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

JEL classification: Q10, Q13, Q18

Jorgelina Di Pasquale, Denis Pantini\*

***Abstract.** Quality policy is an integral part of the CAP and represents a useful instrument for promoting both the competitiveness of the agricultural system and the vitality of rural areas. With the “quality package”, changes are introduced in the normative framework of the PDO, PGI and TSG products, with the objective of answering to the needs of both producers, for sustainable profitability, and consum-*

*ers, for a higher level of information and guarantees on the origin of products. Nevertheless, considering the magnitude of structural and socio-economic differences that mark quality production systems across Europe, the possibility of making the system capable of answering to the different needs still seems to be open*

*Keywords: Quality package; CAP; PDO, PGI, TSG; TRIPS Agreement*

## 1. Introduction

Quality is a concept with many implications, and therefore hard to analyse and to define. Following an economic approach two dimensions can be identified: horizontal and vertical (Grunert, 2005). The first is temporal and distinguishes the perception of quality before (quality expectation) and after (experience of quality) the purchase; the vertical dimension studies how the consumer: 1) infers the quality from a variety of signals, 2) binds the properties of food products to his behaviour and to his values.

The quality signals about the characteristics of the product can be intrinsic, if related to the physical characteristics (colour, shape), or extrinsic, if not related to tangible aspects of the product: the brand, the price, the geographical origin are examples of quality signs that may constitute real marketing instruments (Nelson, 1970).

The quality of food products has always represented a priority for consumers, companies and institutions. Over the years, the European citizen has asked himself what the quality of food products actually is, coming to identify the quality of a nourishment mainly with the intrinsic characteristics: a nourishment is a quality product if it is considered good, tasty and with a delicious look (Eurobarometre, 1999).

But in the current food system, quality must also comply with specific technological and production rules; moreover, quality is bound up with the ways and the characteristics of the production system, with food safety and with correct information to the consumer (Adinolfi et al., 2011).

However, with the globalisation process, quality has assumed another important dimension: it has become a competitive factor.

\* Jorgelina Di Pasquale: Post-doc at University of Bologna, Italy. Denis Pantini: Nomisma Spa, Economic research institute, Italy.

Due to stronger competition from extra-EU companies, that have comparative advantages arising both from production cost structure and trade capacities<sup>1</sup>, European producers have identified in the “leverage quality” a strategic factor able to move the competitive comparison away from the price level, on which they would result as losers.

The common policy on agricultural quality has been going hand in hand with that awareness. It was indeed necessary to wait until the early nineteen nineties to see the birth of regulations on quality products, with the aim of harmonising the existing national legislation and safeguarding Protected Designation of Origin (PDO), geographical indications (PGI) and Traditional Speciality Guaranteed (TSG). Again, it was necessary to wait until the CAP reform of 2003 in order to have more tools to support quality of food products.

In this process of harmonization and development of a framework of quality policies, it should be remembered how the European Community has faced numerous difficulties in identifying a clear, unambiguous and shared concept of food quality.

These difficulties arise mainly from the differences in consumer perception: for some the meaning of quality coincides with health and hygiene safety (in the case of consumers the countries of Central and Northern Europe) while for others (those of southern European countries) quality is mainly linked to the territorial origin.

The different perception of quality, based on local source or on food safety, does not exist only among EU consumers, but is also found worldwide, particularly in the field of international law, where the provisions concerning the quality of food are inextricably intertwined with the food security issue.

It is worth remembering - in this respect - how the Codex Alimentarius and the TRIPS agreement represent some of the most important regulatory framework designed to promote a progressive harmonisation of food legislation in order to facilitate international trade.

While in Europe quality means compliance with a number of specific rules on safety and protection of public health, unlike other countries, the European Union has sought to regulate and to protect the quality *of the products related to the territory and to the traditional production processes*.

The EC Regulations 2081 and 2082 of 1992 (establishing the PDO, PGI and TSG)<sup>2</sup> are not only issued to meet the need for harmonisation of different rules in the different Member States concerning food quality. They represent a starting point on which to graft tools and measures to promote local products from rural areas in Europe.

With the integration, under the EC Regulation 1698/2005 on support for rural development, of measures that have the dual objective both of supporting producers in quality supply chains and of promoting those products to the consumer of PDO, PGI and TSG brands, those instruments assume also the function of marketing tools.

