate and weather. They argue that the temperate climates in Southern European countries mean that products from these regions tend to be heavily agricultural and are more likely to be harvested, produced and prepared locally. By the same token, Northern European countries which face more severe weather are less likely to produce agricultural products and thus more likely to deal in finished products. They also note the high degree of product specialization by country (honey: Portugal; Olive and olive oil products: Greece and Italy; Pork: Italy, Poultry: France).

Most researchers tend to explain the different rates of usage by pointing to differing legal and administrative set-ups, and differing traditions of protecting food products under various types of laws. For example, some suggest that as northern and eastern European countries lack a tradition of protecting appellations of origin, they lag behind in the EU Regulation system. Folkesson (2005) notes the north-south divide within the EU in terms of the number of names protected, as reflected by the fact that the countries with a long experience of protection of appellations of origin (France, Italy, Spain, Portugal) top the list.

Another strand of the literature has focused on socio-cultural determinants. Moran (1993), and Ilbery and Kneafsey (2000) point to the food culture differences to explain differences in uptake between northern and southern Europe.

Other differences in registration rates have been associated by various authors with the following reasons:

1. There is disparity in the national procedures.

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<sup>43</sup> Lee, J. and Rund, B. (2003) *EU-Protected Geographic Indications: An Analysis of 603 Cases*, GIANT Project, American University. [http://www.american.edu/ted/giant/pubs/eu\\_analysis.doc](http://www.american.edu/ted/giant/pubs/eu_analysis.doc)

2. Country-specific institutional characteristics affect the usage of the scheme. These institutional characteristics include: the relative importance of the agro-food sector; the power of different lobby groups; the different approach to free-trade and protectionism; the economic performance of food suppliers; and the development of food supply chains in different EU Member States.
3. The different social-cultural context of the geographical locations (demographic factors and consumer preferences) influences the degree of development of the scheme.
4. The depth of variety within a particular product group may also contribute to the differences in usage of the scheme across product categories as a greater variety of products implies that a greater number of products may potentially seek registration as a PDO/PGI. For example, the number of different cheeses produced in the EU27 is very large. Reflecting this variety and diversity in cheese production, there are 156 cheese names registered for protection.

Some authors also note that measuring usage with the number of registrations has some limitation. In some cases it is possible for producers to register their product names as PDO/PGI but not make any use of the registration in the market place. In these circumstances, simple numbers of registered names do not give an accurate measure of *actual* usage of the PDO-PGI in the market place.

### 5.1.2 Number of registered PDO/PGI names

According to recent information (June 2008), 779 names have been registered as PDO or PGI (446 PDOs and 333 PGIs). However, there is a large disparity in the number of registered names across the Member States:

- Italy and France have considerably more registrations than any other Member State. These two Member States account for more than 40% of the total number of names registered as a PDO or a PGI.
- A second group of countries, Spain, Portugal and Greece and Germany each have between 111 and 69 registered names.
- These six countries account for almost 90% of all registrations at present (Table 19).

**Table 19: Registered PDO and PGI names by country**

Member State	PDO	PGI	Total PDO/PGI
IT	111	56	167
FR	75	82	157
ES	63	48	111
PT	57	48	105
EL	62	23	85
DE	37	32	69
UK	15	15	30
AT	3	9	12
CZ	8	4	12
NL	5	1	6
BE	2	3	5
IE	1	3	4
LU	2	2	4
DK	0	3	3
PL	2	0	2
SE	0	2	2
CY	0	1	1
FI	1	0	1
HU	1	0	1
SI	0	1	1
SK	1	0	1
EE	0	0	0
LV	0	0	0
LT	0	0	0
MT	0	0	0
BG	0	0	0
RO	0	0	0
Total	446	333	779

Source: [http://ec.europa.eu/agriculture/qual/en/1bbab\\_en.htm](http://ec.europa.eu/agriculture/qual/en/1bbab_en.htm) (June-08)

In the old Member States<sup>44</sup> there are 234 more registrations in 2008 than there were in 2000 (Table 20).

More than two thirds of the new registrations between 2000 and 2008 came from Italy, France and Spain. This amounts to between around 6 and 8 additional registrations per year in these Member States.

<sup>44</sup> The Member States which were in the European Union prior to the accession round of 2004.

The remainder of the new registrations came mainly from Portugal, where there have been almost four new registrations per year since 2000.

There have been less than 10 new registrations in the last 8 years in each of the other EU15 Member States (see Table 20).

**Table 20: Evolution of the number of registered PDO and PGI names**

Country	2000	2003	2008	Increase (2000-2008)
ES	44	71	111	67
IT	109	124	167	58
FR	110	131	157	47
PT	76	85	105	29
DE	60	66	69	9
EL	76	83	85	9
UK	25	27	30	5
IE	0	3	4	4
BE	3	4	5	2
NL	4	5	6	2
SE	1	2	2	1
AT	11	12	12	1
FI	1	1	1	0
DK	3	3	3	0
LU	4	4	4	0
CZ	0	0	12	Not applicable
PL	0	0	2	Not applicable
CY	0	0	1	Not applicable
HU	0	0	1	Not applicable
SI	0	0	1	Not applicable
SK	0	0	1	Not applicable
<b>Total</b>	<b>527</b>	<b>621</b>	<b>779</b>	<b>234</b>

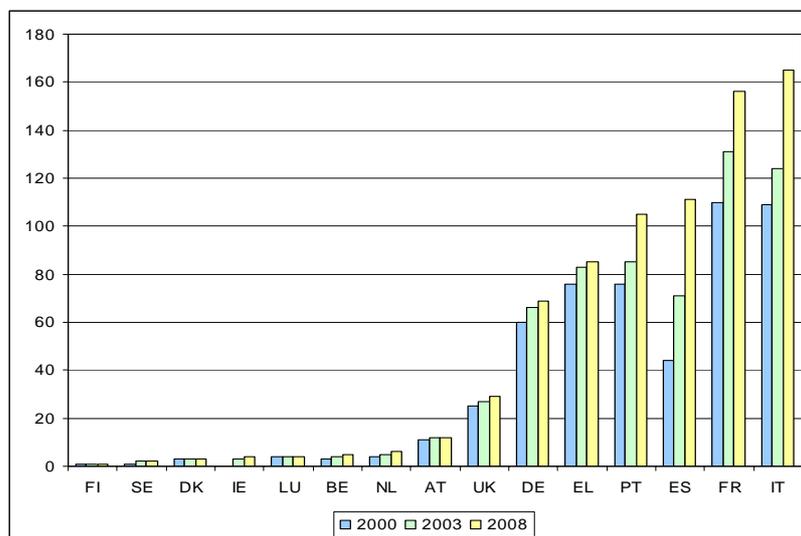
Notes: \* Not applicable because the Member State joined the European Union only in 2004

Sources: Barjolle, D. and Sylvander, B., (2000), and [http://ec.europa.eu/agriculture/qual/en/1bbab\\_en.htm](http://ec.europa.eu/agriculture/qual/en/1bbab_en.htm) (June-2008)

Among the new Member States, the take-up has been low so far except in the Czech Republic where there have been a total of 12 registrations since accession, or three per year (Table 20).

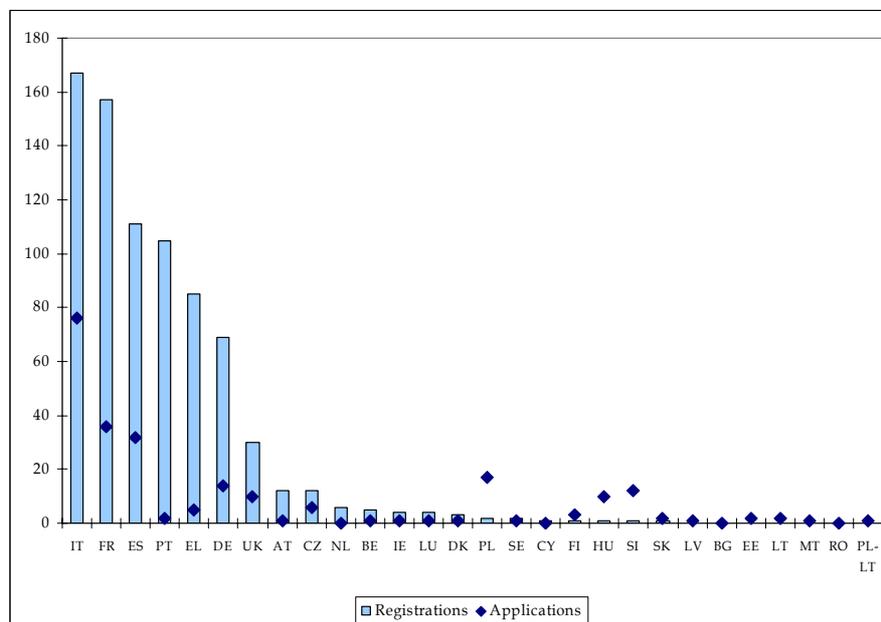
However, these findings have to be seen in light of the number of applications that are pending at the European Commission. Among the New Member States, the number of such applications is particularly high for Poland (Figure 5).

**Figure 4: Evolution of the number of registered names - EU15 Member States**



Sources: Barjolle, D. and Sylvander, B., (2000), and [http://ec.europa.eu/agriculture/qual/en/1bbab\\_en.htm](http://ec.europa.eu/agriculture/qual/en/1bbab_en.htm) (June 2008).

**Figure 5: Number of registrations and pending applications at the EC by Member State**



Source: EU Commission DG Agriculture. (June 2008).

Figure 5 clearly shows that the number of protected names under the PDO/PGI scheme varies markedly across Member States. While in the case of New Member States this may in part reflect a lag in the adjustment to the post-accession regime, other factors are also likely to have an influence.

One obvious factor is the wide disparity in the size of the agriculture sector in the different Member States. To the extent that the number of opportunities to produce products, whose names could be registered as PDOs or PGIs, is related to the overall size of the agriculture sector, one would expect that, everything else being equal, larger agricultural sectors have more PDOs and PGIs.

Obviously, other factors such as the overall support and encouragement given by public authorities to producers (farmers and/or processors) to apply for a protected name and different food cultures will also be key determinants of the difference in the take up of the scheme across the EU27.

In the following pages, we examine first whether differences in the size of the agricultural sector are indeed a factor explaining differences in the take-up of the scheme across the EU27. To that end, we computed the correlation between Member States' share of protected names under the PDO/PGI scheme and Member States' share of EU27 value added generated by the

agriculture sector. The correlations are reported below separately for PDOs and PGIs.

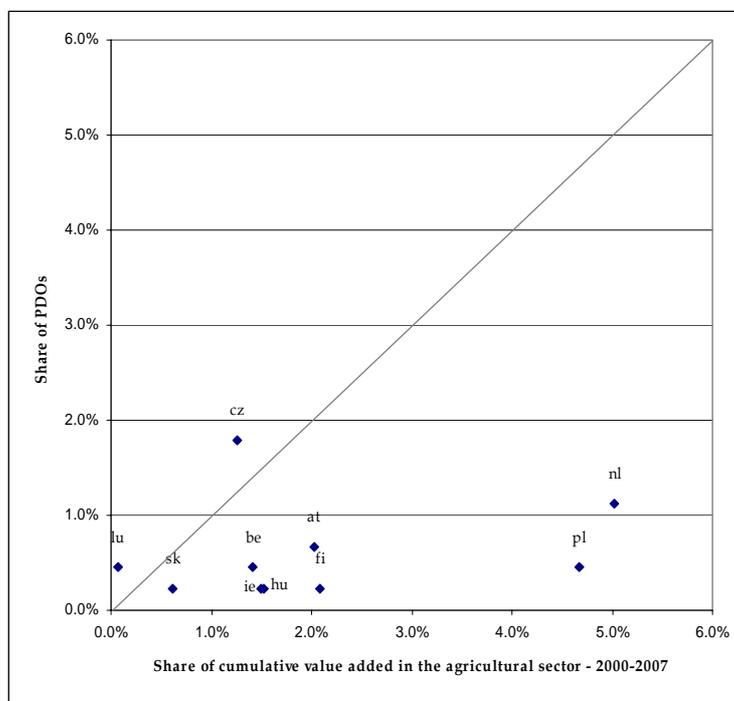
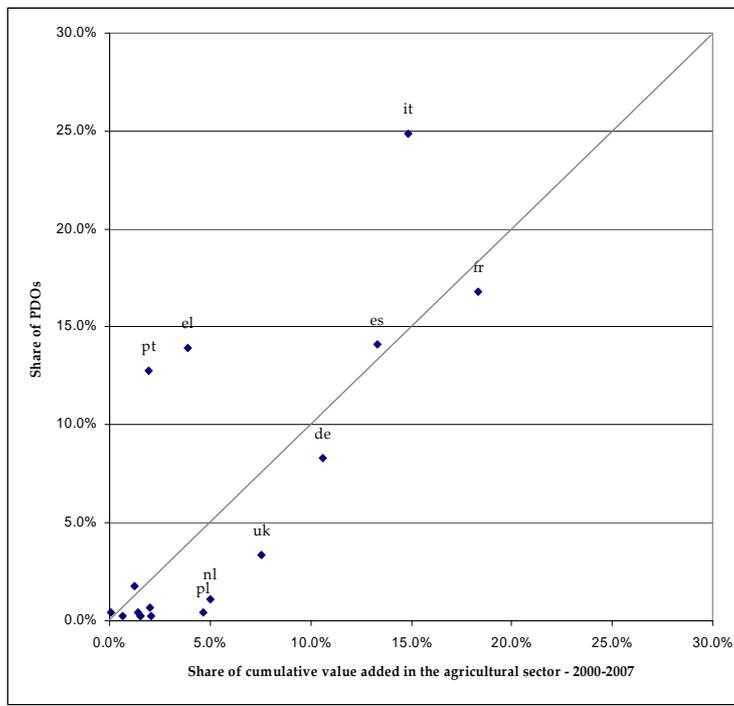
For the purpose of this correlation analysis, value added in the agriculture sector was defined as the value added (as reported by Eurostat) of Nace sections A and B: Agriculture, hunting, forestry and fishing. As the number of protected names in June 2008 reflects successful applications for protection over many years, we used a Member State's share in the cumulative EU27 value added over the period 2000-2007, the longest period for which there exist data for all 27 Member States in the Eurostat database. Value added at current prices was used instead of value added at constant prices because the latter data are not available for all Member States in the Eurostat database.

The computed correlation coefficient is equal to 0,81 in the case of PDOs and 0,87 in the case of PGIs. In other words, the correlation between the Member States' share of total PDOs or PGIs and their share of EU27 agriculture is high, suggesting that one of the key factors explaining the differences in the number of PDOs and PGIs across Member States is the size of the agriculture sector.

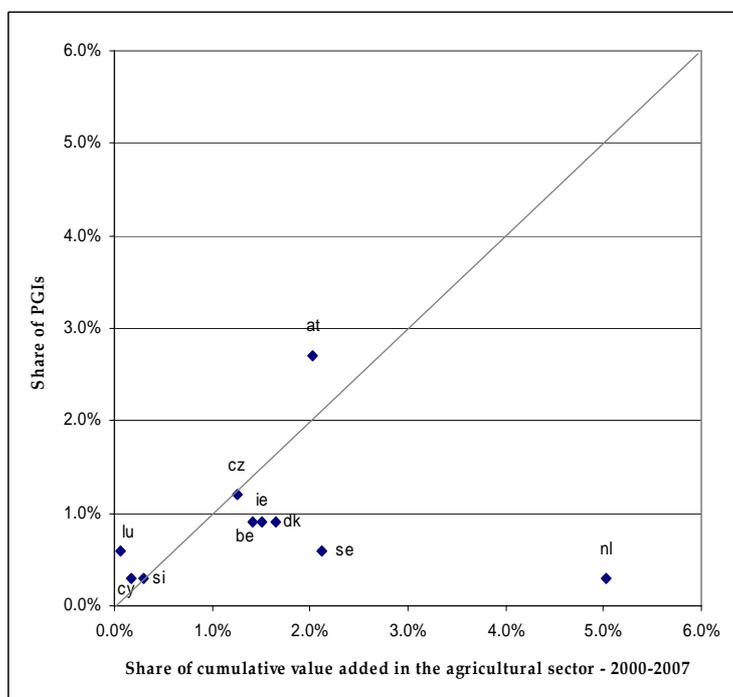
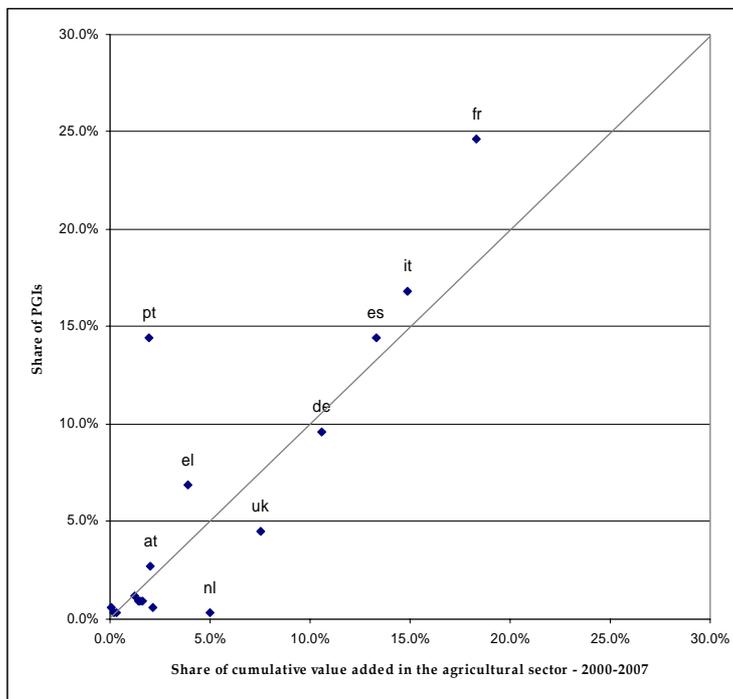
But, additional factors appear to have an influence as well, as shown by Figure 6 and Figure 7. Some countries show noticeably higher shares of PDO/PGI registrations relative to their shares of value added, namely Greece, Italy and Portugal in the case of PDOs, and, France and Portugal in the case of PGIs.

On the other hand, the UK, the Netherlands and Poland show a somewhat lower share of PDOs than their share of EU27 agriculture value added. In the case of PGIs, the UK and the Netherlands again show a markedly lower share of protected names.

**Figure 6: Member State shares of value added in the agricultural sector and PDO registrations**



**Figure 7: Member State shares of value added in the agricultural sector and PGI registrations**



In order to refine further the analysis of why the take-up of the PDO/PGI scheme varies across Member States, we examined whether differences in support for the scheme from public authorities, differences in food cultures and differences in EU accession date may be contributing factors.

To that end, as noted earlier in the methodology chapter we estimated econometrically the following model:

$$(2) \text{ Number of PDOs (or PGIs) } = \alpha + \beta * \text{ Size of the agriculture sector} + \delta * \text{ Dummy encouragement} + \gamma * \text{ Dummy food culture} + \eta * \text{ Dummy New Member State} + \varepsilon$$

The model coefficients to be estimated are  $\alpha$ ,  $\beta$ ,  $\delta$ ,  $\gamma$  and  $\eta$ .  $\varepsilon$  represents the random error term.

It should be noted that we also tested whether other characteristics of the implementation and administration typology (presented in section 3.8) explained any differences in take-up rates of the PDO/PGI scheme across the EU but none of the various characteristics was found to be statistically significant in variants of model (2). Therefore, these estimation results are not presented here.

The model was estimated for the number of PDOs alone, the number of PGIs alone and the combined number of PDOs and PGIs.

As part of this statistical analysis of different potential factors explaining the difference in the number of registered names across the EU27, we also examined whether differences in institutional arrangements for the responsibility of the scheme mattered. In particular, we explored whether the fact that a national patent office was the main or an important institution in the application process had any influence on the number of name registrations. The statistical analysis shows that this is not case and therefore the additional estimation results are not reported here.

The estimation results are reported in the table overleaf.

They show that the size of the agricultural sector is an important determinant of the variation in the number of PDOs and PGIs across the EU27.

A Member State, whose agricultural sector is €1 billion larger than that of another Member State, is likely to have 2 PDOs and 1 PGI more than the Member State with the smaller agricultural sector.

<b>Table 21: Model of the determinants of the variation in the number of PDOs and PGIs across Member States</b>			
Model variable	PDOs	PGIs	PDOs + PGIs
Constant	-7,30	-4,04	-6,60
Sector size (€ bn)	1,62**	1,25**	2,85**
Support	13,95*	10,70*	20,47*
Food culture	31,79**	20,60**	49,8**
NMS	-15,46*	-12,85**	-21,36*
R <sup>2</sup>	0,2254	0,2965	0,2428

Note: \* significantly different from 0 at a 5% level, \*\* significantly different from zero at a 1% level

While the size of the agricultural sector is an important determinant of the variation in the number of PDOs and PGIs, the other factors discussed above also play a critical role. The estimated coefficients of these additional variables are all statistically significant and they imply, everything else being equal, that:

- A Member State where authorities provide strong encouragement and support to PDO/PGI applicants will, on average, have 14 more PDOs and 11 more PGIs than a Member State where authorities do not provide such encouragement and support;
- A Southern European Member State will, on average, have 32 more PDOs and 21 more PGIs than a non-Southern European Member State, and this is irrespective of the level of support from the authorities for the PDO/PGI scheme;
- Finally, a New Member State will, on average, have 15 fewer PDOs and 13 fewer PGIs than an old Member State.

Thus, to summarise, the estimation results show that, besides the differences in the size of the agricultural sectors of the EU, a number of additional factors contribute to the observed differences in the take-up rate of the scheme across the EU27.

In Member States where strong encouragement and support for the scheme is provided by the authorities and where there is a strong regional food culture there is a higher take-up of the scheme. The fact that there are fewer

registrations in the New Member States shows that it takes time (at least a few years) for the scheme to become established in a country.

### 5.1.3 Number of PDO/PGI producers

At the present time, data on the number of producers of PDO/PGI products (farmers and processors) is only available for France, Italy and Spain, and partially for Belgium (for the Walloon region only) and Greece (which is in the process of creating a register). Other countries only have official data on the number of registered names.<sup>45</sup>

The number of farmers and processors producing PDO/PGI products in Italy, France and Spain is reported in Table 22. In Italy, farmers producing PDO/PGI products represent just 3,4% of all farmers. This is low compared to processing firms producing PDO/PGI products which represent 17,7% of all processing firms. If a co-operative is a processor producing a PGI it is counted among the processors. If its members are producing the product, the members are counted as the producers, either at the farming or processing stage.

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<sup>45</sup> Groups of producers are given in the application for each PDO/PGI, but these lists are not exhaustive or up-to-date because producers can take-up or stop PDO/PGI production after the registration process.

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**Table 22: Usage of the PDO/PGI scheme by farmers and processors**

Country	Producer type	Involved in production of PDO or PGI products	Percentage of all farmers/processing firms
Belgium - Wallonia only	Producers	80	
Italy	Farmers	54.678 <sup>1</sup>	3,4% <sup>2</sup>
	Processing firms	5.745 <sup>3</sup>	17,7% <sup>4</sup>
France <sup>5</sup>	Farmers (PDO)	46.800	14,7%
	Farmers (PGI)	9.150	2,9%
Hungary	Processor <sup>1</sup>	1	
Spain	Processors	1.905 <sup>6</sup>	--
Greece	Farmers	--	--
	Processors	538 <sup>7</sup>	--

Note: (1) There is only one registered PDO in Hungary although 11 are at the application stage  
<sup>1</sup> Istat (2006). <sup>2</sup> PDO/PGI farmers as a percentage of all farmers who declared to sell agricultural products on the market in the 2000 Italian Agricultural Census. Istat (2000). <sup>3</sup> Istat (2006) <sup>4</sup> PDO/PGI processing companies as a percentage of all food companies with 3 or more workers (2005), Source Federalimentare. <sup>5</sup> The number of farmers excluding wine and certified products has been estimated using the following information: There are 48 000 farms, or 15,1% of all farms, under AOC (of which approximately 97,5% are under the PDO). There are 25.000 farmers, or 7,9% of all farms, under Label Rouge scheme (of which approximately 36,6% are under the PGI), PGI also includes farms under Certification scheme (CCP) in France (number unknown). Source INAO. <sup>6</sup> MAPyA 2005. <sup>7</sup> AGROCERT data base.

#### 5.1.4 Turnover attributable to PDO/PGI products

Data on turnover attributable to PDO/PGI production is only available for France, Germany, Italy and Spain.

The composition of turnover for these countries is detailed below:

- The contribution of quality and origin labelled food products in general (including PDO/PGI) to the French agro-food economy is important. Turnover attributable to PGI products is estimated by the French Ministry of Agriculture and Fisheries (SCEES) to be equal to € 1,1 billion (2,5% of total turnover of agricultural production) and 1,7 billion Euros for PDO products (3,8% of total turnover of agricultural production) in 2004.
- In Germany, a survey by Becker (2007) shows that the total turnover of PDOs/PGIs measured at the processors' gate was €4,4 billion in 2006, or

2,2% of the combined production value of agriculture and food processing. These figures appear high relative to the number of registered PDO/PGI products in Germany (only 69 compared to more than 100 in France, Italy and Spain). However, the high turnover level may be due to higher levels of production for each of these products.

- In Italy, it is estimated (Rosati, 2007) that the turnover of PDO/PGI products reached € 4,9 billion in 2006. Cheese, processed meats and salami account for 95% of the PDO/PGI turnover; fruit around 3%; and olive oil just 1,1%. More than 60% of the total production value comes from only 4 products: Parmigiano Reggiano, Grana Padano, Prosciutto di Parma and Prosciutto di San Daniele.
- Data from the Spanish Ministry of Environment and Rural and Marine Affairs (MAPyA) indicates that 95% of the total turnover for Spanish PDO/PGI products is represented by cheese, meat products, ham, virgin olive oil, bread and pastries, vegetables and fruits. The total turnover of PDO/PGI products was €884 million in 2005. This is about 1% of the combined production value of agriculture and food processing.

There are no official data on the turnover attributable to PDO/PGI products in Greece. However the Ministry of Rural Development and Food does provide data on the quantities produced of three PDO cheeses including Feta, the most important registered name in Greece, and some other non-PDO/PGI cheeses (Table 23). The large volume of Feta production is a good indicator of the importance of the PDO product to Greek agriculture.

**Table 23: Production of Feta PDO and other Greek cheeses (2002)**

	Feta PDO	Soft cheese from cow's milk	Kasseri PDO	Kefalotyri	Kefalograviera PDO	Telemes
Production (tons)	93.642	7.213	5.324	3.469	3.617	5.921

*Source: Ministry of Rural Development and Food.*

To conclude, there exists very little data regarding the contribution of PDO and PGI products to the overall turnover of the agro-food sector. That being said, the information available for a few countries with a high number of PDOs/PGIs suggests that the contribution of the PDOs/PGIs is small but not insignificant, accounting for between 1% and 5% of the turnover of the agro-food sector.

**Table 24: Number of PDOs/PGIs and contribution of PDOs/PGIs to the turnover of the agro-food sector**

Country	Number of PDOs/PGIs	Share of EU27 PDOs/PGIs	Turnover attributable to PDOs/PGIs (€ billion)	Contribution to turnover of agro-food sector
Italy	167	21,4%	4,9 (2006)	n.a. <sup>1</sup>
France	157	20,2%	2,8 (2004)	5,3% (agriculture production only)
Spain	111	14,2%	0,9 (2005)	Less than 1%
Germany	69	8,8%	4,4 (2006) <sup>2</sup>	2,2%

Notes (1) = Data for Italy are not available because turnover of food processing sector is confidential in the Eurostat database; (2) This appears high relative to the number of PDO/PGIs, however this may be due to high production levels for each of these products. (3) The agro-food sector comprises the agricultural and food processing sectors.

Source: London Economics calculations based on data reported earlier in the report and Eurostat data.

### 5.1.5 Usage of the Scheme in the Different Food Sectors

So far, the focus of the analysis was on the overall number of PDOs/PGIs. The present sub-section provides an analysis of usage by broad product category.

The data reported in Table 25 show a clear concentration of registrations in a small number of categories: 'Fruit, vegetables and cereals', 'Cheeses', 'Fresh meat (and offal)', 'Oils and fats/olive oils' and 'Meat-Based Products'. These 5 categories account for over 80% of all registrations.

There is also a clear distinction between product categories in terms of use of the PDO and PGI designations:

- 83%-94% of the total registrations in the categories 'Cheeses, Oils and fats/olive oils', 'Other drinks', 'Other products of animal origin' and 'Table olives' are PDOs.
- 70%-100% of registrations in the categories 'Fresh meat (and offal)', 'Meat-based products', 'Bread, pastry, cakes confectionary', 'Beer' and 'Fresh fish, molluscs and crustaceans' are PGIs.
- The 'Fruit, vegetables and cereals' category shows less of a tilt to either PDOs or PGIs.

**Table 25: Registered PDO and PGI names by food sector**

Category	PDO	PGI	Total
Fruit, vegetables and cereals	66	103	169
Cheeses	151	12	163
Fresh meat (and offal)	25	82	107
Oils and fats/olive oils	90	14	104
Meat-Based Products	26	60	86
Other drinks	34	5	39
Bread, pastry, cakes, confectionery	1	25	26
Other products of animal origin	20	4	24
Beer	0	17	17
Table olives	15	1	16
Fresh fish, molluscs and crustaceans	3	10	13
Non-food products and others	9	0	9
Other annex I products	6	0	6
Total	446	333	779

Source: [http://ec.europa.eu/agriculture/qua/en/1bbab\\_en.htm](http://ec.europa.eu/agriculture/qua/en/1bbab_en.htm) (May-08).

In a previous section, we showed that the correlation between the Member States' share of EU27 agriculture production and their share of PDOs/PGIs was high. To complement this correlation analysis, we also computed a similar correlation coefficient between the Member States' share of the production of a certain PDO/PGI product category and their share of PDOs/PGIs in that product category. The results of such a correlation analysis are reported in Table 26.

In most cases, the correlations were calculated using data on production (in volume) from DG Agriculture and Rural Development's annual publication of statistical and economic information. In the case of the meat-based products and bread, pastry, cakes and confectionary products, we used data on turnover as reported in the Eurostat Structural Business Statistics. In the case of the fresh fish, molluscs and crustaceans product category, we used the sector's value added as reported by Eurostat in the industrial GDP data, and, finally, in the case of beer, we used the Eurostat data on beer production in volume.

In a number of cases, the link between Member States' share of production of a particular product and their share of PDOs/PGIs pertaining to that product category is less strong than at the aggregate level.

However, there are a number of opposite examples. For example, the correlations are particularly strong for the fresh fruit and vegetables product categories. There is also a very strong correlation between production of olive oil and PDO registrations in the olive oil sector.

Furthermore, the correlations between production and the number of registrations for the non-citrus fruit (PDO and PGI), cheese (PDO), poultry (PGI), mineral water (PDO) and beer (PGI) product categories are also relatively high (more than 0,6 in all cases).

Interestingly, the product categories showing a high correlation (fresh fruits PGI, fresh vegetables PDO and PGI, olive oil PDO, non-citrus fruit PDO and PGI, cheese PDO, poultry PGI, mineral water PDO and beer PGI) account for more than 2/3 of the PDOs/PGIs included in the detailed correlation analysis (the product categories with less than 6 PDOs or PGIs were excluded from the analysis because of the small sample size).

Overall, the results reported above clearly suggest that a number of factors other than production volume play a role in explaining the variation in the number of PDOs/PGIs in a specific product category across Member States.

Nevertheless, in a good number of cases, the variation across Member States in the size of the production of a certain product category appears to be a relatively good predictor of the distribution across Member States of the number of PDOs and PGIs in that product category.

**Table 26: Correlation coefficients between Member States' shares of production and PDO/PGI registrations for different product groups**

Sector	PDO	PGI
<b>Fruit and Vegetables (66, 103)<sup>1</sup>:</b>		
Fresh fruit (28, 36)	0,64	0,81
Non-citrus fruit (27, 23)	0,63	0,64
Citrus fruit (1, 13) <sup>2</sup>	n.a.	0,44
Fresh vegetables (12, 44)	0,73	0,92
Apples (6, 9)	0,36	0,29
Potatoes (4, 6)	n.a.	0,11
<b>Cheese (151,12):</b>	0,64	0,44
<b>Fresh meat (25, 82):</b>		
Beef/veal (11, 20)	0,04	0,49
Sheep/goat (10,2 3)	0,36	0,47
Pork (2, 6)	n.a.	0,44
Poultry (2, 33)	n.a.	0,63
<b>Oils and fats/olive oils (90, 14):</b>		
Olive oil (82, 12)	0,91	0,40
Butter (6, 0)	0,33	n.a.
<b>Meat based products (26, 60):</b>	0,24	0,26
<b>Other drinks (34, 5):</b>		
Mineral water (31, 0)	0,61	n.a.
<b>Bread, pastry, cakes and confectionary (1, 25):</b>	n.a.	0,42
<b>Other products of animal origin (20, 4):</b>		
Honey (16, 1)	0,16	n.a.
<b>Beer (0, 17):</b>	n.a.	0,71
<b>Fresh fish, molluscs and crustaceans (3, 10):</b>	n.a.	0,26

Note: <sup>1</sup> Number of PDOs (first) and PGIs (second) registrations in parentheses. <sup>2</sup> Where there are less than 6 registrations no correlation is presented.

### 5.1.6 Incentives and disincentives for producers, producers' groups, retailers and traders

In the previous section, we showed that the number of PDOs and PGIs varies markedly across Member States.

As the PDO/PGI application process is entirely voluntary, incentives faced by the various stakeholders of a product's value chain will be an important factor in driving the number of applications, and eventually, registrations.

Therefore, this sub-section examines the incentives for producers, producers' groups, traders and retailers to use the PDO/PGI scheme. The evidence is based on information from the interviews with producers, producers' groups, traders, retailers and public authorities undertaken as part of the case studies.

But, first we provide a brief overview of the findings from the literature.

### *Findings from the literature*

A number of previous studies have investigated the incentives and disincentives of PDO/PGI registration. Reputation, the quality signalling power of a protected name, protection of the name against fraudulent use and a potential price premium are obvious potential incentives to apply for the registration of a geographical indication.

However, the DOLPHINS WP3 report indicates that, often, in France, Italy, Portugal, and Spain (the four Member States accounting for almost 70% of all protected names), very small producers are not interested in protecting their products' names. This is because they perceive that the estimated price premium would not be sufficient to cover certification and 'transformation' costs (Belletti and Marescotti, 2002) and they rely on very short local distribution channels.

Other disincentives are identified by Tregear et al (2007), who point to the fact that the process of registration can be a source of conflict between different actors, whilst also noting that the process may also foster interaction and debate, and lead to the establishment of interest groups.

In the next sub-section we summarise the reasons cited by various value-chain stakeholders for taking up or not a registration.

### *Reasons given by producers for taking-up the scheme in the 10 case studies*

The main reasons (Table 27) given by the producers interviewed in the case studies for taking up the scheme are a mix of non-economic and economic reasons. They include affinity with the region and protection of tradition, marketing, gaining/securing market share to keep businesses viable or profitable through the protection of the use of names, or sending quality assurance signals to consumers. It is important to note that producers could give more than 1 reason for taking up the scheme. Below, we focus on the economic reasons:

- In the case of Toscano, the most frequently quoted reasons were the use of the protected name for marketing (8 out of 12 producers) and guarantee of quality for consumers (6 out of 12).

- Some indirect benefits related to building reputation through PDO/PGI production are also mentioned: 5 out of 12 producers of Toscano quoted this reason.
- The exclusive right to use the name was quoted by 5 out of 5 producers of Jersey Royal Potatoes, 3 out of 8 producers of Feta and 2 out of 4 producers of Fromage de Herve.
- Producers of Riz de Camargue quoted pride in growing and processing rice from Camargue as the main reason for taking up the scheme (13 out of 17 interviewees).
- The most common reason for using the scheme given by producers of Sitia Lasithi Kritis was that the PDO is a good marketing tool (4 out of 6 producers).
- The most common reason amongst producers of Jamón de Teruel was differentiation of the product in the market place (7 out of 9 producers).
- Each of the three interviewed producers of Szegedi Szalámi cited exclusive rights to the name, the value of the scheme for marketing and higher price as reasons for taking up the scheme.
- The most common reasons for taking up the scheme cited by producers of Szegedi Fűszerpaprika were to protect the production process and quality of the product, consumer guarantee of origin, use as a marketing tool and higher market shares, prices and profit margins (all cited by 7 out of 7 producers).
- The interviewed producers' group of Lübecker Marzipan mentioned EU-wide protection of the brand name as the main reason for taking up the scheme. Producers of Lübecker Marzipan also mentioned independent quality certification and the competitive advantage due to increased consumer attachment to the product. However, it is important to note that these advantages already resulted from the trademark "Lübecker Marzipan" which had been established and protected in Germany and selected other countries before the PDO/PGI scheme came into existence. The additional advantage of the PGI protection is the extension of the trademark protection (and all the advantages that result from it for the producers) to all EU Member States.
- Producers of Volaille de Bresse cited increased profit margins, greater added value and the improved reputation of the firm as reasons for taking up the scheme (all cited by 5 out of 9 producers).

Reasons given for not taking up the scheme include the high production costs and uncertainty about market rewards (Table 27).

