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## Comments from the Strength2Food project on the European Commission's Inception Impact Assessment for the revision of the EU Geographical Indications (GIs)

Virginie Amilien, Filippo Arfini, Valentin Bellassen, Matthew Gorton, Fiona Hallam, Monika Hartmann, Kathrin Meyer, Barbara Tocco and Ching-Hua Yeh

### **Background**

The Strength2Food project<sup>1</sup> conducted research to evaluate and improve the performance, effectiveness, and consistency of EU Food Quality Schemes (FQS), including Geographical Indications (GIs) like the Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) schemes. The work occurred within the framework of a multi-actor consortium of 30 team partners from 11 EU Member States and four non-EU countries (including Thailand and Vietnam), including 15 academic institutions, 12 SMEs and stakeholder organisations and three dedicated communication and training bodies. This submission aims to summarise research findings from Strength2Food pertinent to the remit of the consultation on the inception impact assessment for the *revision of the EU geographical indications (GIs) systems in agricultural products and foodstuffs, wines and spirit drinks*.

### **Evidence Base**

The Strength2Food research relevant to the consultation includes:

- A set of 25 indicators for evaluating the economic, social and environmental impacts of FQS, which were applied to 27 cases of GIs and organic production (Arfini and Bellassen, 2019; Bellassen *et al.*, submitted);
- A set of good practices to support the generation of public goods linked to GIs and organic FQS;
- Econometric analysis of secondary data regarding the impact of GIs on price transmission (Ferrer-Pérez *et al.*, 2020) and EU trade (Raimondi *et al.*, 2020), identifying strategies for improving agri-food value added;
- Two consumer surveys, conducted across seven European countries, to understand how to enhance consumer confidence in, and willingness to purchase, GI products (Hartmann *et al.*, 2019a; Hartmann *et al.*, 2019b);
- Ethnographic fieldwork, conducted across seven European countries, to investigate consumer understanding, perceptions, value and practices towards GIs as well as European/national food quality labels (Amilien *et al.*, 2018).
- A virtual supermarket experiment to understand the effects of PDO/PGI logo prominence on consumer decision-making (Hartmann *et al.*, 2019c).
- A pilot action study working with existing and potential GI consortia, involving the Strength2Food partner IJHARS, which is the state agency responsible for GI certification and inspection in Poland (Majewski *et al.*, forthcoming).

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<sup>1</sup> For further information about the project and published deliverables, refer to the website at <https://www.strength2food.eu/>. This document reflects the views only of the authors, and the Agency cannot be held responsible for any use which may be made of the information contained therein.

The overarching message of the research is that EU *GIs deliver substantial benefits to producers and their communities but also have unrealised potential. Overcoming some common problems can unlock this potential and increase their positive impacts.*

### ***Evidence from Indicators of Impacts***

As presented in Arfini and Bellassen (2019), Strength2Food developed methodological indicators to assess the economic, social and environmental impacts of FQS and applied them to 27 certified food value chains (PDO, PGI and organic) in 14 countries to evaluate their economic, environmental and social impacts through a multi-level analysis (farm and processing level). Results for FQS were compared against outcomes for comparable non-FQS production systems in the relevant region and can also be used a benchmark to compare the evolution of their economic, social and environmental sustainability over time.

FQS generally perform well in terms of classic economic indicators, such as gross margins compared to non-GI equivalents. On social impacts, FQS perform better on indicators related to employment and equality of bargaining power across the value chain. Importantly, FQS products generally provide more employment per tonne of product while ensuring a high turnover per working unit. FQS and their conventional reference are similar regarding employment of women. The positive socio-economic impacts of GIs were also evidenced by research conducted to investigate the capacity of FQS to generate spill-over effects, highlighting that GI have contributed to strengthening rural areas and creating job opportunities. FQS, on average, perform well in terms of lower GHG emissions per hectare and lower distance travelled by products, producing, therefore, fewer transport-related emissions. However, the carbon footprint of GIs and comparable non-GI equivalent products, expressed in terms of per tonne of product, is typically similar. The results are similar for water pollution by nitrates (grey water footprint) and overall, few differences emerged between FQS and reference products regarding blue, grey and green water footprints.

### ***FQS Impacts on Trade and Price Transmission***

Results from econometric analysis confirm that GIs can contribute to strengthening the position of producers in value chains (Ferrer-Pérez *et al.*, 2020; Raimondi *et al.*, 2020). GIs can deliver significant value-added, allowing producers to offer unique and superior quality products at a higher price. From a trade perspective, EU quality policy behaves as an export-promoting device (Raimondi *et al.*, 2020). Specifically, analysis indicates that EU quality policy can provide a mechanism for competing on quality rather than price, through the provision of unique product offerings in the form of differentiated or higher quality products at a higher price. Moreover, EU quality policy can significantly contribute to reducing price volatility and asymmetric price transmission between chain actors (Ferrer-Pérez *et al.*, 2020). It is important to note, however, that the results may vary according to the length of time a consortium has been established and the reputation of the specific product. Generally, however, GIs have potential to increase competitiveness, and trade performance, in both domestic and international markets.