But it was only after the Commission Communication (2010a) on the CAP post-2013 that the policy of food quality became an integral part of the CAP.

The challenge is now to understand, in the light of the ambitious objectives assigned to the

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<sup>1</sup> The European agricultural and food industries companies present lower structural dimensions than those of advanced economy countries in general; consequently, this involves lower organizational capabilities and lower financial capabilities, which may penalize the companies, as regards the investments in innovation and promotion, necessary to compete on the global market.

<sup>2</sup> Regimes related to geographical indications exist in the sector of wines and spirits: the Regulation EC 607/2009 laying down certain detailed rules for the implementation of Council Regulation (EC) No. 479/2008 as regards protected designations of origin and geographical indications, traditional terms, labeling and presentation of certain wine sector products has provided harmonisation of the system of designations of origin and geographical indication for wines with the system of PDO and TSG labels.

European local products of quality, whether the provision included in the quality package<sup>3</sup> will be able to support the growth paths of these products and, consequently, to ensure the development and vitality of the rural areas.

## 2. The answers of the quality package to the needs of development of quality products

### 2.1. The need for improved consumer knowledge of quality brands

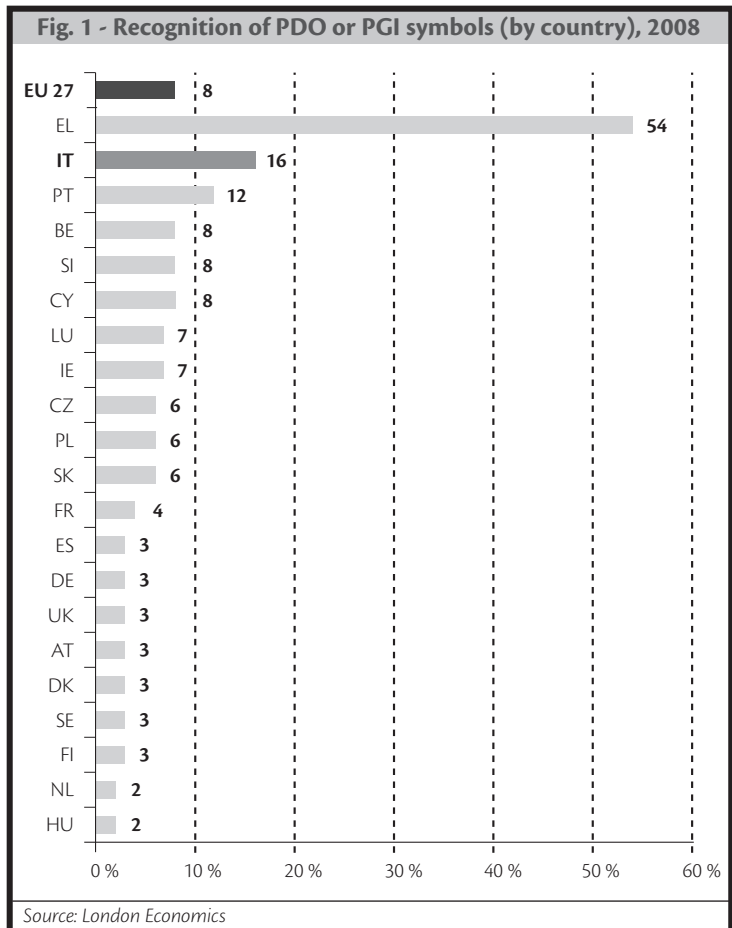
One of the key messages highlighted by the Commission in the “quality package” regards the goal of better information on food quality.

Several surveys have been carried out over the years in order to understand the degree of consumer awareness of the PDO or PGI brands (Eurobarometer, 1999). The same result was seen in each case: the degree of brand knowledge and awareness is very low, even where the use of the brand has been longer established.

The latest survey, performed by London Economics (2008) in the EU-27, shows large regional differences. Although brand awareness is directly proportional to the number of certified products, the survey points out some exceptional situations. The case of Greece is surprising: over half of the respondents claimed to recognize the symbol of the PDO or PGI, thanks primarily to the widely reported debate in the press for registration of PDO “Feta cheese”. The average European degree of awareness of the PDO or PGI symbol is only 8% (figure 1).

On the other hand, there is an increased rate of market penetration by other symbols, such as organic or fair-trade.