**Table 27: Reasons given by producers for taking up and not taking up the scheme**

Reason for taking up the scheme	Reason for not taking up the scheme
<p>Supply:</p> <ul style="list-style-type: none"> <li>• Protection of names/exclusive use of names (9)</li> <li>• Increase own firm's reputation (4)</li> <li>• More value added (10)</li> <li>• Increase/retain profit margins (9)</li> <li>• Keep business viable (14)</li> <li>• Stability of prices (1)</li> </ul> <p>Marketing:</p> <ul style="list-style-type: none"> <li>• Useful marketing tool (17)</li> <li>• Quality assurance signal (11)</li> <li>• Access to new markets (3)</li> <li>• Differentiation of product (14)</li> <li>• Traceability (3)</li> <li>• Credibility of product (2)</li> </ul> <p>Demand:</p> <ul style="list-style-type: none"> <li>• Higher price premium (2)</li> <li>• Increase/secure market share (4)</li> </ul> <p>Consumer:</p> <ul style="list-style-type: none"> <li>• Consumer guarantee of quality and origin (5)</li> <li>• Consumer affinity with the region (1)</li> </ul> <p>Other</p> <ul style="list-style-type: none"> <li>• Affinity of the producer with the region (23)</li> <li>• Protection of traditions (17)</li> <li>• Affinity with the producer's business philosophy (1)</li> <li>• Job protection (2)</li> <li>• Helps farmers (1)</li> <li>• Regional development and tourism (3)</li> <li>• Was imposed from above (3)</li> </ul>	<p>Costs:</p> <ul style="list-style-type: none"> <li>• High production costs (6)</li> <li>• High marketing costs (1)</li> <li>• Strict inspections (1)</li> <li>• Not sure that good quality control could be enforced along the supply chain (3)</li> </ul> <p>Market:</p> <ul style="list-style-type: none"> <li>• Uncertainty of market demand or low demand (3)</li> <li>• Missing regional roots (no credibility among consumers) (1)</li> <li>• No added value (2)</li> <li>• Have own trademark (1)</li> <li>• No need because strong market position already (1)</li> </ul> <p>Other</p> <ul style="list-style-type: none"> <li>• Not enough public support (1)</li> </ul>

***Reasons given by traders and retailers for selling PDO/PGI products***

Only 10 traders and retailers (from 6 different Member States) out of the 22 who were interviewed responded to the question asking them to describe their reasons for selling PDO/PGI products (Table 28). The reasons cited by the traders and retailers for selling PDO/PGI products are very varied:

- The qualities or characteristics of PDO/PGI products were cited by 7 respondents from Hungary (1 trader and 2 retailers), Belgium (1 retailer), Germany (1 supermarket chain) and Italy (2 retailers);
- Receiving a high price for PDO/PGI products was cited by 4 respondents from Hungary (1 trader and 2 retailers) and Germany (1 supermarket chain);
- Prestige or image of PDO/PGI was cited by 3 respondents from Spain (1 retailer), Italy (1 retailer, the smaller of the two) and Greece (1 retailer stated that “consumers think that PDO/PGI products are of high quality”);
- Consumer demand for high quality, specialist products was cited by 2 respondents from Greece (1 retailer out of 2), Germany (1 supermarket chain).

**Table 28: Reasons given by traders and retailers for selling PDO/PGI products.**

Country <sup>1</sup>	Reasons given by traders and retailers
EL (2)	One respondent replied that consumers think that PDO/PGI products are of high quality. There is a demand for traditional Greek products. The other argued that they want to support Greek products and local producers.
HU (3) <sup>2</sup>	All three respondents cited: a good price for PDO/PGI products, the unique characteristics of Hungarian products and consumer guarantees as reasons for selling PDO/PGI products. One of the three also quoted increased added value and food safety issues as reasons.
BE (1 retailer)	The retailer reports that they sell PDO/PGI products because of the quality of the products and for regionalism.
DE (1 supermarket chain)	Reasons are that PDO/PGI products offer a good price-performance ratio, fit with consumers' demand for specialist products and product information and that these products are often characterised by a unique flavour.
ES (1)	The main reasons stated are the quality and prestige attached to the scheme, which favours the product's image on the market. Directly linked to this is the fact that the scheme provides some security and stability of business.
IT (2 super-markets) <sup>3</sup>	<p>PDOs/PGIs are a quality standard for a given category of products. With the PDO/PGI system it is not necessary to obtain further certifications of quality. The scheme helps to sell specialist products far from the area of origin or where the products are not known by consumers.</p> <p>PDOs/PGIs increase the reputation of shops. They reinforce the image, brand and reputation of retailers especially if they are small. PDOs/PGIs are crucial for the placement of the shop and it is a very good way to differentiate shops from competitors. Nowadays PDOs (especially) and PGIs must be present in shops as they represent one of the reasons why consumers come to those retailers.</p>

<sup>1</sup> Number in parentheses is the number of traders and retailers who responded to this question.

<sup>2</sup> Two family businesses with shops and restaurants. One of these also owns hotels. The third is a trader (not involved in retail) who is heavily involved in exporting, including exporting of paprika.

<sup>3</sup> Firm one represents medium-small supermarkets in towns. Firm two represents big supermarkets and hypermarkets.

### *Public incentives to take up the scheme*

With the exception of Hungary and Sweden, respondents in all countries mentioned some degree of support for the promotion and marketing of protected products. However, there are major differences in the additional incentives to take up the scheme across Member States and this may be one of the reasons explaining the high take-up in Southern Europe.

The case studies show that:

- In Italy, some regions give specific incentives (such as a contribution to expenses, limited to a number of years, generally 3 to 5) to

participate in food quality certified schemes (such as the PDO/PGI scheme).<sup>46</sup> These incentives come mostly from the implementation of the EU regulation on support for rural development.<sup>47</sup> In addition, the Regional Administrations and Ministry of Agriculture help applicant groups prepare applications. Furthermore, by organising regional conferences (“riunione di pubblico accertamento”) the Regional Administrations provide assistance to applicants to help them resolve any disputes.

- Direct incentives are limited in Greece, but may include financial assistance for marketing, promotion and assistance to producers to attend food fairs and exhibitions.
- In Jersey, the government (States of Jersey) bears the costs (application, administration etc.) of joining the PDO/PGI scheme. In addition, farmers and traders are effectively relieved of all direct costs with the exception of bearing the cost of having the PDO label printed on the packaging when this becomes obligatory.
- In the UK, the Department for Environment, Food and Rural Affairs funds a private consultancy company to provide support to applicants during the application process in order to improve the quality of applications.
- In France, the INAO provides assistance to applicant groups in the form of meetings to resolve any queries.
- In Belgium, the producers’ group receives promotional and technical support after take-up. In addition, the authorities responsible for handling applications organise regular meetings with applicant groups and stay in close contact with them in order to help assemble applications.

### ***Barriers to using/expanding PDO/PGI production***

In some circumstances, the PDO/PGI scheme could be seen as a way to deter some types of firms from entering a market. For example, in some cases companies may have to pay a significant fee to the regulatory body which could be disproportionately large for small producers. In other circumstances,

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<sup>46</sup> The regional administration provided funding according to the Regional Development Plan 2000-2006 (EU Rural development policy) to the producers’ group (Consorzio) for Tuscan olive oil for carrying out protection and promotional activities for 5 years and direct funding to cover management costs and certification costs to farmers for the Consorzio della Mela della Val di Non.

<sup>47</sup> Council Regulation (EC) No. 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development.

the specifications might require production practices that are not available to certain types of producers, but that are not particularly relevant for increasing the quality of the product.

However, the results of the case studies show that, in practice, there are generally no barriers to taking up the scheme or expanding PDO/PGI production. Long application waiting times and costs related to PDO/PGI application, certification, inspection and joining producers' groups are mentioned in some cases but are not seen as a major problem.<sup>48</sup>

The case studies show that:

- The price of the raw material (type of almond required in Turrón de Jijona, pig meat in the region for Szegedi Szalámi) or limited capacity in the region to grow feed for livestock (cited by one producer of Jamón Teruel) may be an issue.
- Other barriers mentioned by the interviewees are directly related to the specifications of particular PDO/PGI products. These include, for example, the specific method of production of Turrón de Jijona, which entails a slower process with less output, or the requirements needed to fulfil the product specification, which are seen as time consuming and preventing the replacement of old breeders by younger ones (Volaille de Bresse).
- A physical limit to the expansion of potatoe production due to land scarcity on the island is a barrier, on top of the PDO/PGI scheme, which limits the take-up of the scheme by additional potential producers.

### *Usefulness of the scheme*

#### *General observations*

Whilst standard economic theory clearly tells us that monopolies are harmful to consumer welfare and society in general, the awarding of monopoly rights and protection of certain product names in special cases is justifiable owing to counterbalancing benefits. In this instance, the monopoly rights are granted in respect of the use of the geographical indication of product origin, which is needed to protect both producers and consumers alike due to the presence of asymmetric information in the market for these goods and reputation effects.

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<sup>48</sup> One producer of Tuscan olive oil stated that the certification costs are quite low, and compliance to norms is quite easy, especially if this is compared to other quality schemes.

The theoretical rationale for protection of geographic product names is well presented by the OECD (2000), as summarised below. The two strands of economic theory relevant to a rationale for the use of quality signals such as geographical names are:

- Information theory; and
- Shapiro's model on reputation.

#### *Information theory*

Firstly, it is necessary to understand the nature of the specific product types that qualify for such protection. The OECD (2000) uses the following economic classification of goods, based on the nature of the information that is collected or communicated to consumers, to elaborate on PDO/PGI goods:

- Search goods - Consumers can ascertain quality before buying them;
- Experience goods - Consumers can ascertain quality after buying and using them;
- Credence goods - Consumers cannot ascertain quality even after using them.

In the case of both experience and credence goods, an asymmetry of information exists between producers and consumers which gives rise to market failure. While the producer knows all his product's properties, consumers do not always have easy access to this information. This is particularly the case with credence goods, where quality cannot be fully determined by the consumer, even after the item has been consumed. Thus, the consumer is unable to optimise his/her choices without more information. It is for this reason that significant steps are taken by the private sector and by government, to enhance product information for consumers, including advertising, quality signs and guarantee certificates, and labelling policies. The certification, labelling and protection of geographical indications play an important role in this regard, signalling a certain level of quality that consumers learn to expect.

Asymmetry of information also has consequences for producers and for the quality of the product that is produced. Only when consumers learn about the quality of products, it is meaningful for producers to invest in producing high-quality products. Consider that in a market where products (or services) are not uniform, if only the producer knows and can appreciate the true quality of the product, then consumers cannot distinguish between different quality levels and the products will end up selling for the same price. Therefore, according to Akerlof (1970), as producers do not gain from investing in and producing a high quality product, the consumer must expect to receive lower quality.

### *Reputation*

A second rationale for the protection of geographic indications and products relates to reputation effects. A model of reputation effects has been put forward by Shapiro (1983), concerning the decision of a firm regarding the quality of products to produce with a view to maximising profits, assuming perfect competition but imperfect consumer information.

If a firm decides to produce high quality products, the returns from that decision will be secured in the future, as a result of long-term investment by the producer in building a well established reputation. However, this will only be the case if there is a consumer learning about the quality of the firm's product. Thus, it is only when consumers are aware of quality that the firm has an incentive to invest in its reputation, and it is in this regard that a system of certification of origin, production technique and quality, such as PDO/PGI, comes in.

If consumers buy on the basis of the firm's reputation built up based on past experience, such that consumers have expectations about the product quality they expect, a producer in/entering the high quality market is driven to invest in building the reputation.

The dynamics of the reputation process with high quality products are as follows (Shapiro, 1983): Whilst investing to build reputation, the producer sells at a price below marginal cost. Once the reputation is established, the losses incurred in the setup period require that, in equilibrium, high quality goods must be sold at premium prices as a return on initial investment. The continuation of the premium price (differential between marginal cost and price) precludes against the producer adopting a short-term view, reducing quality to 'cash-in' on the reputation. Shapiro argues that the existence of a premium price should not be viewed as a market failure but rather as a cost due to imperfect information, which are just as real as production costs (Shapiro, 1983).

In summary, protection of geographic names shields consumers from misleading information on the origin of products, and it protects producers against the dilution of an indication, allowing producers to receive, in principle, price premiums for producing high quality products.

The PDO/PGI scheme is more relevant in situations where consumers place a high importance on the origin of the product and in situations where there is high risk of usurpation and misuse of a reputed name.

### *Findings from the case studies*

The case studies show that:

- Greek consumers of Feta PDO and Sitia Lasithi Kritis PDO olive oil place a high importance on the origin of the product and the scheme helps giving credibility to the registered products.
- In Italy, in the case of olive oil, great attention is paid by consumers (and policymakers) to the Italian origin of both olives and the location of the milling. The Government approved a Law obliging firms to trace the product and put on a label stating the country of origin of the olives and the country where the processing took place. In this regard, the PDO/PGI scheme is very useful.

According to the producers' group interviewed during the field work, usurpation and misuse of the name was the main reason for registering Toscano as a PGI.

On the other hand, the scheme may be less useful in situations where the origin or quality of the product can be signalled to consumers by other means, such as a trademark.

#### *Usefulness of the scheme (distribution channels used)*

In terms of the distribution channels used, PDO/PGI is more useful to products (often processed products) marketed through long supply chains (especially export) and less useful to those with direct and short supply chains. This is mainly because traceability and quality signals are more necessary for the downstream actors in the long supply chains while direct and short chains can rely more on direct information and trust.

The case studies show that:

- The use of PGI for marketing the Toscano oil is now absolutely required for producers to access certain markets (export, mass distribution), but this is not so for the oil sold through very short channels, where trust is a substitute for the official symbol and name of the PGI.
- Some distribution channels are less interested in protected name products because they are unaware of the scheme or because they prefer the owner's commercial brand to appear on the product (Mela Val di Non).
- Finally, the scheme may be less useful to producers in situations where alternative protection exists. The well-reputed 'Spreewald' trademark is more recognised than the PGI in national supermarket sales. However, consumers buying directly in the Spreewald region appreciate the local production and the traceability of product that can be guaranteed by the PGI name.

### 5.1.7 Costs and benefits to producers, producers' groups, retailers and traders

#### *Findings from the literature*

A number of studies have investigated the costs and benefits of PDOs for different agents. For example, ADAS (2003) investigated retailers' perceptions of PDOs in the United Kingdom, using in-depth qualitative interviews. This study found that overall basic awareness of the scheme was generally high but retailers were sceptical about its usefulness because consumer awareness was perceived to be very low. Overall, the scheme was perceived as being restrictive of competition and innovation. However, some interviewees were willing to stock PDO goods because of the perception of being in line with consumer trends towards quality and high added value.

Research on the scheme by DG Joint Research Centre<sup>49</sup> has identified a range of costs and benefits of food quality assurance schemes, including the PDO/PGI scheme amongst others. The findings of this study, across all the different quality assurance schemes, illustrate a number of points. Firstly, the study discusses the benefits of such quality assurance schemes by type of beneficiary. For producers, the benefits include market access or the ability to supply a market, higher incomes, better prices for raw materials and protection of artisan processing. Benefits to retailers focus on the assurance of compliance to standards, reduced control requirements and cost reductions. From the point of view of consumers, the quality assurance schemes ensure food safety, animal welfare and product authenticity produced by traditional production methods. Such quality assurance schemes also have wider benefits, such as regional employment creation and maintenance, the support of culture and traditions, as well as preservation of rural landscapes. The higher incomes to farmers is a result of price premiums, but according to their research, such price premiums are not always enough to compensate for higher production costs at farm level.

In terms of costs, DG-JRC provides a distinction between *direct* and *indirect* costs. Direct costs, which are found to be generally modest, refer specifically to the costs incurred in relation to inspections, certifications and membership fees. Indirect costs on the other hand tend to be significantly higher and difficult to quantify, relate to compliance with quality standards (such as upgrading of facilities) and recurrent production costs.

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<sup>49</sup> Summarised by: Hubertus Gay, S. and Gijbers, G. (2007) "Summary of case studies undertaken by the JRC", EC DG Joint Research Centre-IPTS and Innovation Policy Group TNO, Conference: "Food Quality Certification - Adding Value to Farm Produce", 5/6 February 2007.

As the application process for PDO/PGI often motivates the foundation of a producers' group, another benefit of the scheme is the reduced transaction costs for members of the producer and/or retailer group, as found in the case of artisan producers by Barjolle and Chappuis (2000). This is especially pertinent as many of the producers are small and medium sized producers, for whom transaction costs may be large. The better the collective organisation and management of the supply chain by the product association, the greater the impact of the scheme, as concluded by Barjolle and Sylvander (2000).

Dimara et al. (2004) argue that farmers do not perceive PDOs as a serious marketing tool and do not understand their potential benefits. Indeed, their survey of 239 blackcurrant farmers in Greece confirms that certification is perceived as of low importance to product quality.

In a different line of argument, a study of olive oil supply chains in Spain found that distributors welcomed PDOs because they trusted them as quality signals (Canada and Vazquez, 2005). This was particularly relevant for geographically distant distributors, who otherwise could not be able to judge quality. The same study found that PDOs stimulated innovations, such as the introduction of stainless steel tanks.

Moran (1993) makes the point that PDOs allow producers to assert their rights over their products giving them greater power over the intellectual property they have been building. However, Dimara et al. (2004) and Barjolle and Chappuis (2000) note the potential for collectively organised PDO products to result in supply-fixing behaviour (something for which the Parma Ham consortium has been censured by Italian competition authorities, Hayes et al., 2003). However, the authors also argue that the collaboration of small firms in the face of concentrated supply chains is a rational move and cannot be assumed to be monopolistic, as consumers have the opportunity to buy other similar products beyond the PDO.

Recent literature has considered the effects of marketing strategies for PDO/PGI products. The marketing benefit of PDO/PGI in the face of globalised international markets is examined by Belletti et al (2007). They note that so-called origin products succeed on the market as they fulfil consumers' wants in terms of genuinity and authenticity in the face of what the authors term 'food massification', rediscovering old cultural traditions, and so they point to the usefulness of an agrifood product's territorial origin being highlighted in the label is a strategic tool for differentiation. However, the authors find that the effectiveness of PDO/PGI as an internationalisation tool depends on several factors, including: the reputation of the product; the reputation of the territory; the importance attached by consumers to the guarantee of certification; the capability of firms to implement such marketing strategies; and the effectiveness of the collective organisations.

Barjolle and Thevenot-Mottet (2003), in a study of AOC cheese in Haute-Savoie, note how the possibility of participation in a PDO type scheme affects the dynamic of the supply chain: firms start to behave in strategic ways to ensure they are not excluded, and overall there is a tendency towards concentration of activity.

In terms of benefits, a study conducted for the EC DG Agriculture by O'Connor & Co. (2006) identified that geographic indications (GIs), such as PDO/PGI can yield a price premium, which in some cases is significant, over comparator products. In the case of Lenticia Casteluccio di Norcia they found a premium price of 7-8 times that of similar products. Other examples include Lazio Artichoke (1.5 - 2 times comparator price), French cheeses with GIs (additional €3 per kg over non-GI French cheeses), Italian "Toscano" oil (20% premium), Bresse poultry (price is 4 times that of commodity poultry meat) and milk used for French Comté cheese (10% price premium). Outside the EU, the price/lb of Jamao coffee from the Dominican Republic has risen from US\$67 to US\$107 since becoming registered with a GI. The authors cite the key reason for these premia as being the control of quality and quantity, which they argue can only be achieved through property rights for producers over the product brand name.

Other researchers, such as Caceres-Clavero et al (2007), have drawn attention to the uneven distribution of the price premium along the supply chain. They find that in the case of Dehesa de Extremadura PDO, a cured ham, the premium decreases along the supply chain closer to the consumer.

O'Connor & Co. (2006) also identify a case where PDO has been used as a development tool: Lentilles vertes du Puy in France. Since registering as a PDO in 1992, production of these lentils has tripled to 2005.

However, other studies have found a trade-off between the size of the scheme and the benefits to the individual farmers. In one such study, using an economic geography model, Callois (2004) finds that a trade-off exists between the number of differentiated farmers (those producing the protected agricultural good) and their individual income. Furthermore, the local nature of production is highlighted as he finds that higher transport costs foster the positive induced effects but limit the size of the differentiated agricultural sector.

Rural development strategies are often based on the production of differentiated agricultural goods that may be sought by consumers, because of their typicality, health quality, or environmental innocuousness. These goods' specificity is generally closely associated to the area where they are produced, so that they represent an immobile comparative advantage that can be used as a lever for developing economic activity in remote and/or underprivileged regions.

As for the costs, Babcock and Clemens (2004) estimate that the cost of running a global register of protected product names is in the order of US\$250 000

(US\$180 per application). Thiedig and Sylvander (2000) argue that the costs vary from country to country: for countries such as France, where previous generations have already paid the costs for the setting up of INAO or similar support institutions, costs are lower than in other countries like Germany, where government departments must bear the costs of implementation of the scheme.

Other examples of costs relate to the preparation of applications and ongoing compliance (for producers); the difficulties of internal enforcement, managing free-riders etc (for consortia or groups of producers); and administrative and policy issues (for public authorities). On the other hand, retailers may suffer fluctuations in supply, and seasonality; and consumers may suffer higher prices.

Furthermore, according to Belletti and Marescotti (2006), administrative costs and 'transformation' costs (i.e. costs incurred to adapt structures and production process to the Code of Practices) can explain why sometimes, even where there is an opportunity to obtain a PDO or a PGI, producers are not interested in applying for any legal protection as the estimated premium price is not sufficient to cover estimated certification costs.

### *Findings from the case studies*

In this sub-section we examine the costs and benefits of the scheme to producers using the producer surveys carried out as part of the case study field work. This includes the impacts on profitability, business stability, reputation, access to markets and price premiums on the benefits side, and costs of production, certification, the producers' group and administrative burden on the costs side.

The benefits of the scheme are assessed using the responses of a qualitative survey undertaken as part of the case studies, in which producers were asked to rate on a scale of 1 (minimum) to 5 (maximum) the contribution of the scheme to their: profitability, stability of their business, reputation of their business and access to new marketing channels.

A rating of 1 implies the contribution of the scheme is 'very low'; a rating of 2 implies the contribution of the scheme is 'low'; a rating of 3 implies the contribution of the scheme is 'medium'; a rating of 4 implies the contribution of the scheme is 'high'; and a rating of 5 implies the contribution of the scheme is 'very high'.

This evidence is complemented with an analysis of the differences in cost, prices and margins between PDO/PGI products and comparator products. The latter evidence is based on responses by the producers and estimates derived by the experts in each case study.

It should be noted that the evidence in this sub-section is based on qualitative information using a limited number of case studies. Therefore, the results are indicative of patterns or trends for some products, but should not be viewed as representative of the entire population.

### **Impact on profitability, stability, reputation and access to marketing channels**

Producers and other stakeholders in the value-chains of the PDO/PGI products were asked to rate on a scale from 1 to 5 to what extent the PDO/PGI scheme has increased their profitability, increased business stability, reputation and access to new marketing channels. We review the results of the survey for each of these indicators in turn.

#### *Profitability*

Ninety-five respondents provided an answer to the profitability survey question. The number of respondents for each rating for each PDO/PGI and the average rating for each product are presented in Table 29.

Overall, the responses to the survey indicate that producers feel that the PDO/PGI scheme has made only a limited contribution to their profitability. A rating of very low (1 on the scale of 1 to 5) was given by 30 respondents, making this the most common response. A rating of very high (5) was only given by 8 producers, making this the least common response. The average rating across products was low/medium (2,5), slightly below the mid-point of the interval of possible ratings.

There is a large variation in the ratings across products. It interesting to note that the majority of producers of Jamón de Teruel (78%) and Jersey Royal Potatoes (80%) gave a rating of high/very high (4-5) whereas producers of Feta, Esrom, Fromage de Herve and Whitstable Oysters gave much lower ratings: every producer of these products and participating in the survey, except one Feta producer, gave a rating of very low/low (1-2).<sup>50</sup>

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<sup>50</sup> There were only 2 respondents in the case of Esrom and Whitstable Oysters.

**Table 29 Profitability ratings given by producers of different PDO/PGI products (number of responses and average rating)**

Product	Low	-	Medium	-	High	Average
	1	2	3	4	5	
Esrom	1	1				1,5
Feta	6	1	1			1,4
Fromage de Herve	1	3				1,8
Jambon d'Ardenne	2		2			2,0
Jamón de Teruel			2	4	3	4,1
Jersey Royal Potatoes	1			1	3	4,0
Lübecker Marzipan			2			3,0
Mela Val di Non	3	2	1	1		2,0
Toscana	4	4	1	3		2,3
Sitia Lasithi Kritis	1	1	1	1		2,5
Spreewälder Gurken	3	2	1	1		2,0
Svecia	1			1		2,5
Turrón de Alicante/Jijona		1	5	1		3,0
Volaille de Bresse	2	1	2	2	1	2,9
Whitstable Oysters	1	1				1,5
Riz de Camargue	4	1	3	2	1	2,5
Total	30	18	21	18	8	2,5

Note: Only one producer of Szegedi Fűszerpaprika responded to the question. This producer gave a rating of 4.

### *Stability of the business*

The responses to the survey indicate that the scheme is viewed as having some positive impact on the business stability of producers (Table 30).

The ratings are generally higher than for profitability, but there is some dispersion in the answers: a large number of producers (40%) gave ratings of high/very high (4-5), but there were also several producers (28%) giving a rating of very low (1).

As before, the ratings are high in the case of Jersey Royal Potatoes and Jamón de Teruel, but especially low in the case of Feta. Another product which stands out as being highly rated for this indicator is Volaille de Bresse.

**Table 30: Stability ratings given by producers of different PDO/PGI products (number of responses and average)**

Product*	Low	-	Medium	-	High	Average
	1	2	3	4	5	
Esrom	1		1			2,0
Feta	7		1			1,3
Fromage de Herve		2	1		1	3,0
Jambon d'Ardenne	2		2			2,0
Jamón de Teruel			3	4	2	3,9
Jersey Royal Potatoes		1		2	2	4,0
Lübecker Marzipan			1		1	4,0
Mela Val di Non	4		1	1	1	2,3
Toscano	4	1	3	3	1	2,7
Sitia Lasithi Kritis	1		2	1		2,8
Spreewälder Gurken	2	1	3	1		2,4
Svecia	1			1		2,5
Turrón de Alicante /Jijona	1		3	2	1	3,3
Volaille de Bresse	1		1	3	3	3,9
Riz de Camargue	2		4	4	2	3,3
Total	26	6	26	22	15	3,0

Note: \* Only one producer of Szegedi Fűszerpaprika responded to the question. This producer gave a rating of 5. Only one producer of Whitstable Oysters responded to the question. This producer gave a rating of 2.

### *Reputation of the business*

Overall, the ratings are higher for the impact on business reputation than for any of the other indicators. However, the responses to the survey show a mixed picture.

The scheme is perceived to be important for the reputation of producers of Jambon d'Ardenne, Jamón de Teruel, Lübecker Marzipan, Volaille de Bresse and Riz de Camargue (Table 31), but producers of Feta and, especially, Esrom believed the scheme has little impact in terms of the reputation of their business.<sup>51</sup>

<sup>51</sup> There were only 2 respondents in the case of Esrom.

**Table 31: Reputation ratings given by producers of different PDO/PGI products (number of responses and average)**

Product*	Low	-	Medium	-	High	Average
	1	2	3	4	5	
Esrom	1	1				1,5
Feta	4	1	3			1,9
Fromage de Herve		3		1		2,5
Jambon d'Ardenne			1	2	1	4,0
Jamón de Teruel				3	6	4,7
Jersey Royal Potatoes			2	2	1	3,8
Lübecker Marzipan					2	5,0
Mela Val di Non	1	2	3	1		2,6
Toscano	1		3	6	2	3,7
Sitia Lasithi Kritis	1		1	1	1	3,3
Spreewälder Gurken	3	1	2	1		2,1
Svecia	1				1	3,0
Turrón de Alicante/Jijona	1		1	2	3	3,9
Volaille de Bresse				3	4	4,6
Riz de Camargue			3	4	5	4,2
Total	13	8	20	26	27	3,5

Note: \* Only one producer of Szegedi Fűszerpaprika responded to the question. This producer gave a rating of 5. Note: Only one producer of Whitstable Oysters responded to the question. This producer gave a rating of 3.

#### *Access to new marketing channels*

The analysis of the responses indicates that the scheme is viewed as having some positive impact on producers' ability to access new marketing channels (Table 32). However, there is noticeable dispersion in the answers (46% of producers gave ratings of high/very high (4-5), but also 33% gave a rating of very low (1)).

High ratings were given by producers of Toscano and, particularly, Jamón de Teruel. However, producers of Feta, Jersey Royals, Mela Val di Non and Spreewälder Gurken believe the scheme does not help them accessing new marketing channels.

**Table 32: Access ratings given by producers of different PDO/PGI products (number of responses and average)**

Product*	Low	-	Medium	-	High	Average
	1	2	3	4	5	
Esrom	1				1	3,0
Feta	6			1	1	1,9
Fromage de Herve	1		1	2		3,0
Jambon d'Ardenne	1		3			2,5
Jamón de Teruel				4	3	4,4
Jersey Royal Potatoes	4			1		1,6
Lübecker Marzipan			1	1		3,5
Mela Val di Non	4	1	1	1		1,9
Toscano		1	3	6	2	3,8
Sitia Lasithi Kritis	1	1	1		1	2,8
Spreewälder Gurken	3	3	1			1,7
Svecia	1				1	3,0
Turrón de Alicante/Jijona		2	1	4		3,3
Volaille de Bresse	3			3	1	2,9
Riz de Camargue	4			5	3	3,3
Total	30	8	12	28	14	2,9

Note: \* Only one producer of Szegedi Fűszerpaprika responded to the question. This producer gave a rating of 5. Note: Only one producer of Whitstable Oysters responded to the question. This producer gave a rating of 1.

### *Analysis of the findings*

In short, the responses indicate that, in general, the scheme is perceived by PDO/PGI producers as having significant benefits for producers in terms of reputation, but a lower impact on their profitability.

Interestingly, the scheme is highly rated across many of the indicators by certain producers (in particular Jamón de Teruel and Jersey Royal Potatoes) and low (less than one on average) by producers of Feta. Producers of Toscano believe the scheme is very positive in terms of their reputation and access to new marketing channels, but not in terms of profitability or stability of their business. The responses of the producers of the other products are more mixed.

Below, we examine to what extent product aspects or characteristics of the PDO/PGI impact on the views of the different stakeholders.

### **Profitability**

In order to determine whether certain aspects or characteristics of the PDO/PGI product drive the profitability ratings given by producers, we examine in the table below to what extent differences in scale of production, location of production, production concentration and the stage of development of the product impact on the profitability rating.

The product typology presented earlier at Table 15 also included the classification factor “presence of a producers’ group” and “stage of development of product”. However, as all but one PDO/PGI product in the usable data from the case studies have an active producers’ group or are mature products, these particular dimensions of the typology are not used in our analysis of the potential impact of product characteristics on the rating given by producers.

In addition, with regards to the dimension “length of the distribution channel”, only 1 producer of the Szegedi Fűszerpaprika PDO, a PDO with a short distribution channel, responded to the survey question. As in our sample of PDO/PGI products, there is only one other PDO/PGI (Whitstable Oysters PGI) with a short distribution channel, there are not enough observations to clearly distinguish between products with and long short distribution channels. Therefore, this dimension is also not used in the analysis below.

For each product characteristic, the average rating given by the PDO/PGI producers to the profitability rating is shown at the bottom of the table.

Overall, for each dimension of the product typology, these average ratings do not show much of a difference between types of products within one classification dimension, except in the case of the location of production.

Indeed, producers located in remote areas, on average, gave clearly a higher average rating of the profitability impact of the PDO/PGI scheme than producers in non-remote areas.

Table 33: Assessment of profitability by producers and PDO/PGI characteristics							
Average profitability rating	Product	Scale of production		Location of production		Concentration	
		Small	Large	Remote	Non-remote	Yes	No
1.34	Feta PDO		√		√		√
1.50	Esrom PGI		√		√	√	
1.75	Fromage de Herve PDO	√			√	√	
2.00	Jambon d'Ardenne PGI		√	√		√	
2.00	Mela Val di Non PDO		√		√		√
2.00	Spreewälder Gurken PGI		√		√	√	
2.25	Toscana PGI	√			√		√
2.55	Riz de Camargue PGI	√		√			√
2.50	Sitia Lasithi Kritis PDO		√	√		√	
2.50	Svecia PGI		√		√	√	
2.88	Volaille de Bresse PDO		√	√			√
3.00	Lübecker Marzipan PGI		√		√	√	
3.00	Turrón de Alicante/ Jijona PGI		√		√	√	
4.00	Jersey Royal Potatoes PDO	√		√			√
4.11	Jamón de Teruel PDO		√	√		√	
Average rating by product characteristic		2,56	2,53	3,07	2,12	2,71	2,41

### Stability of the business

The table below provides by product characteristics the ratings given by PDO/PGI producers to the impact of the PDO/PGI scheme on business stability.

Overall, producers of PDOs/PGIs which are produced on a small scale and producers located in remote areas rate the business stability impact of the

scheme more highly than producers of PDOs/PGIs which are produced on a large scale and/or in non-remote location.

In contrast, ratings are identical or similar when products are classified by concentration level or stage of development of the product.

**Table 34: Assessment of business stability**

Average business stability rating	Product	Scale of production		Location of production		Concentration	
		Small	Large	Remote	Non-remote	Yes	No
1.25	Feta PDO		√		√		√
2.00	Esrom PGI		√		√	√	
2.00	Jambon d'Ardenne PGI		√	√		√	
2.29	Mela Val di Non PDO		√		√		√
2.43	Spreewälder Gurken PGI		√		√	√	
2.50	Svecia PGI		√		√	√	
2.67	Toscana PGI	√			√		√
2.75	Sitia Lasithi Kritis PDO		√	√		√	
3.00	Fromage de Herve PDO	√			√	√	
3.33	Riz de Camargue PGI	√		√			√
3.29	Turrón de Alicante/ Jijona PGI		√		√	√	
3.89	Jamón de Teruel PDO		√	√		√	
3.88	Volaille de Bresse PDO		√	√			√
4.00	Jersey Royal Potatoes PDO	√		√			√
4.00	Lübecker Marzipan PGI		√		√	√	
<b>Average rating by product characteristic</b>		3,15	2,80	3,45	2,49	3,00	2,87

### Reputation of the business

The table below provides by product characteristics the ratings given by PDO/PGI producers to the impact of the PDO/PGI scheme on business reputation.

Table 35: Assessment of business reputation							
Average business reputation rating	Product	Scale of production		Location of production		Concentration	
		Small	Large	Remote	Non-remote	Yes	No
1.50	Esrom PGI		√		√	√	
1.88	Feta PDO		√		√		√
2.14	Spreewälder Gurken PGI		√		√	√	
2.50	Fromage de Herve PDO	√			√	√	
2.57	Mela Val di Non PDO		√		√		√
3.00	Svecia PGI		√		√	√	
3.25	Sitia Lasithi Kritis PDO		√	√		√	
3.67	Toscana PGI	√			√		√
3.80	Jersey Royal Potatoes PDO	√		√			√
3.86	Turrón de Alicante/ Jijona PGI		√		√	√	
4.00	Jambon d'Ardenne PGI		√	√		√	
4.17	Riz de Camargue PGI	√		√			√
4.57	Volaille de Bresse PDO		√	√			√
4.67	Jamón de Teruel PDO		√	√		√	
5.00	Lübecker Marzipan PGI		√		√	√	
Average rating by product characteristic		3,72	3,34	4,19	2,90	3,46	3,49

Overall, producers of PDOs/PGIs which are located in remote areas and the producers of PDOs/PGIs produced on a large scale rate the business

reputation impact of the scheme more highly than producers of PDOs/PGIs which are produced on a small scale and/or in non-remote location.

In contrast, ratings are identical or similar when products are classified by concentration level or stage of development of the product.

### **Access to new marketing channels**

Regarding the rating given by producers of PDOs/PGIs in the case studies to the impact of the PDO/PGI scheme on access to new marketing channels, average ratings differ very little within each product dimension.

Table 36: Assessment of access to new marketing channels							
Average rating of access to marketing channel	Product	Scale of production		Location of production		Concentration	
		Small	Large	Remote	Non-remote	Yes	No
1.60	Jersey Royal Potatoes PDO	√		√			√
1.71	Spreewälder Gurken PGI		√		√	√	
1.86	Mela Val di Non PDO		√		√		√
1.88	Feta PDO		√		√		√
2.50	Jambon d'Ardenne PGI		√	√		√	
2.75	Sitia Lasithi Kritis PDO		√	√		√	
2.86	Volaille de Bresse PDO		√	√			√
3.00	Esrom PGI		√		√	√	
3.00	Fromage de Herve PDO	√			√	√	
3.00	Svecia PGI		√		√	√	
3.25	Riz de Camargue PGI	√		√			√
3.29	Turrón de Alicante/ Jijona PGI		√		√	√	
3.50	Lübecker Marzipan PGI		√		√	√	
3.75	Toscana PGI	√			√		√
4.43	Jamón de Teruel PDO		√	√		√	
Average rating by product characteristic		3,15	2,70	3,05	2,73	3,03	2,75

### Econometric model of determinants of ratings

In the previous paragraphs we have examined the impact of each of the product typology dimensions on the average ratings (for profitability, stability and reputation of the business, and access to new marketing channels).

As explained in the methodology, we also analyse the impact of the typology dimensions on the ratings given by producers when these are considered

together in a multivariate model (e.g., a model with several potential explanatory factors). Details of the ordered logit model used in the analysis are presented in the methodology chapter.

The coefficients from the ordered logit model provide an estimate of the impact that each explanatory variable (scale of production, location and industry concentration) has on increasing the ratings given by respondents (for profitability, stability and reputation of the business, and access to new marketing channels). The estimates of the ordered logit models are shown in Table 37 for each of the four ratings analysed.

**Table 37: Econometric models for ratings**

	<b>Profitability</b>	<b>Stability</b>	<b>Reputation</b>	<b>Access to new markets</b>
<b>Scale</b>	-1,61* (-1,87)	-1,50* (-1,76)	-0,22 (-0,26)	0,10 (0,12)
<b>Loc</b>	2,56** (2,91)	1,34 (1,56)	1,73** (1,99)	-0,76 (-0,85)
<b>Conc</b>	-1,74** (-2,00)	-0,52 (-0,61)	-0,39 (-0,46)	1,57* (1,75)
<b>Product fixed effects</b>	Yes	Yes	Yes	Yes
<b>Number of observations</b>	92	93	90	90
<b>Pseudo R2</b>	0,14	0,13	0,20	0,12

Note: Value of z statistics in parentheses, \* significant at 10%; \*\* significant at 5%

Source: own calculations.

The results imply the following:

- The ratings for profitability and reputation are higher for producers of PDOs/PGIs located in remote areas:
  - For example, a producer located in a remote area has a probability of 0.53 and 0.36 of giving a rating of 5 and 4 for profitability, compared to a probability of 0.08 and 0.30 respectively for a producer who is not located in a remote area.
  - As well, a producer located in a remote area has a probability of 0.21 and 0.43 of giving a rating of 5 and 4 for reputation compared to a probability of 0.05 and 0.19 for a producer who is not located in a remote area.

