European food quality policy: the importance of geographical indications, organic certification and food quality insurance schemes in European countries

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Abstract: The protection of geographical indications, organic certification and food quality assurance schemes are the cornerstones of European food quality policy. In this paper the importance of these voluntary quality policy schemes in the different Member States of the European Union is investigated. Member States may be grouped into four cluster according to the food quality orientation.

Keywords: food quality policy, protected geographical indications, organic certification, quality assurance schemes, Europe, cluster, PDO, PGI, TSG

I. Introduction

The reform of agricultural policy in 1992 shifted the focus of the European Union (EU) agricultural policy from price support to rural development, from the so called first pillar of the Common Agricultural Policy (CAP) to the second pillar. Furthermore, the policy focus shifted from increasing food quantity towards increasing food quality. Three regulations were adopted in 1991 and 1992, namely Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, Regulation (EEC) No. 2082/92 on certificates of specific character for agricultural products and foodstuffs, and Regulation (EEC) No. 2092/91 on organic production of agricultural products.

The objective of Regulation (EEC) No. 2081/92 is the protection of geographical indications as names for food products. The aim of regulation (EEC) No. 2082/92 is the protection of traditional recipes for food products, and the objective of Regulation (EEC) No. 2092/91 is to explicitly define the objectives, principles and rules applicable to organic production.

These three regulations are the cornerstones of EU agriculture and food quality policy. Products protected by these EU quality schemes have a privileged position, not only with respect to the legal protection, but also with respect to EU financial aid and the eligibility of Member State financial aid for the promotion of these products (Becker and Benner, 2000).

Since the foundation of the CAP, the Member States have made efforts to support the promotion of national agricultural products through state aid. However, state aid might not be in accordance with the objectives of the Treaty of Rome. Two cases1 have been brought by the European Commission to the European Court of Justice, and it was concluded that state aid for promoting and advertising national food products through the means of stressing the national origin is against the Treaty. The general prohibition on state aid contained in Article 87 of the Treaty is applicable if the publicly funded promotion and advertising distorts or threatens to distort competition by favouring certain undertakings, or the production of certain goods. Where such publicly funded promotion activities refer to the national or regional origin of the products concerned, it clearly favours certain products and therefore Article 87 may apply. As a reaction to these two cases, the European Commission laid down Community guidelines for state aid to the agricultural sector in 1986. For the time

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1 Case 249/81 "Buy Irish" and Case 222/82 "Apple and Pear Development Council".
being, the "Community guidelines for State aid for advertising of products listed in Annex I to the EC Treaty and of certain non-Annex I products (2001/C 252/03)" holds. In these guidelines the distinction is made between negative and positive criteria. National aid for promotion and advertising campaigns infringing on Article 28 of the Treaty, which prohibits quantitative restrictions on imports and all measures having equivalent effects between Member States, cannot in any circumstances be considered compatible with the common market within the meaning of Article 87 of the Treaty. However, the situation is regarded as different in the case of products which can be clearly distinguished from other products that fall within the same category through specific characteristics concerning the raw materials used, the composition of the finished products, or the production and processing methods used. This is regarded as being the case for products covered by Council Regulation (EEC) No. 2081/92 and Regulation (EEC) No. 2082/92, and for products covered by Council Regulation (EEC) No. 2092/91 (European Commission 2001).

Regulation (EEC) No. 2081/92 distinguishes between two categories of protected names: designations of origin, and geographical indications. The distinction between the two categories depends on how closely the product is linked to the specific geographical area whose name it bears. The regulation does not apply to wine sector products, except wine vinegars, or to spirit drinks. The protection of geographical indications for wine products is regulated in Regulation (EC) No. 1493/1999 on the common organisation of the market in wine.

To be eligible to use a protected designation of origin (PDO), a product must meet two conditions:
• The quality or characteristics of the product must be essentially or exclusively due to the particular geographical environment of the place of origin, where the geographical environment is understood to include inherent natural and human factors, such as climate, soil quality, and local know how.

• The production and processing of the raw materials, up to the stage of the finished product, must take place in the defined geographical area whose name the product bears. There must therefore be an objective and very close link between the features of the product and its geographical origin.