In general there is very



<sup>3</sup> European Commission (2010b), Proposal for a Regulation of the European Parliament and of the Council on agricultural product quality schemes (COM (2010) 733).

low consumer involvement towards any type of mark referring to a food quality and/or safety guarantee: about two-thirds of respondents, did not recognize any symbol, whether PDO, PGI, traditional product, biological product or fair trade. Moreover only 51% of the consumers who claim to know the PDO/PGI symbols know that these logos are meant to indicate that a product is produced in a specific geographical area.

The knowledge gap concerning PDO, PGI, TSG labels represents a major competitive disadvantage for those types of products. In practice, the function of reducing asymmetric information that should be carried out by the signs of quality is seriously undermined by the limited knowledge of the EU logos on the part of consumers.

Although the “quality package” confirms, by the strengthening of the ‘Groups’ role, the possibility of developing informative and promotional activities to communicate to consumers the properties that give value to their products, it would be helpful to accompany these measures with institutional information campaigns by the EU on the PDO, PGI and TSG logos and on their significance, in complete autonomy from individual products<sup>4</sup>.

No policy intervention aimed at enhancing PDO, PGI, TSG products will ever fully and effectively achieve its goals for as long as a large proportion of European consumers is unable to recognize these logos and the values that they express.

## ***2.2. The need for international protection of quality products***

The heterogeneity that distinguishes PDO/PGI products in terms of production volumes is synonymous of different needs of producers and transformers. While small PDO/PGI are located in local/national markets, those with higher volumes of production use the community brand in order to gain market shares in foreign countries, thanks to the protection given by the denomination inside Europe. On the other hand, 18% of the 14.5 billion euro PDO/PGI production value is obtained on foreign markets (Commission staff working paper, 2010).

However, there are some limitations in the denomination protection given by EC 509 and 510/06 Regulations. The protection is limited to the territory of the European Union. In addition, it does not relate to Community laws able to penalize the possible illegitimate use of the denomination, nor to identification of the institutions which are expected to verify and, eventually, impose the penalties.

Imitation of quality products is a common practice in extra-European markets and is one of the main obstacles to development of the PDO/PGI system in those contexts. We cannot underestimate the opportunities that extra European markets offer to these products: even if today the share of European quality products in those markets is only 5% of the total, for some PDO/PGI the potential for growth is undoubtedly much higher (*table 1*).

A large proportion, 57% of turnover, obtained by PDO/PGI products on the extra-EU market comes from Italian products. At the Italian level, it is 8%. Other rates are 23% of total value in the Czech Republic, 15% in Denmark and 13 % in Portugal. As far as types of products are concerned PDO/PGI cheeses are the most exported products outside EU countries (especially to the United States) amounting to 7% of the total value of that sector (*table 2*). As far as names are concerned, 51 cheeses are exporting part of their production in third country markets (Commission staff working paper, 2010).

<sup>4</sup> With the term Groups (art. 42 Proposal for a Regulation of the European Parliament and of the Council on agricultural product quality schemes (COM (2010) 733)) is meant Association of producers and/or processors connected with the quality product.

**Tab. 1 - Value of PDO/PGI by Member State: share of Extra-EU export (2008)**

| Member State    | PDO/PGI Extra-EU Export |          |
|-----------------|-------------------------|----------|
|                 | (% total value)         | (€ '000) |
| EU -27          | 5                       | 725.934  |
| Italy           | 8                       | 416.408  |
| Germany         | 2                       | 72.240   |
| France          | 1                       | 25.856   |
| United Kingdom  | 7                       | 69.206   |
| Spain           | 4                       | 34.342   |
| Greece          | 6                       | 36.614   |
| Czech Republic* | 23                      | 21.380   |
| Austria         | 8                       | 9.417    |
| Denmark         | 15                      | 12.329   |
| Portugal        | 13                      | 9.359    |
| Other MS        | 0                       | 18.081   |

Source: author's calculations on European Commission data.

**Tab. 2 - Value of PDO/PGI by type of products: share of Extra-EU export (2008)**

| Type of products               | PDO/PGI Extra-EU Export |          |
|--------------------------------|-------------------------|----------|
|                                | (% total value)         | (€ '000) |
| EU -27                         | 5                       | 725.934  |
| Cheeses                        | 7                       | 393.721  |
| Beers                          | 4                       | 94.633   |
| Meat products                  | 3                       | 78.483   |
| Fresh meat                     | 0                       | –        |
| Fruits, vegetables and cereals | 3                       | 26.101   |
| Bread, pastry, confect.        | 1                       | 7.419    |
| Oils and fats                  | 8                       | 28.792   |
| Other products                 | 12                      | 96.785   |

Source: author's calculations on European Commission data.

