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# **Geographical Indications and Rural Development in the EU**

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## **Abstract**

Geographical Indications (GIs) are collective property rights, which identify a good as originating from a specific geographical region. If the producers of GI products can signal to the consumers the specific qualities their products possess, qualities that are attributable to the land, then – due to the products ties to their region of production – GI products are considered to have potentials to benefit rural development. This study is an economic evaluation of the impact of European GIs on their respective regions of production. Furthermore, it looks at whether or not Regulation 2081/92 fulfils a purpose in protecting GI products, or if the possible economic benefits stemming from GI production would benefit the producers to the same extent even without a protection in place. The findings reveal that production of GI products in the EU has in many cases contributed to rural development, even though the experience differ a lot between different regions and products. It also concludes that protection under Regulation 2081/92 is necessary in order for the benefits stemming from GI production to benefit the rightful producers and regions.

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## List of Abbreviations

AO	Appellation of Origin
AOC	Appellation d'Origine Controlée
CAP	Common Agricultural Policy
CTM	Certification Trademark
DDA	Doha Development Agenda
DOC	Denominazione di Origine Controllata
DOLPHIN	Development of Origin Labeled Products, Humanity, Innovation and Sustainability
EU	European Union
GI	Geographical Indication
GIANT	Geographical Indications and International Trade
HL	Hectoliter
IP	Intellectual Property
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
RD	Rural Development
TRIPS	Trade Related Aspects of Intellectual Property
TSG	Traditional Specialty Guaranteed
US	United States
WTO	World Trade Organization

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# 1 Introduction

## 1.1 The Topic

Geographical Indications are collective intellectual property rights, which identify a good as originating from a specific geographical region. The quality and reputation of these goods are to a large extent attributable to their geographic origin, and therefore their names refer to their region of production. The vast majority of Geographical Indications (GIs) is foodstuff products and originates from Europe; famous examples are Prosciutto di Parma and Roquefort cheese.

GIs have been much disputed in the ongoing Doha Development Agenda (the current round of negotiations in the WTO). One reason for this is that the European Union (supported by others) advocates an extension of the current protection that exists for these products among all the WTO-member states. The United States (and others) is opposing such extension of protection by suggesting that this is merely a protectionist action taken by Europe. However, the EU claims that protection of GIs contributes, among other things, to rural development, by allowing farmers to signal to the consumers the exact value and quality of their products. This is considered to be part of the new Common Agricultural Policy (CAP) in Europe, where focus has shifted from production of large quantities of bulk commodities, to production of quality, high-value added products. By guaranteeing to the farmers that their high-quality products will be able to be recognized by consumers, the farmers can also shift their production from production of bulk commodities, and hence the negative impact that European agricultural production has on world markets (in particular developing countries) would be diminished.

The European Union has protected Geographical Indications within the Union since 1996. One of three objectives with the stipulation of Regulation 2081/92 was that it should contribute to rural development in Europe, by generating higher incomes and more employment to remote and/or less-favored regions. However, very few studies have been

carried out to verify if this has really been the case. It is therefore hard for the EU to make their case in the WTO, since very little substantial proof for their argument exists. This study aims at mapping down what influence the production of GIs has had on rural areas in Europe, and further, if the protection of GIs has been necessary in order for the producers to reap the full benefits from their production. In other words, has the protection of Geographical Indications in the EU contributed to rural development?

## **1.2 Purpose and limitations**

The purpose of this study is to make an economic evaluation of the impact of European GIs on their respective regions of production. All juridical aspects of the topic will be ignored, and hence, after having concluded whether or not GIs have the potential to contribute to rural development, I will merely look at if Regulation 2081/92 here fulfills a purpose in protecting these products, or if the economic benefits stemming from production of GI products would have been the same even without the protection. My focus is limited to the impact of foodstuff; the impact of production of wines and spirits will thus be ignored because of the complexity of these products.