The protected geographical indication (PGI) also designates products attached to the region whose name they bear, but the link is of a different nature than that existing between a product with a PDO and its geographical area or origin. To be eligible to use a protected geographical indication a product must meet two conditions:
• It must have been produced in the geographical area whose name it bears. Unlike the protected designation of origin, it is sufficient that one of the stages of production has taken place in the defined area. For example, the raw materials used in production may come from another region.
• There must also be a link between the product and the area which gives it its name. However, this feature need not be, as in the case of the protected designation of origin, essential or exclusive, rather it allows a more flexible objective link. It is sufficient that a specific quality, reputation, or other characteristic be attributable to the geographical origin. Under the rules for protected geographical indications, the link may consist simply of the reputation of the product, if it owes its reputation to its geographical origin. In this case, the actual characteristics of the product are not the determining factor for registration; it is enough for the name of the product to enjoy an individual reputation that is based specifically on its origin at the time the application for registration is lodged.

A much less used system is the one for traditional specialities offered with the Regulation (EEC) No. 2082/92 traditional specialities guaranteed (TSG). The purpose of this regulation is to take advantage of the typical features of products by granting a certificate of specific character. The regulation thus lays down two conditions for registration of a product name: the product
must possess features that distinguish it from other products, and it must be a traditional product.

In June 1991 the Council adopted Regulation (EEC) No. 2092/91 on organic production of agricultural products, and indications referring thereto on agricultural products and foodstuffs. In adopting Regulation (EEC) No. 2092/91, the Council created a Community framework defining in detail the requirements for agricultural products or foodstuffs that bear a reference to organic production methods. These rules are quite complex; not only do they define a method of agricultural production for crops and livestock, they also regulate the labelling, processing, inspection, and marketing of organic products within the Community, and the import of organic products from non-member countries. The Regulation has been added to on several occasions, in particular in 1999, when the Council extended its scope to cover organic livestock production. The rules were introduced as part of the reform of the CAP, which by the late 1980s had broadly achieved its original aim of generating agricultural productivity gains, so as to make the European Community largely self-sufficient in regards to its food supply. The policy therefore shifted towards other aims, not only to rural development and to the promotion of quality products, but also to the integration of environmental conservation into agriculture. These objectives involved major development potential for the organic farming sector, which had previously always been marginal.

If a product satisfies the requirements set out under Regulation (EEC) No. 2092/91, the Community organic production logo may be used in the labelling, presentation, and advertising of the product. Organic production is regarded as an overall system of farm management and food production that combines best environmental practices, a high level of biodiversity, the preservation of natural resources, the application of high animal welfare standards, and a production method in line with the preference of certain consumers for products produced using natural substances and processes. The organic production method is regarded as playing a dual societal role, where it on the one hand provides for a specific market, responding to a consumer demand for quality products, and on the other hand, delivers public goods contributing to the protection of the environment and animal welfare, as well as to rural development.

These three regulations are at the forefront of European quality policy. It is hoped that they will help promote rural development, the production of diversified products, and increase the competitiveness of products identifiable by quality labels, thus ensuring their protection. However, Community legislation merely defines a framework, an instrument which producers may or may not use, where much of the responsibility is placed on the Member States and producers (European Commision, 2004).


If a product is registered as a PDO, PGI or TSG, the name of the product is protected against use by other producers that not located in the geographic area. We can distinguish (Becker, 2000) between statements of a certain generic nature (e.g. Emmentaler), explicit statements of geographical origin (e.g. from Bavaria), privately owned trademarks with names similar to a geographical area (e.g. Capri), privately owned trademarks where name and origin are linked together (e.g. Warsteiner), collectively owned trademarks with reference to the region, EU protected collectively owned trademarks with reference to the region and weak links between product quality and geographical origin (PGI), and EU protected
collectively owned trademarks with reference to the region and strong links between product quality and geographical origin (PDO). The benefit for farmers of products registered as either a PDO, PGI or TSG, is the exclusive right for use of the product name. If a product is registered, the legal protection of the name is much higher than the protection for brand names. The name is protected not only from unfair competition, but also the mere use of the name in any other commercial context is forbidden. It is even forbidden for another product to claim that this product is produced according to the recipe of the protected product, even if this is the case. The rationale behind the granting of this very high level of legal protection to the names of registered products is the effort to contribute to rural development by erecting through law a kind of “geographical name monopoly”.