- The scale of production affects the ratings given by producers to profitability and stability of their business: the negative coefficients of scale mean that producers of PDOs/PGIs produced on a small scale rate higher the contribution of the scheme to business profitability and stability. For example:
  - a small scale producer has a probability of 0.08 and 0.30 of giving a rating of 5 and 4 for profitability compared to a probability of 0.02 and 0.09 for a large scale producer;
  - a small scale producer has a probability of 0.15 and 0.30 of giving a rating of 5 and 4 for stability compared to a probability of 0.04 and 0.12 respectively for a large scale producer.
- Finally, concentration plays a different role for profitability and access to new markets. Producers in concentrated industry segments rate lower the contribution of the scheme to the profitability of their business but rate higher the scheme's impact on access to new marketing channels. For example:
  - a producer in a concentrated segment has a probability of 0.02 and 0.08 of giving a rating of 5 and 4 for profitability compared to a probability 0.08 and 0.30 respectively of producer who is not in a concentrated segment;
  - in contrast, a producer in a concentrated market has a probability of 0.11 and 0.36 of giving a rating of 5 and 4 for access to new markets compared to a probability of 0.02 and 0.13 respectively for a producer who is not in a concentrated segment.

### Summary of findings

Overall, the univariate and multivariate analysis suggest that producers of PDOs/PGIs located in remote areas see greater benefits in terms of profitability, and reputation of their business. The univariate analysis also suggests that producers in remote areas also rate higher the stability of their business (Table 38).

In terms of the other aspects of the scheme, the univariate analysis suggests that producers of PDOs/PGIs produced on a small scale see a greater impact of the scheme in terms of the stability of their business, while producers of PDOs/PGIs produced on a large scale see a greater impact of the scheme in terms of the reputation of their business.

The multivariate analysis indicates that PDOs/PGIs produced on a small scale have higher ratings of the scheme in terms of business profitability and

stability, while producers in concentrated markets rate lower the contribution of the scheme to the profitability of their business but rate higher the scheme's impact on access to new marketing channels.

Table 38: Summary assessment of PDO/PGI scheme by aspect and product classification. Univariate and multivariate analysis (in parenthesis)							
Aspect of the scheme	Average ratings	Group of producers rating an aspect of the scheme more highly					
		Scale of production		Location of production		Concentration	
		Small	Large	Remote	Non-remote	Yes	No
<b>Profitability</b>	2,6	(*)		√ (**)		(**)	
<b>Stability</b>	3,0	√ (*)		√			
<b>Reputation</b>	3,5		√	√ (**)			
<b>Access to new markets</b>	2,9					(**)	

Note: √ indicates significant variable in analysis univariate. \* indicates significant variable in multivariate analysis (5%). \*\* indicates significant variable in multivariate analysis (10%).

### *Analysis of ratings by different subgroups*

The ratings given by the respondents show some interesting patterns when analysed by different subgroups of producers (Table 39).

The producers in the sample are either involved in farming alone (29 in total), or processing alone (61 in total), or both farming and processing (9 in total). Those producers involved in both farming and processing rate the factors higher compared to the other subgroups (farmers or processors)<sup>52</sup>. Further, farmers rate the impact of the scheme on stability and profitability higher

<sup>52</sup> One should note that this finding is based on a small number of responses and the respondents were all from the supply chains producing Jamón de Teruel, Jersey Royal Potatoes and Toscano.

than processors, whereas the processors rate the scheme higher in terms of access to new marketing channels.

Other important differences can be observed when comparing the ratings given by producers of Northern and Southern Europe<sup>53</sup>. The responses indicate that producers from Southern Europe view the scheme as having a greater impact on their reputation and accessing new marketing channels than producers from Northern Europe. However, there are no differences between geographical locations in terms of the perceived impact of the scheme on profitability.

Finally, there are some interesting differences in the ratings given by PDO producers compared to PGI producers. In particular, PDO producers rated the impact of the scheme higher than PGI producers in terms of its contribution to their profitability and stability of their business.

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<sup>53</sup> The following definition is used. Southern European producers include producers from Italy, Spain, France and Greece. Northern European producers include producers from the UK, Germany, Belgium, Denmark and Sweden. Producers from Hungary were excluded from the sample due to small number of responses.

Table 39: Analysis of ratings by subgroups

Indicator/Group		Low	-	Medium	-	High	Average
		1	2	3	4	5	
Profitability	Farmers	6	7	5	5	3	2,7
	Processors	21	11	14	7	4	2,3
	Farming and processing	-	-	1	6	1	4,0
	Southern European producers	20	11	16	14	5	2,6
	Northern European producers	10	7	5	3	3	2,4
	PDO producers	14	8	7	10	7	2,7
	PGI producers	16	10	14	8	1	2,3
Business stability	Farmers	4	2	5	8	8	3,5
	Processors	19	3	18	10	6	2,7
	Farming and processing	-	1	2	4	1	3,6
	Southern European producers	20	1	18	18	10	3,0
	Northern European producers	6	5	8	4	4	2,8
	PDO producers	13	3	9	11	10	3,0
	PGI producers	13	3	17	11	5	2,8
Reputation	Farmers	2	3	6	9	6	3,5
	Processors	10	4	12	12	18	3,4
	Farming and processing	-	-	1	5	2	4,1
	Southern European producers	8	3	14	20	21	3,7
	Northern European producers	5	5	6	6	5	3,0
	PDO producers	6	6	9	11	13	3,4
	PGI producers	7	2	11	15	14	3,6
Access to markets	Farmers	10	1	3	10	2	2,7
	Processors	15	7	8	15	11	3,0
	Farming and processing	2	-	1	2	1	3,0
	Southern European producers	18	5	6	24	11	3,1
	Northern European producers	12	3	6	4	2	2,3
	PDO producers	19	2	3	12	7	2,7
	PGI producers	11	6	9	16	7	3,0

### Costs, prices and margins of PDO/PGI products and comparators

In this sub-section, we present the differences in cost, price and margin between PDO/PGI products and their comparators.

It should be noted that the analysis is based on estimates derived by the experts based on interviews of the case study. Therefore, although the information provided in this section provides a good indication of the cost, price premium and margin for PDO/PGIs, the data reported here could not be checked against alternative independently collected data. Therefore, the information presented in this sub-section should be viewed as being indicative only.

The estimates for the differences in cost, price premium and additional margin are presented in Table 40 (columns 3-5) for each product in relation to comparator products, either unbranded products or products with a trademark (the type of comparator product used for each PDO/PGI product is shown in column 2 of Table 40).

The results have been calculated for different products at different stages of the supply chain: in 4 cases the differences in cost, price and margin have been estimated at the farm level; in 10 cases at the processor level; finally, in 4 cases the results are presented for integrated supply chains (covering both farmers and processors). This is indicated in the last column of Table 40. Finally, the overall assessment of the impact on profitability of the scheme is summarised in column 6 of Table 40 providing the qualitative views by the different players in the supply chain.

The evidence presented in Table 40 shows the following:

The majority of PDO/PGI products are more costly to produce than their comparators.

- In 10 cases, the cost of producing a PDO/PGI is higher than the cost of producing its comparator and the additional cost ranges from 3% (Turrón de Alicante/Jijona) to 150% (Volaille de Bresse).
- In 8 cases, the cost of producing the PDO/PGI is equal or only slightly superior to the cost of producing the comparator.

The interviewed producers reported that production costs, certification costs, producers' group costs and administrative burden are important sources of additional costs of producing under the scheme.

The most important costs reported by producers are production costs. Producers of all of the case study PDO/PGI products except Fromage de Herve, Svecia, Esrom and Whitstable Oysters reported significantly higher production costs. The additional production costs reported by producers are particularly high in the cases of Lübecker Marzipan (40% higher than the comparator), Jamón de Teruel (more time and space is needed and the cost of drying is 25% higher), Szegedi Szalámi (25% higher than comparator) and Volaille de Bresse (20% extra work time required).

Certification costs are also identified as important. These were mentioned by producers of all the case study PDO/PGI products except Lübecker Marzipan, Sitia Lasithi Kritis, Szegedi Szalámi, Svecia, Esrom Jersey Royal Potatoes and Whitstable Oysters. In most cases, the certification costs are dependent on the volume certified.

In addition, producers' group costs and administrative burden were significant for producers of many of the case study PDO/PGI products. The

costs reported in Table 40 are the total overall additional cost of producing under the scheme relative to the comparator.

It is important to note that the price of any product (PDO/PGI or non-PDO/PGI) can vary depending on a number of different factors, such as the length of maturation or the units of measurement. To overcome these problems, the team of experts aimed to ensure that the price comparisons were based on truly comparable products. The responses to the survey of producers indicate that PDOs/PGIs are generally sold at a higher price than their comparator product, but not always.

- In 14 cases, the price of a PDO/PGI product is higher than the price of its comparator product. The positive price premium ranges from 5% in the cases of Sitia Lasithi Kritis, Jamón de Teruel (5% in the case of farmers, 25% in the case of processors), and Turrón de Alicante/Jijona to 300% in the case of Volaille de Bresse.
- In only 4 cases, either there is no difference in price between PDO/PGI product and its comparator product (Jambon d'Ardenne, Fromage de Herve and Esrom) or the price of the comparator is higher than the price of the PDO/PGI product (Svecia).

A higher price does not necessarily translate into a higher margin because higher costs are involved in the production of PDO/PGI. Therefore, it is important to focus on the price-cost margin. The evidence collected in the case studies show that PDO/PGI products are generally more profitable than their comparators.

- In 12 cases, the margin is higher and ranges from 2% (Turrón de Alicante Jijona) to 150% (Volaille de Bresse).
- In 4 cases, the margin of a PDO/PGI product is the same as the margin of its comparator product.
- In 2 cases, there is no information on margins.

**Table 40: Economic cost and benefit to PDO/PGI producers in relation to comparator**

PDO/PGI	Type of comparator <sup>r</sup> *	Additional Cost*	Price Premium*	Additional margin*	Impact on overall profitability	Supply chain
1	2	3	4	5	6	7
Volaille de Bresse	TM	150%	300%	150%	Positive	Farmers
Toscano	TM Tuscan	5%	12,6%	7,6%	Positive	Farmers/ Processors
	TM other origin	33%	50,8%	17,8%	Positive	
Jamón de Teruel	TM	Total €1,34/kg	5-57%	16%-72% €0,47-€2,5	Positive	Farmers/ Processors
Turrón de Alicante/Jijona	U	3%	5,1%	2,1%	Positive	Processors
Jersey Royal Potatoes	U	0	100%	100%	Positive but effects of marketing investment	Farmers
Szegedi Fűszerpaprika	TM	€2/kg	€5-10/kg	€3-7/kg	Increased profitability expected	Processors
Jambon d'Ardenne	TM	€1000 per year	0	0	None or slight increase	Processors
Fromage de Herve	TM	0	0	0	None	Processors
Feta	U	0-0,05€/kg	Positive		None	Processors
Riz de Camargue	U	5%	4,8-8,7%	4,8-8,7%	None	Processors
Szegedi Szalámi	U	25%	25-30%	0-5%	None	Processors
Svecia	TM	0	0	0	None	Processors
Esrom	TM	0	0	0	None	Processors
Whitstable Oysters	U	0	10-20%	10-20%	Limited	Farmers/ Processors
Lübecker Marzipan	TM	€0,15/kg	€0,20/kg	€0,05/kg	Inconclusive: effects of a strong TM	Processors
Spreewälder Gurken	U	€0,12-0,15/jar	€0,15-0,50/jar	€0,03-0,35/jar	Inconclusive: effects of a strong TM	Farmers/ Processors
Mela Val di Non	TM	0	22,2%	22,2%	Inconclusive: effects of a strong TM	Farmers
Sitia Lasithi Kritis	U	0-0,5 Euro/litre	5-10%		Inconclusive	Processors

Notes: \* TM Trademark product, U unbranded product. \* Additional cost/price/margin is the extra cost/price/margin per unit of production of producing a PDO/PGI product relative to the comparator product.

Source: case studies.

Our overall assessment, provided below, of the impact of the PDO/PGI scheme on the profitability of producers is based on the evidence presented above and qualitative responses from producers. Overall, the evidence is mixed:

- In 7 cases, the PDO/PGI scheme has improved the profitability of producers. This is the case for Jamón de Teruel, Turrón de Alicante/Jijona, Riz de Camargue, Volaille de Bresse, Toscano, Szegedi Fűszerpaprika and Whitstable Oysters.
- In 6 cases, processors believe that the scheme has not improved the profitability of their business. These are the products which are not more profitable than their comparators (Fromage de Herve, Jambon d'Ardenne, Svecia, Esrom) and those for which the difference in margins with their comparators is very small (Feta, Szegedi Szalámi).
- In 5 cases, the results are inconclusive. The increase in profitability cannot be separated from the effects of a strong trademark (Lübecker Marzipan, Spreewälder Gurken, Mela Val di Non), or investments in marketing and quality management (Jersey Royal Potatoes). In one case (Sitia Lasithi Kristis), there is no agreement between producers on the impact of PDO/PGI on profitability.

### *Costs and benefits to traders retailers*

During the case study fieldwork for the present study 18 traders and retailers (at least one from each of the case study countries) provided ratings on a scale from 1 (minimum) to 5 (maximum)<sup>54</sup> for how much the PDO/PGI scheme has: increased their profit margins; improved their reputation; and improved the stability of their relationships with their suppliers.

The ratings given by the traders and retailers interviewed in the case studies are presented in Table 41. The table shows the total number of traders and retailers who each gave a rating as well as the average rating for each indicator.

It is important to note that the ratings refer to the perceived general impact of the scheme itself, not the impact of a specific PDO/PGI product.

Overall the ratings given by traders and retailers are low: the average ratings for the different indicators range from very low/low (1,5) to medium (2,8) (this can be compared with the averages of low/medium (2,6) to medium/high (3,5) given by producers in the previous sub-section). The responses show that traders and retailers view the scheme as contributing mostly to their reputation and stability of relationships, and less to profit margins.

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<sup>54</sup> We interpret ratings of 1, 2, 3, 4 and 5 to imply that traders and retailers believe the scheme has a "very low", "low", "medium", "high" or "very high" impact respectively (for the relevant indicator).

**Table 41: Perceived impact of the scheme by traders and retailers**

Indicator	Low	-	Medium	-	High	Average
	1	2	3	4	5	
Increase profit margins	8	6	1	0	0	1,5
Reputation of business	2	6	3	5	1	2,8
Relationships with suppliers	6	1	6	3	1	2,5

*Source: case studies.*

Some additional qualitative information was provided during the case study field work by traders and retailers from certain countries (Belgium, Germany, Greece, Hungary, Italy and the United Kingdom). This additional information is presented in Table 42.

The retailers and traders believe the scheme has little impact on their profitability. This is unsurprising because PDO/PGI products are only one small element of the range of products stocked. In one case, a retailer stated that prices paid to producers are higher for PDOs/PGIs, which leads to lower retail margins (German retailer).

The impact of the scheme on reputation of the business was noted as particularly important by respondents from Germany and Italy. Respondents from Greece and Belgium indicated that there is a benefit, but it is limited because PDO/PGI products only account for a small proportion of all products. The benefit was also identified as greater for smaller specialist shops in Italy.

There has been little impact on supplier relationships for most respondents. Respondents from Belgium and Greece believe the scheme has had no benefit on their relationships.

There were mixed responses from Hungary and Italy. In Hungary, an exporter of paprika believes their relationships have been improved, whereas the other types of respondents (shops, restaurants and hotels) do not believe there has been any impact in this respect. In Italy, only the smaller retailer (compared to the big supermarket/hypermarket) believed that the scheme had benefited their supplier relationships.

**Table 42: Reported benefits for traders and retailers**

Country	Impacts for traders/retailers
BE (1 retailer)	<p><b>Profitability:</b> Profitability is not affected because Fromage de Herve is only a minor product.</p> <p><b>Reputation:</b> The scheme has contributed only slightly to the reputation of the business.</p> <p><b>Relationships:</b> Cheese is purchased through a wholesaler and Fromage de Herve has not helped to improve business relationships.</p>
DE (1 super-market)	<p><b>Profitability:</b> The scheme does not allow higher profits margins because producer prices are already high.</p> <p><b>Reputation:</b> The scheme significantly improves retailers' reputations because it corresponds with the demand for special and traceable products.</p> <p><b>Relationships:</b> The scheme leads to more stable relationships with your supplier</p>
EL (2)	<p><b>Profitability:</b> The PDO is not important to profits, rather the full range of products and the competition in the market (one non-response)</p> <p><b>Reputation:</b> Both respondents believe the scheme has helped their reputation, though one commented that it is the full range of products that is important.</p> <p><b>Relationships:</b> Overall the two respondents don't believe the scheme has helped their relationships</p>
HU (3) <sup>1</sup>	<p><b>Profitability:</b> Retailers believe there the scheme has no benefit for their profitability (although the producers claim that more than 30% of the additional profit goes to the retailer.</p> <p><b>Reputation:</b> Answers vary regarding the effect on reputation; no a real effect or some effect in the case of hotels and restaurants.</p> <p><b>Relationships:</b> In the case of the exporter relationships are improved. For the other the relationships are based on long standing relations</p>
IT (2 super-markets) <sup>2</sup>	<p><b>Profitability:</b> The impact on profits is higher for the smaller firm because they are more quality focussed (PDO/PGI products are only a small part of the business for retailers).</p> <p><b>Reputation:</b> Increased reputation is one of the most relevant aspects for the retailers. Again it is more important for the smaller retailer.</p> <p><b>Relationships:</b> The scheme has helped the relationships of the smaller retailer. The large company already has stable suppliers.</p>
UK (2) <sup>3</sup>	<p><b>Profitability:</b> The large retailer believes they achieve higher margins on own-label products than on reputed products such as Jersey Royal Potatoes. Caterers make high margins on Whitstable Oysters. (No other qualitative information is provided)</p>
FR (6)	<p><b>Profitability:</b> Profitability is said to be better when a PDO/PGI is combined with a private brand. However, the French retailers generally rated the impact on profitability low,</p> <p><b>Reputation:</b> The scheme gives retail businesses a reputation for reliability. Consumers perceive distributors supplying PDO/PGI products as providing authentic food items.</p>

<sup>1</sup> Two family businesses with shops and restaurants. One of these also owns hotels. The third is a trader (not involved in retail) who is heavily involved in exporting, including exporting of paprika.

<sup>2</sup> One firm represents medium-small supermarkets in towns, the other firm represents big supermarkets and hypermarkets.

No qualitative information was provided by respondents from, Spain, Sweden or Denmark.

No traders or retailer were able to estimate the differences in profit margins between PDO/PGI and non-PDO/PGI products.

<sup>3</sup> Firm one is a large retailer, the other is a caterer.

Source: case studies.

In summary, for most traders and retailers, who were interviewed during the case studies, PDO/PGI products account for a very small share of their overall business and they are seen as relatively unimportant. This is especially true for the larger retailers who responded to the survey questionnaire. In contrast, for the small, specialist shops and traders who participated in the case studies and who specialise in distributing certain types of product, the PDOs/PGIs are more important (for example specialist shops in Italy). The most important benefit mentioned by all traders was the enhancement of reputation from being associated with high quality products. Again this is most important for small or specialist companies.

There is little information from the interviews on costs for traders and retailers. A potential cost of the scheme is that it raises the price they have to pay to producers for specialist products. However, evidence on this phenomenon from the interviews is limited. Retailers in Germany reported that the price they pay for PDO/PGI products is already high which prevents them from charging higher profit margins. But, they noted also that PDO/PGI products have a good “price-performance ratio”.

## 5.2 Part II: The demand side results of the scheme

In this second part of the chapter focusing on the results of the scheme, we review first whether the PDO/PGI scheme has achieved high consumer awareness and knowledge, an expected result or output of the scheme identified in the intervention logic model set out on page 24 of the present report.

We then review the costs and benefits to consumers of the PDO/PGI scheme.

### 5.2.1 Use and perception of the European symbols of PDO/PGI by the consumers

This section assesses the public’s awareness of the PDO/PGI scheme, including the recognition of the symbols, and reviews whether the public differentiates between the PDO/PGI symbols and other quality food symbols. We also explore the public’s understanding of the concepts behind the symbols. The information provided in this sub-section will be used to assess the effectiveness of the scheme towards the objective of giving consumers clear and succinct information about the origin of the products.

#### *Findings from the literature*

There has already been a lot of work on general consumer perceptions of PDO/PGI products. Previous studies indicate that although consumer awareness of PDOs/PGIs is growing (Souza Monteiro and Ventura Lucas (PDO), 2001; Dimara and Skuras (PDO), 2003), they suffer from relatively weak spontaneous consumer recognition, even in southern European countries where they are more established and widespread (Teixera and Marques (PDO), 1998; Meza et al. (PDO and PGI), 2000; Fotopoulos and Krystallis (PDO), 2001; Bonnet and Simioni (PDO), 2001).

Previous studies have indicated that knowledge of the schemes and the ability to describe accurately what the labels represent (rather than just being able to identify them) is also found to be low. National schemes and symbols (e.g. AOC in France and producer consortia marks in Italy) are better

recognised than PDOs/PGIs because they are more established and are more familiar to consumers.

Barjolle and Sylvander (2000) assess the effectiveness of the protection of products with geographic indications as a strategy for agricultural and rural development in comparison to the protection of geographic names as part of a full agricultural and rural development policy (within the framework of competition and consumer policy). They conclude that the current approach and application of the regulation is satisfactory except that communication of information to consumers is misleading, due to the varying level of quality and specificity of registered products and their methods of production. That said, they recommend that if the PDO/PGI regulations are to be incorporated into a wider agricultural and rural development policy, that a range of guidelines are implemented.

Citing numerous Eurobarometer surveys, Folkesson (2005) notes that despite the relatively high recognition of European consumers of the concept of geographic indications and the willingness to pay a price premium for such products, the recognition of the PDO/PGI term and what it represents was significantly lower. She concludes that, even if consumers value the qualities of geographically linked products, if they are unable to recognise the label indication, then their willingness to pay a premium for such products is diluted. Furthermore, Barjolle and Sylvander (2000) note the substantial difference in awareness of PDO/PGI schemes in Northern and Southern Europe among both consumers and producers. One of the possible reasons lying behind the differing levels of awareness of the symbols and the scheme in general is investigated by Barjolle and Sylvander, namely the communication to consumers. They find that the information being communicated to consumers was misleading, given the varying level of quality and specificity of registered products.

To test the effect of PDO labelling on consumers' overall preference for products, van der Lans et al. (2001) use conjoint analysis of olive oil buyers in Italy and find that PDO symbols do affect preferences but only indirectly: improving perceptions of physical quality for consumers that are well-informed. Hayes et al. (2003) in another study on consumer perceptions of Parma Ham, find that it is the traditional reputation of the product that lends quality in the eyes of the consumer, rather than the PDO symbol itself.

Qualitative methods (mainly focus group discussions) have been employed to investigate how consumers perceive and understand concepts of origin or territorial identity (Tregear et al., 1998). Results have tended to confirm consumers' low awareness and knowledge of the symbols, although some of these studies are quite dated. Also, the extent to which consumers distinguish between PDO/PGIs and other symbols is not well known.

Work completed by DG Joint Research Centre<sup>55</sup> has found that the level of recognition of the PDO/PGI labels vary significantly by country and by product, with some (including Comté and Parmigiano Reggiano) characterised by strong recognition.

### *Findings from the consumer survey*

#### **Use of the PDO/PGI symbols**

Council Regulation (EC) No 510/2006 specifies that a registered name may be used by any operator marketing products conforming to the corresponding specification.

At the moment usage of the symbols is not compulsory. However, after May 2009, 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.

#### **Description of the sample and data used**

The data for the analysis were collected in a survey of consumers across all 27 Member States. The survey was undertaken as part of national omnibus surveys<sup>56</sup> run by Ipsos. The Omnibus survey covers a representative sample of each Member State.

All information collected through such omnibus surveys is weighted by age, gender, social grade, region, and working status to correct for any minor deficiencies or bias in the sample.

The consumer survey was administered across all 27 Member States to the person responsible for all of the household shopping (main shoppers). The consumer survey included the following questions.

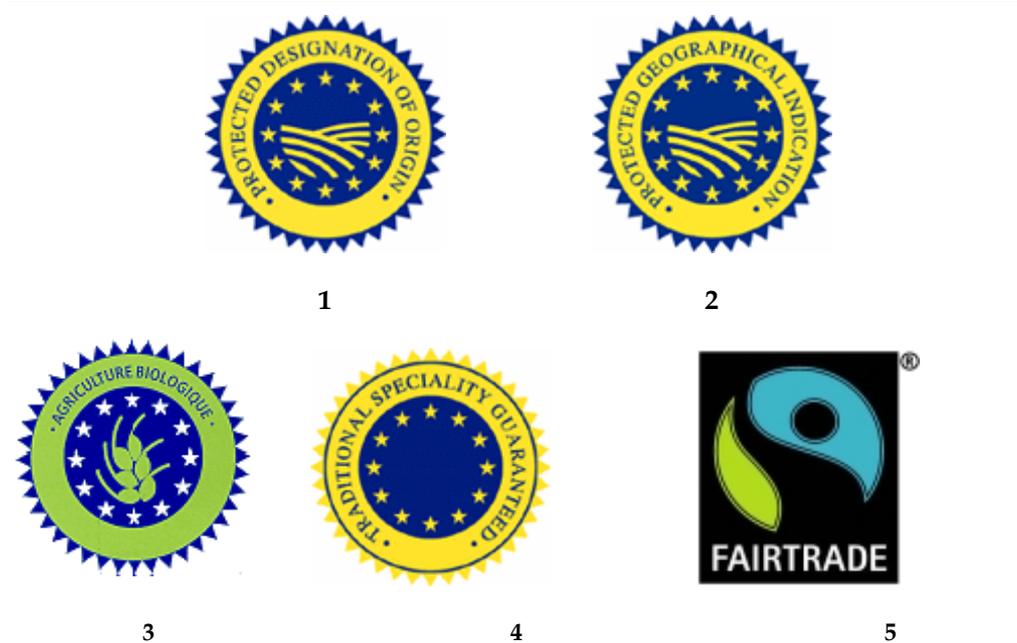
- Question 1 asked consumers to indicate which of a range of symbols they recognised. The symbols were presented to consumers on a single page and include the PDO and PGI symbols, and three other symbols commonly used internationally (Figure 8).

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<sup>55</sup> Summarised by: Hubertus Gay, S. and Gijbers, G. (2007) “Summary of case studies undertaken by the JRC”, EC DG Joint Research Centre-IPTS and Innovation Policy Group TNO, Conference: “Food Quality Certification – Adding Value to Farm Produce”, 5/6 February 2007.

<sup>56</sup> Omnibus surveys provide those seeking information about markets and opinions with a means to get quick, relatively low-cost answers to their questions without financing and organising a full market or opinion research survey themselves. The research company conducts a number of interviews with the target group on a regular basis: these interviews combine a number of standard questions which are always asked - generally demographic information (age, sex, occupation) or company classification information for a business survey - with questions sponsored by clients.

Figure 8: The PDO/PGI and other food symbols



Note : 1: PDO; 2: PGI; 3: Organic; 4: Traditional Speciality Guaranteed<sup>57</sup> (TSG) 5: Fairtrade. The symbols were displayed in the different languages of the EU.

Question 2. For those who recognised the PDO and/or PGI symbol, question 2 asked them to indicate which of the following concepts they related to the PDO/PGI symbols. The interviewees were given a selection of eight possible answers, shown in bullet points below. Only answers (3), (4), (5), or (6), refer to PDO/PGI products; answer (1) refers to FAIRTRADE; (2) is for ORGANIC; (7) is a dummy answer and does not refer to any symbol; and (8) refers to TSG.

- The producers get a fair price for their products ( answer 1)
- The product is produced in an environmentally friendly way (answer 2)
- The product is produced in one specific geographic area ( answer 3)
- The quality of the product is related to the area in which it is produced (answer 4)

<sup>57</sup> STG is for products that are traditional or have customary names and have a set of features which distinguish them from other similar products.

- The product is produced according to an established specification (answer 5)
- The guarantee of origin and compliance with product specifications are certified by a controlling body (answer 6)
- The product contains no artificial ingredients (answer 7)
- A product that can be produced in any geographic area but must be made following a traditional recipe and has features distinguishing it from similar products (answer 8)

Question 3 addressed the issue of whether the consumers were able to differentiate PDO/PGI symbols from other national food quality scheme symbols they may be aware of.

- Consumers were asked to state whether PDO/PGI symbols were “more”, “just as”, or “less” recognisable than other national food quality scheme symbols.
- Consumers were also asked whether PDO/PGI symbols would give them “more”, “just as much”, or “less” confidence about the quality of that product compared to one displaying only the national food symbol.

Below, we report on the survey results concerning the 3 questions listed above.

### ***Recognition of the PDO/PGI symbols***

The percentage of consumers who recognise the PDO/PGI symbols is measured as the percentage of survey respondents who indicated that they recognise the symbols when presented with Figure 8.

The results of the survey show that recognition of the symbols for PDO and PGI is low in EU27 Member States: just 8% of main shoppers recognised any of the PDO or PGI symbols (Figure 9).

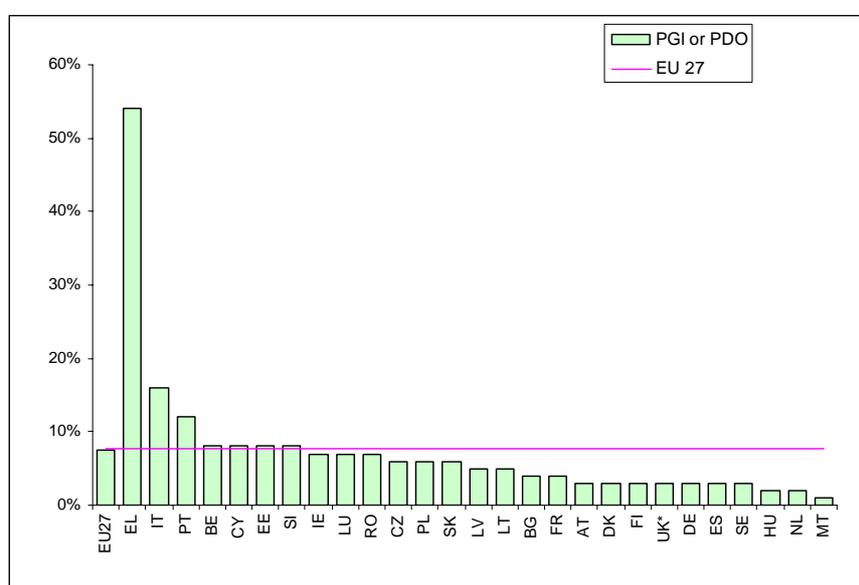
However, there is substantial variation in recognition across Member States.

- In Greece, more than half (54%) of main shoppers say they recognise the symbols, and in Italy 16% do so.
- In all other Member States, 8% or less of the survey respondents recognised the PDO and PGI symbols.
- On average, across 25 Member States (excluding Greece and Italy), only 5% of survey respondents did recognise the symbols.

The high level of recognition in Greece is surprising. According to the opinion of the Greek experts contributing to this evaluation, it is likely that the high consumers' awareness of the symbols is a result of the large coverage that the Feta case had in the press in Greece.

In general, however, the low recognition of the PDO/PGI symbols is consistent with the findings from the literature showing low levels of consumer recognition of symbols and labels on products.

**Figure 9: Recognition of PDO or PGI symbols (by country)**



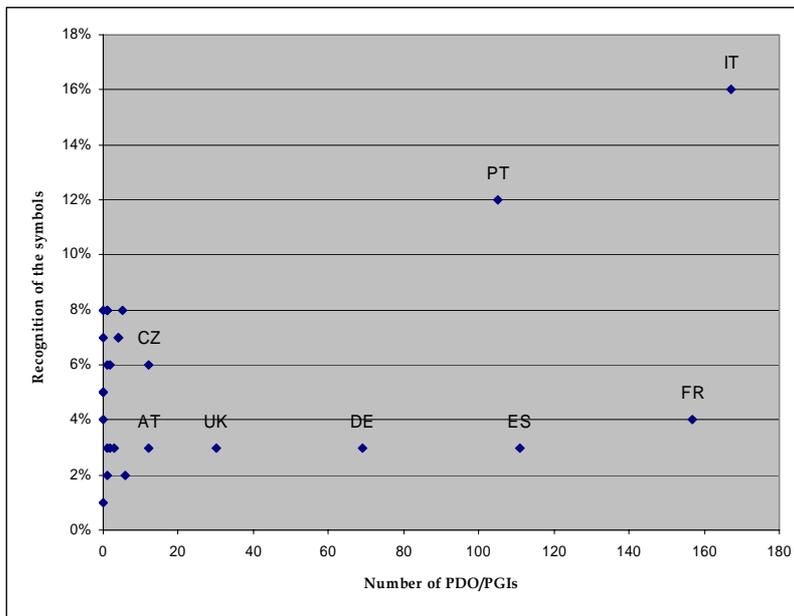
Note: UK\* excludes Northern Ireland.

To explore whether the level of consumer recognition was in any way linked to the number of PDO/PGI registrations, we computed the correlation coefficient between these two variables.

The results show that there is a positive correlation between the total number of registered names in each Member State and the level of recognition of the symbols. However, the correlation coefficient in this case is relatively low, 0,34 across all the Member States and 0,39 when Greece (the outlier in terms of recognition) is omitted from the sample.

The level of recognition of the PDO/PGI symbols and the number of PDO/PGI registrations in each Member State are for information shown in Figure 10 and Table 43.

**Figure 10: Recognition of PDO or PGI symbols and number of registered names**



**Table 43: Recognition of PDO or PGI symbols and number of registered names**

Member State	Recognition	Number of PDO/PGIs
Greece	54%	85
Italy	16%	167
Portugal	12%	105
Belgium	8%	5
Cyprus	8%	1
Slovenia	8%	1
Estonia	8%	0
Ireland	7%	4
Luxembourg	7%	4
Romania	7%	0
Czech Republic	6%	12
Poland	6%	2
Slovakia	6%	1
Lithuania	5%	0
Latvia	5%	0
France	4%	157
Bulgaria	4%	0
Spain	3%	111
Germany	3%	69
United Kingdom	3%	30
Austria	3%	12
Denmark	3%	3
Sweden	3%	2
Finland	3%	1
The Netherlands	2%	6
Hungary	2%	1
Malta	1%	0

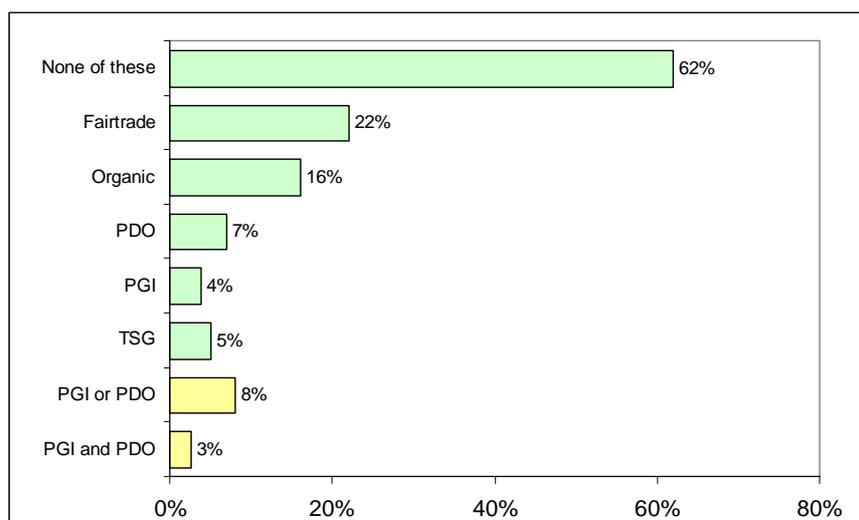
### *Differentiation between PDO/PGI and other symbols*

In this sub-section we compare the level of recognition of PGO/PGI symbols to that of other symbols. Firstly, we compare the recognition of PGO/PGI symbols with that of other symbols used in international trade (Organic, TSG and Fairtrade). Secondly, we compare the level of recognition of the PDO/PGI symbols with other national food quality symbols consumers may be aware of.

Comparing with other international symbols, the level of recognition of any of the PDO or PGI symbols (8%) is lower than that of the symbols of Fairtrade or Organic products (22% and 16%, respectively). That being said, the

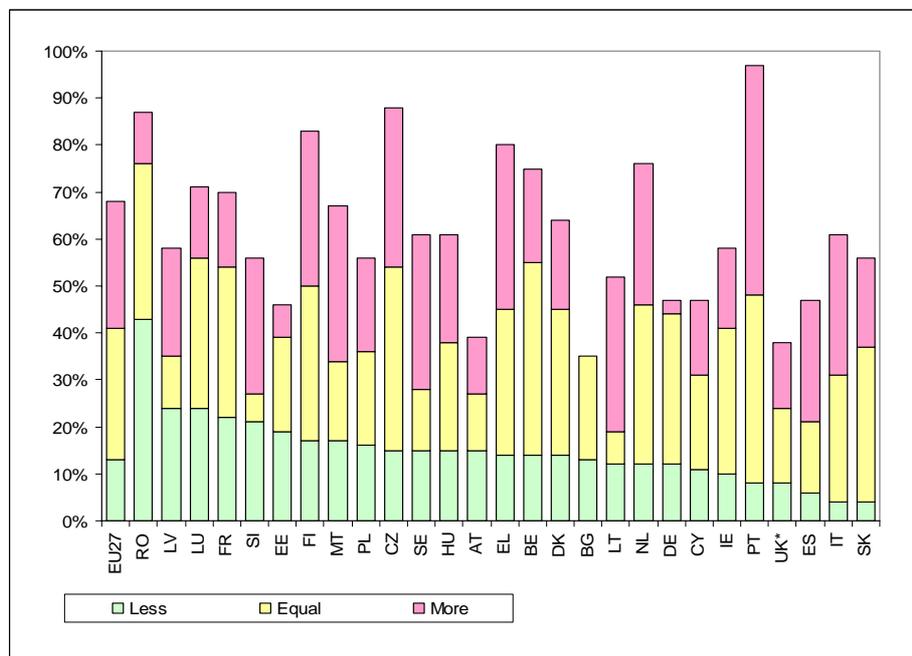
majority (62%) of shoppers does not recognise any of the 5 symbols that were presented to them (Figure 11). This finding is entirely consistent with previous findings reported in the literature of low consumer recognition of food symbols and labels.