## **1.3 Plan of the study**

The remainder of the study consists of seven chapters. Chapter two will provide the reader with a background on Geographical Indications. A brief description of the history, as well as the current extension and distribution of GIs will be laid out, in order to make it easier for the unfamiliar reader to later follow my analytical discussions. GIs contain much more than just economics, they represent history and culture, and this point may be lost if the reader is not immediately introduced to the broadness of the topic. However, chapter three will then focus on the economics of GIs, the theory justifying protection will be described for. The second part of the theory chapter will be dedicated to rural development theory, in order to fit GIs into the broader scheme. Chapter four will describe the ongoing negotiations in the WTO, and the standpoints of the demandeur-group as well as the group opposing the proposal. Many of the arguments heard are based on the theory justifying protection of GIs, other arguments

simply stem from the economic interests of the different actors. Therefore, after having described the negotiations, I will in chapter five take a closer look at the EU, and the role GIs play in the Union. This will conclude the descriptive part of my thesis, and I will in chapter six move on to evaluating the impacts of production of GIs on rural areas. I will here look at the importance of GI production to certain member countries, I will present information on European consumers' willingness to pay extra for this type of products, I will also provide evidence on GI products that extract a 'price premium' compared to their reference market, and last I will look at how some of the GI products have performed over the last decade, in order to establish if these products experience a positive or negative trend. Chapter seven will then complement the quantitative chapter six, with a more qualitative analysis. Several case studies will demonstrate the documented effects on a selected number of regions. This section is helpful, because it captures many of the un-quantifiable effects from GI production. Chapter seven will be concluded with a discussion on the significance of having a protection of GIs in place in Europe. The last chapter, chapter eight, will summarize my findings and conclusions.

## 2 Geographical Indications – history, extent and distribution

The first chapter is a description of the history of Geographical Indications, as well as an explanation of the situation today. This description will make it easier to fit the topic into a broader context, and hence make it easier to understand the underlying economics behind GIs, as well as the current issues with the designations.

### 2.1 History

The granting of GI protection dates back to the fifteenth century, when Roquefort was regulated by a French parliament decree, and was soon followed by similar regulations of other products in France as well as in other European countries. The first attempt to harmonize different standards and approaches that governments used to register GIs was found in the Paris Convention on trademarks in 1883. Article 1 includes indication of source and appellations of origin among industrial property, protected by the Convention;<sup>1</sup>

- protection of geographical indications against false indications of source
- protection of geographical indication depends on the law of the country providing protection

The Madrid Agreements from 1891 extended the Paris Convention but major improvements in the area were not made until the mid-twentieth century.

*Appellation d'Origine Controlée* (roughly translated to “term of origin” or “appellation of origin”) was created and mandated in France in the 1950s, 60s and 70s. The controlled term of origin guarantees the following product criteria:

- The product will be produced consistently in the traditional manner
- It will be produced with products from a designated geographical area, and will be made and at least partially aged in this area

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<sup>1</sup> Rieke, 2003

- The characteristics of the product will be consistent and in line with clearly defined standards
- The production is strictly regulated by a control commission following AOC-defined standards

A seal identifies all AOC products. To prevent misrepresentation, no part of an AOC name may be used on a label of product not qualifying for that of AOC. As a result, producers located in towns where the AOC is the name of the town, may only list a postal code and not the actual name of the town. Many other countries have based their controlled place name systems on AOC, for example Italy's *Denominazione di Origine Controllata* (DOC), Spain's *Denominación de Origen*, Portugal's *Denominação de Origem Controlada*, Austria's *Districtus Austria Controllatus* and South Africa's *Wine of Origin*.<sup>2</sup> The European way of protecting geographical indications is referred to as *sui generis*.

The United States also has a variety of laws allowing farmers to control and label product qualities, the earliest documents on protection dating back to 1922 and the Capper-Volstead Act. It allows any number of farmers to act cooperatively in “processing, preparing for market, handling, and marketing” their products by exempting them from certain facets of anti-trust legislation.<sup>3</sup> Today, the United States protects Geographical Indications under the trademark law, but wine related GIs are regulated under the Federal Alcohol Administration Act. As such, a US certification mark protects one or more products and one or more producers or manufacturers of the products(s) within a specified region. One key difference between certification marks and geographical indications protected under a *sui generis* regime, is that in the latter case the group or association of producers must demonstrate the existence of a special link between the characteristics of the product and its geographical origin.<sup>4</sup> Hence, in the US, a product can carry a geographical name, but the geographical name – even though it may be associated with certain qualities – does not in itself guarantee specific characteristics.