But the geographical name monopoly alone will not lead to a monopoly on profits unless it is accompanied by a corresponding product quality which differs from comparable products. In the case of the products protected by the EU system, the product specification is determined by the producer consortium registering the product, while the product specification for organic products is determined in the respective EU regulation.

II. The importance of registered traditional specialities in EU Member States

The registration as a TSG is not very important in the EU. Only 16 products are registered as a traditional speciality guaranteed (see Figure 1). The registration as a TSG seems not to be very attractive from the point of view of a producer. The main advantage of this system is that a product bearing a certain name has to be produced according to a certain recipe.

In the case of Belgium, all five products registered belong to the category beer. Italy has registered the cheese Mozarella, and the Netherlands and Sweden both have registered a cheese as well. Furthermore, Sweden has registered a meat based product. Spain has registered Jamon Serrano, a meat based product, a milk, and a bakers ware. The United Kingdom has registered a fresh meat product. Finland has registered two bakers wares and a beer.

Though the name of a product that is registered as a traditional speciality is protected from misuse by products with another recipe, producers do not get the level of monopoly power as in the case of a protected geographical indication. Therefore it becomes obvious why so few products have been registered under this registration system.
III. The importance of products with registered geographical indications in EU Member States

While TSG have little importance, this does not hold for origin labelled products. The number of origin labelled products increased from 469 in 1999 to 706 in 2007, and will reach 904 in 2010. If mineral water is included, 31 more registered products will have to be added. However only Germany has registered mineral water, and in 2003 the Regulation (EEC) No. 2081/92 was amended by the Regulation (EEC) 692/2003, to include vinegar and exclude mineral water from the scope of the regulation. A transition period until the 31st of December 2013 is foreseen, after which these names will no longer be on the register as specified in Article 6 of Regulation (EEC) No. 2081/92.

A high number of applications for registration have been submitted. On average, it takes about three years from the time of the original submission of an application and the final registration. Therefore, the number of registrations in 2010 can be estimated by the number of applications submitted for registration in 2007.

In 1999 and 2002, France was the country with the highest number of products registered (see Figure 2). In France the protection of origin for foodstuffs has a long tradition, and can be traced back to the 14th century (Roquefort cheese). Already in 1905 the responsibility for the registration of origin labels was regarded as a task for the state. In 1919 a law on origin labelling followed. In 1935 the "Appellation d'Origine Contrôlée" for wine and spirits was introduced by law, and an institution was founded to determine the respective production rules. This institution changed to the "Institut National des Appelations d'Origine " (INAO) which is still responsible for registration. In 2005, roughly 18% of the cheese produced in France had an origin registration, and the turnover of registered origin milk products is estimated to account for 2 Billion Euro (Becker, 2006).
In Italy, the tradition of origin labelled food is not as long as in the case of France. However in Italy, the high potential for increasing producer revenue through origin labelling has been realized. Before 1992 there were 26 cheese and 2 ham products certified. The number of registered products in 2007 totalled 159. In general, not just in the case of Italy, the number of cheese products registered is higher than the number of any other food product Becker, 2006).

In Portugal, Spain, and Greece the number of products registered is lower than in Italy and France, but still higher than in the other European Union countries. In the case of Portugal, a high number of meat products are registered, whereas in Spain and Greece a high number of fruit and vegetable products are registered.

The second group of countries consists of Germany, Austria, United Kingdom and Ireland (see Figure 3). The number of products registered in these countries is by far lower than in the case of the Mediterranean countries, including Portugal. In the case of Germany, 31 mineral waters are registered, but are not included here because mineral water will be excluded from the scope of the regulation after a transition period. In the case of Germany, there are many beer products registered, and in the case of the United Kingdom many cheese products. If these beverages are excluded, Germany will have even fewer products registered than the United Kingdom. Austria and Ireland have only a few products registered. In Germany, Austria, United Kingdom and Ireland the protection of origin labelling does not have a long tradition. Here, origin is not regarded as important for the quality of the product, as it is in the Mediterranean countries.