**Figure 11: Recognition of food symbols**



There is a mixed response as to whether the PDO/PGI symbol is more or less recognisable than other national food quality scheme symbols. Clear differences exist between some of the countries, but in general the PDO/PGI symbols are more or equally recognised than national food symbols but less than Organic and Fairtrade (Figure 12). This is likely due to the fact that Fairtrade and Organic symbols are much more prevalent in the market place, especially as at the moment, usage of the symbols or the terms “protected designation of origin” and “protected geographical indication” is not compulsory.

**Figure 12: Recognition of PDO/PGI compared with other national food symbols**



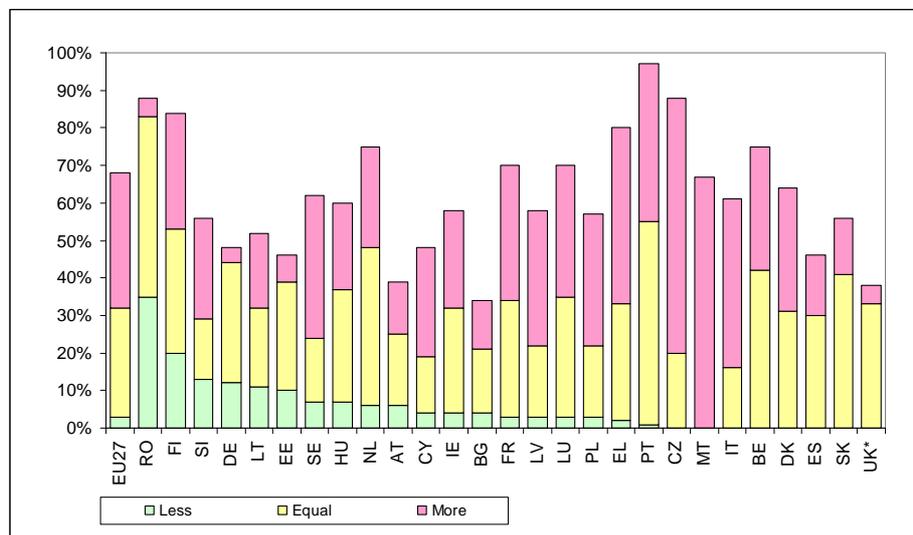
Note: Excludes "don't know" and "unable to form an opinion". UK\* excludes Northern Ireland.

There is also a mixed response as to whether the PDO/PGI symbols give consumers more confidence about the product's quality in comparison with a product displaying any other national food quality symbols. The PDO or PGI symbols are viewed as giving less confidence than the national symbols in very few instances across the EU27 (Figure 13).

With the exception of France, this situation occurs in Member States with 0 or only 1 PDO/PGI. Consumers may have no or very little knowledge about the PDO/PGI scheme in such circumstances.

The case of France is different. It is likely that, in this particular case, consumers are more familiar with the national quality symbols which have been in place for a long time in France. Lack of familiarity with the PDO/PGI symbols in comparison with the national symbols is likely to explain the French result.

**Figure 13: Degree of Confidence given by PDO/PGI compared with other national food symbols**



Note: Excludes “don’t know” and “unable to form an opinion”. UK\* excludes Northern Ireland.

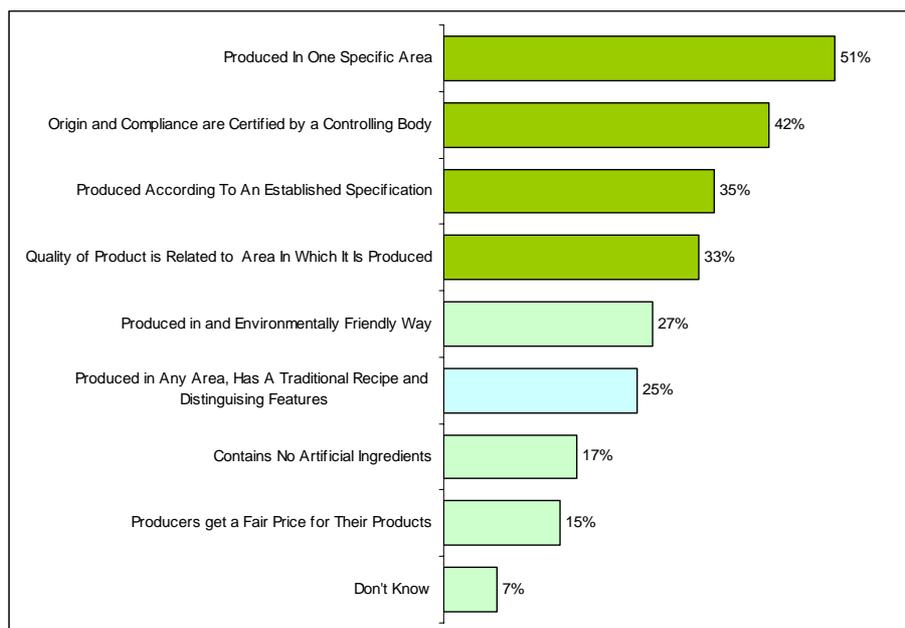
### *Understanding of the concept behind PDO/PGI symbols*

Customers that recognised the PDO and/or PGI symbols were asked to indicate the concepts they related to the PDO/PGI symbols. In general, the responses indicate that there was confusion about the meaning of the symbols.

- Of those who recognised the PDO/PGI symbols, half (51%) correctly identified that the symbols mean the product is produced in one specific area.
- A lower proportion (42%) correctly identified that the symbols mean that “guarantee of origin and compliance with product specifications are certified by a controlling body”.
- About one third were able to identify that the symbols identified products being produced according to an established specification or with a quality related to the area in which it is produced (Figure 14).
- Nevertheless, about a quarter erroneously believed that the PDO or PGI symbol referred to a product being produced in an environmentally friendly way (a characteristic of Organic products), or using a traditional recipe and distinguishing features (a characteristic of TSG products).

- Finally, about 17% and 15% of survey respondents, respectively, understood wrongly that PDO/PGI symbols identified products which contained no artificial ingredients or products where producers get a fair price.

**Figure 14: Understanding of PDO/PGI symbols**



Note: Choices highlighted in dark denote correct meaning of PDO/PGI symbols. “Producers get a fair price for their products” refers to FAIRTRADE; “Product is produced in an environmentally friendly way” refers to ORGANIC; “Product contains no artificial ingredients” is a dummy option, i.e. it is incorrect but could be logically selected by respondents; “Produced in any geographic area but must be made following a traditional recipe and has features distinguishing it from similar products” refers to TSG.

In the following figure we show the proportion of shoppers that recognised the symbols and were able to identify correctly any of their four characteristics:

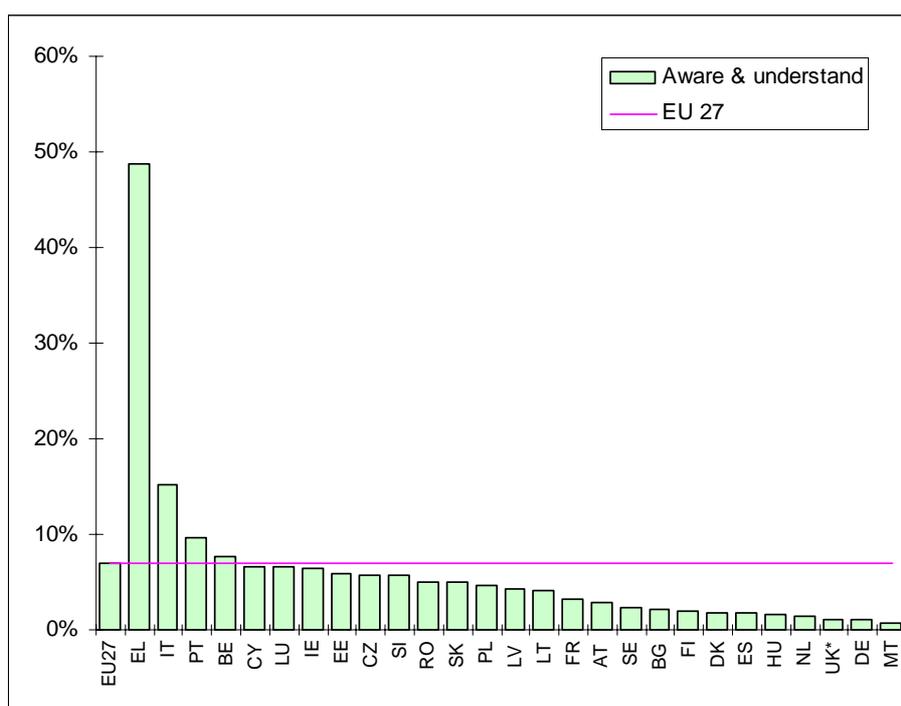
- ‘quality of product is related to area in which it is produced’;
- ‘produced according to an established specification’;
- ‘origin and compliance certified by a controlling body’; or
- ‘produced in one specific area’.

In Greece, main shoppers do not only have a much higher level of awareness of PDO/PGI symbols, but also a much greater level of the understanding of their meaning (Figure 15).

On average, across the EU27, 7% of main shoppers are aware of, and have at least some understanding of PDO/PGI symbols.

However, as can be seen in Figure 15, main shoppers in Greece and, to a lesser extent, Italy show a high recognition and understanding of the PDO/PGI symbols. When Greece and Italy are excluded from the sample, the percentage of main shoppers who are aware of, and have at least some understanding of PDO/PGI symbols reduces to 4%.

**Figure 15: Correct recognition of the PDO/PGI symbols and their meaning**



Note: UK\* excludes Northern Ireland.

### Summary of results

The key results of the consumer survey of awareness and understanding of the PDO/PGI symbols are the following:

- The level of recognition of the PDO and PGI symbols is low in the EU27. This is not surprising in light of the previous findings reported in the literature;
- There is confusion as to the meaning of the symbols. Of those that recognised the PDO/PGI symbols, only half (51%) correctly identified that the symbols mean the product is produced in one specific area;
- Clear differences exist between countries, but in general the PDO/PGI symbols are more (or equally) recognised than national food symbols, but are less recognised than other international symbols (Organic and Fairtrade);
- There is also variation between countries in terms of the confidence PDO/PGI symbols give compared with other national food symbols, but in most of the cases the PDO or PGI symbols are viewed as giving more or equal confidence than the national symbols.

### 5.2.2 Costs and benefits to consumers

In this section we analyse the costs and benefits of the scheme for consumers. We examine three aspects: consumer information, consumer confidence and value for money for consumers.

#### *Background*

The evidence presented in this sub-section is based on 10 interviews with consumer associations in 8 countries (Germany, Greece, Sweden, Denmark, Belgium, Italy, France and Hungary) and 22 interviews with traders in retailers undertaken as part of this evaluation. A consumer survey was conducted to assess consumer awareness of the PDO/PGI symbols. However, due to the size of the consumer population a very large sample was required (16,718 interviews were undertaken across the 27 Member States), meaning that the survey questions needed to be structured and non-open ended. For this reason it was impossible to gather qualitative information from consumers on the costs and benefits of the scheme and the issue was omitted from the consumer survey.

#### *Consumer information*

Consumer groups in some of the countries and most traders and retailers responded that the PDO/PGI scheme can provide useful information for consumers:

- In Belgium, Greece and Sweden, the consumer associations believe that the scheme provides useful information about product origin to consumers.
- The German consumer association appreciates the PDO symbol because it guarantees the origin of the product and all of its raw materials used as ingredients.
- The majority of interviewed traders and retailers believe that the scheme helps consumers make product choices. The exceptions were in Sweden and Denmark, where retailers believe that consumer understanding of the scheme is so low that there are no informational benefits.

In three Member States a number of concerns were raised by the consumer associations in relation to situations where consumers can be misled:

- According to consumer associations in Belgium, Germany and Italy consumers may be misled about the nature of PGI products and the origin of the raw materials used to produce them.
- The Italian consumer association felt that consumers can be misled to believe that PDO/PGI products are produced using traditional artisan methods, when in reality many are produced using industrial methods of production.

### *Consumer confidence*

There is limited evidence that the scheme promotes consumer confidence in products with registered names. The evidence that does exist comes mainly from traders and retailers, but also has some support from consumer associations:

- The majority of responses from retailers and traders in the case studies indicate that the scheme provides useful information and increases consumer confidence.
- The Federation of German Consumer Organisations is in favour of guaranteeing origin and regional production as a way of promoting consumer confidence.
- The consumer association in Greece believes that the PDO/PGI inspection system gives products with registered names more credibility than standard products.
- None of the other consumer associations gave any evidence that the scheme promotes consumer confidence.

However a significant number of concerns in this area were raised by the interviewees:

- In the case of the PGI, interviewed consumer associations in Italy and Germany believe that consumer confidence is damaged significantly by the fact that only a limited part of production must take place in the designated area.
- It was also noted in Italy that, even for a PDO, the region of production can be very wide and this can affect consumer confidence.
- The interviewed consumer association in Greece believes that the scheme improves the credibility of PDO/PGI products because it involves at least one additional level of inspection relative to standard products. However, they also feel that the credibility of the scheme is limited because inspection and monitoring are not done appropriately.

### *Value for money for consumers*

The survey responses from consumer associations and from traders and retailers suggest that PDO/PGI products are good value for money for consumers:

- This is the view of the interviewed consumer associations from most countries (Belgium, Greece, Hungary, Denmark and Italy)<sup>58</sup>.
- No consumer associations stated that they believe PDO/PGI products represent lower value for money than 'standard' products.

However, there were a number of qualifying statements from the consumer associations:

- In Belgium, the consumer association believes that, in order to provide value for money, it is important that the quality of PDO/PGI products is ensured, in addition to guarantee of origin.
- In Italy, it was noted that there are many PDO/PGI products and huge price variability and this makes it hard to generalise. Further, it was noted that the PGI offers less value for money than the PDO and there needs to be a differentiation between the two quality levels so that there can be differentiation in price. The perceived lower quality

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<sup>58</sup> In Italy it was noted that, in the past, PDO/PGI products were perceived as very high quality but were expensive. Nowadays, with supermarkets running promotions and giving discounts and food habits changing, consumers feel that the prices of such products are reasonable compared to other possible substitutes.

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relates to the fact the link of the product with a specific region or area is less tight in the case of a PGI.

- In Greece, the consumer association stated that, as there is no difference in price between PDO/PGI and non-PDO/PGI products, the better value for money is a result of “one additional level of inspection” for PDO/PGI products.

### 5.3 Part III: Costs and benefits to public authorities

In this section we analyse the costs and benefits of the scheme for public authorities. The evidence is based on responses collected from interviews with officials from various public authorities in the case studies. At least one interview was conducted with officials from each country in the case studies.

#### *Benefits reported by public authorities*

The survey respondents were asked to give a qualitative description of any benefits that they believe are received by public authorities as a result of the scheme.

None of the respondents described any direct benefits to public authorities. However, if there were any regional development benefits these could be seen as indirect benefits to the authorities, because they may complement the wider objectives of the authorities (such as the promotion of the regional economy or agricultural sector).

In three Member States, public authorities cited positive regional development impacts as indirect benefits of the scheme:

- In Belgium, public authorities believe the scheme has improved the image of agriculture, increased diversification, and increased added value, maintained employment in the rural areas and increased tourism in the region.
- In Italy, public authorities consider that the scheme has increased the income of farmers, increased competitiveness in local supply chains, contributed to diversification of agricultural production (in particular in remote areas), improved the reputation of the area, and increased rural employment and tourism.
- In Jersey, the States of Jersey government notes that the protection of Jersey Royal Potatoes has had substantial benefits for the island’s economy.

In three other Member States the public authorities report that the benefits of the scheme are more limited:

- In Germany, the authorities stated that the main reason that the benefits are limited is the lack of awareness of the scheme and that the registered names were already known before the introduction of the scheme.
- In Greece, the public authorities reported no benefits to them as a result of the scheme.
- The Hungarian Patent Office only mentioned the receipt of an application fee as a benefit.

### *Costs of monitoring and assistance from public authorities*

The possible costs to public authorities that may exist as a result of the scheme include:

- The costs of handling applications for registering a PDO/PGI;
- The costs of monitoring the production methods of producers who are known to be using a protected name, and;
- The costs of enforcement in the market, which in turn includes:
  - Detecting fraudulent use of protected names, and;
  - Dealing with culprits (administering fines, if necessary, and taking offending products off the market).

However, when the public authorities in the case study Member States were interviewed about the costs of the scheme for them, no costs specifically related to the scheme were identified. It is difficult to separate the costs to public authorities which are directly related to the implementation of the scheme from other costs, and even more difficult to separate the costs by area of activity. This is because:

- Activities related to the scheme are usually combined with other responsibilities. There is no separate accounting of such costs.
- Moreover, the level of the costs incurred depends on the level of activity such as the number of applications received, the level of infringements of the scheme being pursued, etc.

The fact that it is almost impossible for public authorities to identify the costs of the scheme and separate these costs from other costs could be viewed as indicating that, overall, the costs are unlikely to be significant.

## **5.4 Part IV: Usage of alternative means for protecting and advertising products' names**

This sub-section assesses the extent to which different alternative registration systems, specifically trademarks, have been successfully used across the EU as an alternative form of legal protection for names, and as an advertisement tool.

### *Alternative means of protection*

The alternative to PDO/PGI available to producers is to use a mark. Marks are “distinctive signs whose purpose is not to protect an invention but to distinguish products for consumers and vis-à-vis competitors”<sup>59</sup> protected by industrial property law. There are three types of marks:

- Individual trademarks: they are owned by a single specified natural or legal person. The main difference with geographical indications is that they apply to particular firms, and as such, are more restrictive as they do not allow new producers within a geographic zone to use the registered name;
- Collective trademarks: they are owned by a public or private group of more than one legal entity (e.g. trade association) and commercial use of them is made via the members of the group. These trademarks are mainly used to guarantee some products characteristics such as geographical origin;
- Certification mark: they are the property of a group which does not trade in the relevant product itself. Certification marks indicate that products have been produced subject to given standards which may include a geographic region of production. A certification mark is the instrument that “comes closest to the one established in Roman law countries regarding appellations of origin” (OECD, 2000).

There are a number of differences between PDO/PGI and marks. A comparison of the nature of trademarks, geographical indications and certification and collective marks is given in Table 44. In summary:

- More stringent conditions apply for the registration of a PDO/PGI. Firstly, producers need to specify the region of production or demonstrate a link between the characteristics of the product and the region. Secondly, in contrast to individual trademarks, producers of a PDO/PGI are not free to change their production methods and ingredients once the product specification has been registered;
- The PDO/PGI scheme is generally public, marks generally private;
- Public authorities are involved in the registration process in the case of protection of origin schemes, but not in the case of marks;
- Inspection is done by a third party (State or independent body) in the case of PDO/PGI, while it is done by the owner in the case of a mark;

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<sup>59</sup> OECD, 2000.

- The duration of the protection of the scheme is longer in the case of geographical indications;
- Trademarks apply to particular firms and do not allow new producers within a geographic zone to use the registered name. However, geographical indications can be used by owners of different trademarks (as long as they comply with the specifications of the name) in addition and in combination of the registered trademark.

Neither trademarks nor geographical indications can be registered for generic names. However, a trademark risks becoming a victim of its own success. If it enters common usage, a trademark owner can lose his protection, with the trademark representing the generic term for the actual product.<sup>60</sup>

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<sup>60</sup> Hennessey, W. (1999) *Trademark Protection and its Role in Promoting Trade and Commerce and Enhancing Competitiveness*, Concord, New Hampshire, USA  
[http://www.ipmall.info/hosted\\_resources/pubspapers/TM\\_Protection\\_Hennessey\\_99.asp](http://www.ipmall.info/hosted_resources/pubspapers/TM_Protection_Hennessey_99.asp).

<b>Table 44: Comparison of Trademark Protection, geographical indications and certification and collective marks.</b>			
<b>Concept</b>	<b>Trademarks (TM)</b>	<b>Geographical Indications (GI)</b>	<b>Certification and Collective Marks</b>
<b>Identifier</b>	Identifies a manufacturer	Identifies a place of origin	Identifies quality sometimes linked with place of origin
<b>Intention</b>	Reflects human creativity	Reflects climate and soil and "other characteristics"	Reflects certification of product quality or member of collective
<b>Owner of right</b>	One producer	Mainly a public right. Ownership by state or parastatal on behalf of all producers in area	Mainly a private right owned by the trade association or producer group
<b>Inspection</b>	Owner of the mark oversees inspection	An independent agency or the government undertakes inspection of compliance with standards stipulated in the indication	Owner of the certification mark oversees inspection of compliance to standards stipulated in the mark
<b>Means of protection</b>	Private firms protect TM with help of courts: no public intervention	Protection is a result of a mix of public (ex officio) and private actions	Protection of certification by public agency: collective marks by collective
<b>Transferability</b>	TM can be sold or licensed	GI cannot be sold or licensed	Not transferable
<b>Registration</b>	Self-declaration: no reputation necessary for registration	Registered by public authority: reputation necessary	Request for certification by producer groups must show quality
<b>Cost</b>	Expensive for small producers	Inexpensive for small producers but not for large groups	Inexpensive
<b>Extended protections</b>	No protection against modifiers of translations	Protection for modifiers and translations	Certification should be unambiguous
<b>Conflicts</b>	Cannot contain GIs (unless grandfathered) if consumers might be misled	Can coexist with TM and Certification and collective marks	Can coexist with both GIs and TM
<b>Duration</b>	TM rights must be maintained through actual lawful use of the	Continuous as long as conditions justifying	Often subject to renewal of collective

	trademark.	protections are upheld	and certification marks
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Source: Rangnekar (2004) (based on OECD, 2000 and Vivas and Ruiz-Muller, 2001), Josling (2006) and LE analysis

It should be noted that registration as certification trademark is not foreseen under Council Regulation (EC) 40/95 of 20<sup>th</sup> December 1993 on the Community trade mark.

### *Findings from the literature*

As noted earlier, the primary difference between trademarks and GIs is the linkage in the case of GIs with the territory of production. On this point, Callois (2004) notes the close association between the nature and quality of the good to the area of production, such that there exists an immobile comparative advantage represented by the GI. This link can then be used as a lever for developing economic activity in regions which are often at the periphery, i.e. at a great distance from the main consumption markets, and/or less developed.

The USDA Foreign Agricultural Service takes this line of argument further, noting that in the case of trademarks, as there is no link to the territory of production, the trademark can be sold and delocalised. This cannot happen in the case of geographical indications, due to the inherent linkage to the territory.<sup>61</sup>

An implication of the difference between trademarks and GIs arises from market entry considerations. In the case of a collective trademark, usage of the term by a producer is limited to those that have been admitted to the group by the trademark owner. On the other hand, a GI is accessible to any producer of the protected product based in the region and conforming to all production method requirements.

The critical differences between the two in terms of legal character are:<sup>62</sup>

- nature of ownership (private v. collective) and rights to assign and license;
- character of the prohibition of unauthorized use; and
- use and reputation.

<sup>61</sup> USDA Foreign Agricultural Service (2003) *GAIN Report E23165: European Union Trade Policy Monitoring, EU releases final list of Geographical Indicators for Cancun*, Global Agriculture Information Network, [www.fas.usda.gov/gainfiles/200308/145985850.doc](http://www.fas.usda.gov/gainfiles/200308/145985850.doc)

<sup>62</sup> van Caenegem, W. (2003) "Registered Geographical Indications: Between Intellectual Property and Rural Policy - Part I", Faculty of Law - Law papers, Bond University, Queensland, Australia.

### *Findings from the case studies*

The evidence in this sub-section is based on the interviews with producers of the cases studies undertaken as part of this evaluation. A total of 110 PDO/PGI producers and upstream or downstream stakeholders and 17 producers' groups were interviewed. The views are complemented with evidence provided by 29 producers of comparator products. Finally, additional evidence has been collected from 22 interviews with retailers and traders.

In the different interviews, producers were asked to explain the alternative means used for protecting and advertising their products. In order to assess the effectiveness of the scheme compared to such alternative means, producers were also asked to identify the main advantages and disadvantages of the PDO/PGI scheme compared to such alternatives.

It is important to note that the case studies cover only a limited number of products. The information from the case studies may be indicative but is not necessarily representative of the entire population due to the limited number of cases analysed.

### *Alternative schemes used*

The most important alternative scheme for protection of names is trademarks, in their different varieties.

In a number of cases, producers of comparator products use product-specific trademarks, which are privately owned by single companies and refer to specific product characteristics or varieties. Examples are:

- Cornish King potatoes, and Delicious Dirty (comparators of Jersey Royal Potatoes),
- Knax, Knaxino, or Sticksi (used by Hengstenberg, which is the comparator of Spreewälder Gurken), and
- Chilli-Trade (comparator of Szegedi Fűszerpaprika).

As mentioned earlier, geographical indications can be used by owners of different trademarks (as long as they comply with the specifications of the name) in combination of the registered trademark. In such cases, producers can benefit from the level of protection and reputation gained through the PDO/PGI name, while they can differentiate their product from other products with PDO/PGI by using a trademark or a branded name.

In fact, for the vast majority of the PDOs and PGIs covered by the case studies, trademarks are commonly used in addition to the PDO/PGI scheme as a mean of protection and/or marketing tool (see Table 45). The fact that

so many PDO/PGI products in the case studies are also at the same time protected by a trademark strongly suggests that the PDO/PGI scheme and the trademark system are viewed as complements rather than substitutes by producers.

<b>Table 45: PDO/PGI products covered in the case studies and use of trademarks</b>		
<b>Country</b>	<b>Product</b>	<b>Use of a trademark by some or all of the PDO/PGI producers</b>
<b>BE</b>	Fromage de Herve PDO	No
	Jambon d'Ardenne PGI	No information
<b>DE</b>	Lübecker Marzipan PGI	Yes
	Spreewälder Gurken PGI	Yes
<b>EL</b>	Feta PDO	Yes
	Sitia Lasithi Kritis PDO	Yes
<b>ES</b>	Jamón de Teruel PDO	Yes
	Turrón de Alicante/ Jijona PGI	Yes
<b>FR</b>	Riz de Camargue PGI	No
	Volaille de Bresse PDO	No
<b>HU</b>	Szegedi Szalámi PDO	Yes
	Szegedi Fűszerpaprika PDO <sup>1</sup>	Yes
<b>IT</b>	Toscana PGI	Yes
	Mela Val di Non PDO	Yes
<b>SE</b>	Svecia PGI	Yes
<b>DK</b>	Esrom PGI	Yes
<b>UK</b>	Jersey Royal Potatoes PDO	Yes
	Whitstable Oysters PGI	No

More detailed information on the approach adopted for the different products covered by the case studies is provided below:

- In the case of Spreewälder Gurken it is important to note that "Spreewald" is an umbrella/collective trademark which does not only apply to gherkins.<sup>63</sup>

<sup>63</sup> In the case of Spreewälder Gurken producers use a logo which has been registered as a trademark and

- Lübecker Marzipan producers mentioned that a trademark is used to benefit from the reputation of their traditional brand.
- In the cases of Jamón de Teruel, Turrón de Alicante/Jijona and Toscano several trademarks are used to differentiate their products from competitors.
- In the case of Toscano, different trademarks are used to access different marketing channels. Firms also use alternative private trademarks at customer's request and according to customers' own specifications.
- In the case of Mela Val di Non, apples are sold using the trademark of the cooperative (Mela Melinda) that manages the logistics and marketing functions for all the Mela Val di Non apple producers.
- Producers of Feta, Turrón de Alicante/Jijona, Szegedi Szalámi and Svecia and Esrom also mentioned the use of trademarks for marketing purposes.

The use of collective trademarks has been reported by producers in Germany (Spreewälder Gurken and Lübecker Marzipan), Italy (Toscano, Mela Val di Non), Sweden (Svecia), and Hungary (Szegedi Fűszerpaprika). There is no information on collective trademarks being used by other producers.

Although most PDO/PGI producers use a trademark as a complementary means of protection or marketing, it is interesting to note that some producers do not use any additional protection.

- The findings from the UK case study show that the use of trademarks is limited in the potato market and trademarks are generally used to protect investment in new varieties (e.g. the Osprey potato from Albert Bartlett or Sainsbury's Vivaldi potato). In these cases, trademarks allow those who invest in products (in terms of plant breeding or marketing) to recoup their investment by protecting against copying.
- Whitstable Oysters, one small producer of Esrom, and some producers of Jamón de Teruel are not protected by any alternative scheme.

In several cases, producers are also using other labels for marketing their products. Examples of such additional labels are:

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contains the word Spreewald

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- International awards (Sitia Lasithi Kritis), or regional labels (nature national park label for Riz de Camargue);
- Certification of quality by a national authority (examples are International Food Standard for Lübecker Marzipan, “Special Quality Hungarian Food” for Szegedi Fűszerpaprika, or “100% Italian” for extra virgin olive oil).

### *Effectiveness of alternative schemes for protection*

The case studies yield very different views on the effectiveness of alternative schemes for protection of names.

In some cases, a trademark is viewed as less effective because:

- it does not typically involve all the stakeholders of the supply chain of a PDO/PGI product (Volaille de Bresse);
- is more expensive to obtain (Lübecker Marzipan);
- protects a name less well (Feta).

In sharp contrast, other producers of PDO/PGI products surveyed during the case studies indicated that a trademark:

- is a more effective protection of a name (some producers of Spreewälder Gurken,, Toscano);
- is a better way to protect a name of a product because it does not tie a product to a region and permits delocalisation of production if required (Esrom);
- provides a stronger protection of a name, especially if the geographical area relates to a whole country (one of the smaller producer of Svecia);
- The registration of a trademark is faster and its enforcement is more robust (Szegedi Fűszerpaprika).

The bottom line is that the views of producers of PDOs/PGIs gathered during the case study differ markedly with regards to the effectiveness of a trademark relative to a PDO or PGI.

That being said, the fact that many PDO/PGI products covered by the case studies also are protected by trademarks does not reflect a view that a trademark provides a stronger protection of the name. Rather, as will be seen below, the use of a trademark is mainly for marketing purposes.

### *Effectiveness of alternative schemes for marketing*

As noted above, in the case studies, trademarks are commonly used by producers of PDO/PGI products. In the case of individual trademarks, this allows producers of a given PDO or PGI to differentiate their product in the market place from the same PDP/PGI produced by other members of the producers group.

In the case studies, a number of producers made comments supporting the view that trademarks are important for marketing purposes. For example:

- Producers of Volaille de Bresse noted trademarks are better remembered by consumers and can more easily be supported through advertising and promotional activities.
- Producers of Riz de Camargue, Fromage de Herve and Lübecker Marzipan shared this opinion.

However, in terms of the quality signal sent to consumers, a number of survey participants in the case studies noted that a trademark is not as effective as a PDO or PGI, nor does it evoke as well in consumer minds regionalism and regional characteristics. This was the case, for example, for producers of:

- Spreewälder Gurken;
- Fromage de Herve;
- Jambon d'Ardenne;
- Esrom;
- Svecia;
- Szegedi Szalámi; and,
- Toscano.
  - In comparison to a trademark, the link of a PDP/PGI to unique local characteristics and traditions is viewed as particularly useful for producers in the South of Europe (Feta in Greece, Riz de Camargue in France and Toscano and Mela Val di Non in Italy). It is also seen useful for products from Northern Europe with a strong local or national tradition (Svecia in Sweden, Spreewälder Gurken in Germany, Jersey Royal Potatoes in the UK).

- In contrast to a trademark, the PDO/PGI origin and production method is viewed as useful for conveying a message of quality to the consumers. This is the case for Hungarian products (Szegedi Szalámi and Szegedi Fűszerpaprika) and Volaille de Bresse in France, but is especially relevant for Toscano, where the usage of the reputed name “Tuscany” is a very useful marketing tool for distinguishing the products from low-quality olive oil.
- Finally, in comparison to a trademark, the importance of third-party certification in the case of a PDO/PGI is seen as a very useful way of reinforcing the credibility of the product (cited by Lübecker Marzipan, Szegedi Fűszerpaprika and Toscano producers).

While the number of products covered by the case studies is small and does not allow one to draw very firm conclusions, the approach to the use of trademarks adopted by many of the PDO/PGI producers in the case studies suggest that trademarks are used for brand recognition and market segmentation while the PDO/PGI scheme is used to send a quality signal to consumers and stimulate a consumer response to evocations of regional characteristics.

As such a trademark complements the PDO/PGI in the marketing toolkit used by producers of PDOs and PGIs rather than competes with the PDO/PGI scheme.

### *Summary of findings*

The alternative means of protection to PDO/PGI available to producers are individual and collective trademarks, and certification marks. The main difference between PDO/PGI and such alternatives is that more stringent conditions (related to special characteristics of the region) apply for the registration of a PDO/PGI.

Interestingly, the findings of the case studies show that PDO/PGIs are used in many cases in combination with a trademark. The evidence collected from the case studies shows that PDO/PGI is viewed by many PDO/PGI producers as a very effective scheme for the protection of names. However, in a few cases, the PDO/PGI scheme is judged by producers of PDO/PGI products as not always achieving its potential because of weak enforcement.

That being said many of the PDOs/PGIs covered by the case studies are also protected by trademarks as this helps achieving product differentiation and

segmentation of the customer base. In contrast, the PDO/PGI scheme is seen as a very useful marketing tool for conveying information on the origin and method of production to consumers. In this sense, the scheme is seen by producers as a very effective for marketing the product because it creates an image of quality.

Overall, the PDO/PGI scheme and trademark system appear to be complements rather than substitutes.

## 5.5 Data sources and limits

The data sources on usage is based on four sources; a survey of responsible authorities in 27 countries on the application and registration process, case studies of PDO/PGI products in 10 countries, a pan-European survey and secondary evidence from published sources. These are detailed below along with an assessment of key limitations of each:

**Survey of responsible authorities:** The survey was directed to the person responsible for the PDO/PGI scheme in each of the 27 Member States. While the accuracy of the data is good, not all consultees were fully aware of all procedures and the wider context of the scheme.

**Case studies of PDO/PGI products:** We have detailed evidence on 18 PDO/PGI products from ten countries and partial evidence on a further list of 5 products to address specific evaluation issues. In the context of a total of 779 registered products (June 2008), the analysis is indicative rather than representative. Product selection and data collection was undertaken by country experts with a wider knowledge of the scheme and access to key organisations and companies. This wider understanding has informed the analysis at country level and has allowed us to consider qualitative as well as quantitative issues. However, for most countries (except Italy, France and Spain) there are gaps in the monitoring data and therefore in the analysis.

The use of a common 'questionnaires' for the various stakeholders has also allowed comparisons between countries and highlighted the large number of different approaches and attitudes to the scheme.

It is also important to consider the subjective nature of some of the data, notably where producers or organisations have been negatively affected by the scheme e.g. excluded from using the name or required to produce to strict specifications. These views were presented as opinions rather than objective statements.

**Consumer survey:** This survey was run by IPSOS as part of the regular omnibus survey and the quality of the data is good.

**Secondary evidence:** For this chapter, we have searched all possible data sources for data on the PDO and PGI economy. While we cannot guarantee that we have not missed one or the other smaller sources of information, we are confident that we have accessed all major data sources with PDO and PGI data.

## 6 Effectiveness of the scheme

In this chapter we analyse the effectiveness of the PDO/PGI scheme with reference to the intervention logic model, as presented in Section 2. For a meaningful evaluation of a multi-faceted scheme such as the PDO/PGI scheme, it is advisable to break the scheme down into elements and to consider the degree to which the scheme has been effective in addressing each dimension of the objectives, as reflected in the structure of this chapter.

Our approach to this assessment is to collate and analyse the evidence from our programme of research (comprising desk research, review of legislation and literature, data analysis and case studies) to form a judgement on the effectiveness on the scheme across a range of dimensions measured against the relevant desired results, impacts and objectives.

### 6.1 Effectiveness of the intervention

In order to make an assessment of effectiveness, it is first necessary to define the concept. The intervention logic model set out in Chapter 2 outlines the context and the needs, the objectives, the key features, the expected outputs, the expected results, and the expected intermediate and global outputs of the PDO/PGI scheme.

#### *Expected results of the PDO/PGI scheme*

The direct impacts or results refer to the short-term effect of the intervention on the direct beneficiaries of the intervention. The expected results identified in the logic model set out in Chapter 2 are:

- Increased incomes of farmers;
- Fair competition between producers of products with geographical indications or designations of origin;
- Increased recognition; and,
- Consumers able to make better choices due to clear information on product origin.

To the extent that the PDO/PGI contributes to the following developments, the expected results of the scheme are more likely to materialise:

- Ensuring **quality** products;
- Increasing the **market share** in domestic and export markets;

- Contributing to the **return along the chain**; and
- **Preventing any impacts on the normal market operations of non PDO/PGI products**, in particular in the absence of the list of generics;
- Increasing **diversity** of products.

Therefore, in sections 6.2 to 6.6 below, these developments are analysed in greater detail.

### *Expected intermediate and global impacts*

In the logic model set out in Chapter 2, the intermediate impacts refer to the medium-term impacts on both direct and indirect beneficiaries of the intervention, whereas the global impacts refer to the longer-term and more diffuse effects. In sections 6.7 to 6.8, we assess the effectiveness of the PDO/PGI scheme in respect of each of the following expected medium- to longer-term impacts or outcomes:

- Increasing **diversity** of products;
- Increasing or retaining **economic activities in rural areas**; and
- Establishing **cultural value in rural areas**.

In the two sections, we adopt a standard structure: firstly we introduce the dimension, outlining the relevant objective covered and the mechanism of how the scheme's intervention should achieve the aims; secondly we outline the data sources we will draw on and discuss any limitations therein; next we present the range of evidence collected in our research, our analysis of the facts and reasoning of the findings; followed by our judgement of the extent to which the scheme's interventions have succeeded in tracing the path of outputs, impacts and outcomes through to achieving the scheme's objectives.

## **6.2 Ensuring quality products**

The first dimension on which the effectiveness of the PDO/PGI scheme is assessed is the success in achieving the expected result of ensuring that the quality level of products produced under the umbrella of the scheme is high.

Firstly, it is necessary to define what is meant by 'quality'. Quality attributes in an agricultural policy context are listed by the European Commission as:<sup>64</sup>

- Basic prerequisites, including health and safety, and taste;
- Specific product characteristics, often linked to geographical origin or production zone (e. g. mountain areas), animal breed or production method (e. g. organic farming);
- Special ingredients;
- Particular production methods often resulting from local expertise and traditions;
- Observation of high environmental or animal welfare standards; and,
- Processing, preparation, presentation and labelling in ways that enhance the attractiveness of the product for consumers.