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<sup>2</sup>encyclopedia, <http://encyclopedia.thefreedictionary.com>

<sup>3</sup> Marette & Crespi, 1999, pp.10

<sup>4</sup> Correa, 2002, pp 24-26

**Table 2.1: Differences between the *Sui Generis* and the Certification trademark systems**

<i>Sui Generis</i> Protection	Certification Trademark (CTM)
<ul style="list-style-type: none"> <li>- The indication belongs to the State and the administration corresponds to the regulating authority. It is a public or a private property right.</li> <li>- Mainly designed to protect identification of the origin and its link with quality and reputation.</li> <li>- Must be protected as from date of registration up until the conditions that justified protection persist.</li> <li>- Protection for GIs is based on <i>ex officio</i> and private actions.</li> <li>- They have regulation for homonymous GI.</li> <li>- Inspection is performed by an independent agency or government.</li> <li>- There is no automatic collateral protection against use in other products.</li> </ul>	<ul style="list-style-type: none"> <li>- It is a private right, but governments may own TCM. The property and the administration belongs to an association of manufacturers or producers, or to government.</li> <li>- They are designed to certify quality, characteristics, origin, materials, etc.</li> <li>- They have to be renewed after a certain period of time. Fees have to be paid for each renewal.</li> <li>- The protection of CTM is based on actions by TCM owners.</li> <li>- The issue of homonymous CTMs does not exist. There must be just one right holder.</li> <li>- Inspection is performed by the TCM owner, government or another authorized party.</li> <li>- They have collateral protection, against use in other products.</li> </ul>

Source: Correa, 2002

In 1951 the Stresa Convention was held, which was the first international agreement to protect GIs. Seven countries participated (Austria, Denmark, France, Italy, Norway, Sweden and Switzerland) and AOCs of cheeses were protected. However, the major breakthrough of AOCs came in 1958 and the Lisbon Agreement for Protection of Appellations of Origin and their Registration. The following agreements were reached<sup>5</sup>:

- Adoption of the French definition of appellation of origin, meaning protection merely for indications, where the quality and characteristics of a product are due exclusively or essentially to the geographical environment, including natural and human factors
- Protection merely for appellations of origin that are recognized and protected as such in the country of origin (the agreement presupposes a national system of protection and registration)
- Establishment of an international system of registration and protection

Yet, by the end of 1999 there were only 19 members of the Lisbon Agreement (from Africa, Europe and Latin America), and only twelve of these had in fact registered appellations of origin. As of December 31, 1999, 835 appellations of origin had been registered, whereof 766 were currently in force. France accounted for 66.3 percent of the registrations, and France together with five other member states (Czech Republic, Bulgaria, Slovak Republic, Hungary

<sup>5</sup> Rieke, 2003

and Italy) accounted for 94.3 percent of all registrations.<sup>6</sup> Only 50 of the 835 appellations originate in developing countries.<sup>7</sup>

The Lisbon agreement has been used by several pro-GI researchers as a proof for that the association between quality of a product and its area of origin is not arbitrary. They argue that the Lisbon Agreement, because of the strong specialization in certain products by certain countries, provides evidence for that there is specialization within product categories, and hence that the quality of specific products stems solely, or mainly, from the area where it was produced. For example, Cuba accounts for all of the protected appellations for cigarettes, the Czech Republic for 93 percent of the appellations in beer and malt, while France holds 81 percent of the wine, and 82 percent of the spirit appellations.<sup>8</sup> (See Table 2.2).

**Table 2.2: Proportion of appellations of origin registered for certain products, by country, under the Lisbon Agreement**

Product	Highest proportion of registered AO corresponds to:	Proportion in respect of all AO registered for such products (%)
Wine	France	81
Spirits	France	82
Cheeses	France	74
Mineral water	Czech Republic	82
Beer and malt	Czech Republic	93
Cigarettes	Cuba	100
Ornamental Products	Czech Republic	65

*Source:* WIPO statistics on appellations of origin under the Lisbon Agreement; [www.wipo.int](http://www.wipo.int)

However, this “piece of evidence” should be regarded with some degree of suspiciousness, considering the different systems for legal protection that exist in different countries, which may hinder some countries from registering their GIs under the Lisbon Agreement. Also, one should bear in mind that all consumers do not perceive high quality to be the same thing. Difference in preference naturally justifies a demand of products from different territories.

<sup>6</sup> Escudero, 2001, pp 16

<sup>7</sup> WIPO/Italian Ministry of Foreign Affairs, 2005

<sup>8</sup> Rangnekar, 2004, pp 14; Escudero, 2001, pp 19

## 2.2 Global distribution of GIs

It is not possible to present a complete list of all GIs protected all over the world, due to the difference in protection and legal systems across countries. However, GIANT has put together a comprehensive list of actual and potential GIs, based on the main official EU listing of protected GIs and the US Patent and Trademark's Office trademark database.<sup>9</sup> GIANT identified a total of 813 actual or potential GIs, the vast majority of them belonging to European countries. France, Italy, Portugal, Greece, Spain and Germany together accounted for almost 70 percent of the GIs on the list.