In the BeNeLux countries only a few products are registered as a PDO or PGI (see Figure 4), and there are few efforts to increase the number of products that are registered.
In the Scandinavian countries, very few products are registered either as PDO or PGI (see Figure 5). However, Finland has recently undertaken great efforts to increase the number of products that are registered.

Figure 3: Number of products registered as PDO and PGI in Germany, Austria, United Kingdom and Ireland

Source: Own calculations using data from http://europa.eu.int/com/g06/qual (9.11.1999),
http://europa.eu.int/com/agriculture/foodqual/quali1_de.htm (dg06/qual (24.11.2002)
http://europa.eu.int/com/agriculture/foodqual/quali1_de.htm (dg06/qual (30.09.2005)
Figure 4: Number of products registered as PDO and PGI in Belgium, the Netherlands and Luxemburg


Figure 5: Number of products registered as PDO and PGI in the Scandinavian countries

In particular for the new Member States in Eastern Europe, the EU system of origin products seems to offer opportunities. While only few products so far are registered, the number of applications from these countries is high (see Figure 6). The Czech Republic has already registered six products, and has submitted applications for 21 products. These products mainly belong to the product categories of beer and baker wares. Slovenia has registered one product in the category oil and fats, and Poland a cheese product.

Australia and the United States have brought complaints to the World Trade Organization (WTO) against the European Communities protection of trademarks and geographical indications for agricultural products and foodstuffs (DS174 and DS290, respectively). The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) contains detailed provisions on the availability, acquisition, scope, maintenance and enforcement of intellectual property rights. On March 15th in 2005, the final report of the WTO Panel on these complaints was published. The EU protection should be open to the geographical indications of third countries, where these are protected in their country of origin. The registration procedure should enable any natural or legal person having a legitimate interest in a Member State or a third country to exercise their rights by notifying their objections. The European Commission responded to the results of the WTO Panel and Council Regulation (EC) No. 510/2006 replaced Regulation (EEC) No. 2081/92 (Knaak, 2006).

China and Switzerland have already submitted applications for the registration of products.
The EU systems of geographical indications offer not only a very attractive opportunity to producers, from the perspective of the high level of legal protection of the geographic indication, but as well from the state aid perspective. France has already been responsive to these opportunities for a long time. But other countries are currently catching up. In the last ten years, Spain had the highest average yearly growth rate in the registration of products. During the last few years, the yearly number of products registered increased by 13% per year. While France in prior years had the highest number of products registered, Italy has in the mean time caught up and left France behind (see Figure 7). Furthermore, Italy very recently put great effort into registering products. The average yearly growth rate had already been rather high in Italy during the last ten years. Portugal has also undertaken a great effort in order to increase the number of products registered in the last ten years. In Germany, Austria and the United Kingdom some efforts have been undertaken in the past to increase the number of products registered. In the case of Germany we know for sure that there are hundreds of products which are well suited to be registered either as PDO or PGI. But this potential has not been realized by the German ministries as of yet, and there are great obstacles given by the political focus on the quality marks of the Federal States.

IV. The importance of food quality assurance schemes in EU Member States

Since the 1990’s quality assurance schemes have become prominent (see Figure 8). Not only in politics, but in the agricultural and food industry as well, as the focus shifted from quantity to quality. This shift was supported by the abundant supply of agricultural products and the several food crises that occurred during the 90’s. One possible answer to this problem had been the introduction of a food quality assurance system. Again, this shift was supported by political measures. Traceability was first
required by law for beef, and extended to all food products with the Regulation (EC) No. 178/2002, which laid down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.

So far, the focus of this paper has been on the number of products registered, either as PDO or PGI, in the countries of Europe. However, for a complete picture of the quality policies in the different Member States, the number of quality assurance systems should also be examined. Completing the analysis this way results in some very interesting insights, which according to my knowledge are not available in the literature on geographical indications or in the literature on quality assurance. So far, these two areas of research have been rather separate. In this paper, an effort is undertaken to present a broader view by additionally examining the care of quality assurance systems as one cornerstone of EU food quality policy.

Not only products with protected geographical indications, but also products with a quality assurance system, are exempted from the general prohibition of state aid to promote the production of agricultural products, if these products meet standards or specifications which are clearly higher or more specific than those which are determined by the relevant Community or national legislation.