Some authors (Barjolle and Sylvander, 2000) have identified the existence of different views in respect of 'quality' by northern and southern European countries. In northern European countries, public authorities usually associate quality with health and hygiene aspects whereas private enterprises understand quality as meeting or exceeding European and international norms (CEN and ISO). In the southern countries, quality is understood in a much wider sense, referring to the sensorial and organoleptic<sup>65</sup> quality.

"One of European agriculture's greatest assets is its reputation for producing quality foodstuffs."<sup>66</sup> Over many centuries, a great many regionally specialised products have been developed in Europe, based on traditional methods and using locally sourced raw materials. The specific quality of these products, inherently tied to the local input and know-how, lead to these products becoming regarded as high value, high quality products for which consumers are willing to pay a premium.

However, in many cases, to varying degrees, such products became a victim of their own success, and rogue producers attempted to imitate the traditional product in order to free-ride on the developed quality reputation.

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<sup>64</sup> European Commission, DG Agriculture and Rural Development (2007) Fact Sheet: "European policy for quality agricultural products", [http://ec.europa.eu/agriculture/publi/fact/quality/2007\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/quality/2007_en.pdf).

<sup>65</sup> Organoleptic is defined as "being, affecting, or relating to qualities (as taste, color, odor, and feel) of a substance (as a food or drug) that stimulate the sense organs", source: Merriam-Webster's Medical Dictionary.

<sup>66</sup> European Commission, DG Agriculture and Rural Development (2007) Fact Sheet: "European policy for quality agricultural products", [http://ec.europa.eu/agriculture/publi/fact/quality/2007\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/quality/2007_en.pdf).

Name protection prevents such unfair competition and ‘cashing-in’ on the quality reputation by free-riders.

The lessons drawn from the theory of the certification and protection of geographic indications highlight the risks associated with such imitations. Given the nature of these products as credence goods, there is large information asymmetry and the quality of the product relies heavily on a process of consumer awareness, trust and appreciation of quality and the ability of the protected product name to build a reputation for quality.

Due to asymmetric information, according to Akerlof (1970), if producers do not gain from investing in and producing a high quality product, the consumer must expect to receive lower quality.

Furthermore, according to Shapiro (1983) the long-term return of building a reputation by producing high quality goods and earning a price premium is a fragile loop, which will breakdown in the presence of a low quality free-riding imitator that dilutes the quality reputation of traditional producers, also leading to all producers producing lower quality goods.

Whilst ensuring quality products is not an explicit objective of the scheme in itself, ensuring quality products is a means to achieve higher incomes to farmers. As high quality is strongly linked to products with an identifiable geographic origin, the scheme aims at protecting and promoting products with certain characteristics deriving from the origin of the product, raw materials and production processes that have earned such products a reputation as high quality products. Ensuring the continued high quality of PDO/PGI products is thus a key function of the scheme and essential to it achieving its stated objectives.

The importance of the expected direct result of ensuring quality PDO/PGI products and its link to the objectives of the scheme is highlighted in the preamble to the Regulation. The Regulation points to the fact that consumers in Europe and around the world are showing an increasing interest in the quality of the food they are eating and associate geographically linked produce with the high quality reputation that such products have developed over history:

“A constantly increasing number of consumers attach greater importance to the quality of foodstuffs in their diet rather than to quantity. This quest for specific products generates a demand for agricultural products or foodstuffs with an identifiable geographical origin.”<sup>67</sup>

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<sup>67</sup> Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, Official Journal of the European Union, L 93/12 EN, 31.3.2006.

### 6.2.1 Data sources and limits

In order to evaluate the achievement of the desired outcome of high quality products, we use two indicators, namely:

- *Consumption characteristics*  
Sensorial characteristics including taste, texture, smell, shape, colour and presentation; and
- *Production characteristics*  
Production methods, quality control, investments in equipment, environmental and animal welfare.

Information on these indicators has been gathered from the interviews in the cases studies of producers of PDO/PGI products and producers of their comparators.

The producers and other stakeholders were asked to list the characteristics of their product which, according to them, give it a higher quality compared with others in its category. The experts used the responses from 157 interviews and summarised the main consumption and production characteristics mentioned for each PDO/PGI and comparator.

The evidence and analysis in this sub-section is based on the responses producers provided for their own products. It should be noted that many of the characteristics that were recorded in the interviews include subjective perceptions and personal judgement. Therefore, although the responses can be indicative, for some products it is difficult to make a clear assessment of whether one type of products is of a higher quality. Another limitation of the analysis is that the consumer-related evidence reflects only the views of consumer associations and not individual consumers.

### 6.2.2 Evidence and analysis

#### *High quality characteristics of PDO/PGI products*

It is the consumption and production characteristics that define the quality of the PDO/PGI products. Given the information asymmetry of credence goods such as PDO/PGI products, it is producers who have the best information on the quality of their products. Accordingly, we present the views of surveyed PDO/PGI producers on the characteristics that they believe give the products a higher quality than similar non PDO/PGI products. The results show a very wide range of consumption and production characteristics associated with high quality.

### Consumption characteristics

Several consumption characteristics were mentioned for almost all the products (taste or texture was cited for fourteen out of the eighteen products, and at least four different consumption characteristics were cited for eight of the products).

<b>Table 46: Consumption characteristics which give PDO/PGI products a higher quality than others in its category (stakeholder responses)</b>	
<b>Protected name</b>	<b>Higher quality consumption characteristics</b>
Jersey Royal Potatoes	Taste, flavour, freshness, ease to cook and shape.
Whitstable Oysters	Deep shell, more meat and better texture and taste.
Toscana	Organoleptic and chemical properties, flavour, aroma and acidity balance.
Mela Val di Non	Organoleptic/chemical properties, flavour, aroma, colour and shape.
Jamón de Teruel	Organoleptic characteristics, taste, texture shape and fat content.
Turrón de Alicante/Jijona	Organoleptic features, taste and texture.
Spreewälder Gurken	Freshness and crunchiness.
Lübecker Marzipan	Taste was the only consumption characteristic mentioned.
Szegedi Szalámi	Taste, colour and consistency.
Szegedi Fűszerpaprika	Taste, flavour, colour, aroma, spiciness, and consistency.
Volaille de Bresse	Tenderness and greasiness of flesh and the authentic image.
Riz de Camargue	Appearance, few broken grains, sensory characteristics and cooking characteristics.
Feta	Taste and organoleptic properties.
Sitia Lasithi Kritis	Organoleptic properties and colour.
Svecia	Taste (one producer).
Esrom	No characteristics were mentioned by the producers.
Jambon d'Ardenne	Appearance, taste, aroma and smell.
Fromage de Herve	Taste was the only consumption characteristics.

Source: LE analysis of producers' responses.

### Production characteristics

A wide range of production characteristics were also mentioned for almost all the products, but, for ten of the products, the traditional or less-industrial production characteristics were mentioned as relevant.

<b>Table 47: Production characteristics which give PDO/PGI products a higher quality than others in its category (producers' responses)</b>	
<b>Protected name</b>	<b>Higher quality production characteristics</b>
Jersey Royal Potatoes	Specific production methods including hand planting and picking, using seaweed fertiliser and resting the land.
Whitstable Oysters	Location of oyster beds and tradition of production.
Toscano	Tree and soil type and traditional picking and milling techniques.
Mela Val di Non	Apple tree varieties, environmental conditions, low-intensive production techniques and quality management after harvesting including selection and conservation techniques.
Jamón de Teruel	Cited most often included animal genetics, fodder and the curing process.
Turrón de Alicante/Jijona	Traditional slow cooking and quality of raw materials (Marcona almonds and rosemary honey) and high percentage of almonds.
Spreewälder Gurken	Use of fresh herbs and onions, traditional recipe, specific regional conditions (soils, microclimate) and the speed of processing.
Lübecker Marzipan	The recipe, the lower sugar content and traditional processing techniques.
Szegedi Szalámi	Special animal feed, traditional processing, length of maturation, and weather conditions.
Szegedi Fűszerpaprika	Production by hand, plant varieties, pesticides and chemicals, cultivation techniques, maturation, milling, weather.
Volaille de Bresse	Free-range breeding, the breed of poultry, traceability and hygiene.
Riz de Camargue	Selective criteria for certification, traceability, water management and sanitation controls.
Feta	Speed of processing and the ratios of sheep and goats milk.
Sitia Lasithi Kritis	Olive tree varieties, traditional farming practices, climatic conditions and requirements for the milling machinery and strict control of the process.
Svecia	The length of the maturing process (one producer).
Esrom	Esrom producers do not believe that these cheeses are of higher quality than other similar cheeses.
Jambon d'Ardenne	Drying process, the use of less salt and the length of the processing period.
Fromage de Herve	'Handcrafting', the maturing stage and the raw milk used.

Source: LE analysis of producers' responses.

### *Analysis of quality vis-à-vis comparator, by comparator type*

The results of our survey of high quality characteristics (presented above for the certified products) differ depending on the type of comparator:

- When the comparator is a generic product, very few characteristics were reported.
- For comparators with a strong reputation, many consumption and production characteristics were reported.

In order to investigate this trend, we analyse quality characteristics of PDO/PGI products against the responses on quality characteristics of three types of comparator product type:

- PDO/PGIs vs. generic products
- PDO/PGI vs. products with a strong reputation
- PDO/PGI protected with a trademark

#### **PDO/PGIs vs. generic products**

A comparison of the characteristics of PDO/PGI products and those of the comparator products yields a different result depending on whether the comparator is a generic product or a product with a strong reputation.

When the comparator is a generic product, the responses to the interviews indicate that the PDOs/PGIs are viewed as being of a higher quality in the cases of Volaille de Bresse and Turrón de Alicante/Jijona but are inconclusive in the case of Feta.<sup>68</sup>

- According to the producers interviewed in the case studies, Volaille de Bresse has many qualities that make the PDO superior, including both consumption (tenderness and greasiness) and production (free range breeding and hygiene) characteristics; whereas the comparator, Le Gaulois, has fewer characteristics (ease of cooking, consistency of quality and sanitary hygiene).
- According to the interviewed producers, Turrón de Jijona/Alicante has several consumption (organoleptic features, taste and texture) and production (traditional slow cooking and quality raw materials)

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<sup>68</sup> The comparators for Volaille de Bresse, Turrón de Alicante/Jijona and Feta were, respectively, La Gaulois, generic nougats from Alicante/Jijona and cubable white cheese from both inside and outside Greece.

characteristics that make the PGI superior; whereas the comparator, generic nougat, has no characteristics that give it a higher quality.

- For Feta, 'cubable white cheese' produced in Greece was used as the comparator. The producers interviewed in the case studies named consumption (organoleptic properties) and production (speed of processing and the type of milk) characteristics that give Feta a higher quality than others in its category. No special characteristics were mentioned for white cheese. One interviewed producer stated that each cheese-maker makes the cheese differently and each cheese (Feta and white cheese) has its own characteristics. Therefore, it is not possible to assess whether one is of higher quality than the other.

### **PDO/PGI vs. products with a strong reputation**

Whenever the comparator is a product with a strong reputation (but not trademarked) the responses from the producers interviewed in the case studies do not show that the PDO/PGI product is perceived as being of superior quality. In these cases, the producers quoted many consumption and production characteristics for both the PDO/PGI products and the comparators, but since many of the characteristics include subjective perceptions it is difficult to assess whether one type of products is of higher quality.

Nevertheless, in a number of cases the responses from the interviewed producers of PDO/PGI products show that the latter do have different qualities and, in particular, are often produced using a wider variety of methods:

- Hand-made production and the maturing stage were cited as a production characteristic of quality by producers of Fromage de Herve.
- The production specification states that Jersey Royal Potatoes must be hand planted and use seaweed fertiliser.
- The location of the oyster beds and the traditional methods of production were quoted by the producer of Whitstable Oysters.
- Producers of Jambon d'Ardenne cited the drying process, use of less salt and the length of the processing period as production characteristics of quality.

For some other PDO/PGI products, the comparators are very similar and in some cases they are produced by the same producers as the PDO/PGI products. Two such examples are presented below for products produced using similar methods in the same regions and similar consumption characteristics:

- For Toscano the code of practices was drawn up on the basis of the widespread production techniques already used in Tuscany so the comparator (un-certified Tuscan oil) is very similar to the PGI.
- The comparator of Sitia Lasithi Kriti is non-PDO extra virgin olive oil produced in the same region; the two products are often made by the same producers and have very similar characteristics.

These examples pose the question: Why do the producers not produce the whole production as certified PDO/PGI? This could imply some problem with the incentives to produce under the protected product name, though it may also be due to the low demand for PDO/PGI produce (given the premium price). Further, it may be due to production constraints, such as excessive acidity levels in the olive oil (in the case of Toscano and Sitia Lasithi Kriti), or low availability of a certain type of milk (sheep milk in the case of Feta). In any case, whilst these two examples raise an interesting point, it should be noted that each case is different and this cannot be widely observed in the market.

### **PDO/PGI protected with a trademark**

Two of the PDO/PGI products (Lübecker Marzipan and Mela Val di Non) in the case studies are also protected with a trademark and it is difficult to determine whether the scheme alone had any impact on the quality of the products being produced.

#### **Case studies: Lübecker Marzipan and Mela Val di Non**

##### **Lübecker Marzipan**

Lübecker Marzipan has a number of qualities that make the PGI superior, including both consumption characteristics (taste) and production (recipe, low sugar content and traditional processing techniques) characteristics; whereas the comparator, generic marzipan, has no characteristics that give it a higher quality. However, the name has been effectively protected by a collective trademark with associated quality controls since before the introduction of the scheme, so whilst the scheme may have reinforced or strengthened quality, it is not possible to conclude how much of the higher qualities of the PGI product is attributable to the PGI scheme and how much is due to the original trademark and quality controls.

##### **Mela Val di Non**

Mela Val di Non also has some distinguishing qualities that make the product superior to its comparator. This is recognised not only by all the producers of Mela Val di Non, but also by retailers of the PDO apples and producers of the comparator. However, according to the president of the producers' group, the apples had already some of these qualities before registration as PDO due to the production methods and control of quality implemented by the producers' group (Consorzio Melinda). Nevertheless, gaining PDO status in 2003 contributed to improving the quality (by defining a PDO code of practice) and increased the reputation of the apples by signalling the link to the area of origin.

### 6.2.3 Judgement

The analysis in this sub-section is based on the responses provided by producers of PDO/PGI products for their own products. The information gathered in the interviews reflects personal judgement and it is difficult to make a clear overall assessment of whether PDO/PGI products are of higher quality than their comparators. Further, the analysis is based only on the perceptions of stakeholders and does not include the views from individual consumers.

The analysis shows that, in most cases, the producers of PDO/PGI products believe them to be of higher quality, citing either particular production and/or consumption characteristics as the driver of quality. It is the geographic link to the ingredients, processes, expertise and/or inputs that yield this high quality.

However, it must be remembered that there is also a selection bias, in that the products whose names have been registered and protected under the PDO/PGI scheme are products that were already of high quality.

Producers of the PDO/PGI products mentioned a wide number of consumption characteristics for both PDO/PGI products and their comparators. In many cases, it is difficult to determine whether there is a difference between the two. In part this is because characteristics such as taste, texture, smell, shape, colour and presentation are to a large extent a matter of subjective perception. In addition, the evidence shows few differences in terms of quality between PDO/PGI products and comparators.

However, the evidence shows important differences in terms of the methods of production. Not surprisingly, PDO/PGI products generally use more traditional production techniques (e.g., producers of Jersey Royals employ hand planting and picking, whilst producers of its comparator Cornish Earlies states that they use no artisan production methods).

Finally, some PDO/PGI products also use collective trademark protection which is accompanied by strict quality controls. In these cases, it is difficult to attribute the effect of the scheme because quality is assured by alternative quality control mechanisms. However, we identified one case in the case studies where the quality of the product was increased as a result of defining a new code of practice.

Overall, our judgement is that the scheme has generally been effective in ensuring a high level of quality in terms of the products that are sold under the PDO and PGI symbols.

It should be noted, however, the fact that the registered products already were well known for their high quality characteristics is a significant factor (e.g., producers of Lübecker Marzipan claim that the product name emerged around 1800 as a signal of superior quality).

Nonetheless, the scheme has ensured the continuation of these high quality products.

### 6.3 Increasing the market share in domestic and export markets

The second dimension on which the effectiveness of the PDO/PGI scheme is assessed is the success of the scheme in achieving the expected result of increasing the market share of certified PDO/PGI products in domestic and export markets. The following definitions are used.

- Domestic market shares - PDO/PGI national market shares are calculated as the ratio of national sales of PDO/PGI production to domestic apparent consumption of the relevant product category.
- Export market shares - PDO/PGI market shares of exports are calculated as the ratio of export sales of PDO/PGI products to total exports for the relevant product category (destination countries including both other EU Member States as well as countries outside of the EU).

In recent years, a number of studies have examined the contribution of PDOs/PGIs to increasing the market share of such products. Belletti (2001), Anania and Nistico (2004) and Pacciani et al. (2003) emphasise that PDO/PGI symbols may act as the key to accessing new marketing channels for producers. This is particularly true in the case of distant and export markets where consumers seek guarantees about the origin and quality of the product as they are less likely to be familiar with the product. Market share growth research on a range of European food quality assurance schemes by DG Joint Research Centre found that only the two chain internal schemes (i.e. EurepGAP and Assured Produce) have experienced a growth in market share in the previous decade.

This literature suggests that a number of different factors may play a role in increasing the sales of PDO/PGI products:

- First, the registration process itself might result in publicity for the product.

- Secondly, it is possible that large retailers become interested in supplying the product for the first time as a response to consumer demand.
- Finally, registration may have prevented a competitor from misusing the name and taking market share of a reputed product.

However, the extent to which PDO/PGI symbols (as an authentication of the geographic link to the region of production as displayed on the label) can be a tool for penetrating new markets depends very much on other factors such as (see Belletti et al., 2007):

- the reputation of the territory of origin;
- the extent to which customers value the guarantee offered by PDO/PGI certification; and
- the capabilities of firms in implementing PDO/PGI marketing strategies and the effectiveness of collective organisations (such as Consortia).

Before moving to the analysis of the data, it is worth noting that, in general, it is difficult to estimate the impact of the scheme on the evolution of market shares for the following reasons.

- It is difficult to separate out the net impact of the PDO/PGI scheme from other factors, especially for long established brands which often benefit from branding development and marketing.
- The extent to which PDO/PGI labels can be a tool for penetrating new markets (e.g., international markets) depends very much on a range of factors such as the type of product (e.g. existing reputation, perishability) and the characteristics of the production system.

### 6.3.1 Data sources and limits

While it would be interesting to be able to break the export market share further, notably into intra-EU and extra-EU trade market shares, such an analysis has not been possible due to data limitations. In fact, there exists very little data on domestic and foreign sales of PDO/PGI products.

Below, we present the various data sources which we have used in the analysis.

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*National and export market shares for Spanish PDO/PGI products*

Firstly, official data is available for national sales and exports for different sub-categories of PDO/PGI for Spain.<sup>69</sup> Given the quality of the data and it being a stand-alone case, the analysis of the market shares of Spanish PDO/PGI products is presented as a distinct section.

Below, we present this information for two representative categories of PDO/PGI products<sup>70</sup>: olive oil and dried ham. Market shares are calculated in the following way:

- PDO/PGI national market shares are calculated as the ratio of national sales of PDO/PGI to domestic apparent consumption<sup>71</sup> of the relevant product category.<sup>72</sup>
- PDO/PGI market shares of exports are calculated as the ratio of export sales of PDO/PGI to total exports<sup>73</sup> (outside Spain) for the relevant product category.<sup>74</sup>

*Feta cheese*

Secondly, in the case of Feta<sup>75</sup>, we were able to use external trade statistics from Eurostat to analyse Greek exports of Feta compared to exports of substitutes from other countries. Again, given the unique nature of the Feta case and data, it is also presented as a separate case.

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<sup>69</sup>To our knowledge, similar data do not exist in other countries.

<sup>70</sup> These are, with cheese and bakery products, the categories with the highest turnover. Cheese and bakery products are not presented in the analysis because some data were not available.

<sup>71</sup> Domestic apparent consumption is calculated as the volume of production plus the volume of imports less the volume of exports. Volume data on imports, exports and production are obtained from Eurostat's Prodcom database for the different groups of products.

<sup>72</sup> For dried ham, we use: "Hams; shoulders and cuts thereof with bone in of swine; salted; in brine; dried or smoked". For olive oil, we use: "Virgin olive oil and its fractions (excluding chemically modified)".

<sup>73</sup> Volume data on exports are obtained from Eurostat's Prodcom database for the different groups of products.

<sup>74</sup> For dried ham, we use: "Hams; shoulders and cuts thereof with bone in of swine; salted; in brine; dried or smoked". For olive oil, we use: "Virgin olive oil and its fractions (excluding chemically modified)".

<sup>75</sup> Feta is a soft white cheese, ripened and kept in brine, produced in Greece. The cheese must be produced from sheep and goats milk, with a ratio of at least 70% to 30% in favour of sheep milk. It has a salty, slightly acid taste and pleasant organoleptic properties with a world-wide acceptance.

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Data on imports by EU Member States of Feta and its substitutes have been obtained from the Eurostat external trade database.<sup>76</sup> The product Feta is defined in the database as “04069032 - Feta, excluding for processing”<sup>77</sup>:

- For Greece, the data from the trade database can be used to derive an estimate of the PDO Feta exported to foreign markets.<sup>78</sup> The ratio “exports of Greece/imports of EU15” provides the proportion of total EU-15 Member State imports accounted for by Greek exports (Greek share of the intra-EU market).
- For countries other than Greece, the variable represents Feta substitutes, such as white cubable cheese, made from cow’s milk.

It should be noted that during the Feta court case at the ECJ, the Eurostat data were criticised by some parties as not reflecting actual facts. Therefore, the data are presented for illustrative purposes only.

### *Case studies*

Finally, the case studies provide additional qualitative evidence on the proportion of production exported for a range of products. Based on the evidence of the case studies, we conduct a separate analysis of the effect of the scheme on the evolution of the market shares of PDO/PGI products in both their domestic markets and also export markets. In order to do so, we use two indicators:

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<sup>76</sup> The data are collected monthly from 1995 by the competent authorities in the Member States and compiled according to harmonised EU procedures. The database uses a number of product classification systems including the ‘Harmonized Commodity Description and Coding System’ (HS2, HS4 and HS6) and the most detailed level of the ‘Combined Nomenclature’ (CN8). Countries are classified using the ‘Geonomenclature’. Data is provided for trade value in Euros and trade quantity in kg.

<sup>77</sup> Prior to January 2007 total Feta trade was disaggregated under two separated codes: “04069031 - Feta of sheep’s milk or Buffalo milk, in containers containing brine, or in sheepskin or goat skin bottles”, and “04069033 Feta excluding for processing, grated or powdered and of sheep’s or buffalo milk, in containers containing brine, or in sheepskin or goat skin bottles”. We aggregated both codes into a single variable and linked this new series to the series for 2007 and onwards. No significant differences or breaks were observed in the constructed data in the months before and after the change in the definition of the series.

<sup>78</sup> Data on exports of Feta is not available from official sources. To corroborate its validity we checked the data from the trade database against other sources. According to a newspaper report (Ta Nea, 8/9/2007) exports of Feta in 2007 were around 15,000-20,000 tons which compares favourably with a figure of 18,383 obtained from the trade database. Another source mentions that the average annual increase of Feta exports for the period 2001-2005 was 7.2% (<http://www.greekretail.gr/articles/1629/index.html>) and this compares with 6.6% obtained using the trade data.

- The evolution of domestic market shares of PDO/PGI products (PDO/PGI national market shares are calculated as the ratio of national sales of PDO/PGI production to domestic apparent consumption of the relevant product category); and
- The evolution of the export share of PDO/PGI products (PDO/PGI market shares of exports are calculated as the ratio of export sales of PDO/PGI products to total exports for the relevant product category).

The information from the case studies uses results from interviews of 108 stakeholders and 17 producers' groups, using the questionnaires for producers and producers' groups:

- In many of the case studies, availability of data is limited by commercial confidentiality and official data on sales of PDO/PGI products are not available in many countries.
- In some cases, producers' groups were able to provide their own official statistics. But, in many cases, such official data do not exist and the information is based on the judgements, experiences and perceptions of respondents. In other cases, the interviewees were unable to provide information.

As a result, the case studies cover only a limited number of products in selected countries. While the information from the case studies may be indicative of the performance of the scheme in different situations, it is important to note that the evidence provided by the case studies is not necessarily representative of the entire population due to the qualitative nature of the information and the limited number of cases for which data are available.

### 6.3.2 Evidence and analysis

Below, we provide evidence from the Spanish data, the Eurostat Feta data and the case studies.

#### *National and export market shares for Spanish PDO/PGI products*

The evolution of the national and export market shares in value for Spanish PDO/PGI products is mixed, and there is no discernable pattern of the impact of the scheme (Figure 16):

- In the case of dried ham<sup>79</sup>, we observe an increase in national market shares in value (from 4,9% in 2002 to 8,9% in 2005). There are no

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<sup>79</sup> We consider four PDO hams: Jamón de Tuerel, Guijuelo, Dehesa de Extremadura, Jamón de Huelva.

exports recorded between 2002 and 2004, but, in 2005, exports of the PDO/PGI account for 3% of total exports of ham.

- In the case of olive oil<sup>80</sup>, we see a decrease in the national market share in value (from 6.6% in 2001 to 3.1 in 2004) and a slight upturn in 2005 to 3.7%. The export market share in value remains small (less than 1%) and approximately constant over the whole period.

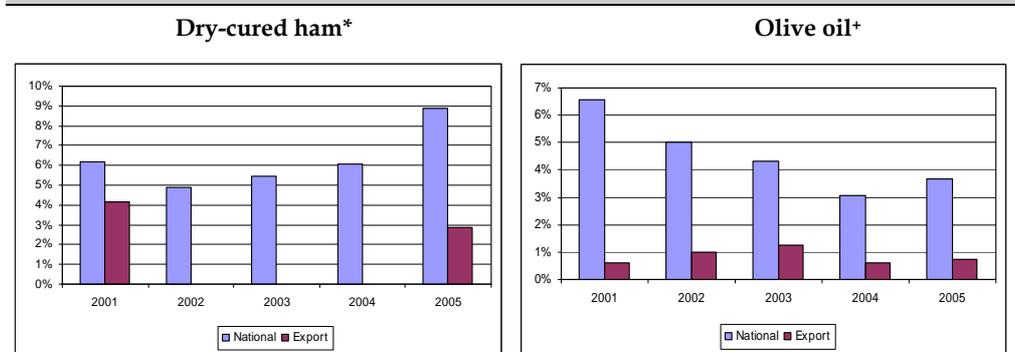
It should be noted that, at an individual product level, the date of registration of the name may have an influence on its market shares. The registration may not have an immediate impact on the market share of the PDO/PGI, as it is likely to take time for the product with the protected name strengthen its reputation in the market place at home and abroad. Registration under a certification scheme such as PDO/PGI can help in this regard, as it is a third-party certified guarantee of quality.

At the Member State level, the number of names protected by the PDO/PGI scheme will have an influence on the overall market share of a country's PDO/PGI product.

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<sup>80</sup> We consider 10 PDO olive oils: Aceite del Baro Aragón, Baena, Gata-Hurdes, Les Garrigues, Montes de Granada, Montes de Toledo, Priego de Córdoba, Sierra de Segura, Sierra Mágina, Siurana.

**Figure 16: PDO/PGI national and export market shares (dried ham and olive oil).**



Note: PDO/PGI national market shares are calculated as the ratio of national sales of PDO/PGI production to domestic apparent consumption of the relevant product category. PDO/PGI market shares of exports are calculated as the ratio of export sales of PDO/PGI products to total exports for the relevant product category. For dry-cured ham, we use: Hams; shoulders and cuts thereof with bone in of swine; salted; in brine; dried or smoked. For olive oil, we use: Virgin olive oil and its fractions (excluding chemically modified).

Source: London Economics estimates based on data from MAPA, Eurostat Prodcom.

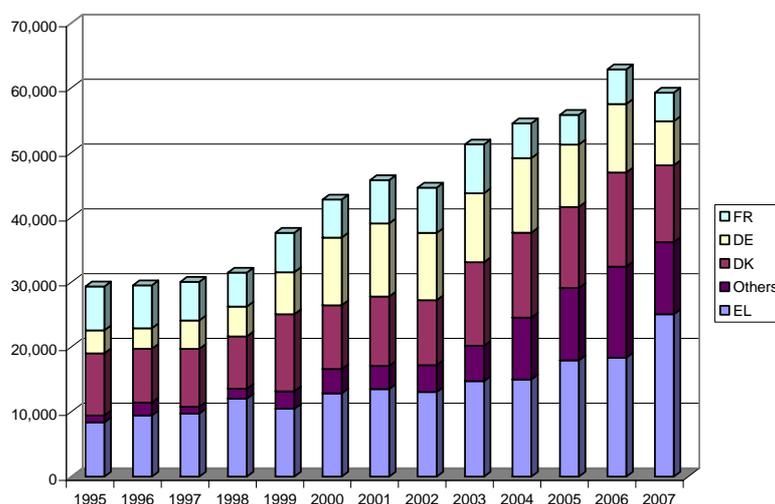
A few facts emerge from the figure above.

- First, the PDO/PGI products have a much larger market share of the domestic market than of the export market;
- Second, the evolution over time of the domestic market share of the PDO/PGI products appears to be specific to the particular type of products. This is evidenced by the fact that the domestic market share is trending upwards in the case of dry-cured ham while it is trending downwards in the case of olive oil;
- Export market shares do not exhibit any particular trend (it should be noted that data are missing for a number of years in the case of dry-cured ham).

#### *Feta cheese*

Total EU15 imports (in volume) of Feta cheese (from Greece) and white cubable substitutes, mainly from Denmark, France and Germany but also from other countries (rest of EU15 and other parts of the world), have been increasing since 1995 (Figure 17).

**Figure 17: Evolution of imports of Feta\* and white cubable cheese by EU15 countries, from other EU15 and non-EU15 countries, by country of origin (volume in 1000kg)**



Note: \* For Greece, data refer to PDO Feta. For countries other than Greece, data refer to Feta substitutes, such as white cubable cheese, made from cow's milk. 'Others' refers to any other source country not listed. Source: Eurostat external trade database.

The share of Feta imports from Greece (in value and volume) in the EU15 shows a small increase in 1998 and a larger increase in 2007, and a significant decline in 1999 (Figure 18).

While the developments in relation to registration of Feta may have had some impact on the market share of Greek Feta in EU15 imports, another important factor was the change of Community policy in respect of export refunds. The progressive reduction of these triggered a very large reduction (about 75%) of Danish production of white cubable cheese as countries outside the EU ceased to be attractive markets. It also led to a redirection of Danish sales of white cubable cheese to other Member States, albeit at a much reduced level compared to previous Danish exports to third countries.

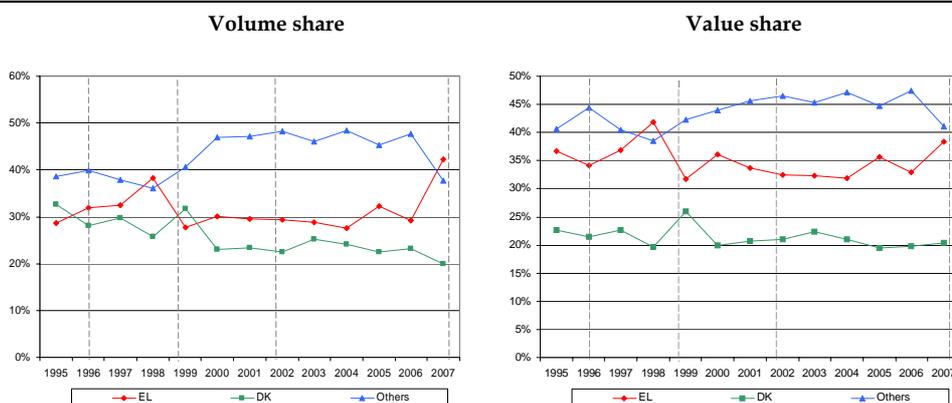
For information, the key datelines regarding the registration of Feta are as follows (these developments are represented by dashed vertical lines in Figure 18):

- June 1996: Feta first registered as a PDO.
- March 1999: registration annulled by the European Court of Justice.

- October 2002: registration of Feta for a second time allowing for a transition period within which non-Greek Feta can continue to be labelled as Feta.
- 15 October 2007: end of transitional period. Only cheese complying with the product specification of the PDO can be lawfully marketed in the EU under the designation Feta.

Below, we present some Eurostat trade data on Feta and white cubable cheese. This information is provided for illustration only as the quality of the data has been the subject of substantial criticisms in the past.

**Figure 18: EU15 imports of Feta\* and white cubable cheese by country/region of origin**



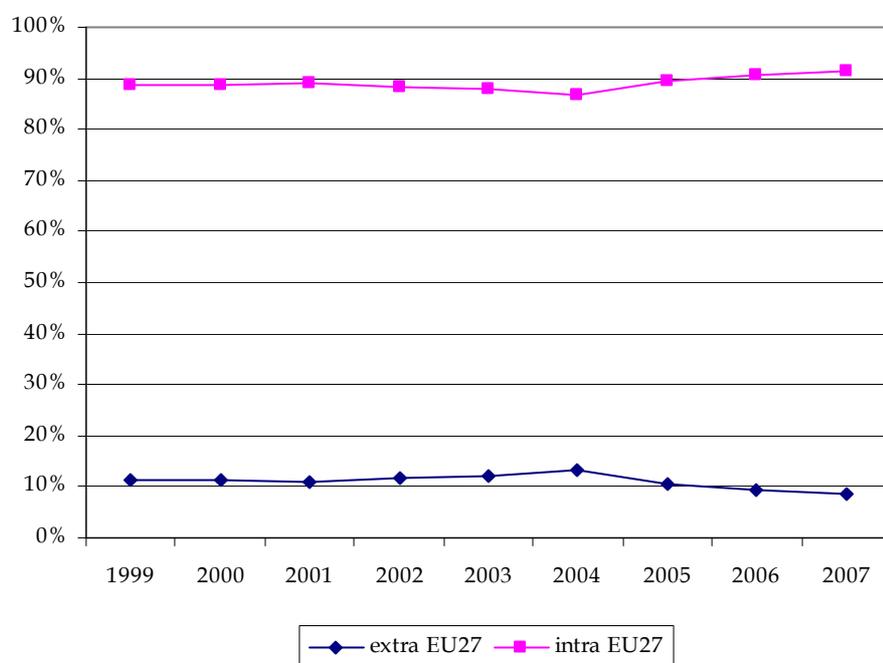
Note: For Greece, data refer to PDO Feta. For countries other than Greece, data refer to Feta substitutes, such as white cubable cheese, made from cow's milk.

Source: London Economics estimates based on Eurostat external trade database.

In Greece, as we will see below, Feta's share is approximately 93% of the combined domestic production of 'white cheese from cows' milk' and Feta over the period 1994 to 2002.

The following chart shows the intra-EU27 and extra-EU-27 market shares of Greek Feta from 1999 through 2007. The chart shows that Greece exports the vast majority (c. 90%) of its Feta to a trade partner within the EU27, and that this proportion has not changed systematically over the 8 years.

**Figure 19: Greek Feta cheese export, share of intra EU and extra EU trade by volume**



Source: London Economics, based on Eurostat

### *Domestic (national) market shares*

The case studies provide further evidence on the evolution of domestic market shares for a number of products (Table 48):

- There are two examples, Toscano and Mela Val di Non, where the respondents indicated that the registration of the name has helped increase national sales.
- In the case of Lübecker Marzipan, the respondents expressed the belief that the changes in market shares are attributable to their strong trademarks rather than to the PDO/PGI scheme, though this cannot be proven.
- Finally, according to the participants in the case studies, market shares were static in recent years for a number of products (Riz de Camargue, Volaille de Bresse, Jersey Royal Potatoes, Feta). In one case (Svecia), the market share even fell.

For the rest of the products covered by the case studies, no information on market shares was provided by the participants.

The table below presents more detailed information on the case study findings for a number of PDO/PGI products.

**Table 48: Evolution of domestic market shares – selected case study products**

<b>Product name</b>	<b>Information on the evolution of the domestic market share provided by case study participants</b>
Mela Val di Non	Turnover grew from €52 million to €132 million between 1997 and 2007 (over the last two years it increased by 12%). Most sales are domestic (exports represent only 0.5% of total turnover).
Toscano	Increase of national sales in modern channels (supermarkets). As a result, the share of production of Toscano to total Italian oil is increasing and the share of Toscano PGI to total olive oil production in Tuscany is also increasing.
Spreewälder Gurken	Domestic market share is increasing due to greater demand relative to that for canned goods, which is declining. However, this increase is also the result of the introduction of a collective trademark in 1993 (prior to obtaining PGI registration in 1999).
Lübecker Marzipan	Official data is not available but both the producers and the producers' group believe that it is unlikely that registration as a PGI has had any effect.
Riz de Camargue	Stable share of 12% (2007) of French rice production.
Volaille de Bresse	Small, stable share of the French poultry market (1.1%).
Jersey Royal Potatoes	Small decline in total production over the period since PDO registration.
Feta	Share has remained constant at 93% of the domestic production of 'white cheese from cows' milk and Feta over the period 1994 to 2002.
Svecia	The producers' group reported that the share of Svecia in hard cheese production fell from about 8% to 5% between 2005 and 2007. Almost all production of Svecia is consumed domestically.

### Impact on domestic market shares

The case studies provide two examples where, according to the participants, protection has helped increase the national market share of producers. In both instances, the participants of the case studies noted that the scheme provides consumers with a guarantee of the origin of the product and this has been very useful because it has allowed:

- accessing new marketing channels; and
- responding to an increase in demand for high quality products and products with a denomination of origin.

As a result, producers were able to increase their domestic market shares. In addition, the ability to access new marketing channels has the benefit of diversifying the distribution channels used and hence reducing the risks of relying on a single buyer or few purchasers. The examples are detailed in the box below.