**Table 2.3: Distribution of potential and actual GIs by country (as of December, 2003)**

Country	Frequency	Percent	Country	Frequency	Percent
Angola	1	0.12	Luxembourg	4	0.49
Argentina	3	0.37	Madagascar	1	0.12
Australia	2	0.25	Mexico	9	1.11
Austria	12	1.48	Morocco	4	0.49
Belgium	4	0.49	Netherlands	5	0.62
Benin	2	0.25	New Zealand	2	0.25
Botswana	1	0.12	Nigeria	3	0.37
Brazil	2	0.25	Panama	1	0.12
Bulgaria	2	0.25	Peru	3	0.37
Burkina Faso	1	0.12	Poland	1	0.12
Cameroon	3	0.37	Portugal	82	10.09
Canada	4	0.49	Slovak	1	0.12
China	12	1.48	Sloval	1	0.12
Cuba	2	0.25	Somalia	3	0.37
Czech	2	0.25	South Africa	6	0.74
Denmark	3	0.37	Spain	75	9.23
Egypt	1	0.12	Sri Lanka	1	0.12
Ethiopia	14	1.72	Sweden	2	0.25
Finland	1	0.12	Switzerland	2	0.25
France	136	16.73	Taiwan	3	0.37
Germany	63	7.75	Tanzania	1	0.12
Ghana	3	0.37	Thailand	1	0.12
Granada	1	0.12	Togo	9	1.11
Greece	81	9.96	Trinidad	1	0.12
Guatemala	1	0.12	Turkey	1	0.12
India	17	2.09	UK	27	3.32
Iran	2	0.25	USA	40	4.92
Ireland	3	0.37	Uganda	3	0.37
Italy	127	15.62	Vietnam	2	0.25
Jamaica	1	0.12			

<sup>9</sup> <http://www.american.edu/ted/giant/cgi-index.htm> Note however, that this listing is not all-inclusive, but give an idea of what the global distribution looks like.

Japan	6	0.74	<b>Total</b>	<b>813</b>	100
Kenya	2	0.25			
Korea	3	0.37			
Liberia	1	0.12			

*Source:* GIANT database, [http://www.american.edu/ted/giant/global\\_analysis.doc](http://www.american.edu/ted/giant/global_analysis.doc)

The uneven global distribution of GIs becomes even more obvious when one looks at the breakdown by region. Southern Europe holds 45 percent of the database, Western Europe 32 percent. The next largest are Eastern Asia (3.81 percent), Western North America (3.57 percent), and Eastern Africa (2.95 percent). It is notable that no Asian country has registered appellation of origin under the Lisbon Agreement.

**Table 2.4: Distribution of actual and potential GIs by region (as of December, 2003)**

Region	Frequency	Percent	Region	Frequency	Percent
Australasia	4	0.49	South Africa	1	0.12
East Africa	1	0.12	South Asia	11	1.35
Eastern Africa	24	2.95	Southern Africa	7	0.86
Eastern Asia	31	3.81	Southern Asia	6	0.74
Eastern Europe	6	0.74	Southern Europe	366	45.02
Eastern North America	12	1.48	Southern North America	16	1.96
Eastern South America	2	0.25	Southern South America	7	0.86
Great Lakes Region	1	0.12	Western Africa	18	2.21
Middle East Africa	5	0.62	Western Europe	259	31.86
Middle East Asia	4	0.49	Western North America	29	3.57
Northern Europe	1	0.12			
Northern North America	3	0.37	<b>Total</b>	<b>813</b>	<b>100</b>

*Source:* GIANT database, [http://www.american.edu/ted/giant/global\\_analysis.doc](http://www.american.edu/ted/giant/global_analysis.doc)

GIANT has also looked at the distribution of GIs by product type. Dairy and meat are the two largest categories (20.79 and 20.19 percent respectively), followed by the category oils and fats (9.84 percent) and vegetables (9.72 percent). Note that some categories that are not clearly protected in the EU appear in this database – national “dishes” and “manufactured” products with a geographical link.