With reference to the above-mentioned issues regarding community protection, the proposals included in the “quality package” lead to the improvement of that function through the adoption by Member States of adequate administrative and legal measures to prevent or stop illegal use of the PDO/PGI (so-called “ex-officio” protection). In other words each MS is requested to organize its own protection system for every European Union PDO/PGI. This measure fills a gap that has, until now, practically reduced the effectiveness of the community brand protection system.

The matter of extra-EU protection is more complicated. The TRIPS agreement is a “potentially” effective tool for improving international protection of geographical indications, thanks in part to the great number of WTO countries (150). This is due to the fact that the TRIPS agreement, unlike other international conventions concluded on the same issue<sup>5</sup>, establishes a defini-

<sup>5</sup> On these issues refer to the Convention of Paris dated March 20<sup>th</sup>, 1883 on the protection of industrial property, the Agreement of Madrid dated April 14<sup>th</sup>, 1891 concerning the prohibition of false indications of the origins of goods, revised in London on June 2<sup>nd</sup>, 1934. See also the international Convention on the use of designations of origin and on denomination of cheeses signed in Stresa on June, 1st 1951 and, lastly, to the Lisbon Agreement dated October 31<sup>st</sup>, 1958 on protection of denomination of origin and on their international registration.

tion of geographical indication that is shared by each member country. This foresees appealing to a unitary and integrated protection and dispute resolution system, uniformly applicable to any issue that is within the competence of the WTO and all its members.

The agreement, in article 22.1 defines Geographical Indications by specifying that “*Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin*”. The protection established by art. 22 is general, generic and with little effectiveness: when the legitimate proprietor of a determined geographical indication is willing to oppose misuse of the geographical indication he is required to demonstrate that the use performed by the counterpart can mislead the public.

Article 23, on the other hand, establishes added protection for geographical indications for wines and alcoholic beverages. These are valid even when the geographical indication is translated or accompanied by expressions like “gender”, “type”, “style” or similar.

This double structure has created a two level protection system: the first is considered generic, specified in article 22 and applicable to the geographical indications of all products. The second, supplementary, is specified in article 23 and is applicable to indications of wine and alcoholic beverages.

The result of this “double level” system is that according to article 23 it is not possible to use indications like “sparkling wine Champagne style, made in Chile”, while it would be possible to use the term “Roquefort Cheese, made in Argentina” or “Parma Ham, made in Canada”, since the last two could be considered as not misleading for the public, since the real origin of the product is indicated.

These different treatments between wines and other food products are also indicated in art. 23.4 which states “...*in order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system*”.

At the same time the TRIPS agreement does not explain the meaning of “*multilateral system of notification and registration*”. This “gap” has created two different positions in the negotiations: one for the European Union and one for the United States, both supported by countries with similar interests.

More specifically the two opposed positions respectively provide for:

- the institution of a multilateral registry of geographical indications extended to all food products – as well as wines and alcoholic beverages – carried out by the WTO Secretariat which provides for registration of denominations according to the requests presented by Member States (MS). The register, which has to be consulted by each MS whenever there is any procedure for protection or registration of trade mark or geographical indication, is the proof of the presence of such denomination and of its connection to a specific territory. This is basically the position expressed by the European Union along with more than one hundred other countries (WTO, 2005; WTO, 2008);
- downgrading a multilateral register to a simple database made on a “strictly voluntary” basis that has to be consulted in order to verify the compatibility with other denominations and brands that need to be registered only in cases where the country participates in the system. This is the proposal made by the United States together with other countries, among them Argentina, Chile, Canada, Australia and New Zealand (WTO, 2005; WTO, 2008). In addi-

tion, the document does not forecast extension of the registration to products that are not wine and alcoholic beverages.

Negotiation within the WTO now has to deal in detail with the single points that should regulate functioning of this multilateral register:

- notification: how a term would be notified and which member would do it (also related to “participation”);
- registration: how the system would be run and the WTO Secretariat’s role;
- legal effects/consequences of registration, in particular any commitments or obligations on members arising from a term’s registration (also related to “participation”);
- fees and costs – including who would bear these burdens;
- special treatment for developing countries (officially, “special and differential treatment”);
- participation: whether the system is entirely voluntary, or whether a term’s registration would have some implications for all WTO members.