#### Case studies: Toscano and Mela Val di Non

##### **Toscano**

Toscano PGI has increased national sales in modern channels such as supermarkets and exports where the guarantee offered by the PGI on quality and origin is very important and cannot be substituted by personal firm reputation.<sup>81</sup>

At present, more than 60% of the total PGI production is sold through large retailers, followed by intermediates and wholesalers, while just 4% of the production is distributed through direct sale to final consumers (Belletti et al., 2007).

##### **Mela Val di Non**

Mela Val di Non is the market leader in Italy, with a national market share for the Melinda trademark of around 6%. Turnover has grown from €52 million to €132 million between 1997 and 2007 (over the last two years it increased by 12%).

This performance can be attributed in part to the quality of the product and the strong name and reputation of Mela Melinda brand. However, the president of the Consorzio noted that the excellent performance of the product is due also to the additional reputation acquired through the PDO.

In fact, the Consorzio originally viewed registration simply as an additional advantage for marketing at very low cost, but its members were surprised by the impact this has had on their sales.

In their view, the scheme increased the reputation of the product by providing information on the link to the territory, which is something competitor products did not have. This occurred at a moment where retailers and consumers are more aware of denominations of origin.

However, in the case of most of the PDO/PGI products covered by the case studies, case study participants note that the registration of the name has not

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<sup>81</sup> Toscano PGI accounts for 33% of total extra virgin olive oil production made in Tuscany with Tuscan olives and 48% of the Italian PDO/PGI extra virgin olive oils. Toscano also accounts for less than 1% of Italian agricultural production of olive oils and less than 0.3% of EU and world agricultural production of olive oils.

significantly affected the national market share. There are various reasons for this:

- Some products were already well-established and benefited from trademark protection. As a result, registration is not viewed as having had any impact on their national sales.
- In contrast, some products are produced on a small scale and only supply niche markets. In such circumstances, name protection has a negligible impact on national shares because of the small scale of production.
- Finally, some products are already mature in their national markets and have not experienced large changes in consumption (e.g. Svecia).

### *Export market shares*

The case studies also provide additional evidence on the evolution of export sales (i.e. sales in other EU Member States and outside the EU27) for a number of products (Table 49):

- The export market share increased recently in the case of three of the PDO/PGI products covered by the case studies (Toscano, Jamón de Teruel, and Volaille de Bresse).
- Exports are insignificant in the case of Riz de Camargue, Svecia, Spreewälder Gurken and Mela Val di Non.

For the rest of products covered by the case studies, no information was provided by the participants.

**Table 49: Evolution of export market shares - selected case study products**

Product name	Information on the evolution of the export market share provided case study participants
Mela Val di Non	Mela Val di Non sell mostly in the Italian market. Exports represent only 0.5% of total turnover.
Toscano	Exports have increased considerably recently. The Consorzio estimates that exports have grown from 520kg in 1998 to 1755kg in 2006. The share of Toscano production which is exported has also increased from 50% to 65% between registration in 1998 and 2006.
Jamón de Teruel	The share of the product which is exported has risen from 0% to 5% over the last 5 years.
Spreewälder Gurken	The export market is not a big market for the industry (the export market is estimated at around 2-3% for all gherkins produced in Germany).
Riz de Camargue	A very small quantity of Riz de Camargue is exported from France (mainly specialist varieties sold to restaurants and specialist stores).
Volaille de Bresse	The share of Volaille de Bresse production which is exported increased from 5% to 7.5% between 1998 and 2006.
Svecia	According to the producers and the producers' group almost all production of Svecia is consumed domestically.

### Impact on export market share

The evidence provided in the previous sub-section shows mixed outcomes in terms of the evolution of exports for the few PDO/PGI products for which such information is available.

The case studies have identified a few products for which there has been a significant increase in exports. In these cases, the scheme is viewed by case study participants as providing consumers with a guarantee about the origin of the product, which is perceived as very useful for accessing export markets. This is illustrated in the examples in the box below.

**Case studies: Toscano, Jamón de Teruel and Volaille de Bresse**

The increase in the export market share of Toscano is attributed in part to the intrinsic quality characteristics of the product. However, stakeholders also believe that the third party guarantee of origin of the oil is especially relevant for long-distance purchases and that, without such a guarantee, exports of Toscano would not be viable (or at least not at a price that covers its high production costs).

In the cases of Jamón de Teruel or Volaille de Bresse, stakeholders expressed the opinion that the quality of the product is highly valued by consumers. However, the long-distance channel used means that purchasers require some guarantee of the origin and authenticity of the product and the PDO/PGI scheme provides this.

However, for a number of products covered by the case studies, export markets are mostly irrelevant (Spreewälder Gurken, Riz de Camargue, Svecia cheese and Mela Val di Non).

Finally, in the case of Feta, there are numerous articles in newspapers which show that there is more activity in the Greek cheese market as a result of the registration for the second time and the end of the transitional period. According to Skoufou (2007) 'multinational cheese industries based in Italy and Spain seek ways to produce Feta in Greece either by co-operating with Greek companies or by buying smaller cheese-making units.

Feta exports have not increased persistently and it may be too early to see the impact of the end of the transitional period. Nevertheless, Greek cheese-makers believe that there are great opportunities to increase exports of Feta (according to Skoufou, 2007, exports of Feta to Denmark have increased by 100,4% in 2006).

### 6.3.3 Judgement

It is difficult to draw general conclusions about the impact of the PDO/PGI scheme on domestic and export market shares because the experiences are very varied for the different products for which quantitative or qualitative information is available. In addition, it is difficult to separate out the effect of other exogenous factors, such as the capabilities of firms in implementing PDO/PGI marketing strategies and the impact of collective organisations.

However, taking into account these caveats, we conclude the following:

- a) Registration as a PDO/PGI in itself does not guarantee that market shares will increase.

- b) The PDO/PGI scheme is more effective when a number of additional factors are also present, detailed below.

The additional factors that can enhance the impact of the scheme are the following:

- First, there should be some intention (of producers) of increasing market shares, either by searching for new and additional marketing channels or aiming at entering foreign or distant markets. Whilst some growth in share may be possible in existing markets through existing channels owing to the protection and quality certification afforded by the scheme, significant growth potential is only likely to result from expansion into new market segments, through additional distribution and marketing channels. Thus, if producers do not pursue growth-targeted marketing strategies (using their PDO/PGI status) this is likely to be a limiting factor on the interventions of the scheme to achieve the objective of increasing market share. In cases of products that are already mature in their domestic markets or not oriented towards export markets, the scheme does not contribute to increasing market shares (although it may contribute in preventing the loss of market share, as we explain below).
- Second, there must be interest from consumers. This means that the scheme is more effective where consumers recognise and value the reputation of the name and/or origin of the product, and there is an increased demand for products with denomination of origin. This explains why the scheme is more effective for some type of products, for some types of marketing channels and in different countries.
- Third, the case studies have identified two cases where the scheme is less relevant because producers already use alternative forms of protection, such as a collective trademark with a strong name. However, one case study showed how PDO registration had some unexpected effects in increasing the turnover for one product with a strong trademark. This was a result of the additional reputation acquired through the PDO. This suggests that the effects of the scheme should not be underestimated even when products are already protected with a strong name.
- Fourth, some PDO/PGI products are produced only in small quantities. This is because they are produced under very stringent specifications and are marketed in niche markets (directed to a narrow group of potential customers). Niche markets may be very profitable despite being produced in small quantities compared to the mainstream market place. Therefore, the analysis of market shares in these cases is not a good indication of the performance of PDO/PGI.

- Finally, the scheme is more effective in some cases than in others and this depends on the available means producers have for increasing their market share (collective trademarks, good collective organisations).
- However, as will be seen later on, the scheme has been instrumental in preventing some products from disappearing, and in this sense it can be said that the market shares would have decreased without the scheme.

## 6.4 Distribution of the returns along the supply chain

Whilst the PDO/PGI scheme has been shown, in the previous sub-section, to increase the sales of certain products under certain conditions, we cannot say yet anything yet as to how the benefit of increased sales (in terms of turnover, price margin and profit or return) is distributed over the actors in the supply chain.

In terms of the benefits for farmers/food producers, the European Commission quality scheme factbook states that the 'bottom line' for farmers is whether or not the exclusive right to use a product name leads to a higher price than for similar products in the same food category, and that research indicates that the added value is distributed along the food chain, allowing producers and local processors to gain as well as retailers and other downstream players.<sup>82</sup>

### 6.4.1 Data sources and limits

In order to analyse how the different players of the supply chain benefit from the scheme, we use two indicators, namely:

- *Distribution of final price*

The distribution of the share of the **final price** at different stages of the supply chain (PDO/PGI vs. comparator).

- *Distribution of revenues and profits*

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<sup>82</sup> European Commission, DG Agriculture and Rural Development (2007) Fact Sheet: "European policy for quality agricultural products", [http://ec.europa.eu/agriculture/publi/fact/quality/2007\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/quality/2007_en.pdf).

The distribution of **revenues and profits** along the supply chain (PDO/PGI vs. comparator).

The indicators are estimated using primary data collected by the experts for the range of products covered by the case studies. In the field work survey, a total of 139 stakeholders were asked to provide their views on how prices, profits and revenues are distributed along the supply chain for unbranded, PDO/PGI, and products with trademarks<sup>83</sup>.

The views were obtained by way of asking the same questions to both producers and traders/retailers (to allow comparison of their views) using a special questionnaire for producers and a questionnaire for traders/retailers.

Data has been very difficult to obtain for many of the products. In some cases, the availability of data is limited due to commercial confidentiality, while in other cases, the respondents were unable to provide an estimate.

Using data from different participants interviewed in the case studies, the local experts were able to derive some quantitative estimates for the first indicator. It is important to note that estimates are derived from limited data from the responses of the interviews and therefore should be viewed as indicative only.

This quantitative evidence is complemented with qualitative information based on the perceptions of the respondents. This is useful for assessing the effect of the scheme for different products but the findings are not necessarily representative of the whole population.

#### 6.4.2 Evidence and analysis

Table 50 shows the final retail price and how the price is distributed along the different stages of the supply chain. The information is available for just some of the PDO/PGI products and their comparators covered by the case studies.

The evidence from these 3 case studies shows that farmers of PDO/PGI products get a higher share of the final price than farmers of comparator products (Table 50).

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<sup>83</sup> The survey included 60 producers of PDO/PGI, 29 producers of comparator products, and 48 producers of both PDO/PGI and comparator products.

**Table 50: Shares of the final retail price at different stages of the supply chain for PDO/PGI products and their comparator (in parenthesis)**

PDO/PGI (comparator)	Farmer	Processor	Distribution	Total price (€)
Volaille de Bresse (chicken with trademark)	35% (28%)	40% (46%)	25% (26%)	12/kg (3,25/kg)
Toscana (extra virgin oil any origin)	46-53% (37-47%)	47-54% (53-63%)		9,6/750cc bottle (6,05/750cc bottle)
Mela Val di Non (Mela La Trentina)	50% (38%)	10% (12%)	40% (50%)	1.75/kg in box (1,35/kg in box)

Note: Data are estimates based on limited number of interviews and should be viewed as indicative only.

The distribution of profits and revenues along the supply chain was assessed based on qualitative evidence provided by the respondents in the case studies. The evidence shows a very mixed picture (Table 51):

- Participants in the case studies indicated that farmers benefit most from the PDO/PGI scheme in the case of Mela Val di Non, Toscana, and Jamón de Teruel.
- The respondents indicated that benefits are spread equally along the supply chain in the cases of Szegedi Szalámi and Royal Jersey Potatoes.
- According to the participants in the case studies, retailers benefit most in the cases of Riz de Camargue, Feta and Jambon d'Ardenne. In the case of Jamón de Teruel retailers, in addition to farmers, also benefit from the scheme.
- The findings of the case studies are inconclusive for 3 products. In the cases of Spreewälder Gurken and Lübecker Marzipan, there are contradictions between producers and traders on who benefits the most. Producers of Sitia Lasithi Kritis also give contradictory opinions on who benefits from the scheme.

**Table 51: Revenues and profits along the supply chain (case study products)**

Product name	Evidence
Mela Val di Non	Distribution of revenues is around 25% for farmers, 25% for processors and 35% for retailers. The high quality standard of Mela Val di Non allows a premium above competitors' prices (industrial apples, and PGI apples) that is estimated at around 20%. The profits under the scheme are estimated (roughly) as 50% for farmers and 40% for retailers.
Toscano	All players in the chain agree that farmers are the main economic beneficiaries of the scheme. Farmers benefit from the activities of the Consorzio and from owning milling companies. They receive a large share of the price premium for Toscano and benefit from greater business stability and access to new marketing channels. However these premia do not necessarily result in higher profits due to higher production costs. The PGI has no effect on milling firms. Bottlers and retailers have higher margins for PGI oil but benefits are not significantly affected as the stock rotation of PGI oil is lower.
Jamón de Teruel	There is the belief among several stakeholders that retailers and final sellers receive higher benefits than the rest of the operators. There is also consensus that farmers are also great beneficiaries due to the existence of an agreed price premium for PDO fresh meat for ham production.
Spreewälder Gurken	Interviewed producers believe that the highest profits from the scheme go to traders and retailers, followed by processors and finally farmers (estimates by 2 interviewees). One trader stated that the prices at which traders have to purchase the products from producers are already quite high and do not allow for any additional profits.
Lübecker Marzipan	One retailer estimated that profits are distributed 80%-90% for producers (farmers and processors) and 10%-20% for retailers. However, the higher price paid by traders is due more to a collective trademark than to the scheme. Producers feel that traders receive most of the profits from the scheme.
Riz de Camargue	Most rice sold at the farm gate is sold as PGI rice irrespective of whether it finally appears in the retail sector as PGI or regular rice. Then millers and traders sell it as PGI or regular according to the demand. Consequently the premium for PGI rice is low and the economic returns to the scheme accrue to traders and retailers rather than to producers.
Volaille de Bresse	Congruent data provided by several interviewees suggests that, although price premiums are higher for all actors in the PDO supply chain, the premiums are highest for breeders (rather than abattoirs or retailers) compared with trademarked chicken.
Feta	Milk is sold to processors without being allocated to either Feta or non-Feta production. Farmers producing sheep and goats milk do not share in the benefits of the production of Feta PDO. Any price premiums that exist as a result of the PDO accrue to the cheese making units, the distributors and the retailers. Interviewed processors generally did not believe that the PDO has increased their profitability. There is a belief among some producers that only traders and retailers make additional profit from the scheme.
Szegedi Szalámi	According to one producer, the shares the profits under the scheme are split: 25% to farmers, 40% to processors, 25% to retailers and 10% to retailers. Another producer claims the shares are spread equally across the supply chain.
Royal Jersey Potatoes	The benefits from the scheme accrue fairly evenly to growers, packers, wholesalers and retailers. While farmers argue that traders and retailers take a significant margin, the latter contend that it is difficult to make margins on such a highly priced product. In practice, the PDO status and significant promotion allows this high cost product to continue to be viable, with benefits to all in the supply chain.
Whitstable Oysters	There is a fully (vertically) integrated supply chain from harvest to consumption in restaurants. Hence the producer receives all of the additional profits from the scheme.
Sítia Lasithi Kritis	The Union of Agricultural Co-operatives of Sitia (UACS) believes that the distribution of profits for the PDO is 10% for farmers, 60% for producers, 20% for traders and 10% for retailers. For the comparator it is 0% for farmers, 50% for producers, 25% for traders and 25% for retailers. Therefore the share of profits is higher at the primary end for the PDO. One interviewee mentioned no differences in the distribution of profits between the PDO and the comparator (10% for farmers, 10% for producers, 40% for traders, 40% for retailers). One interviewee mentions that the price of the PDO is 0.35-0.40€/litre higher at each point along the supply chain.
Jambon d'Ardenne	The profits are highest for the retailers and lowest for the farmers for both Jambon d'Ardenne and its comparator.

### *Distribution of prices along the supply chain*

The evidence of the case studies provides two interesting findings:

- Prices are higher for PDO/PGI products compared to their comparator in the three cases analysed for which detailed data are available (Volaille de Bresse, Toscano, and Mela Val di Non). However, this is not indicative of a higher profit margin along the supply chain for PDO/PGI products as they have higher costs (notably the farmers and producers).
- For the products where data are available (Volaille de Bresse, Toscano, and Mela Val di Non), farmers of PDO/PGI products get a higher share of the final price than farmers of comparators.

### *Distribution of profits and revenues along the supply chain*

Our qualitative findings show that, for some products, the spread is tilted in favour of producers; others show an even distribution across all stages of the supply chain, whereas further cases show that the benefits of the scheme accrue mainly to retailers. These findings are analysed below and the possible underlying factors influencing the variations in the distributions are investigated.

The evidence from the case studies shows three cases where the economic benefits of the scheme accrue mainly at the primary producer end of the supply chain.

In two of these cases (Jamón de Teruel and Mela Val di Non), it was stated that the benefits result from the higher prices paid to farmers for higher quality products.

As the increased production costs to produce these high quality products are concentrated at the farmer level, it is natural that the farmers earn a higher share of the final price than the other stages. Further, in these cases the evidence shows that the primary producers also receive the most gains in terms of revenues and profits.

In the third case (Toscano), producers also gain most in terms of revenues and profits, but the benefit is believed to derive from the activity of the producers' group and from ownership of milling facilities. In this third case, it is thus difficult to isolate the impact of the PDO/PGI scheme in order to make an assessment.

In some cases, the gains are spread equally along the supply chain (Szegedi Szalámi and Royal Jersey Potatoes) but, in other cases, the gains accrue primarily to the retailers (Riz de Camargue, Feta, Jambon d'Ardenne and Jamón de Teruel).

Contrary to the objective of the scheme to increase the incomes of rural farmers, there are two cases (Feta and Riz de Camargue) where farmers do not receive higher benefits. The reason cited in these cases is that there exists no price difference between the farm gate product sold to processors for PDO/PGI and non-PDO/PGI production. More detail on each of these cases is presented below:

- Feta has increased its exports recently but benefits have not reached farmers. Some producers from the case study stated that only traders and retailers make additional profits from the scheme<sup>84</sup> and this is because there is no difference in the price for milk sold for the production of Feta and for the production of other products.
- Most of the Riz de Camargue sold at the farm gate is sold as PGI irrespective of whether it finally appears in the retail sector as PGI or regular rice, as all rice produced is done so using PGI-certified methods, but is constrained by market demand for PGI rice. Then millers and traders sell it as PGI or regular according to the demand, keeping the main value added.

### 6.4.3 Judgement

The main finding from our analysis of the evidence from the case studies is that the distribution of profits and revenues over the members of the supply chain differs according to the product in question, and as such a firm conclusion on the effect of the scheme in terms of ensuring that farmers of PDO/PGI products benefit more than in the case of comparable non-PDO/PGI products is difficult to formulate.

This is compounded by the difficulty in obtaining data due to the commercial confidentiality of such information.

Our assessment in this sub-section is based on a small number of case studies for which there is limited available data, supported by qualitative evidence provided by the participants in the case studies. The analysis is useful to understand the performance of the scheme for different products, but given the limitation of the research to two case studies per country, the findings are not necessarily representative of the whole population.

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<sup>84</sup> It has been reported elsewhere that firms with superior bargaining power have appropriated of a disproportionate share of the economic value generated from securing protection of Feta (Folkesson, undated).

Our analysis of the impact of the PDO/PGI scheme on the distribution of the returns along the supply chain shows a mixed picture across the different products for which information has been obtained.

The evidence presented above has shown some examples of cases where farmers benefit from the scheme as a result of higher prices paid for PDO/PGI products (in relation to their comparator). Furthermore, in some of these cases the farmers also often get a higher share of the final PDO/PGI price. This means that in these cases farmers are able to secure a share of the returns of increases in sales for these products.

As shown in Section 5.1.7, PDO/PGI products typically have higher production costs than other products, so the fact that farmers receive higher prices does not necessarily correspond to higher profits in itself. However, the qualitative evidence provided does show some cases (Mela Val di Non, Toscano, and Jamón de Teruel) where farmers are able to earn higher prices and profits as a result of using the PDO/PGI scheme. This can be explained by the following factors:

- Farmers get a higher share of the profit in cases where they are represented by an association or cooperative. In such cases, producers benefit from the actions of the association and services of belonging to the cooperative, yielding benefits such as increased organisation and negotiation powers.
- The high quality of the product sold at the farm gate seems indispensable to secure high profits for farmers. Not surprisingly, it is the uniqueness of the product that puts farmers in a better bargaining position vis-à-vis purchasers, as farmers certified under the scheme have an exclusive (collective) right to produce the product, giving them some degree of market power.
- Conversely, when farmers sell a product which can indistinguishably be used in the production of a PDO/PGI or non PDO/PGI product (such as, for example, the milk produced Greek milk farmers and the rice grown by Camargue rice growers), they are not as successful in retaining a high share of the value added of the PDOs/PGIs. In fact the benefit to farmers in such a case is nil or very small.

## 6.5 Prevention of effects impacting normal market operations of non-PDO/PGI products and absence of a list of generics

This sub-section focuses on any problem that the PDO/PGI scheme, as it exists at the present time, may create for the normal operation of non-PDO/PGI product markets, placing a generic product on the market, price changes, and preference for a certain product which has been created and eliminated other products from the market and on the impact of the absence of a list of generics.

### 6.5.1 Prevention of effects impacting normal market operations of non-PDO/PGI products

Whilst the PDO/PGI scheme should benefit the supply chain of the protected product names and the related areas of production, this should not be at the expense of non-PDO/PGI product supply chain members, areas and markets, and ultimately, consumers. Such negative spill-over effects could arise, for example, if PDO/PGI producers had privileged access to raw materials used also in the production of non PDO/PGI products.

#### *Data sources and limitations*

There exist no data on this issue and, based on their experience with the PDO/PGI scheme in their respective countries, experts were asked to provide their expert opinion on this point.

#### *Evidence and analysis*

The case studies and the experts did not identify any circumstances in which the PDO/PGI had the effect of having negative impacts on the normal market operations of non-PDO/PGI products.

One possible distortion that the scheme could have is to allow the registration of a PDO/PGI for a product with widely used production process as part of the specification. This would prevent producers of non-PDO/PGI products from continuing to operate using the process and using the process name in the product name, thus impacting the production and markets of non PDO/PGI products.

The cases of “fourme” and “vacherin” (see box below) show a positive development in this regard on how jurisprudence regarding generic terms has evolved in less than ten years. Today, there is greater distinction between geographic names that can be protected under the scheme and processing terms that are considered to be generic and can be freely used. Whilst any

proven case where the production method is specific to an area of production can be protected, this development will ensure that the scheme will not prevent producers of non-PDO/PGI products using widely used techniques to produce their products, again ensuring that the diversity of products is maintained and not distorted by the scheme.

#### Case studies - Fourme, Vacherin du Haut Doubs

**Fourme:** In 1993, the French Supreme Court of Appeal ruled that the word “fourme” was protected as part of the PDO Fourme d’Ambert et de Montbrison. “Fourme” is a technical term that refers to a method of cheese production which is widely used by cheese makers from different regions in France. However, the ruling of the court meant that the trademark Fourme de Bresse (an industrially produced cheese) could no longer be used. Since 1993, there have been no other rulings that protected a widely-used technical name similar to “fourme”.

**Vacherin du Haut Doubs:** In 2001, the producers’ group of Vacherin du Haut Doubs (PDO) complained against a dairy located in another region that was using the trademark ‘Vacherin fabriqué dans le Jura’. The term “vacherin” is the name given to a particular production process for soft cheese. The Court of Appeal from Besançon ruled that the name “vacherin” is generic and cannot be protected under the PDO/PGI scheme because it is widely used for naming cheeses in a number of regions in France, Germany and Switzerland. This ruling was in favour of the company using the trademark and against the producers’ group of the PDO which was supported by the INAO.

In the Danish case study, Danish producers of white cubable cheese raised the issue of the additional marketing costs they incurred to rebrand their product and re-establish it in the market place following the registration of the Feta name. But, this is the direct consequence of the registration of a name which had been used by producers from different regions prior to its registration.

### *Judgement*

Besides the impact on producers of a product sold under a name they can no longer use following the registration of a name, the lack of evidence about other potential impacts of the PDO/PGI scheme on the normal market operations of non PDO/PGI products suggests that such additional impacts are insignificant if not nil. Obviously, such an assessment must be interpreted cautiously as, in the absence of any data on this issue, it is entirely based on the opinions of the experts.

#### 6.5.2 Absence of list of generics

In general usage, 'generic' is a term used to refer to a broad category of similar products, but that may be used to describe all of the products and brands within that category. Very often, a generic product name originates as the name of the most successful brand name in that category (e.g. Hoover) and enters common parlance to refer to all products with the same broad functionality and/or characteristics. In the case of geographically-linked products, a generic name is one which, although it relates to a place or region where a product was originally produced, has entered common usage to designate a category of products that do not necessarily originate in the region with the same name.

Under the Regulation, generic names cannot be protected as PDO or PGI. Article 3(1) of Regulation No 510/2006 defines a generic name as:

*“the name of an agricultural product or a foodstuff that, although it relates to the place or region where this product or foodstuff was originally produced or marketed, has become the common name of an agricultural product or foodstuff.”*

Regulation 510/2006 provides broad rules for establishing whether a name has become generic. According to Article 3(1) of the Regulation:

“To establish whether or not a name has become generic, account shall be taken of all factors, in particular:

- (a) the existing situation in the Member States and in areas of consumption;
- (b) the relevant national or Community laws.”

Furthermore, names which have been registered cannot become generic (Article 13(2) of Regulation No 510/2006).

If a registered name contains within it a generic name for an agricultural product, the use of that generic name is permitted on an appropriate non-registered product.

Under Article 3(3) of Regulation 2081/92, the Council was required, upon a proposal by the Commission, to draw up and publish a non-exhaustive, indicative list of generics before the entry into force of the Regulation on 25 July 1993. Products on the list would have been deemed to be generic and not been able to be registered. The Commission made a proposal for a list of generics in 1996,<sup>85</sup> but the required majority in the Council was not attained. The Commission withdrew the proposal in 2005,<sup>86</sup> and no list has been agreed to date.<sup>87</sup> The current Regulation 510/2006, which replaced Regulation 2081/92, does not provide for a list of generics.

### *Data sources and limits*

The analysis in this section is based mainly on secondary evidence from a review of court cases at the ECJ and CFI. In addition, we have consulted with manufacturers of protected name products and those affected by court rulings on generic status, notably the Greek Feta case. It is clear that 'winners' and 'losers' will have a different perspective on the validity of inclusion on a generics list. As such it is difficult to obtain an objective view. For this reason we have also examined whether the existence of a list of generics would have affected the business strategy of the producers of the product potentially labelled as generic. The question is answered qualitatively.

More detailed information about some cases is also provided. The cases concern Spreewälder Gurken, Fourme d'Ambert et de Montbrison and Vacherin du Haut Doubs.

### *Evidence and analysis*

PDO/PGI cannot be applied to generic names, so in some cases a PDO/PGI uses a regional appellation plus an allegedly generic name such as, for example, Brie de Melun, or West Country Farmhouse Cheddar. In this case the PDO/PGI protects and promotes the growth of speciality and gourmet products by applying a clear system of registration and recognition.

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<sup>85</sup> Proposal for a Council decision drawing up a non-exhaustive, indicative list of the names of agricultural products and foodstuffs regarded as being generic, as provided for in Article 3(3) of Council Regulation (EEC) No 2081/92, KOM(1996) 38 final.

<sup>86</sup> COM(2004)542 final/3.

<sup>87</sup> European Community, European Policy for Quality Agricultural Products, 2006, p. 19.

However, what exactly constitutes a generic name is a matter for considerable debate and has been a key cause of friction between Member States in the EU. Feta has been the most contentious product with reference to the lack of a generics list: Danish producers *inter alia* argued that Feta was produced in Denmark from the 1930's and at later dates in other European countries, and were of the view that it is a generic name. Feta was finally registered for good as a PDO in October 2002.<sup>88</sup>

Similarly, the European Court of Justice recently ruled that it has not been established that Parmesan is a generic name and that only cheeses bearing the protected designation of origin (PDO) 'Parmigiano-Reggiano' can be sold under the denomination 'Parmesan'.

### **Analysis of cases at the ECJ and CFI**

We have analysed cases concerning PDO/PGI at the ECJ and the CFI; all cases relating to regulations 2081/92 and 510/2006 on PDO/PGI were investigated.<sup>89</sup> The following cases related to the generic status of products have been identified: Feta, Grana Biraghi and Parmigiano Reggiano.

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<sup>88</sup> Commission Regulation (EC) No 1829/2002 of 14<sup>th</sup> October 2002 amending the

o Regulation No 1107/96 with regard to the name "Feta"

<sup>89</sup> Cases decided before this regulation came into force were disregarded.

### Case studies: Feta, Grana Biraghi and Parmigiano Reggiano

**Feta:** In the dispute about Feta cheese, the ECJ had to decide on the criteria for determining a generic product. The Greek government had applied for registration of “Feta” as a PDO in 1994. Due to disagreement about the generic status of feta, the Commission conducted a comprehensive consumer survey and sought the opinion of the competent Scientific Committee. On this basis, it decided not to include feta cheese in its proposed list of generics, and registered feta as a PDO.

Other Member States challenged the registration in the *Feta I* case before the ECJ.<sup>90</sup> In 1999 the ECJ annulled the registration because the Commission, in deciding whether ‘feta’ was a generic name, had not taken due account of all the factors listed in regulation 2081/92. In particular, it had not taken any account of the fact that the name had been used on existing products which were legally on the market and had been legally marketed for a considerable time in certain Member States, other than Greece.

The ECJ ruled that the contested registration of “Feta” PDO had to be annulled. Accordingly, the Commission started a new inquiry about the status of feta on the basis of a questionnaire sent to Member States. The information received was presented to the scientific committee, which in 2001 concluded unanimously that the name ‘feta’ was not generic in nature. In October 2002, the Commission again registered the name ‘feta’ as a PDO. This registration was once again challenged by certain Member States before the ECJ in the *Feta II* case.<sup>91</sup> This time, the ECJ held that the registration was valid. The Commission had taken all relevant factors into account, and several relevant and important factors indicated that the term had not become generic.<sup>92</sup>

**Grana Biraghi:** In the recent *Grana Biraghi* case,<sup>93</sup> an Italian association of producers of Grana Padano cheese challenged the trademark Grana Biraghi, which had been registered as a community trademark. The association maintained that the trade mark was contrary to the PDO for Grana Padano cheese. The defendant claimed that the PDO protection only covered the expression “Grana Padano” as a whole, whereas the word “grana” was generic and its use therefore not contrary to the PDO protection. The CFI held that the word “Grana” was not generic in nature and therefore the trademark Grana Biraghi was invalid.

**Parmigiano Reggiano:** In this case, the Commission, after complaints from several economic operators, brought proceedings against Germany for failing to ensure on its territory the protection of the PDO ‘Parmigiano Reggiano’ against products designated as ‘Parmesan’ which did not comply with the specification for the PDO. The case concerned Regulation No 2081/92.<sup>94</sup>

Germany argued that a PDO was only protected in the exact form in which it is registered, and that therefore the label “Parmesan” did not infringe the PDO ‘Parmigiano Reggiano’. Further, Germany argued that ‘Parmesan’ had become a generic name for hard cheeses of diverse origins, grated or intended to be grated, distinct from the PDO ‘Parmigiano Reggiano’. The ECJ rejected both arguments.

<sup>90</sup> Joined Cases C-289/96, C-293/96 and C-299/96 *Denmark and Others v Commission*.

<sup>91</sup> Case C-465/02 – *Germany and others v Commission*.

<sup>92</sup> Case C-465/02 – *Germany and others v Commission*, para 70 et. seq.

Considering that the PDO/PGI scheme has been in place for 15 years, the number of court cases concerning the generic status of names is quite small. It should be noted that in one of the cases,<sup>95</sup> the party arguing that part of a PDO was generic was also a producer of the PDO and had previously sued a competitor for using it.<sup>96</sup> This pursuit of commercial advantage does not necessarily indicate a market impact caused by the absence of a list of generics.

Besides these cases, 'cheddar' provides an example of wide recognition of a potentially generic name. Originally made in England, Cheddar takes its name from Cheddar Gorge in Somerset. However, today Cheddar cheeses are manufactured throughout the world. The name is not protected, which has allowed it to be used by producers worldwide, notably in Ireland, the US, Australia, New Zealand, South Africa and Canada, on an industrial scale.

The name 'cheddar' has been used in the PDO product West Country Farmhouse Cheddar (12.000 tonnes production per year) but this has had no impacts on the market for cheddar cheese as no changes have had to be made to product names and because volumes of the PDO are small in comparison to total cheddar production (UK cheddar production alone is 450.000 tonnes per year).

Other PDO/PGI products using commonly used names include Noord-Hollandse Edammer, Noord-Hollandse Gouda, Brie de Melun, Camembert de Normandie, Emmental français est-central.

### Impacts of the lack of a list of generics

A list of generics would have had the benefit of providing some clarity, but not certainty, on the names that could not be registered as PDO or PGI. However, the Court of Justice's ruling of 9 June 1998 regarding the use of the name "époisses"<sup>97</sup> implies that it is up to the national judge to eventually assess the potentially generic character of a given designation.

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<sup>93</sup> Case T-291/03 - Consorzio per la tutela del formaggio Grana Padano v OHMI - Biraghi (GRANA BIRAGHI), judgment of the Court of First Instance of 12 September 2007.

<sup>94</sup> Case C-132/05 Commission v Germany.

<sup>95</sup> Case T-291/03 - GRANA BIRAGHI, where Biraghi SpA sought to register a trade mark containing "Grana" and argued that this was a generic part of the PDO "Grana Padano".

<sup>96</sup> Case C-469/00 - *Grana Padano*, where Biraghi SpA sought an order restricting a competitor from using the label "Gran Padano rapé frais".

<sup>97</sup> Court of Justice, Judgement of the Court, 9 June 1998, in joined cases C-129/97 and C-130/97.

Thus, the existence of a list of generics does not necessarily mean fewer disputes about the generic character of a given name.

Moreover, a Member State or any natural or legal person directly and individually concerned could have sought the annulment of the list within 60 days of adoption under article 230 of the Treaty or may have questioned or question in the future the validity of the list under article 234 of the Treaty.

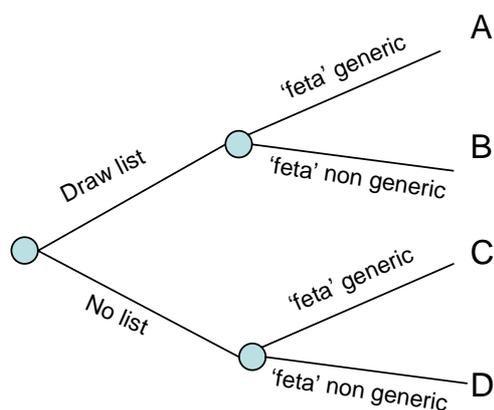
### The Feta case

In the case of Feta, the issue to assess in this context is whether the inclusion of the name Feta in a list (or not) would have made any difference to producers. It is important to note that the drawing up of the list could have resulted in two possibilities:

- (i) 'feta' on the generics list
- (ii) 'feta' not on the generics list

The decision tree on drawing the list (or not) and its considerations of the name generic (or not) give four possibilities shown in Figure 20. What is relevant for assessing the relevance of the list is to compare situations A and C; and situations B and D.

**Figure 20: List of generics decision tree**



Consensus on a list of generics with 'feta' on it would have reduced considerably the costs and time of legal disputes. However, the evidence provided by scientific committees and consumer surveys (as in the ECJ case)

suggests that it is unlikely that 'feta' would have been considered a generic name when drawing the list.

The second possibility is a list of generics without 'feta' on it. It is not clear that this case would have influenced the operation of the market. Evidence from our case study shows that the producers' group from Denmark would not have accepted a list of generics without 'feta' on it. Therefore, any list of generics would have been open to legal challenge just as the PDO/PGI registrations were. In this respect, the existence of a list of generics would not necessarily result in fewer disputes, litigation or market impacts. It would have caused a number of legal disputes, albeit at a different stage.

Additional evidence from our interviews with Danish producers shows that the registration of Feta as PDO has increased the marketing costs of Danish producers. However, this is related to the fact that 'feta' is a registered name and not to the existence or not of a list of generics. In the Feta case, considerable legal costs have been incurred. We argue that a list would have also incurred legal costs as it would have not been accepted and a dispute would have followed in the courts (although the legal costs may have been redistributed differently between the parties).

Anticipating the outcome of a legal decision on a generic name can give the brand owner some time to rename their product; PDOs generally take around two years to be approved after the initial application. The Danish dairy company Arla Foods has been working to disassociate its product from the term feta, using the brand of simply 'Apetina', having previously used 'Apetina feta'. While the product will face competition from Greek producers, there are question marks over how much of the EU market Greece can supply.

Another impact of the lack of generics was identified in our research, highlighting the fact that a list of generics would have been useful in reducing the uncertainty over the marketing and promotion of product names. The evidence for cheddar shows that while there is only one PDO using a qualified cheddar name (West Country Farmhouse Cheddar), a number of large commercial food companies have established brands in the UK for their Cheddar cheese (Pilgrim's Choice, Cathedral City, Davidstow etc) and this has not been limited by the absence of a list of generics.

### ***Judgment***

Given the important role that certainty and a stable operating environment has in relation to financial planning and investment decisions, uncertainty as to whether any particular product name may be designated as 'generic' may lead to a loss of investment (e.g. required to meet the technical specification to register as PDO/PGI, or in terms of investment in marketing to develop a trademark. Whereas, if there was absolute certainty about a list of generics,

then producers of a product that was not on such a list would know that their product is not generic, and so they could proceed with confidence.

However, as was noted earlier in this sub-section, any list of generics would be indicative only. A national judge would still need to decide on a case-by-case basis the generic character of a given designation if there were disputes about the generic character of such a designation. Moreover, the validity of the list can be questioned at any time under Article 234 of the Treaty.

Therefore, the existence of a list would be unlikely to reduce uncertainty by much as legal challenges would still be feasible.

The Feta case highlights the high public and private cost of such a challenge, whether contending or defending generic listing. That being said, disputes over the generic character of a designation are rare.

