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# **System Dynamics and Innovation in Food Networks 2009**

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## **How do Different Countries use PDO/GI Standards: A Case Study Comparing Wisconsin Cheddar to Parmesan-Reggiano**

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Protected Geographic Indicators (PGI) and Product Differentiation of Origination (PDO) are products that are linked to certain regions or countries that define them based on where they are produced, prepared and/or packaged before they are sold. However, the exact interpretation of PGI/PDOs is not synonymous around the world, leading to disputes over trade barriers between nations. The goal of this paper is to discuss the quality and safety control issues that go into the production of PGI/PDOs as well as trade regulations that are currently being discussed at the World Trade Organization's Doha multilateral trade agreements meetings. A comparison of how countries mark PGI/PDO products is made by comparing two cheese industries: Wisconsin Cheddar from the United States and Parmigiano Reggiano from Italy.

In theory, the World Trade Organization has a product labeling agreement that was created in 1979 under the Uruguay Round of the General Agreement on Tariffs and Trade. However, as is most common, problems arise when countries begin to use their own forms of labeling, therefore resulting in barriers of trade between countries (WTO). Due to diverse thought among producers in different countries, there are often incentives that lead to different product labeling.

### **Trips**

Trade-related aspects of intellectual property rights (TRIPs), was put in place as of January 2000 in the Doha round of trade agreements. Since that time, TRIPs is the driving factor of determining trade regulations regarding PGI/PDO labeling for the United States and EU. Under TRIPs, there is to be a "standard level of protection" that covers all traded products which will in turn "avoid misleading the public and [to] prevent unfair competition" (TRIPs). The agreement on TRIPs requires countries to have domestic laws and a method of enforcing those laws to be allowed in the use of PGI/PDOs. TRIPs does not have a standard plan laid out for each country to follow; on the other hand, each nation can create their own label process to create a PGI/PDO as long as the regulations created by TRIPs are followed. Therefore, there are multiple label processes, the United States using trademarks and certification marks and the EU using distinct PGI/PDO labels. As a result of these various labels, there is a disparity among nations regarding the implementation issues and whether countries must follow the rules and regulations.

Related to PGI/PDO protection, the United States holds the position that their existing system of trademark laws protect these products. This compares to the European Union which requires stricter regulations that take into account quality and safety controls (Marette, Marette, et al.). The result has been a trade dispute over labeling of these products.

Trademark laws within the United States provide a legal means of protecting the name of a product, such as Wisconsin Cheddar (Babcock and Clemens). This could apply to any product, including, but not limited to, those produced in certain regions. The European Union, on the other hand, carries out its PGI/PDO laws to provide rural farmers an opportunity to sell their commodity in the market, thus increasing their income. The Doha multilateral trade agreements currently in session within the WTO may change the rules.

## **United States Trademark Laws**

The United States holds the position that its trademark laws and certification marks are sufficiently adequate for trade including the EU's PGI/PDO products. A trademark or certification mark is defined as:

“any word, name, symbol, device, or any combination, used or intended for use in commerce with the owner's permission by someone other than its owner, to certify regional or other geographic origin, material, mode of manufacture, quality, accuracy, or other characteristics of someone's goods or services, or that the work or labor on the goods or services was performed by members of a union or other organization” (U.S. Patent and Trademark Office).

As such, trademark laws in the United States protect the product based on its origin or its production region. Producers must receive the approval of the trademark owners before publishing the label on their product (Babcock and Clemens). In the case of Wisconsin Cheddar, the Wisconsin Milk Marketing Board is the trademark owner, and will only allow the trademark to be used on cheese that is produced in the state of Wisconsin. The United States does not protect products that are generic such as champagne or feta. Instead, they use a certification mark which protects items by serving as a Geographic Indication when exporting the product to another country.

The process of obtaining a trademark involves applying for a label from the United States Patent and Trademark Office. When the label is approved, only the product that is obtained from a specific region can use that sign or label. In essence, it follows the example of a PGI/PDO, but the United States has created its own system to reduce costs and manpower. Thus, the sign now describes the region of origin as well as the region of production and/or manufacturing. The trademark system does conform with TRIPs, a ruling by the WTO requiring “same or better treatment of foreign nationals regarding intellectual property rights as provided to domestic nationals” (U.S. Patent and Trademark Office).

## **European Union PGI/PDO Labeling Rules**

In 1992, the European Union created a PGI/PDO labeling program with the goal of preventing agricultural products from being imitated under the Regulation No. 2081/92 of the Council of the Economic Commission (EC). Those with the PGI/PDO labeling possess certain characteristics or “reputation” that is derived from that particular region such as climate, land, air, raw materials, etc. (Sanchez). Certain production practices are taken into account and the product is at least produced, processed and/or prepared in that region.

Regulation No. 2081/92 created two types of Geographic Indications: Protection of Designations of Origin (PDO) and Protection of Geographical Indications (PGI). PDO's are products that are produced, processed and prepared in a certain region. The product never leaves the area for any aspect of production. PGI adds to the PDO labeling, including the same provision, but also indicating that there are other factors that make the product unique to that area, contributing to the quality and status of that product (Babcock and Clemens).