Regarding the protection of geographical indications outside of EU, the “quality package”, offers some adjustments to harmonise the definition of PDO and PGI within the TRIPS agreement in order to facilitate WTO negotiations.

A possible alternative option to improve the efficacy of international protection of geographical indications is also worth mentioning. It consists of the creation of bilateral and regional agreements between single countries and/or groups of countries, with the awareness that these types of agreements bind only the agreeing parties and would need to be repeated in all international potentially affected markets of PDO/PGI/TSGs.

### ***2.3. The need to strengthen the bargaining power of PDO/PGI producers***

The fragmentation of the PDO/PGI system relates both to volumes of production and to the producing firms. In the first place, the quantities to be certified for most denominations of origin and geographical indications are small and also the production system that lies behind them is composed of a multitude of small and medium-size farms and food processing companies.

With respect to this, in Italy and France, there are 76,000<sup>6</sup> and 56,000<sup>7</sup> farmers producing respectively 1.1 million and 600,000 tons of PDO/PGI products. As far as the sector of PDO cheeses is concerned, in Italy (first European producer for quantity and value), there are over 1,400 dairies producing almost 450,000 tons. In Spain, 29,500 tons of cheese are produced by 433 dairies. In France, of the 187,000 tons produced, 8% (14,800 tons) regards volumes obtained from 1,350 farmers.

On the other hand this production has to face up to highly concentrated large scale retailers. Over 70% of French PDO cheese production is distributed by large-scale retailers<sup>8</sup>. In Italy this percentage exceeds 60% (Nomisma, 2008).

In other words even PDO/PGI products are subject to this “hour-glass model”(Grievink, 2003) that characterizes the agri-food system, determined by oligopolies that cover almost every food sector: an effect that reduces the bargaining power of producers with retailers, generating negative impacts on profitability for farmers.

<sup>6</sup> Source: Istat ([http://agri.istat.it/sag\\_is\\_pdwout/jsp/Introduzione.jsp?id=14A](http://agri.istat.it/sag_is_pdwout/jsp/Introduzione.jsp?id=14A)).

<sup>7</sup> Source: Inao (<http://www.inao.gouv.fr>).

<sup>8</sup> Source: Inao (2010), “Produit laitiers AOC. Les chiffres clés 2009”.



The effects of these models are more or less the same in the primary sector, while its economic consequences are stronger for PDO/PGI producers. The presence of a production specification “*de jure*” and “*de facto*”:

- renders homogenous the quantities of products produced by different companies,
- delegates marketing activities related to the same denomination to “Groups” (Consortiums, Associations of producers, etc.).

It is clear that differentiation strategies, used by a single producer within a quality supply chain, are actually quite limited and expensive.

In fact, considering the small size of the companies of the quality supply chain and the costs related to marketing activities, the strategies promoting trademarks are very few.

In case of the production of large quantities of PDO products and the existence of mature markets the capacity of the company to fix the selling price gradually decreases until it becomes equal to that of a commodity producer.

In the case of commodity producers, despite their low capacity to affect selling prices, they may try to retrieve profit margins through gains in productive efficiency (for example, through technological investments, reduction of production costs, etc.); in the case of PDO/PGI products this resilience is hampered by product regulation on qualitative issues that may be incompatible with such efficiency strategies (for example incompatibility between manual and traditional production methods that connote PDO/PGI products and industrial transformation based on automation of the production process).

It is clear that the initial price reduction of PDO/PGI products affects the entire system of producers taking part in the same quality system uniformly and transversally. As a consequence, these producers will have to fully sustain their losses.

The decrease in profits below production costs will definitely lead them to go out of business. The PDO/PGI are usually produced in rural and less favoured areas such as mountain areas, thus it is clear that the closure of a livestock holding or dairy has several negative impacts: not only economic but also social as well as protection of territory and loss of historical and cultural heritage.

The “quality package” may become a tool for achieving a dual purpose, both in the sphere of promotion of PDO/PGI products and in the more general framework of the European farming and agri-food sector.

The proposal for the quality package aims to enhance the producer’s or the “Group’s” role through monitoring implementation of PDO/PGI/TSG, of information and promotion activities, communication to consumers on the added value properties of their products, and promotion of the activities that guarantee conformity to production specifications in order to improve the efficiency of the quality system.