### ***Consumer Recognition, Understanding and Use of FQS***

FQS are a means of communicating food product and process characteristics, reducing information asymmetry on the side of consumers and supporting an informed choice. However, labels such as PDO, PGI and TSG can only serve their purpose if they are recognised, understood and trusted by consumers and they promote attributes of relevance to consumers. Recent Eurobarometer evidence (European Commission, 2020) demonstrates that the attributes underpinning PDO, PGI and TSG

labels are important to consumers. For instance, 81%, 82% and 81% of EU citizens believe that having a specific label ensuring the quality of the product, respecting local tradition and “know-how”, and coming from a geographical area that they know is very or fairly important in their decision to buy food products, respectively. However, these attitudes are not reflected in use of the PDO, PGI and TSG labels. For example, only 17% and 24% of those surveyed<sup>2</sup> by Strength2Food say they take into account PDO and PGI labels when grocery shopping, respectively (Hartmann *et al.*, 2019a). However, consumers may nevertheless recognize product-specific labels (e.g. Parmigiano Reggiano, Comté) and yet fail to recognize the generic PDO label that underpins these products (Amilien *et al.*, 2018).

Consumers are generally confused by PDO, PGI and TSG labels and do not understand what they guarantee. From asking respondents to separate out a group of true and false statements relating to PDO and PGI labels, we found that only a small minority (12% to 21%, depending on country) knew that PGI is an EU label and the majority thought that a definition of PDO criteria defined the PGI label (Hartmann *et al.* 2019a). Similar confusion surrounded the PDO label. Overall, the PDO, PGI and TSG labels currently fail to inform consumer behaviour, as was originally intended. Ethnographic research comes to support similar conclusions (Amilien *et al.*, 2018).

As understanding of the PDO, PGI and TSG labels is weak, consumers do not know what to make of them. Thus, they elicit moderate or non-committal assessments of label attractiveness, ease of understanding, clarity, and trustworthiness. National FQS labels relating to organic and other credence attributes like animal welfare (e.g. RSPCA Assured in UK) have a substantially higher level of recognition and trust, and consumers are thus more likely to use these national labels when deciding what food to buy (Hartmann *et al.* 2019a). It is important to understand therefore that low label recognition and use is not inevitable.

### ***Improving Demand Side Effectiveness***

The current poor level of consumer recognition and understanding begs the question, as to what can be done to improve the situation? One option is to relax rules on the size of logos, but does size matter? The virtual supermarket work investigated the effect of positioning larger PDO/PGI logos, displayed on store shelves, on consumer behaviour (Hartmann *et al.* 2019b). For both the cases of cheese and cured ham, no significant effect was discerned. This most likely reflects that the size of PDO/PGI logos is of secondary importance if consumers do not understand or recognise them.

Another option to improve the effectiveness of the schemes, is to modify the existing PDO, PGI and TSG labels. We do not have evidence for these specific labels, but we considered the effect of adding the word ECO or BIO to the EU green leaf organic logo (Hartmann *et al.* 2019c). Both modifications led to improved consumer understanding, perception and trust of the logo. The modification provided participants with an additional cue and increased certainty that the logo certifies an organic product, and thus allowed for more positive judgments.

Ethnographic evidence also points to the potential for logo modification (Amilien *et al.* 2018). Presently the PDO, PGI and TSG labels fail to give consumers an intuitive understanding of their important elements and the differences between them. At present PDO/PGI/TSG labels are not intuitive or self-explanatory (especially in their colours), for instance why is the PDO logo predominantly red?

At present, there is a desire to consider the environmental sustainability of GIs particularly in the light of the European Green Deal and the Farm to Fork initiative. The desire to enhance the environmental performance of GIs is a reasonable and worthy objective: some GIs are already performing better than

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<sup>2</sup> In 5 EU countries (France, Germany, Hungary, Italy and UK) and 2 non-EU (Norway and Serbia).

their conventional alternatives thanks to green provisions in their technical specifications. Moreover, the equitable governance of GI consortia and the higher economic performance of GIs are key assets to engage a large group of producers with environmental sustainability matters, either by including green provisions in the technical specifications or by setting environmental objectives at group level. Several GI consortia and agencies are already engaging in the valuation and reinforcement of the environmental performance of GIs.

From a marketing perspective, it is important that any communicated claims for GIs are robust. Given Eurobarometer data that consumers value the attributes underpinning the PDO, PGI and TSG labels as currently envisaged, we believe it is appropriate to now *promote the attributes which are currently integral to the schemes and valued by consumers*. It is important not to make claims for PDO/PGI/TSG that overreach, and could be counterproductive. Positioning PDO and PGI products as a curated collection of quality regional foods is appropriate.

### ***Improving Supply Side Effectiveness***

Finally, the evidence from Poland (Majewski *et al.*, forthcoming) suggests that for many GI producers' current benefits do not outweigh costs, with a lack of financial return to producers. While there are successful GIs in Poland, which deliver enhanced returns to consortium members and rural communities, others are more marginal. This is evident elsewhere in Central Europe (Tregear *et al.*, 2016). Polish producers reveal that they are willing to engage in GIs if they add value to consumers and hence aid higher margins. Producer engagement with GIs can thus be pulled up if demand side recognition and understanding improves. At present little attention is given to demand side issues during the GI registration process. Consortia development focuses often on governance and specification issues, reflecting the nature of administration agencies involved and their expertise. However, it is important to develop business and marketing plans for economic sustainability, which should be integrated into new GI registration processes. These business and marketing plans could include the promotion of attributes and outcomes which are *specific* to a particular GI (e.g. if a particular GI has a lower carbon or water footprint than comparable products) rather than just the overarching rationale for GIs.

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