## 6.6 Ensuring an increased diversity of products

One of the expected results of the PDO/PGI scheme is ensuring an increased diversity of products (see Chapter 2). Europe is famous for the diversity of its agriculture, as well as for its food and drink products deriving from Europe's particular natural environment and traditional farming methods developed over centuries. Food and drink products, together with fine cooking, are a major part of the cultural identity of Europe's peoples and regions.<sup>98</sup>

Increasing the diversity of geographically linked agricultural produce is one of the explicit objectives of Regulation No 510/2006:

“The diversification of agricultural production should be encouraged so as to achieve a better balance between supply and demand on the markets.”<sup>99</sup>

Diversification is expected to broaden and expand the range of products that are offered to consumers in Europe, thus enabling a better 'fit' between supply and consumer demand on the food markets. However, Caceres-Clavero et al (2007) note a negative aspect of the wide diversity in Iberian ham, which, coupled with poor consumer information, cause confusion about the different qualities of Iberian pig products in general.

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<sup>98</sup> European Commission, DG Agriculture and Rural Development (2007) Fact Sheet: "European policy for quality agricultural products", [http://ec.europa.eu/agriculture/publi/fact/quality/2007\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/quality/2007_en.pdf).

<sup>99</sup> Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, Official Journal of the European Union, L 93/12 EN, 31.3.2006.

The source of such diversity may be consumption characteristics (e.g. a new variety), production processes (e.g. par-boiled Riz de Camargue) or distribution channels (e.g. from artisan stores to supermarkets). Thus, the effectiveness of the scheme in achieving this objective is assessed by analysing the diversification of products available, production techniques and channels of distribution.

Diversity may be fostered by:

- New varieties of existing products, based on slightly different ingredients or production process or from new producers registering in the area of production (e.g. White Stilton with Apricots). It should be noted that such varieties must stay within the specifications of the original PDO/PGI product specification.
- Traditional products that have previously not been developed outside of the region due to competitive pressures or have been suppressed by unfair competition from imitation producers.
- Entirely new products with qualities linked to the geographic origin that may be created and registered under the scheme.

Diversity may also be indirectly fostered by the scheme, through non-PDO/PGI registered producers. Faced with a prohibition from using the protected product name, such producers may innovate and/or diversify, launch new varieties or improve the quality of their products in response. We consider this effect by looking at the chosen comparator for each PDO/PGI product studied (in terms of new product introductions and distortions on the markets for non-PDO/PGI products, section 6.5).

### 6.6.1 Data sources and limits

For the purpose of the analysis we rely on three indicators of diversity:

- *Number of products preserved*  
Refers to the scheme's contribution to maintaining individual producers' product ranges, and the contribution to maintaining the range of products on the market;
- *Number of products introduced*  
Refers to the scheme's impact on the extension of individual producers' product ranges, and the impact on the availability of new products on the market; and
- *Innovation in the industry*  
Refers to examples of technical innovations in the supply of PDO/PGI products.

For each of these indicators, information on the impact of the scheme was provided by PDO/PGI producers (farmers and processors) and producers' groups who were interviewed as part of the case studies. During the field work, 108 producers and 17 producers' groups were asked to explain how the scheme has contributed to the diversity of production, including what would have happened to production of the PDO/PGI products had their names not been registered. Evidence of diversity concerning comparator and similar products is also being considered.

Again, the analysis is based on the responses of producers and producers' groups interviewed in the case studies. It should be noted that the evidence is qualitative and limited to a number of cases and may not necessarily be representative of the entire population.

### 6.6.2 Evidence and analysis

This section first focuses on the preservation of products. Next, it addresses the introduction of new products and innovation.

#### *Preservation of products*

In the following cases the interviewees believe that the scheme has helped preserve products that otherwise may no longer have been produced:

- One producer of Fromage de Herve believes that by taking up the PDO/PGI label they were able to stay in business.
- Three out of six interviewed producers of Riz de Camargue believe the scheme has preserved rice cropping in Camargue. In fact, red and black rice were re-introduced recently as a complementary range.<sup>100</sup>
- Three out of five interviewed producers of Volaille de Bresse believe the scheme has preserved a local poultry breed in Bresse.
- Producers of Szegedi Fűszerpaprika stated that, without PDO status, the product would no longer exist.
- According to the Consorzio, the application to register Toscano was motivated by usurpation of the reputation of the name by imitations, and this was endangering the survival of Toscano oil.

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<sup>100</sup> Red rice of the Camargue is covered by the PGI Riz du Camargue. However, some farmers are thinking about a PDO scheme for this local variety.

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- Lübecker Marzipan producers believe that the PGI-symbol contributed to stabilising the range of existing products by protecting it from competitors' products of lower quality.
  - The registration of Jersey Royal Potatoes as a PDO has enabled the industry to keep its competitive advantage and as a result the production of Jersey Royal Potatoes has remained economically viable through protection from unfair competition.
  - One producer of Feta expressed the view that the PDO has helped them to remain active.
  - In Sweden, one producer believes the PDO/PGI scheme has contributed to increasing his range of cheeses because he might not have continued with the production of Svecia without it.
  - No evidence was provided by the remaining products of the case studies.

The case studies have shown a few examples where, according to participants, the scheme has helped prevent some products from disappearing. It is interesting to note that, in most of these cases, the PDO/PGI products are produced at a small scale, using traditional production methods, in remote areas or supply niche markets.

Other interesting observations on the range of products in existence include:

- In France, we can see the coexistence of several PDOs/PGIs in the same region, namely PDO Taureau de Camargue, PDO Foin de la Crau (hay), PDO Huile d'olive de la vallée des Baux-de-Provence, PGI Miel de Provence and PGI Riz de Camargue.
- In addition, the Greek consumers of Feta PDO place a high importance on the origin of the product. However, because of the large delimited area of Feta PDO, this importance is expressed not only about the Greekness of the cheese but also about certain localities of the delimited area (e.g. Feta from Ipiros, or Feta from Lesvos island – it is typical for the Greek consumers to buy Feta mentioning the area of production and not the producer).

### *Introduction of new products*

In three of the case studies producers noted that, in their view, the scheme restricts diversification of products due to the stringent product specification:

- Jamón de Teruel production has moved towards specialisation and standardisation to seek homogeneity rather than diversification. It was noted by some producers that since the scheme through the

product specification standardises production of the PDO/PGI, this ultimately leads to homogeneity of final products if the product characteristics of the product of producers who join the scheme differed somewhat before they joined the scheme. Obviously, this applies only to the PDO/PGI products and not the other products that may be produced alongside the PDO/PGI product by the producers who joined the scheme.

- In Denmark, the smaller Esrom producer reports that they tried to make more varieties of the Esrom cheese but found out that the product specification would not allow this.
- In France, the long process for changing or updating the code of practices, under INAO's control, prevents innovation in the production process of PDO/PGI products. As PDO/PGI food products are deemed to be produced in a traditional manner, innovation is often rejected by consumers for these products.

That being said, the lack of flexibility in the product specification is at the essence of the PDO/PGI scheme and the scheme cannot be blamed for preventing product innovation as producers voluntarily sign up to the scheme in the full knowledge that the product specification will need to be strictly adhered to.

However, there are also cases where the reputation of producers gained from participation in the PDO/PGI scheme has allowed them to expand their range of products<sup>101</sup>:

- In Italy 3 (out of 4) bottling firms of Toscano believe they are able to produce more products (other non-PGI extra-virgin and virgin oils) due to increased reputation of their business resulting from their production of PGI products.
- Also in Italy, the Consorzio Melinda has encouraged farmers to produce others types of apple (Gala, Morgenduft, Jonagold, Fuji, Braeburn, Pinova) building on the reputation of Melinda as supplier of the PDO product.
- In the UK, products such as cheeses are increasingly differentiated, often based around protected name products e.g. White Stilton with Apricots. In this way, the use of traditional products in new formats is a form of brand extension and an innovative means of adding value.

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<sup>101</sup> For Riz de Camargue new products were also introduced but the interviewed producers gave no indication that this was due to the scheme.

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In other cases, the scheme has helped producers to expand their product range, or to diversify the ways in which they market their products:

- In Greece, one producer of Sitia Lasithi Kritis believes that the scheme has allowed him to segment the market in which he sells his product, by giving him access to new niche markets.
- Six olive millers in Tuscany have expanded their product range to include PGI oil. Although this is not necessarily a different product in terms of quality (all oils are produced under similar production methods or and have similar characteristics), the scheme has allowed them to market the product as PGI certified, allowing them thus to segment the market and develop niches within the overall olive oil market.
- The producers' group Spreewaldverein stated that the production has been diversified (further productions comprise the cultivation of strawberries, asparagus, cabbage, herbs, tomatoes, leeks, wine etc., it is planned to cultivate pumpkins and oil-bearing plants). However, the impact of the scheme is debateable, as all PGI-producers agreed that diversification of the production existed before the PGI scheme had been introduced.
- In Denmark, the smaller Esrom producer motioned above reports that the PDO/PGI scheme has contributed to diversify the range of products produced as a special variety of the Esrom cheese is produced. The same producer started production after the registration of the Esrom cheese.
- In addition, the producer's group of Jambon d'Ardenne mentions that the amount of producers has been increasing, from initially 12 to 25 currently.

The survey responses show that the scheme has had much less impact on the introduction of new products. In the majority of supply chains, there have been no new products introduced due to the scheme and, only in a few cases, have firms expanded their product range.

The most common reason cited as the restraint on new product introduction is the limitations of the technical product specification, and product diversification has been reduced as a result of the scheme.

However, the fact that the technical specification and certification process may homogenise a product (by setting rules for inputs, processes and outputs), it can also have a positive impact as it ameliorates the information process with consumer (due to a reduction in the asymmetry of information). This, as we have seen in other sections of the report (e.g. the quality

dimension above), is a very significant issue in relation to the future effectiveness of the scheme.

### *Innovation in the industry*

For most of the case study products, there have been no innovations in production as a result of the scheme. However, there are a number of important exceptions:

- There have been important technological innovations in the field of animal genetics and animal breeding in the supply chain of Jamón de Teruel. However, a requirement that slicing takes place in Teruel is seen to limit the supply (for instance - only entire legs of ham can be sold by supermarkets that do not themselves own slicing facilities in Teruel).
- In Volaille de Bresse production innovations have occurred in automatic feeding in the coop, chicken homeopathy care and genomic R&D.
- For Mela Val di Non there have been innovations in the technology used for selection and conservation of apples and logistics.
- In the case of PGI Turrón, a system has been implemented clarifying adequate use of the PGI as ingredient, which has permitted the naming of the product in ice cream, thus creating this channel as way of selling Turrón out of the regular season (traditionally Christmas).
- A new PGI Riz de Camargue was introduced in 2006, with a fast-cooking salient trait. However retailers failed to take up the product and production was stopped. This may be a good example of the difficulty of balancing innovation and traditional PDO/ PGI production.

In most cases there have been no technical innovations in the supply of PDO/PGI products. There are a number of exceptions, but these all refer to products with supply chains producing on a large scale and it is unclear whether the innovations can be related to the scheme.<sup>102</sup>

### 6.6.3 Judgement

It should be noted that the analysis of the evidence collected through our case studies is that quite a mixed picture emerges.

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<sup>102</sup> There have been innovations in the olive oil industry particularly in olive milling (2 and 3 phase olive mills) and collection. However, these innovations are not related to the scheme.

On the one hand, it seems quite clear that the protection afforded by the scheme has served to protect vulnerable and aspiring producers of protected product names, serving to generally successfully preserve the diversity in PDO/PGI products that are currently produced. One minor trade-off of this protection has been the fact that, as a tight technical specification is required in order to have a loophole-free protection system, on registration of the product name, this requires some 'squeezing-in' of previously diverse product varieties produced in the region into one single PDO/PGI-registered product. Obviously, producers who join the scheme feel that the benefit of the protection afforded to the name outweighs the cost of reduced product varieties.

The case studies show that the scheme has been effective in helping to preserve a number of products which would otherwise have been in danger, due to competitors taking advantage of the reputation of the name. As the case study evidence illustrates, these products originate from several different parts of Europe including the North, South and new Member States.

According to the interviewed producers in the case studies, the scheme has had little overall impact on diversification for producers. Diversification for producers was promoted in only a limited number of cases when they were able to introduce new products as a result of a higher reputation achieved by the scheme. On the other hand, in some cases PDO/PGI producers have reduced their product range to comply with the PDO/PGI specifications.

Similarly, the message emanating from our analysis of the case studies is that the effect of the scheme on innovation is rather limited. This is perhaps not surprising. Consider that at the heart of the scheme is a specification of the traditional methods, ingredients and output qualities that must be employed in order for the produce to qualify for protection and the use of the protected name. Thus, the protecting mechanism becomes somewhat of a restraint on innovation in the production process.

However, one useful innovation permitted by the scheme has been the increased access of producers of protected product names to new marketing and distribution channels, as supported by the analysis of the responses of our surveys. This is an important diversification that will allow the existing, preserved protected product names more opportunities to sell their quality assured, geographically-linked and certified authentic produce to new customers, meaning the prospect of increased demand and sales.

Additionally, where there are examples of new varieties or new innovations, it seems that these are the exception rather than the rule and that it is a case of finding a way to diversify to a limited extent by working within the confines of the scheme rather than the scheme promoting diversity *per se*.

## 6.7 Increasing or retaining economic activities in rural areas

Throughout the EU, and other countries, there is a net trend of out migration from rural areas to urban areas. By potentially stimulating local production, the PDO/PGI scheme can contribute to the broader EU policy objective of sustainable rural development. Indeed, if more added-value production remains in rural areas, whole communities can benefit from: the maintenance of economic activities; improved job opportunities; spin-offs for other rural activities such as tourism (including agro-tourism).

In this regard, it should be noted that the preamble to the Regulation states:

(2) ...“The promotion of products having certain characteristics can be of considerable benefit to the rural economy, particularly in less-favoured or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas.”

Rural development strategies are often based on the production of differentiated agricultural goods that may be sought by consumers, because of their typicality, health quality, or environmental innocuousness. These goods' specificity is generally closely associated to the area where they are produced, so that they represent an immobile comparative advantage that can be used as a lever for developing economic activity in remote and/or underprivileged regions.

One measure, therefore, of the effectiveness of the scheme in terms of achieving its objectives is the extent to which it has succeeded in increasing or retaining economic activities in rural areas. Accordingly, in this section, we examine the evidence related to the impact that the scheme may have had on the population and economic activities in rural areas where PDOs/PGIs are produced and make an assessment of the effectiveness of the scheme in this regard.

There are a number of ways in which the PDO/PGI scheme can contribute to higher economic value and economic development in a region. These include among others:

- Larger sales volumes, higher prices and higher profits achieved by producers of PDO and PGI products.
- Direct spending effects from the higher level economic activity of PDO/PGI producers. This includes the additional employment, or the employment which was safeguarded, by the PDO/PGI producers and the direct additional spending in the local communities and the region by the PDO/PGI producers and their employees.

- Other types of spill-overs such as technological and marketing spill-overs whereby other producers of non-PDO/PGI producers may learn from the experience and success of the PDO/PGI producers and adopt some of the practices of the PDO/PGI producers.
- Another type of spill-over concerns the general adoption of specific quality standards by non PDO/PGI producers in imitation of the PDO/PGI producers.

All these factors will promote economic development at the local and regional level. Obviously, the magnitude of the effects will depend on the size of the production of the PDO/PGI product and its relative importance in the region, and the alternatives to the production of the PDO/PGI.

It is most likely that the regional economic development benefit of the scheme will be the greatest in regions with few, if any, alternatives to the production of the PDO/PGI. Typically, such regions are more remote from the main centres of economic activity and suffer from a lack of economic development opportunities.

In contrast, the PDO/PGI scheme is unlikely to have a major economic development impact if the production of the PDO/PGI is relative small scale and there are many alternative agricultural and/or non-agricultural economic opportunities in the region.

For example, Hauwuy et al (2006), in a study of dairy production for cheese-making in the northern Alps, note how the existence of a geographical indication helps maintain a specialist agricultural sector through generation of price premiums for local milk and maintenance of skilled labour.

However, some authors question the direction of causality between PDOs/PGIs and economic benefits, arguing that PDOs/PGIs tend to appear in already prosperous regions rather than being a stimulus for development of less favoured regions. For example, in Italy, most PDOs are based in the northern developed regions (Tuscany, Emilia Romagna, etc).

If the PDO/PGI scheme is to retain and/or boost economic activities in rural areas, it must maintain or increase the revenues for the rural communities, including farmers. O'Connor & Co. (2006) highlight the success of the registration of 'Lentilles vertes du Puy' in France as a PDO in 1992 as having complemented local farmers' income, leading to growing production levels through to 2005. The density of lentil cultivation means that it yields twice as much crop as the same area of corn, bringing higher profitability. Based on data from the Centre of Rural Economy of the Haute-Loire, the authors state that, on average, the 'Lentilles vertes du Puy' provides its 850 growers with an additional €305 per month, representing an increase of 10-15% relative to average farming income in France.

Research by DG Joint Research Centre<sup>103</sup> identified impacts of the PDO/PGI scheme on rural development as including product differentiation and the contribution to competitiveness, extensive production, rural processing, protection of traditional production systems and ways of life and agro-tourism. However, the research also points to the protection of traditional methods as being a restraint on innovation. Several studies<sup>104</sup> support this analysis, highlighting the important role of GIs in the regeneration of the countryside, conservation of local plant varieties, rewarding local producers, supporting rural diversity and social cohesion, whilst promoting new job opportunities in production, processing and other related services.

In their review of the PDO/PGI regulation, Barjolle and Sylvander (2000) note the difficulty in evaluating the regulation's contribution towards the long-term objectives. But they also state that, for certain products of less-favoured regions, market success allows proper remuneration of labour-intensive small-scale or farm production, and farms in such regions would be less viable without this revenue.

Other research has pointed to the limitations of quality labels as a rural development tool, owing to the narrow distribution of the benefits resulting from the protection of geographic names. Callois (2004) finds that quality labels are "a very selfish way of development",<sup>105</sup> as the rise in farmers' income does not benefit the rural region as a whole.

Pacciani et al. (2001) argue that the economic contribution of PDO-type schemes depends on the type of strategy that local actors adopt and in particular on whether a 'supply chain' strategy or an 'extended territorial strategy' is used. In the former case, only producers and processors are involved in the certification and they tend to be the only ones that gain from the scheme. In the latter, a diversity of actors tends to be involved and the economic benefits of the scheme are shared within the local community.

Whatever the case, the statistics show that in certain cases, the economic contribution of PDO/PGI products is significant. For example, a study by INDICOD - Nomisma (2005) found that registered products (excluding wine) contributed over €3,1 billion at production and €8,6 billion at consumption to

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<sup>103</sup> Summarised by: Hubertus Gay, S. and Gijbers, G. (2007) "Summary of case studies undertaken by the JRC", EC DG Joint Research Centre-IPTS and Innovation Policy Group TNO, Conference: "Food Quality Certification - Adding Value to Farm Produce", 5/6 February 2007.

<sup>104</sup> EC DG Agriculture cite the following studies: Impact de l'utilisation d'une indication géographique sur l'agriculture et le développement rural (Fromage de Comté, France) - MAAPAR, 2003/2004; Geographic Indications in France - A dynamic sector of the Food Industry - Dupont ; High Quality Products and regional specialities: A promising trajectory for endogenous and sustainable development - Jan Douwe van der Ploeg; Geographical Indications and Rural Development in the EU - Carina Folkesson, Lund University. [http://ec.europa.eu/agriculture/publi/fact/quality/2007\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/quality/2007_en.pdf)

<sup>105</sup> Callois (2004), pp.15.

the Italian agri-food economy, or approx 7,2% of the agricultural added-value.

Many other researchers, including Belletti and Marescotti (2006), Ray (2002) and Rangnekar (2004), also highlight the important role of GIs in supporting rural development and preservation of socio-cultural aspects. In particular, they point to the contribution of GIs to the creation of social and cultural capital, and to the re-spatialisation and re-socialisation of food in the regions. The rural development potential of geographic products is linked, they argue, to the characteristics of these products produced in traditional, small-scale farms, in traditional ways, in fragile and/or marginal rural areas; keeping alive these 'traditional ways of living' and traditional landscapes in marginal rural areas.

Other authors highlight the spillovers into adjacent economic activities in the region. The marketing of the region through one GI product can bring publicity to the region and reinforce the regional identity, fostering agri/cultural tourism, and so creating more job opportunities and increasing incomes through an indirect link with the original GI.<sup>106</sup>

### 6.7.1 Data sources and limits

In order to assess the impact of the scheme on the economic activity in rural areas, we examine the following indicators:

- *Evidence of improvement in conditions for development*  
The effect of registration of the PDO/PGI in cultivating the business conditions to foster favourable operating conditions and new opportunities for producers, retailers and other stakeholders
- *Population change in the region*  
Retention of rural populations - the variation in population of the protected geographical area of production of the PDO/PGI since registration under the scheme
- *Benefit to the regional economy*  
The impact of PDO/PGI registration on the evolution of economic activity in the area of production
- *Employment growth*  
The variation in employment in the area of production over the period since registration under the scheme

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<sup>106</sup> Ray, 2002, pp 12; Rangnekar, 2004, pp 16-17

We draw almost exclusively on information from case studies as publicly available data are either inadequate for the purpose of our analysis or inexistent.

The case studies undertaken as part of the present evaluation provide qualitative evidence of improvement in conditions for development, benefit to the regional economy and employment growth based on the perception of respondents or the experts. Only the producers' group of Spreewälder Gurken was able to provide any statistics on production and employment.

The information from the case studies is based on the results from interviews to 108 stakeholders in the PDO/PGI supply chain and 17 producers' groups using the questionnaires to producers and producers' groups.

One caveat to note is that, whilst the information from the case studies may be indicative of the performance of the scheme in certain situations, it is important to note that the evidence provided by the case studies may not be representative of all stakeholders in the area of production due to the qualitative nature of the information and the limited number of cases for which information is available.

### 6.7.2 Evidence and analysis

In the subsequent pages, we present evidence of the impact of a product name being protected under the PDO/PGI scheme on the rural economy. Some of the evidence is based on statistics whilst in other cases, the views of experts and experiences of producers and retailers are reported.

#### *Evidence of improvement in the conditions for development*

Evidence on the impact of the scheme in terms of improvements in the conditions in the area of production conducive to the businesses performing well is limited and weak.

Nonetheless, the case studies provide a few examples of some positive impacts that the scheme have had on operating conditions for producers and retailers, and these are outlined below:

- Higher prices with stabilised income flows have engendered a more certain investment climate and safeguarded the future of rural producers according to Toscano producers. They also feel that the scheme has allowed them to diversify production. Stable (high) future income flows give businesses a level of certainty in financial planning that allows them to have the confidence to make investments in their production.

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- Reduced abuse of the protected product name has brought increased consumer trust in product quality, resulting from the protection of the quality and the origin of the product and quality guarantee is cited by producers of Lübecker Marzipan and Feta. Producers of Toscano also have benefited from this factor, due to the reduced unfair use of name 'Toscano' on non-accredited extra virgin olive oils. Such removal of unfair competition (not subject to the same quality controls, and so with lower costs), allows the certified producers to reap the benefits of a long-term high quality strategy.
  - Enhanced reputation, marketability and improved international trade conditions are cited by producers of Jersey Royals and producers and retailers of Lübecker Marzipan. Reputation in the case of credence goods such as PDO/PGI products is very important and a driver of consumer trust and demand, and, as such, it is the return to a long-term commitment to quality.
  - Increased consumer awareness of the product and guarantee of quality has been experienced by producers of Spreewälder Gurken, with the likelihood of increased demand.
  - Better, more stable relationships with producers, essential to ensuring a strong supply chain, have resulted from the scheme according to a retailer of Mela Val di Non.
  - The scheme has facilitated market access, particularly for small firms, in the areas of production, cited by producers of Toscano, as new start-ups do not have to face free-riding competitors.
  - Protection of the landscape of rural regions and creating new business opportunities through the development of agro-tourism benefits the whole rural area according to Jersey Royals producers and the survey respondents in Italy.

On the other hand, the case study evidence also reveals examples where the scheme has had a limited or negligible effect on business conditions, as outlined below:

- A producer cooperative of the apples Mela Val di Non which predates the registration of the name is judged to have been more important than the name registration itself.
- Small scale of production, a simple supply chain and a lack of competition limit the benefit of the scheme for the Whitstable oysters.

The evidence on the improvement in conditions is sparse, but all instances of available evidence suggest that the scheme has improved the conditions for development for businesses in the area of production, to some degree or

other, as explained above. The extent of the impact of the scheme experienced by respondents to our survey varies from negligible to significant, depending on a large range of factors.

Firstly, the extent of the impact depends on the prevailing situation preceding the implementation of the scheme. The PDO/PGI scheme has a significant positive impact for producers when there is strong competition from similar products (e.g. Jersey Royal potatoes in the UK for example) owing to the PDO/PGI accreditation providing consumers with a guarantee of quality.

The PDO/PGI scheme can have an even more substantial impact when other traders are abusing the name of the product to benefit from its quality signal (e.g. Tuscan extra-virgin olive oil and Toscano). The removal of the threat of such rivals enables accredited firms to enjoy a stabilised business environment with more certainty for investment and opportunities for development (e.g. agro-tourism). Such an environment also facilitates market entry in the area of production, especially for smaller firms that may struggle to gain a foothold against producers abusing the product name.

Conversely, the impact of the scheme on conditions for development is small or nil when there is little competition (e.g. Whitstable oysters in the UK), when producers are already well organised (e.g. Mela Val di Non in Italy) or when the area of production benefited previously from an improvement programme (Fromage de Herve in Belgium).

### *Population change in the region*

The region which should be the focus of the analysis is the PDO/PGI area of production, as defined in the product specification. This complicates the task of measuring population change, as the definition relates to the area of PDO/PGI production, not the areas defined for statistical collection exercises. It should also be noted that, in the context of falling rural populations generally in Europe, then issue is more avoiding that people leave rural areas rather than increasing the population in such areas.

Case study evidence of population change in the area of production of PDO/PGI products is very limited. As stated earlier (section 6.7.1), data on population change in the area of production of PDO/PGI products is limited. Even when information is available, it is difficult to isolate the impact of the scheme on the observed variation in population, as other factors are likely to also influence the population of the area.

- A population increase of 3% over ten years (1991-2001) was observed in the area of production of Sitia Lasithi Kritis in Greece.
- The population increased in the area of production of Feta PDO has increased by 5.3% over ten years (1991-2001), but the area is large

(mainland Greece plus the prefecture of Lesvos) and it is obviously highly unlikely that the PDO/PGI scheme is the sole factor explaining the increase.

- In Italy, the expert responsible for the case studies expressed the view that there has been no variation in population in the Province of Trento, where Mela Val di Non is produced. This is a positive result for a region that could have suffered from rural net migration.

Overall, besides the few examples provided above, there exists no information on population change in the area of production of PDO/PGI products.

### *Benefit to the regional economy*

Again, the region to which we refer is the area of PDO/PGI production, as defined in the product specification. Evidence on the impact of the scheme on the regional economy is difficult to assess as the effects are mostly indirect. Case study participants from Germany, Belgium, Greece and Hungary either expressed great difficulty in addressing this question or stated that it was not possible to quantify the impact on the regional economies.

Evidence of positive benefits to the regional economy identified in our research is weak, limited to the following:

- An increase in exports has been resulted from the scheme, which in return has given a boost to the incomes of farmers and producers and thus strongly benefited the economy of the Tuscany region, according to Toscano producers.
- Significant socio-economic and environmental benefits have resulted for the Jersey rural economy according to the findings of the Jersey Royal Potatoes case study, including a contribution to the cultural heritage and the natural beauty (landscape) of Jersey. There are also cultural events held. The production techniques are also relatively distinct (use of seaweed fertiliser and hand planted/harvested) and the fact that Jersey is an island means that there are also strong cultural associations with the product.<sup>107</sup>
- The producers' group of Spreewälder Gurken believe that the scheme has had a positive impact on the regional economy, through stabilised

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<sup>107</sup> Jersey is a parliamentary democracy which is a dependency of the British Crown. It is a British island, but is not part of the United Kingdom, nor is it a colony. Jersey Royal Potatoes benefit from a generous budget from the government (States of Jersey) to build the Jersey Royals brand, and an annual investment in the promotion of Jersey Royals.

production conditions, increased income of gherkins producers and support for the diversification of production.

In contrast, some other case study participants expressed the view that the impact of the scheme on the local economy is small:

- In the case of Mela Val di Non, the PDO/PGI scheme is judged to have had only a minimal effect on the regional economy as the name registration was preceded by a number of years by the coordination of the producers into an association, bringing about already many of the benefits (e.g. network) that would otherwise already have resulted from implementing the PDO/PGI scheme.
- No benefit to the rural economy has been experienced in the case of the PGI Lübecker Marzipan, the PDO Fromage de Herve and the PGI Jambon d'Ardenne PGI according to the producers' group of Lübecker Marzipan and the Belgian case study participants.

There exists a link between the impact of the scheme on the conditions for development and its effect on the regional economy. A positive impact of the PDO/PGI scheme on the conditions for development is a necessary condition for a positive effect on the regional economy.

A positive impact on both the conditions for development and the regional economy are shown in the cases of Toscano, Spreewälder Gurken and the Jersey Royal potatoes, such as protection of the product name, formation of an association and accreditation of quality, allowing a premium price to be charged.

However, an improvement in the conditions for development is not a sufficient condition for a positive effect of the PDO/PGI scheme on the regional economy. The PDO/PGI scheme has improved business conditions of producers of Jambon d'Ardenne, Lübecker Marzipan and Feta without having had an effect on the regional economy.

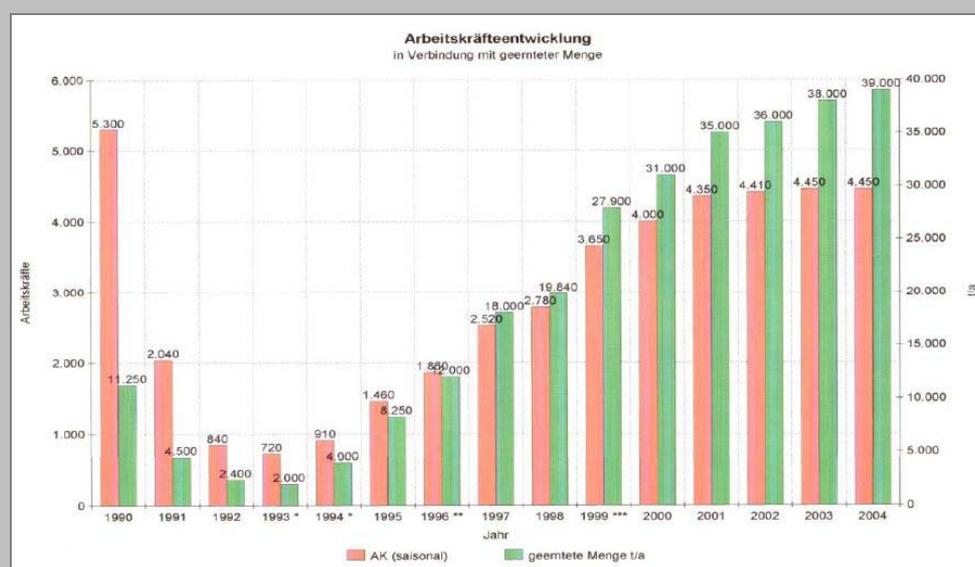
### *Employment growth*

The producers' group of Spreewälder Gurken was able to provide statistics on production and employment, showing an increase in employment, presented in the box below.

## Case study

In the case of Spreewald gherkins, the effect on employment has been positive, as the figure below shows. Between 1999, the year of introduction of the scheme, and 2004 production increased by nearly 40% (27.900 t to 39.000 t) and employment increased by 22% (3.650 employees to 4.450 employees), with the growth in employment limited by a rise in productivity. However, it is difficult to evaluate the impact of the scheme since the growth trend in production and employment can be traced back to 1993, before the implementation of PDO/PGI: production increased 14-fold between 1993 and 1999 and employment by 5-fold over the same period.

Figure 21: Variation of production and employment in the Spreewald region



Source: Spreewaldverein (2007)

In red number of employees (left-axis), in green volume harvested in tonne (right-axis)

The association of producers also created a franchise company in 2006. There are now 14 franchised shops that sell Spreewald products (not only gherkins). The objective is to open 30 shops across Germany. This franchise system has saved 3 jobs and created 14 more. It has also helped small producers gain access to the market.

Further evidence of the effect of the scheme on regional employment based on the experiences of the case study survey respondents in each country, are summarised as follows:

- An increase in employment was identified as being linked to the scheme in Italy and Germany. In the case of Toscano, the scheme has had a positive impact on exports, boosting olive oil producers, and so preserved jobs in many agricultural firms and olive millers. The box

above shows that the scheme has also had a positive effect on employment in the case of Spreewälder Gurken.

- No official data are available in Greece, but one official expressed the belief that there has been a growth in employment as a result of the PDO/PGI scheme.
- No increase in employment was associated with the introduction of the scheme in Belgium or in the case of Lübecker Marzipan.

There is little information available on employment in the area of production of PDO/PGI products, with the exception of the Spreewälder Gurken case. When data are available, it is difficult to isolate the impact of the scheme on the variation in employment from that resulting from other factors regionally and in the wider economy.

### 6.7.3 Judgement

Before making a judgement on the effectiveness of the scheme in relation to the achievement of the impact of increasing or retaining economic activities in rural areas, it is necessary to note some caveats.

Firstly, data is limited for this task, as the analysis of the impact is specific to the area of production, whose geographical limits are defined with reference to the regional characteristics and production techniques of the product, rather than the standardised nomenclatures of regions (e.g. NUTS) used to produce regional statistics, such as population and structural business statistics.

Secondly, the expected impacts of improved development of rural economies and less favoured areas are both intermediate and global impacts, so the impact of the scheme in terms of achieving these impacts may not yet be fully felt in areas where PDO/PGI registration is more recent.

Thirdly, where data is available, it is not possible in most cases to distinguish the impact in the data, or in the experience of the respondents, of the PDO/PGI registration from that of other factors.

Nonetheless, based on the evidence and analysis in the previous sub-section, we conclude that the effect of the PDO/PGI scheme along the indicators chosen varies, from strong to weak.

In general, the impact of the PDO/PGI scheme on business conditions is judged to be positive by vase study participants, with many respondents noting a strong improvement. The reasons cited for the improved business conditions are wide and varied (higher prices, reduced name abuse, enhanced reputation and marketability, improved international trade conditions, increased consumer awareness, stable relationships, market access

and new opportunities) but all of which are strongly linked to the PDO/PGI scheme and so may be deemed relevant than other factors.

At the same time, however, some other respondents reported that did not experience any significant impact on their operations. But, no PDO/PGI producer reported a negative impact.

The varying degree of the effect of the scheme on the conditions for development depends on the level and nature (e.g. the level of abuse of the product name) of competition facing the PDO/PGI and on the prevailing situation preceding the introduction of the scheme.

The scheme also had a stronger positive impact on producers than retailers, which is likely to be explained by the fact that retailers sell a wide range of products besides PDO/PGI products.

As there has been a trend in developed nations of migration away from rural areas, it is the *retention* of rural populations that is primarily important. Due to data limitations, it is not possible to make a judgement on the basis of the evidence available. Where data has been available, there has been an increase in population but, as population change is determined by many factors, it is not possible to judge how much (if any) of this change is attributable to the scheme.

Evidence of the PDO/PGI scheme benefiting the regional economy is weak and limited to anecdotal evidence, with many respondents expressing difficulty in providing any quantitative impact.

The evidence suggests a positive impact in the case of Toscano and Jersey Royal potatoes. In some other cases, the scheme has had no impact on the regional economy.

When the PDO/PGI scheme has had an effect, it is mostly an indirect one based on spillovers from the increased production in the area.

In some cases (e.g. Mela Val di Non), the weak impact of the PDO/PGI scheme is explained by the fact that the producers had already organised themselves into a cooperative association prior to the scheme's implementation, diminishing the impact of the introduction of the scheme.

Finally, regarding employment in the region, the effect of the PDO/PGI scheme has been low, with a measurable impact on employment only in two cases among the 18 PDO/PGI products covered by the case studies. In Tuscany, the PDO/PGI scheme is judged to have preserved jobs among olive producers, whereas in the case of Spreewälder Gurken employment increased by 22% since registration of the name.

## 6.8 Establishing cultural value in rural areas

Whilst the establishment of cultural values in rural areas is not an explicit objective of the scheme in itself, it represents an intermediate step in achieving the wider objectives of the scheme. Establishing cultural value is an indirect way to increase the value of specialist regional products and raise the income of farmers, producers and the wider rural community. It can also create an incentive for residents and businesses to remain in the rural area rather than migrating to urban centres.

The PDO/PGI scheme can contribute to develop the social and cultural capital in a rural area in a number of ways:

- First, the PDO/PGI may help create, and sustain networks of collaboration and cooperation among producers of a PDO/PGI product, and thus contribute to building social capital in a region.
- Second, it may contribute to maintain and expand the cultural heritage of a region through the PDO/PGI product specification which may enshrine a “traditional” way of producing a product. This is particularly important if the PDP/PGI scheme has helped to preserve products which would have disappeared otherwise from the marketplace.
- Third, the PDO/PGI scheme may contribute to expand the cultural capital of a region by raising the profile of a product, and possibly the region, and, more specifically, by supporting fairs, festivals and other cultural events.
- Finally, to the extent that the PDO/PGI scheme makes a contribution to economic development and retaining populations in rural areas, it also contributes indirectly and more generally to the development of cultural value and capital in a region as any cultural activity will have a larger and wealthier population base to draw on.

The overall contribution of the scheme to the establishment of cultural values depends obviously on the alternatives which offer themselves in a region. The less remote, wealthier and more populated a region, the less likely it is that the contribution of the scheme will be very substantial at the regional level even though for individuals concerned it may still be very significant.

In contrast, in remote, poorer and less densely populated regions the contribution of the scheme is likely to be more significant as there are no or few alternative stimuli of cultural value.

Below, we review findings in the literature regarding the potential contribution of the scheme to establishing cultural value in a region.

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### *Networks and collaborations*

The PDO/PGI scheme may help to build networks among producers and also between local producers and other local actors (e.g. public bodies, tourist organisations). For example, in Italy, it has been found that some producer networks have chosen not to go for a PDO (as this was too costly) but the process of discussing the application has brought different actors together which in itself has been socially valuable.

But, some other authors emphasise that the discussion process can also be a cause of social conflict (Casabianca, 2003; Tregear et al., 2007).