The main difference in treatment of the labeling by the two countries is that the United States uses trademarks as a means of protecting property rights, where the EU uses PGI/PDOs to protect quality, and indirectly to support rural development and farmer's incomes. In 1999, the United States filed a complaint in the WTO against the EU regulations regarding the conflict between trademarks and PGIs (Marette, et al.). PGI/PDO labeling in the EU informs consumers

on the products origin, which in turn describes their quality and production features. The U.S. trademark lacks the same regulations as a PGI/PDO in terms of production, processing and preparation of a product in a geographic area, not even considering the characteristics that are included in the product from that region. If the EU is able to accomplish its goal to use only PGI/PDOs, many existing product names that were protected by the trademark system could lose rights to names already used. This is particularly true in the cheese sector (Marette, et al.).

## Cheese

“Cheese is one of the most widely consumed foods and large category of products in the PDO/PGI data base” (Sanchez). In 2006 alone, the United States consumed 13 pounds per capita of American cheeses (Cheddar, Colby, Monterey Jack and stirred curd) and 13.7 pounds per capita of Italian cheeses (Mozzarella, Parmesan, Provolone, Ricotta, Romano and others) which accounted from approximately half of the total 31.5 pounds of per capita consumption (USDA-ERS). Wisconsin produces, what is titled as, Wisconsin Real Cheese, most commonly known for its cheddar cheese. The Wisconsin Milk Marketing Board owns the certification mark which allows only cheese produced, prepared and packaged within the state of Wisconsin. Italy produces Parmigiano Reggiano, more specifically from the provinces of Parma, Reggio Emilia, Modena, as well as parts of Mantua and Bologna. Parmigiano Reggiano is classified as a PDO due to the “soil characteristics of the area, . . . , and the climatic conditions that affect the natural flora and the particular fermentation characteristics of the product” (Babcock and Clemens). Wisconsin Real Cheese began more than 160 years ago and today, more than 600 varieties of cheeses are produced under this mark. The land in the state of Wisconsin is suitable for many agricultural crops, but it is the dairy industry that has flourished in the region. In 1872, to prevent deterioration of the quality of the cheese, the Dairymen’s Association created the market for “Wisconsin Cheese.” In 1921, Wisconsin became the first state in the United States to give a grade to its cheese for quality (Wisconsin Milk Marketing Board). Today there are approximately 15,000 dairy farms in Wisconsin, from which 90% of this milk is produced into cheese at 115 plants.

Parmigiano Reggiano is a typical example of the EU’s use of PGI/PDOs to increase rural development. The success of the Parmigiano Reggiano is due to the fact that the manufacturers of the milk and cheese have come to an understanding regarding the specific production regulations which they are all required to follow. The beginnings of Parmigiano Reggiano is traced to 900 years ago when monks near the river Po used milk to produce cheese after a long maturation (Consorzio del Formaggio Parmigiano-Reggiano). Today there are approximately 450 small dairies and 9000 milk producers that follow the standards from previous centuries: no additives and slow maturation. In fact, it is said that the cheese derives its distinct flavor from the soil that surrounds the Po plain. There are strict standards of production, special feeding regulations for cattle and rules for marking the cheese. A premier regulator of the regulations regarding Parmigiano Reggiano production is the Consorzio del Formaggio Parmigiano-Reggiano. Created in 1901, they have been working to ensure the quality of the milk and cheese does not drop below strict standards. There are 11 regulations that must be followed for dairy cows, all except one regarding the feed for the cows. In regards to cheese, there are production standards, marking standards, and going so far to include standards for grated Parmigiano Reggiano cheeses.

Since the production of the cheese is highly labor intensive, there are higher levels of employment in the region thus indicating that the PDO does in fact protect small farmers and increases rural development (de Roest and Menghi). Dairy farmers are considered the most important part of the supply chain due the dairy cows eating natural grass available in the Po plain. As a result of the intense need for milk, 80% of the milk is directed towards production of the

cheese and a majority of the land is dedicated to dairy cattle. Raw milk is delivered twice a day to dairies located throughout the region; therefore, there is no break in production. Here there is ripening process where the aging of the cheese occurs and then it is sold. According to the Consorzio del Formaggio, the cheese must not be less than 12 months of age and must have markings indicating: the pin-dot writing, the dairy code, the month and year of production, and the fire mark of the Consorzio. If the pin-dot writing has “oblique” lines then it cannot be classified as a PDO since it does not have the correct characteristics to follow the PDO regulation. This being said, a majority of the Parmigiano Reggiano cheese that is marked for PDO are the cheese that is aged above 18 months and that follow the other markings.

## **Conclusions**

In summary, the differences in the U.S. approach to trademarks and the EU approach to PDO/PGIs is evident. This is demonstrated in the case of the two cheeses discussed. In the case of Wisconsin Cheddar Cheese, the mark simply certifies the milk was produced in Wisconsin. In the case of Parmigiano Reggiano, the mark sends more information. It includes regulations regarding feeding of the cows, marketing of the product, and processing, as well as geographic location. Negotiations on the subject of PGI/PDOs is ongoing and the EU has presented three proposals within the Doha negotiations. The three proposals are to “establish a register of GIs protected across international boundaries”, “extend the higher level of protection already provided for wines and spirits to include other products”, and finally “to allow WTO member countries to retrieve or ‘claw back’ GIs currently being produced as unprotected products in other countries” (Babcock and Clemens).

Trade negotiations will continue within TRIPs as more countries become involved in requesting their own systems and methods to be approved forms of labeling. Countries, such as those within the EU, may have to begin accepting trademarks from other countries. Countries, such as the US, may have to accept PDO/PGIs that infringe on current trademarks within their country. In either case, consumers will need to be educated as to the content and meaning of labels. A more extreme possibility would be for the WTO Doha round of negotiations to clear things up by creating a common labeling system, thus making trade easier among nations.

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