Even if these proposals would be useful for achieving the identified goal, there is still room for manoeuvre to improve the bargaining power of producers in the European agri-food system.

For these reasons, it is crucial to have tools able to activate the development policies and quality management of PDO/PGI products. It is very important to make agreements aiming to plan the level of production, following market trends, in order to ensure better quality.

In accordance with competition rules and the “milk package” (European Commission, 2010c), the possibility of using contracting mechanisms to manage production efficiently could be introduced. This possibility of planning production, with reference to the “milk package” and what has already been implemented in the fruit and vegetables sector, might be connected to the

registration of organisations of producers or of inter-professional bodies within quality systems (extending this opportunity mainly to “Groups”). This would be done with the aim of increasing the bargaining power of producers despite the rules of competition.

#### ***2.4. The need for administrative and commercial simplification***

Administrative simplification generally represents one of the main requests expressed by PDO/PGI producers as well as by European farmers in general.

The “quality package” proposes to simplify the current registration process for denominations of origin and geographical indications, both by reducing the time necessary for examination of geographical indications (from one year to 6 months) and by bringing the period for publication of the request for registration in the Official Journal of the European Union and for presenting objections down from 6 to 2 months. On the contrary, however, by keeping separate regimes for food products, on the one hand, and wines and alcoholic beverages on the other, it does not appear to be going in the direction of simplification. The possibility of eventually combining different schemes could permit synergies coming from the consumer communication and information campaigns on the PDO/PGI.

The use of delegated acts is a frequent practice in the “quality package” that should respond, according to the Commission, to the need for executive simplification of the regulatory framework.

According to article 290 of the TFEU (2009), a legislative act may delegate to the Commission the power of adopting non-legislative acts of general importance that integrate or modify the unessential elements of the legislative act itself. For example delegated acts may clarify specific technical characteristics or consist in a further change of some elements of a legislative act. However it is not so simple to distinguish between essential and unessential elements in a basic act and theoretically the practice of delegating acts could threaten the legislative function of the Parliament or at least require greater control from the parliamentary Commissions over the guarantees that the institute of delegation offers to the Parliament. It is to be specified, in this last regard, that the delegation has to come from a legislative act previously and jointly adopted by the Parliament and the Council. In addition the same basic act has to establish the conditions by which the delegation must be taken. And, finally, the Council and the Parliament may revoke a delegation, attribute to it a limited duration and make objections against the delegated act.

For general purposes it seems evident that excessive recourse to delegated acts would end up compromising the balance of institutions, the principle of transparency and the legitimacy itself of the legislative procedures of the Union (Massot, 2010). The use of delegated acts, in the case of the “quality package”, is counted in no less than 18 out of 51 articles in the proposal of European Parliament and Council Regulations for the quality regimes of agricultural products, and in 6 cases out of 16 articles regarding the proposal to amend EC Council Regulation n. 1234/2007 on marketing standards (European Commission, 2010d). In many cases the topics and the procedures to be disciplined by delegated acts do not represent secondary aspects. The possibility of widening or reducing the types of agricultural product that may benefit from PDO/PGI/TSG, of making exceptions regarding the production or supply zone of the PDO/PGI, as well as, among other things, of defining specific conditions for the request for and the cancellation of denomination registrations are topics governed by delegated acts.

With regard to commercial simplification, the “quality package”, in addition to the measures contained in the proposed Regulation to rationalize marketing rules especially through the use of delegated acts, there are also two non-binding guidelines on the functioning of the voluntary

certification schemes and, in particular, on the labelling of the products that use geographical indications as ingredients. Regarding these latter guidelines, however, it is necessary to highlight that the Commission has not yet clarified certain provisions related to the use of the registered denomination in the ingredients of a food product, such as, for example the minimum quantity of PDO/PGI product which could give an essential characteristic to the processed food product. This disposition assumes substantial importance when we consider the possible added value that the PDO/PGI ingredient is able to give to the processed product.

If, on the one hand, the indication of the PDO/PGI ingredient on the label or in the package of the food product represents a kind of advertisement and promotion for this product, it is also true that in case of clearly famous ingredients (and European PDO/PGI products are the most famous and the most imitated agri-food products in the world) the processed product may be highly appreciated by the consumer, permitting higher prices.