The number of quality assurance schemes in the EU Member States differs between countries. Germany has the highest number of quality assurance schemes, followed by Spain, the United Kingdom and Belgium (see Figure 9). The high number of quality assurance schemes in these countries, in particular in Germany, the United Kingdom and Belgium, may be regarded as efforts of the food sector to prevent food scandals. In these countries consumers are very sensitive to food scandals, not at least due to the experience of the BSE crisis.

It is very interesting to note that in some of the countries with a low number of products registered as either as PDO or PGI, the number of quality assurance schemes is rather high. This holds true not only for Germany, Austria, the United Kingdom and Ireland, but for the BeNeLux countries as well, in particular for Belgium.

Figure 8: Number of Food Quality Assurance Schemes by Initial Year

V. The importance of organic production in EU Member States

However, the picture is not complete without organic production as the other cornerstone of EU quality policy. The share of organic farming area in the utilized agricultural area gives some indication as to the importance of this as a cornerstone of quality policy.

In Austria, the share is the highest among all European countries (see Figure 10). It is interesting to note that in the Scandinavian countries these shares are rather high as well. Italy is important not only with respect to PDO and PGI products, but with respect to organic farming as well.
VI. Homogeneous groups of using European food quality policies

We applied a cluster analysis to detect a pattern of the EU countries in using the different European food quality policies. The used variables are the share of the numbers of PDO/PGI and FQAS and the share of organic farming area in the utilized agricultural area. Data for all European countries before 2005 was not accessible, so we used the EU-15 countries for the cluster analysis.

We run Ward’s linkage, a hierarchical clustering method, to detect the clusters.

The stopping rule combines the Całiński/Harabasz pseudo-F and the Duda/Hart sum of squared errors and the pseudo T-squared rules (see Table 1).

Running Ward’s linkage clustering method we get two outliers, Austria and Luxemburg, which can each form a single cluster. Dropping these two countries and following the combination of the stopping rules, we can assume that there are 3 clusters, even if the pseudo-F statistic suggests 2 clusters.

Table 1: Stopping rule tests for cluster analysis

<table>
<thead>
<tr>
<th>Number of clusters</th>
<th>Całiński/Harabasz pseudo-F</th>
<th>Duda/Hart sum of squares test</th>
<th>pseudo T-squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.3179</td>
<td>23.60</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td><strong>23.60</strong></td>
<td>0.4859</td>
<td>5.29</td>
</tr>
<tr>
<td>3</td>
<td>17.74</td>
<td><strong>0.5112</strong></td>
<td><strong>3.20</strong></td>
</tr>
<tr>
<td>4</td>
<td>16.02</td>
<td>0.2383</td>
<td>3.82</td>
</tr>
<tr>
<td>5</td>
<td>15.51</td>
<td>0.3535</td>
<td>3.66</td>
</tr>
<tr>
<td>6</td>
<td>17.53</td>
<td>0.2117</td>
<td>7.45</td>
</tr>
</tbody>
</table>
Greece, Italy and Portugal are orientated on PDO/PGI and organic farming. A second cluster consists of the Scandinavian countries and Germany which are more orientated on the food quality assurance system and a bit on organic farming. The third cluster consists of Belgium, France, Ireland, Netherlands, Spain and the UK which are more PDO/PGI orientated. While Austria is highly orientated on organic farming and FQAS, Luxemburg prefers PDO/PGI and FQAS. Table 2 shows a summary of the clusters, classified into three characteristics, low, medium and high.

Table 2: Summary of clusters

<table>
<thead>
<tr>
<th>Country</th>
<th>PDO/PGI</th>
<th>OP</th>
<th>FQAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Medium</td>
<td>Low</td>
<td>Non-specific</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Spain</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

VII. Conclusions

The Member States of the EU have different options for their quality policy. These are:

- Protected geographical indications (PDO/PGI)
- Food quality assurance schemes (FQAS)
- Organic production.

These are the cornerstones of EU quality policy. The Member States of the EU have gone different ways, due to historical reasons and due to differing consumer behaviour. We can distinguish three distinct clusters of different practices of the EU member states using the European food quality policies.

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