### *Product specification*

The PDO/PGI scheme may enhance cultural value through the product specification. For example, the agreed product specification may require producers who had previously engaged in modern or industrial practices to switch to traditional practices with more cultural value (Barham, 2003).

Through the product specification, the PDO/PGI scheme can also help protecting important elements of local cultural heritage, for instance traditional production methods and recipes, endangered animal breeds, or indigenous vegetables. Such benefits have been identified in research by DG Joint Research Centre<sup>108</sup>.

Where particular forms of livestock keeping are involved, products may also contribute to the maintenance of certain distinctive landscape characteristics. In some cases, PDO/PGI products may be deeply rooted in local history, and may play an important role in strengthening regional profile and identity (Riccheri et al. 2006).

However, in some cases the PDO/PGI scheme may have the opposite effect. Indeed, it has been found that small firms may be excluded from the PDO/PGI scheme because of its high costs and lack of representation, leaving only the larger, more powerful firms to design the code of practice in a more industrial way, with loss of cultural benefits (Belletti and Marescotti, 1998).

Furthermore, critics argue that, as culture, heritage, tradition and related concepts are essentially social constructions which can be changed according to the interests of the key actors, there is no firm guarantee that a PDO/PGI product is any more 'culturally valuable' than a non-PDO/PGI product (Tregear, 2003). Edwards and Casabianca (1997) illustrate this by comparing

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<sup>108</sup> Summarised by: Hubertus Gay, S. and Gijbers, G. (2007) "Summary of case studies undertaken by the JRC", EC DG Joint Research Centre-IPTS and Innovation Policy Group TNO, Conference: "Food Quality Certification - Adding Value to Farm Produce", 5/6 February 2007.

the cultural and ecological value of a Corsican ham with no protected name with the Parma Ham, and showing that the latter's production process is much more industrialised.

### *Profile of products and fairs, festivals, etc*

The PDO/PGI scheme may also contribute to the cultural value by raising the profile of the typical product and being a stimulus to fairs, festivals, community and cultural events. This can also contribute to legitimising the cultural value of a product, which otherwise might go un-noticed (Bessiere, 1998).

#### 6.8.1 Data sources and limits

To assess the impact of the PDO/PGI scheme on the establishment of cultural values in rural areas, we examine the following indicators:

- *Cultural events linked to the PDO/PGI products*  
The events organised or attended and the impact of the PDO/PGI products on the number of events organised or attended.
- *Local associations linked to the PDO/PGI products*  
The overall number of associations and links to the local associations that were created following PDO/PGI registration.
- *Social or environmental benefit linked to the PDO/PGI scheme*  
The impact of the PDO/PGI scheme on the social and environmental situation of the area of production.
- *Public profile of the area (i.e. the perception of the area by the public at large)*  
The evolution of the public image and reputation of the areas after PDO/PGI registration. This reputation can be local, national or transnational.

No data is available from secondary sources for any of the indicators that we seek to examine. We thus rely on qualitative information, namely the perception of case studies participants. An important limit to this source is that the evidence reported is not necessarily representative of the entire population due to the qualitative nature of the information and the limited number of cases for which information is available.

## 6.8.2 Evidence and analysis

### *Cultural events linked to the PDO/PGI*

PDO/PGI products are often presented at local events, with the exception of Lübecker Marzipan. Some are presented at national events (Szegedi Fűszerpaprika, Jersey Royal potatoes, Jambon d'Ardenne, Fromage de Herve, Spreewälder Gurken) and some even at international events (Fromage de Herve, Jambon d'Ardenne, Spreewälder Gurken).

However, it is difficult to assess the impact of the scheme on the number of events organised or attended. Nonetheless, there are numerous examples of cultural events linked to the PDO/PGI gathered from the case studies:

- In Belgium, the producers' group participates in numerous national and international events related to tourism, culture and gastronomy, promoting both the image of the product and the region.
- Several cultural events are organised by the producers' group of Spreewälder Gurken (e.g. the annual Gherkin Day in September/October). The producers' group is also present at the International Green Week in Berlin and at several tourist trade fairs (in Munich, at regional level) representing the product and the area of production.
- Many cultural events are linked to PDO/PGI products in Greece, and the number of events has been increasing over recent years. The events usually take the form of a feast of the product in a specific locality within the defined area of production.
- In Hungary, the paprika spice is present in every day life as a symbol (advertising, clothes and ornaments wear the symbols associated with the product). Two or three special events linked to the product are organised by the Ministry of Agriculture and Rural Development in the region (e.g. Paprika Day, Fish Soup Day, Sausage Production Day) which occur a number of times each year.
- In Italy, each rural village has its own fair linked to a typical local product, but not necessarily a PDO/PGI product. In Tuscany, there are many events linked to extra-virgin olive oil (fair, quality competitions, gastronomic events, etc.) but none are related to the Toscano PGI extra-virgin olive oil in particular. Similarly, in the Provincia Autonoma di Trento, the La Strada apple association organises an apple fair in which the producers of the PDO Mela Val di Non participates, but it is not exclusively organised for the PDO product. The fair is seen as a chance to attract tourists to the area and to confirm the reputation of the quality of the apples from the area.

- In France, four annual shows and competitions (“Les Glorieuses”) are organised in the region of Volaille de Bresse. The 1st of August is the chicken day in Bresse. These events are popular and attendance is high. The cultural heritage associated with Volaille de Bresse is very visible. Most gastronomic restaurants from the region, including Lyon, offer fine cuisine dishes with Volaille de Bresse. A festival “Feria du Riz” is organised each year in early September, just before the harvest of PGI Riz de Camargue. This event is very popular and attracts visitors from surrounding big cities such as Marseille and Montpellier. A ‘Road of Rice’ is also signposted for tourists in the Camargue, giving them the opportunity to visit farms, millers and to finish their trip in restaurants offering Riz de Camargue on their menu.
- Jersey Royal Potatoes have been used to promote the region overall. Much of the tourism literature for Jersey refers to the potatoes and the island’s dairy industry.

As we have seen, PDO/PGI products are generally exhibited at local, national and even international events. It is difficult to assess the impact of the scheme on the number of events organised or attended, but numerous examples of cultural events linked to the PDO/PGI have been identified.

The product can be a symbol of local identity (e.g. Sitia Lasithi Kritis, Toscano, Mela Val di Non, Jersey Royal potatoes), or as a symbol of national identity (e.g. Feta, paprika). The quality of the product is an integral part of this symbol and the scheme can be seen as a confirmation of this quality.

At the local level, the product is mostly used as a cultural symbol of the region, stressing the link between the products and local traditions (e.g. Spreewälder Gurken in Germany, Toscano in Italy). At the national and international levels, the products are usually used to promote the image of the product and the area of production. It may also be used to attract tourists (e.g. Fromage de Herve in Belgium).

### *Local associations linked to the PDO/PGI*

There is little or no evidence of a PDO/PGI registration having led to the establishment of local associations associated to the product:

- In Italy, the Consorzio dell’Olio Toscano is devoted exclusively to the PGI olive oil and two associations are devoted to the PDO Mela Val di Non<sup>109</sup> but both existed before the PDO/PGI registration.

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<sup>109</sup> The Consorzio Melinda and the association La Strada della mela e dei sapori which organizes visit along the orchards and other promotion and animation initiatives.

- In Greece, there exists associations of producers (olive producing municipalities in Crete, sheep and goat farmers in Greece) but they are not specifically linked to the PDOs/PGIs.
- In the case of Spreewälder Gurken, the producers' group (Spreewaldverein) is comprised of medium and large producers or farmers of the PGI product. It also comprises different regional stakeholders from agriculture and forestry, fisheries, tourism, conservation, communal politics, and business. Therefore, it is indirectly linked to the PGI.
- In Hungary, since potential PDOs/PGIs, in particular paprika spice, are used as cultural symbols, various local associations can be linked to the scheme: museums, regional houses, cooking, dancing and sport associations.

It appears that when a product is promoted at events, there are also associations linked to the product. In the cases of Belgium, the UK and Lübecker Marzipan in Germany, there is no association specifically linked to the PDO/PGI product. In the other cases, there is an association that represents the PDO/PGI product and/or producers, but that is not exclusively reserved to the PDO/PGI. The sole exception to this is the case of both products studied in Italy, but both associations had already been set up when the scheme was introduced rather than being lead by it. This seems to imply that PDO/PGI has had only a weak effect on the number of associations.

### *Social or environmental benefits linked to the PDO/PGI*

The evidence of social benefits associated with the PDO/PGI is limited, but the following examples were identified in the case studies.

- Protection of employment was identified by respondents in the cases of Toscano and in Hungary, which is an important factor to maintain rural population and preserve traditions and folklore.
- Another social benefit is the increased cooperation between producers, as is the case for Spreewälder Gurken and Mela Val di Non. The cooperation between Spreewälder Gurken producers however seems to result more from the difficulties of the application and legal processes than from the nature of the scheme in itself. For Mela Val di Non producers, this cohesion is the result of coordination between producers prior to registration.

The environmental benefits of the scheme are not a specific objective of the scheme, but result indirectly from the scheme's provisions. That said, numerous examples were identified in the case studies where the

respondents mentioned environmental and landscape preservation as being one of the key advantages of the scheme.

The scheme is credited with the preservation of the landscape (e.g. Jersey and Tuscany) and the local environment (Greece, Hungary and Italy), as described below.

- By maintaining local breeds or vegetal species, the scheme has a positive effect on biodiversity preservation and traditional landscape in Italy. Toscano supports olive growing that in return protects the quality of soils (e.g. terraces cultivation) and biodiversity.
- In the UK, the Jersey Royal potatoes contribute to maintaining the natural beauty and environment of Jersey Island and have a positive effect on landscape features by ensuring that the land remains in use for agricultural purposes, as it has been for centuries.
- In Greece, some environmental effects are due to certain production practices imposed by a Code of Practice, but most of the environmental benefits are indirect, such as the use of certain local/national varieties of plants, trees, animals which helps to preserve the environment and the characteristics of nature in Greece.
- In Hungary, there is a small positive effect on biodiversity by maintaining traditional sorts of plants and breeds.
- In Belgium, the environmental benefits are not significant (according to the national authority and the producers' group) because the area of production of Fromage de Herve was improved before the introduction of the scheme.
- In Germany, the producers' group of Lübecker Marzipan did not identify any environmental benefit linked to the scheme. According to the producers' group of Spreewälder Gurken, there is no significant environmental benefit, but there is strong cooperation with the nature conservation reserve in Spreewald.
- In France, the registration of Riz de Camargue strongly improved water and weedicides management in rice cropping. Free range breeding of chickens on large meadows means that the region of Bresse benefits from an open landscape.

The evidence presented above allows us to distinguish two kinds of social benefits from PDO/PGI: maintenance of local traditions by preserving jobs and retaining rural population (Italy, Hungary), and increased cooperation between producers (Italy, Germany). This second benefit is only partially the result of PDO/PGI, as the cooperation existed in some cases prior to the

introduction of the scheme. The evidence of social benefits deriving from the scheme though is weak.

Similarly, we can also distinguish two types of environmental benefits: preservation of the landscape (Jersey, Tuscan) and preservation of the local environment (Greece, Hungary and Italy). Environmental benefits are not a direct objective of the interventions under the scheme, but tend to derive more indirectly, as a result of the product specifications (e.g., use of certain native species, etc.). Nonetheless, the case study evidence provides many examples of environmental benefits. However, as the case studies did not seek any information about potential environmental costs of the scheme, it is not possible to draw any firm conclusions as to the net environmental of the scheme.

### *Public profile of the area*

The evidence collected from the case study interviews provides numerous examples of the impact of the scheme on the profile of the area. In the box below, we provide below two cases studies (Jersey Royal potatoes and Spreewälder Gurken) that illustrate in some detail how the PDO/PGI scheme can have an impact on the profile of the area.

#### Case studies

##### **Spreewalder Gurken**

The producers' group of Spreewald gherkins believe that the profile of the area has been improved through the PGI status. About 60% of the German citizens know the Spreewald region through the association with its gherkins. In addition, tourism (incl. hotels and restaurants) could increase incomes in the region.

##### **Jersey Royal potatoes**

The social benefits achieved with PDO/PGI include regional development, cultural benefits (island identity) and tourism through the inter-linkages between Jersey Royal potato production, rural economy and the rest of Jersey economy. Agriculture is also recognised in Jersey as a fundamental shaping force of Jersey's landscape. Land on the island of Jersey is managed by farmers, including potato growers, either in the form of farmed land or well managed land. Jersey Royals production has been defining the landscape in Jersey for over 200 years. Land abandonment in farming or cessation of Jersey Royals production would pose a potential risk to the landscape of Jersey. The government values the uniqueness of potato production of Jersey Royals and its contribution in maintaining the natural beauty and environment of the island and particularly its positive effect on landscape features.

- In Germany, the national authority DPMA cannot detect a change in the profile of the areas where the scheme has been introduced because all protected names were widely known before registration. This view is shared by the producers' group of Lübecker Marzipan

but not by the producers' group of Spreewälder Gurken, as outlined in the box above.

- In Greece, respondents were divided, with some stating that the scheme has had an impact on the profile of the area, while others think that the regions were well known before the implementation of the PDO/PGI scheme, thus limiting its impact.
- In Hungary, due to the events organized yearly there is an increase in tourism but the direct impact of the scheme cannot be identified.
- In Italy, the scheme contributes to keep olive cultivation in the hilly areas of Toscana. By preserving the landscape, it has an indirect effect on agro-tourism which one of the main resources of the region. The Val di Non where the Mela Val di Non are cultivated is a famous tourist destination, and the scheme reinforces this reputation.
- In the United Kingdom, agriculture is used to promote Jersey as a tourist destination.
- In contrast, in Belgium, the producers' group of Fromage de Herve believes that the area has not been improved by the PDO/PGI status.

### 6.8.3 Judgement

While it is clear from our research that there is a strong link in the majority of cases analysed between the protected product name and the heritage and culture of the area (in terms of tradition, events, associations, social and environmental links and the profile and reputation of the area nationally and internationally), it is difficult to isolate the extent to which the introduction of the scheme is responsible for such cultural value.

Therefore, it is difficult to form an overall assessment of the impact of the PDO/PGI scheme on establishing cultural value in rural areas of production. Nonetheless, it is clear that the PDO/PGI scheme at least seems to reinforce the cultural heritage and value linked to the areas of production of the protected product names.

In some cases, there are cultural events associated with the product but that are not specific to the protected product name, and in other cases some associations for the PDO/PGI product were in existence prior to the introduction of the scheme.

This latter point is also true regarding the public profile of a region which in a number of cases predates the introduction of the PDO/PGI scheme.

That said, there are clear examples of the PDO/PGI names being strongly linked to cultural value-creating and value-maintaining initiatives. The

PDO/PGI producers participate in local, national or international cultural events in several countries (Belgium, France, Germany, Greece, Hungary, Italy, UK). At the local stage, products are used as a symbol of local tradition. At the national and international stage, they are often used to attract tourists. However, only in Italy are producers' groups directly linked to the product with groups in other countries linked to a wider product range.

Social benefits associated with the scheme are limited, but the application process has created strong cohesion among producers in the case of Spreewälder Gurken. Environmental benefits on the other hand are numerous but are mostly indirectly associated with the scheme, as a result of the specifications of the PDO/PGI products (e.g., milk for Feta must come from milk from sheep or goats raised in Greece eating native flora, thus requiring land to be maintained for agricultural use with traditional flora). These environmental benefits include preserving the landscape (Jersey) or the local environment (Greece, Italy and Hungary). As no information was sought in the case studies about potential environmental costs of the scheme, it is not possible to pass judgement on the net environmental impact of the scheme.

The impact on the public profile of a region appears to be limited, especially when the PDO/PGI production region was already well-known before the PDO/PGI registration.

## 7 Conclusions

This chapter provides the key conclusions of the study.

### 7.1 Regulatory framework and objection procedure

The intervention logic model set out in chapter 2 identified “Harmonised implementation system across EU countries” as one of the expected outputs of the PDO/PGI scheme.

The review of the implementation of the PDO/PGI scheme has not provided evidence to suggest that the PDO/PGI regulatory framework and objection procedure is unclear *per se*, but the implementation of the regulation at Member State level varies across Member States.

In fact, there is significant diversity in terms of the institution responsible for promotion and administration, 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.

The extent to which this is a problem may be limited but, to guarantee a level playing field among producers of PDO and PGI products across the EU, there may be a need for a minimum harmonisation of the application procedure and control of compliance.

The evidence from the review of the implementation of the scheme suggests the following issues would merit further consideration:

- **Availability of scheme data at the Member State level:** the lack of comprehensive data on the number of PDO and PGI producers, the size of the agricultural land devoted to PDO/PGI production, the value and volume of production and the value of sales is a serious constraint to the monitoring and evaluation of the scheme at national and EU level.
- **Active promotion of the scheme and support for the applicant:** where national or regional institutions with a remit to promote the agri-food sector are involved, the level of support tends to be higher than when other bodies e.g. those responsible for intellectual property rights, are used. A secondary issue which can affect support is the resource available to the national body and the cultural attitude to regional quality food.
- **Control of compliance not harmonised:** there are important differences among the bodies responsible for certification and the

degree of involvement by public and regional authorities. There is also disparity in the intensity of the inspection controls across Member States.

## 7.2 Costs of the co-existence rule

The Commission may allow, provided a number of conditions are met, the co-existence of a registered and non-registered name for a period of up to 15 years following the registration of the name.

As two of the necessary conditions for the granting of the permission for the continued use of a non-registered name are that: 1) the purpose of the registered name is not to benefit from the reputation of the registered name and 2) consumers cannot be misled as to the true origin of the product, it is unlikely that the co-existence of a registered and non-registered name would lead to consumer detriment and harm. Obviously, this is only true if the use of the non-registered name does indeed conform to the conditions listed above.

As well, as there should not be any confusion among consumers about the protected and non-protected names, producers of the PDO/PGI product should not suffer from any unfair competition in the market place from the producers of the product with the non-registered name.

Thus, the only cost that may arise from the existence of the co-existence rule is the additional costs of the monitoring and enforcement in the market place of the respect of the conditions for the continued use of a non-registered name. Such costs may be incurred by public authorities and/or the producers of the PDO/PGI.

## 7.3 Use of PDO/PGI products as ingredients

“Fair competition between producers of products with geographical indications or designations of origin” is one of the expected results in the intervention logic model set out in Chapter 2.

The use of PDO/PGI as ingredients does not impact directly on the competition between producers of products with GIs. However, it impacts directly on the competition conditions a PDO/PGI producer may face.

On one hand, the use of PDO/PGI products as ingredients in processed products represents an opportunity for PDO/PGI producers to extend their production and to increase the impact of the scheme.

However, third parties may seek to benefit from registered names. Unless there is an agreement between the PDO/PGI producer and the PDO/PGI

user, the latter may free-ride on the investments undertaken by the PDO/PGI producers to establish and maintain the reputation of a PDO/PGI. In other words, the user will capture some of the benefits of the PDO/PGI without incurring the associated costs.

This evaluation has found no court cases at the European level in which a dispute directly relates to PDO/PGI products used as ingredients in processed products (and identified on the labels as such).

Also, the use and labelling of ingredients in processed products do not appear to cause problems for producers and there is evidence from some case studies (Parmigiano Reggiano, Turrón de Jijona and White/Blue Stilton cheese) that industry can manage this on an agreed-basis between producers and manufacturers.

Finally, we found no evidence that the reference or lack of reference to PDO and PGI products used in processed products is causing confusion for consumers. But, information on whether or not there is confusion is very limited and our conclusion is not robust.

## 7.4 Non-information on origin of raw materials

The intervention logic model also identified “Consumers able to make better choices due to clear information on product origin” as one of the expected results.

For consumers to be able to make fully informed choices, it is essential that they be aware of the fact that some ingredients in PGI may be sourced from outside the geographical area to which the PGI refers.

While consumer awareness of PDOs and PGIs is low in general (see next chapter) and concerns are limited at this point, increased use of labelling and increasing awareness by consumers of ‘where food comes from’ mean that this issue would need to be addressed. Limited evidence from Belgium, Germany and Italy suggests that, indeed, this may be an issue. As traceability and sourcing of food ingredients becomes an increasingly important subject for consumers, the issue of non-information on origin of raw materials may become more sensitive in the future.

## 7.5 Uptake of the scheme

According to the most recent information (as of June 2008), 779 names have been registered as PDO or PGI (446 PDOs and 333 PGIs). However, there is a large disparity in the number of registered names across the Member States.

Italy and France have considerably more registrations than any other Member State. These two Member States account for more than 40% of the total number of names registered as a PDO or a PGI. A second group of countries, Spain, Portugal, Greece and Germany each have between 111 and 69 registered names. These six countries account for almost 90% of all registrations at present.

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

We have also examined to what extent the take-up rates varies across types of products. At the present time, 5 product categories, namely 'Fruit, vegetables and cereals', 'Cheeses', 'Fresh meat and offal', 'Oils, fats, olive oils' and 'meat-based products' account for 80% of all name registrations.

Moreover, there exist a clear distinction between product categories in terms of use of the PDO and PGI designations.

- Between 80% and 95% of the total registrations in the following product categories 'Cheeses', 'Oils, and fats/olive oils', 'Other drinks', 'Other products of animal origin' and 'Table olives' are PDOs;
- In contrast 70% to 100% of registrations in the categories 'Fresh meat (and offal)', 'Meat-based products', 'Bread, pastry, cakes confectionary', 'Beer' and 'Fresh fish, molluscs and crustaceans' are PGIs; and,
- The 'fresh fruit, vegetables and cereals' uses PDO and PGI denominations in broadly the same proportion.

## 7.6 Size of the PDO/PGI sector

There exists very little data regarding the contribution of PDO and PGI products to the overall turnover of the agro-food sector. That being said, the information available for a few countries with a high number of PDOs/PGIs (France, Germany, Italy and Spain) suggests that the contribution of the PDOs/PGIs is small but not insignificant, accounting for between 1% and 5% of the turnover of the agro-food sector.

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## 7.7 Reasons for taking up the scheme and effects

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

The scheme is perceived by PDO/PGI producers as having significant benefits for producers in terms of reputation, but a lower impact on their profitability.

The PDO/PGI scheme also yields higher prices for many of the PDO/PGI products covered in the case studies.

In 14 out of 18 cases, the price of a PDO/PGI product is higher than the price of its comparator product. The positive price premium ranges from 5% in the cases of Sitia Lasithi Kritis, Jamón de Teruel (5% in the case of farmers, 25% in the case of processors), and Turrón de Alicante/Jijona to 300% in the case of Volaille de Bresse.

However, the majority of PDO/PGI products are more costly to produce than their comparators.

In 10 cases, the cost of producing a PDO/PGI is higher than the cost of producing its comparator and the additional cost ranges from 3% (Turrón de Alicante/Jijona) to 150% (Volaille de Bresse). And in 8 cases, the cost is equal or only slightly superior.

These higher costs reflect higher production costs, certification costs and producers' group costs.

As a result, a higher price does not necessarily translate into a higher margin. However, the evidence collected in the case studies show that PDO/PGI products are generally more profitable than their comparators.

In 12 cases, the margin is higher and ranges from 2% (Turrón de Alicante Jijona) to 150% (Volaille de Bresse). And, in 4 cases, the margin of a PDO/PGI product is the same as the margin of its comparator product. In 2 cases, there is no information on margins.

For most traders and retailers, PDO/PGI products account for a very small share of their overall business and, in general, they are seen as relatively unimportant. This is especially true for larger retailers in some but not all countries. For small, specialist shops and traders who specialise in distributing certain types of product, the PDOs/PGIs are more important (for example specialist shops in Italy). The most important benefit is the

enhancement of reputation from being associated with high quality products. Again this is most important for small or specialist companies.

## 7.8 Consumer recognition

Regarding consumers, the key results of the consumer survey of awareness and understanding of the PDO/PGI symbols are that the level of recognition of the PDO and PGI symbols is low in the EU27 and there is confusion as to the meaning of the PDO and PGI symbols. However, it also indicates that the following expected results of the PDO/PGI scheme “Increased recognition and credibility of registered products amongst consumers” and “Consumers able to make better choices due to clear information on product origin” are not yet achieved.

In comparison to other international symbols used on food products, the level of recognition of the PDO and PGI symbols is low. While only 8% of the consumer survey participants recognised the PDO/PGI symbols, 22% recognised the Fairtrade symbol and 16% recognised the organic product symbol. That being said, 62% did not recognise any of the symbols (PDO, PGI, Organic, Traditional Specialty Guaranteed and Fairtrade) presented to them during the survey.

## 7.9 Costs and benefits to consumers and authorities

Consumer association in the countries covered by the case studies and most traders and retailers surveyed during the case studies indicated that the PDO/PGI scheme can provide useful information to consumers. That being said, we found only limited evidence that the PDO/PGI scheme promotes consumer confidence in products with registered names. Such evidence comes mainly from traders and retailers, and a few consumer associations.

None of the officials surveyed as part of the general survey of public authorities identified any direct benefits that would accrue to public authorities as a result of the implementation of the PDO/PGI scheme. However, in three instances, officials noted the scheme yields a broader and more indirect benefit of contributing to the public objective of regional development.

No participants on the general survey of public authorities identified any particular costs that would arise as a result of the implementation of the scheme.

## 7.10 Alternative means of name protection

The alternative means of protection to PDO/PGI available to producers are individual and collective trademarks, and certification marks. The main difference between PDO/PGI and such alternatives is that more stringent conditions (related to special characteristics of the region) apply for the registration of a PDO/PGI.

The responses from the cases study participants indicate that, in general, a trademark is not viewed as being as effective as the PDO/PGI scheme for protecting a name. The case studies also show that a trademark is often used together with the PDO/PGI indication or symbol for marketing purposes. In this regard, a trademark is viewed as a means to segment the market and build producer-specific brand value while the PDO/PGI indication or symbol is viewed as sending a strong quality signal to consumers and as generating evocations of “terroir”. Overall, trademarks and the PDO/PGI appear to be complements rather than substitutes.

## 7.11 Ensuring quality products

The analysis shows that, in most cases, the producers of PDO/PGI products believe them to be of higher quality, citing either particular production and/or consumption characteristics as the drivers of quality.

Overall, it would appear that the PDO/PGI scheme has generally been effective in ensuring a high level of quality in terms of the products that are sold under the PDO and PGI symbols. It should be noted, however, that in some cases the PDO/PGI products were already well known for their high quality characteristics prior to the registration of their name.

Nonetheless, the scheme has ensured the continuation of these high quality products, which could have been compromised by low quality imitator products in the absence of the scheme.

## 7.12 Increasing the market share in domestic and export markets

Our analysis of the impact of the PDO/PGI scheme on domestic and export market shares shows that the experiences are very varied for the different products for which quantitative or qualitative information is available.

As such, it is difficult to pass an overall judgement on the effect of the PDO/PGI scheme on market shares.

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In some cases, the PDO/PGI scheme has been very effective both on the domestic and export markets (e.g. Toscano) while, in other cases, it brought no significant change in others (e.g. Riz de Camargue).

Our key conclusions are that:

- a) Registration as a PDO/PGI in itself does not guarantee that market shares will increase, and
- b) the scheme is more effective when a number of additional factors are also present, including:
  - Intention and effort (e.g. marketing strategy) to increase market shares;
  - Interest from consumers;
  - Combination with a trademark;
  - Niche markets (directed to a narrow group of potential customers); and,
  - Available means producers have for increasing their market share (collective trademarks, good collective organisations).

### 7.13 Contributing to the return along the chain

The distribution of profits and revenues along the supply chain was assessed based on qualitative evidence provided by the respondents in the case studies. The evidence shows a very mixed picture:

- Participants in the case studies indicated that farmers benefit most from the PDO/PGI scheme in the case of Mela Val di Non, Toscano, and Jamón de Teruel.
- The respondents indicated that benefits are spread equally along the supply chain in the cases of Szegedi Szalámi and Jersey Royal Potatoes.
- According to the participants in the case studies, retailers benefit most in the cases of Riz de Camargue, Feta and Jambon d'Ardenne. In the case of Jamón de Teruel, retailers, in addition to farmers, also benefit from the scheme.
- The findings of the case studies are inconclusive for 3 products. In the cases of Spreewälder Gurken and Lübecker Marzipan, there are contradictions between producers and traders on who benefits the most. Producers of Sitia Lasithi Kritis also give contradictory opinions on who benefits from the scheme.

In terms of prices, the quantitative evidence gathered in the case studies shows that:

- Prices are higher for PDO/PGI products compared to their comparator in the three cases analysed for which detailed data are available (Volaille de Bresse, Toscano, and Mela Val di Non). However, this is not indicative of a higher profit margin along the supply chain for PDO/PGI products as they have higher costs (notably the farmers and producers).
- For the products where data are available (Volaille de Bresse, Toscano, and Mela Val di Non), farmers of PDO/PGI products get a higher share of the final price than farmers of comparators.

The evidence from the case studies also identifies three cases where the economic benefits of the scheme accrue mainly at the primary producer end of the supply chain.

In two of these cases (Jamón de Teruel and Mela Val di Non), it was stated that the benefits result from the higher prices paid to farmers for higher quality products.

As the increased production costs to produce these high quality products are concentrated at the farmer level, one could expect that the farmers earn a higher share of the final price than the other stages. Further, in these cases the evidence shows that the primary producers also receive the most gains in terms of revenues and profits.

In the third case (Toscano), producers also gain most in terms of revenues and profits, but the benefit is believed to derive from the activity of the producers' group and from ownership of milling facilities. In this third case, it is thus difficult to isolate the impact of the PDO/PGI scheme in order to make an assessment.

In some cases, the gains are spread equally along the supply chain (Szegedi Szalámi and Royal Jersey Potatoes) but, in other cases, the gains accrue primarily to the retailers (Riz de Camargue, Feta, Jambon d'Ardenne and Jamón de Teruel).

Finally, in the case of Feta and Riz de Camargue, farmers do not receive higher benefits. The reason cited in these cases is that there exists no price difference between the farm gate product sold to processors for PDO/PGI and non-PDO/PGI production.

The main finding from our analysis of the evidence from the case studies is that the distribution of profits and revenues over the members of the supply chain differs according to the product in question, and as such a firm conclusion on the effect of the scheme in terms of ensuring that farmers of

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PDO/PGI products benefit more than in the case of comparable non-PDO/PGI products is difficult to formulate.

The evidence presented above has shown some examples of cases where farmers benefit from the scheme as a result of higher prices paid for PDO/PGI products (in relation to their comparator). Furthermore, in some of these cases the farmers also often get a higher share of the final PDO/PGI price. This means that in these cases farmers are able to secure a share of the returns of increases in sales for these products.

As noted earlier, PDO/PGI products typically have higher production costs than other products, so the fact that farmers receive higher prices does not necessarily correspond to higher profits in itself. However, the qualitative evidence provided does show some cases (Mela Val di Non, Toscano, and Jamón de Teruel) where farmers are able to earn higher prices and profits as a result of using the PDO/PGI scheme. This can be explained by the following factors:

- Farmers get a higher share of the profit in cases where they are represented by an association or cooperative. In such cases, producers benefit from the actions of the association and services of belonging to the cooperative, yielding benefits such as increased organisation and negotiation powers.
- The high quality of the product sold at the farm gate seems indispensable to secure high profits for farmers. Not surprisingly, it is the uniqueness of the product that puts farmers in a better bargaining position vis-à-vis purchasers, as farmers certified under the scheme have an exclusive (collective) right to produce the product, giving them some degree of market power.
- Conversely, when farmers sell a product which can indistinguishably be used in the production of a PDO/PGI or non PDO/PGI product (such as, for example, the milk produced by Greek milk farmers and the rice grown by Camargue rice growers), they are not as successful in retaining a high share of the value added of the PDOs/PGIs. In fact the benefit to farmers in such a case is nil or very small.

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

Whilst, in theory, it is possible that the protection and rights awarded to protected product names under the PDO/PGI scheme may impact the normal market operations of non-PDO/PGI products, the absence of evidence suggests that this has generally not been the case. That being said, producers

of a product sold under a name which they can no longer use following the registration of that name will incur marketing and rebranding costs to re-establish their product in the market place.

It is possible that the uncertainty over the generic status of a name (or process) could have an impact on investment and production decisions of producers who are uncertain about the generic nature of the name(s) of their product(s).

However, established case law clearly underlines the fact that any list of generics would be indicative only. A national judge would still need to decide on a case-by-case basis the generic character of a given designation if there were disputes about the generic character of such a designation. Moreover, the validity of any such list of generics can 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.

## 7.15 Ensuring an increased diversity of products

Overall, our conclusion is that the PDO/PGI scheme is effective in preserving the existing range of products, but weak in terms of fostering new products.

The PDO/PGI scheme has served to protect vulnerable and aspiring producers of protected product names, serving to generally successfully preserve the diversity in PDO/PGI products that are currently produced.

However, it is in terms of fostering the introduction of new products and promoting innovations in the industry that the impact of the scheme has been more limited. Diversification for producers was promoted in only a limited number of cases when firms were able to introduce new products as a result of a higher reputation achieved by the scheme. Additionally, where there are examples of new varieties or new innovations, it appears that these are the exceptions rather than the rule.

Similarly, the effect of the scheme on innovation is rather limited, which is perhaps not too surprising, considering the traditional methods, ingredients and output qualities that must be employed in order for the produce to respect the product specifications.

That said, one useful innovation resulting from the PDO/PGI scheme is the increased access by PDO/PGI producers of new marketing and distribution channels, as reported by case study participants. This is an important diversification that will give PDO/PGI producers more opportunities to sell to new customers.

## 7.16 Increasing or retaining economic activities in rural areas

The analysis and assessment of the contribution of the PDO/PGI scheme to rural development is complicated by limited data, the fact that such an effect is of medium to longer-run nature, the often limited area covered by a PDO/PGI and the problem of isolating the contribution attributable to the PDO/PGI scheme.

In general, the impact of the scheme on business conditions has been positive, with many case study participants noting a strong improvement. The varying degree of the effect of the scheme on the conditions for development depends on the level and nature of competition facing the PDO/PGI product and the situation prevailing prior to the name registration.

Evidence of the scheme benefiting the regional economy is weak and limited to anecdotal evidence, with many case study participants expressing considerable difficulty in providing any quantitative impact, though in some cases, the weak impact of the scheme may be explained by the fact that the producers had already organised themselves into a cooperative association well prior to the registration of the name, reducing thus the potential impact of the scheme.

Finally, regarding employment in the region, there is practically no evidence on the effect of the scheme with a notable impact on employment reported only in two case studies. In Tuscany, the PDO/PGI scheme is judged to have preserved jobs among olive producers whereas in the case of the Spreewälder Gurken PGI, employment has increased by 22% since registration.

## 7.17 Establishing cultural value in rural areas

The limited evidence available suggests that the PDO/PGI scheme seems to reinforce the cultural heritage and value linked to the areas of PDO/PGI production.

In some cases, there are cultural events associated with the product but that are not specific to the protected product name. In other cases some associations linked to a PDO/PGI product existed already well prior to the registration of the name.

That said, there are a number of clear examples of the PDO/PGI names being strongly linked to cultural value-creating and value-maintaining initiatives. The PDO/PGI producers participate in local, national or international cultural events in several countries (Belgium, France, Germany, Greece, Hungary, Italy and the UK). At the local stage, products are used as a symbol

of local tradition. At the national and international stage, they are often used to attract tourists.

Social benefits associated with the scheme are limited although in some cases, the registration of a PDO/PGI has contributed to develop social capital as various stakeholders had to organise themselves.

## 8 Recommendations

The present evaluation focused on the implementation, usage and effectiveness of the PDO/PGI scheme implemented by Regulation 510/2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

Below we present a number of recommendations based on our analysis and findings.

The first fact to note is that there is a dearth of administrative and statistical data on the PDO/PGI scheme and the PDO/PGI products. As a result, the present evaluation had to rely on findings from a limited number of case studies rather than being able to draw on data covering the whole population of PDOs and PGIs.

While this reduces to some extent the general applicability of the evaluation's findings, it also points to 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 which could be used to inform future policy regarding PDOs and PGIs.

- **Recommendation 1: Increase the availability of administrative and statistical data on the PDO/PGI scheme. This recommendation is addressed to both the European Commission and Member States.** The lack of comprehensive data at the Member State level on the administration of the scheme (such as, for example, number of controls, etc) and statistical data on the PDO/PGI products (such as, for example, number of PDO/PGI producers, size of the agricultural areas devoted to the production of PDOs/PGIs and their key inputs (such as milk in the case of cheese production), value and volume of production, value and volume of sales of PDO and PGI products in the home market, in other EU Member States and outside the EU, etc) is a serious constraint to the monitoring and evaluation of the scheme at national and EU level.

Consideration should be given by the European Commission to developing with Member States a collection system of administrative and economic data on PDOs/PGIs to be able to monitor this segment and inform future policy-making. Of interest is information at the level of a PDO or PGI and not at the level of the individual PDO or PGI producer. However, the data will need to be collected at the producer level and, therefore, will involve the gathering of commercially sensitive data. The national institutions responsible for agricultural statistics would therefore be well-placed to undertake such a data gathering exercise.

According to the most recent information (as of June 2008), 779 names have been registered as PDO or PGI (446 PDOs and 333 PGIs). However, there is a large disparity in the number of registered names across the Member States.

The evidence in this report suggests that a higher level of information and support tends to result in more registration for protected names.

To the extent that producers of PDOs/PGIs benefit from the scheme relative to producers of similar products with no geographical indication, 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 PDO/PGI scheme appears lower than what one would expect on the basis of the size of their agricultural sector.

- **Recommendation 2: Actively promote the scheme and stronger provision 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 a pan-European consumer survey of awareness and understanding of the PDO/PGI symbols show that the level of recognition and understanding of the PDO and PGI symbols is very low in the EU27.

This suggests that the PDO/PGI scheme's expected output of "awareness and knowledge of PDO/PGI indications and symbols by consumers" is not being achieved.

- **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. For such a campaign to be most efficient in raising consumer awareness throughout the EU and, thus, benefiting all producers of PDO and PGI products, it would be preferable if such a campaign was run simultaneously or almost simultaneously in all Member States. The actual information 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, at times, cause 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. At the present time, the issue of lack of information on raw material provenance used in PGIs does not appear to be a wide-spread issue, in part because consumer understanding of the PDO/PGI scheme is low. However, if consumer awareness and recognition of the PDO and PGI logos and indications increase in the future, the lack of information on the origin of raw materials used in PGIs may become a more sensitive issue.

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