In terms of economic balance, the payment for the PDO/PGI ingredient is the price paid by the transformer to the producer for the quantity actually purchased. On the other hand the transformer acquires a higher reputation by the presence of the most “famous” ingredient.

It would be proper, given that reputation is the result of the PDO/PGI promotion activities carried out by the Groups, including the related costs, to consider – in the proposal – giving to these associations/organizations the right to authorize<sup>9</sup> the use of their own PDO/PGI products in the processed foodstuffs.

### **3. Conclusions**

The European quality policy originated with the aim of harmonising existing national regulations to protect and increase the value of local products and to promote their trading within the common market. While this initial objective has been achieved, the next goal has moved beyond community borders. In fact, the next objective of the European Union is international protection which will be sought by establishing a multilateral register for geographical indications according to the TRIPS agreement.

But this cannot be the only goal: in light of the continuous requests for PDO/PGI registrations, quality policy, must furnish tools to support the growth of the markets which struggle to adapt in an equal and equally efficient way, to the different production conditions that characterize the many registered denominations.

Should this not be the goal of the European Union then the only positive effect of community quality policy would be to infinitely expand a register made up of individual denominations without a corresponding contextual socio-economic growth, neither of the products nor of the territorial systems linked to them. And in this case, who would gain from this situation?

If we want to convert PDO/PGI/TSG denominations into marketing tools, and not mere means for electoral consensus (as happens in many local areas throughout Europe nowadays), we need to take other elements into account.

Firstly while PDO/PGI/TSG products do have more instruments for differentiation from

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<sup>9</sup> Delegation of authorization to use denomination products as ingredients in transformed products to the Groups would be another measure strengthening the role of these producers' associations, in line with what are considered the purposes of the “quality package” and in addition to the provisions already inserted in art. 42 of the regulation proposal by the European Parliament and Council on agricultural product quality systems.

standard products (such as the European logo) at the same time find that the majority of consumers are unable to recognize or understand these instruments. The result is that the competitive logic these products face is practically the same as for every other food product.

The reduced average value assigned to European denominations is not just a peculiarity that differentiates these products: quite often it is the result of a problem, that of market success. If we wrongly believe, that quality only suits small production levels then how can we think of developing the European agri-food sector based on this prerequisite? And what positive effects may the territorial systems enjoy from registered denominations that are able to certify barely more than just a few tons of product?

How reliable in the eyes of the international community can be a system that requires the protection of territorial brands - at the expense of commercial brands- and that continuously grow in number year after year but which, in terms of the overall economic value, is worth less than the turnover of the main European agri-food company in the EU food and drink market?<sup>10</sup>

It will be said that is not fair to compare the system of local products to those of the standard food industry and that the system of territorial brands has been created precisely to give a further instrument to these products to “survive” in a competitive arena where small and very small companies have to cohabit with multinational companies.

Maybe this is the weakness of the European quality policy: it is more inclined to preserve than to develop local products. It tends to facilitate a conservation process (also by being recorded into the community register) and then provides tools to promote and protect them becoming most effective only when these products succeed in being sold outside of their country of origin.

The true challenge for a European quality policy that wants to make PDO/PGI/TSG products true instruments for social and economic development and to vitalize rural areas should be twofold: on the one hand, to succeed in preserving the fragmented system of production and processing companies rooted in rural areas of the Community and, on the other hand, give them the tools to compete and make them grow on the market. Even if these might seem opposing goals they are surely goals that cannot be separated: if, for example, the quality policy tends to reach only the first goal (preservation) then we would find ourselves with a policy that is more social than economic.

An ambitious policy for quality of European agri-food products should identify paths and tools to promote the growth of registered denominations with this double challenge clearly in mind. And the latter can be pursued by giving the companies instruments that are able to increase their competitiveness and their contractual power in the agri-food system.

This means tools that are able to facilitate associations between producers of quality products, to program production in relation to the market and to promote awareness of community brands. But at the same time it means rationalising the system of denomination registration<sup>11</sup> so that international partners will give more credit to a European quality system where products are really different and special when compared to normal standard products.

<sup>10</sup> In 2008, the largest European agri-food company had a turnover of 17.6 billion Euro in the EU food and beverage market.

<sup>11</sup> With regard to this goal, art. 51 of the “quality package” introduces the possibility of cancelling registration of a PDO, PGI or TSG whenever a product that benefits from the community brand has not been in commerce for at least five years.

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