**Table 2.5: Distribution of actual and potential GIs by product type**

Product Type	Frequency	Percent	Product Type	Frequency	Percent
Baked goods	24	2.95	Oils & Fats	80	9.84
Beverage	34	4.18	Olives	17	2.09
Condiment	30	3.69	Other	3	0.37
Dairy	169	20.79	Other drinks	38	4.67
Dish	7	0.86	Plant	9	1.11
Fruit	61	7.5	Seafood	14	1.72
Grain	14	1.72	Sweets	19	2.34
Manufacture	17	2.09	Vegetable	79	9.72
Meat	164	20.17	Wine/Spirit	23	2.93
Nut	11	1.36	<b>Total</b>	<b>813</b>	<b>100</b>

*Source:* GIANT database, [http://www.american.edu/ted/giant/global\\_analysis.doc](http://www.american.edu/ted/giant/global_analysis.doc)

Hence, the history of GIs dates back several hundred years, but until this day not even one thousand products can be considered to be eligible for the designation “Geographical Indication”. This is to some extent due to the different systems of protection of this type of products that exist, but also to the differences around the world in preserving traditional ways of production. The vast majority of GIs are to be found in Europe, where the tradition of designating food stuff due to its origin also started.

## **3 The Economics of Geographical Indications**

Chapter 2 served to put GIs in a context for the reader who was relatively new to the topic. Bearing this background in mind, the economics underlying the designations can easier be understood.

### **3.1 Definition of Geographical Indication**

Geographical Indications (GIs) are collective intellectual property rights, which identify a good as originating in a certain territory or a region where a given quality, reputation or other characteristics is essentially attributable to its geographical origin. These indications consist of a name that is used to designate a product. A geographical indication cannot be created, but it can be identified and developed.<sup>10</sup>

### **3.2 Theoretical Aspects**

The focus of the theory chapter will be on how and why Geographical Indications are considered to be able to contribute to Rural Development. In order to understand this, it is first necessary to grasp why Geographical Indications are considered to be eligible for protection (intellectual property theory), what type of good GIs are, and what the implications of this protection are for consumers and for producers.

#### **3.2.1 The Intellectual Property family**

Geographical Indications belong to the Intellectual Property (IP) family.<sup>11</sup> Other family members are copyrights, patents and trademarks, where trademarks can be understood as

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<sup>10</sup> Correa, 2002, pp 2; Addor et al., <http://www.jrc.es/pages/iptsreport/vol74/english/ITP1E746.htm>

<sup>11</sup> This paragraph draws upon the work of Bethune, 2003, pp. 5; Economides, 1997

Geographical Indications' older brother. Standard economic analysis typically suggests that monopolies are harmful to the society, but in the case of IP exceptions are frequently made, since monopoly grants in this case can be proven to be necessary and beneficial. Protection of IP creates important incentives for innovation and new research that would not have taken place without the protection. This is due to the high cost to the innovator and the relatively small, if any, profit the innovator can make from the innovation unless it is being protected. The monopoly right can therefore yield benefits to the society in excess of the costs that are incurred.

Patents are typically granted for innovations that are novel, non-obvious and that have a practical utility. Copyrights protect the creation of written and artistic works. The two of them give rise to the production of goods that the society values. In other words the outcome of the patent or the copyright holder's work can be shared by anyone and there is no rivalry.<sup>12</sup>

Trademarks differ from patents and copyrights in that trademarks do not give rise to the production of goods that would otherwise not have been produced.<sup>13</sup> Instead, trademarks give ownership to words and symbols considered to be unique to a particular enterprise; the trademark then becomes an asset of the producer. Trademarks are used by manufacturers or sellers to identify a product or a service and distinguish it from other goods. They typically say little about the composition or specification of the good; instead, they identify the maker of the good. The buyer infers information about the features of the good by remembering his or her previous experience. Words that are merely descriptive terms for a good, the good's features or the purpose of it, do not qualify as trademarks due to three reasons. First, a descriptive word does not identify the good of a particular seller. Secondly, if the law gave monopoly rights to a term of general use it would be unfair competition. The new "owner" of the word would benefit from the general use of the word, as it was understood before registration. Furthermore, if a descriptive term were registered as a trademark, the rest of the society, including competing firms, would be deprived of the usage of the word, such that competing firms could not use that word to describe what they were selling or producing. Often, the big success of certain brand names makes them vulnerable to becoming generic by describing a whole class of goods rather than the product(s) of a particular manufacturer. Famous examples of trademarks that became generic are Aspirin, Escalator and Thermos.

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<sup>12</sup> Bethune, 2003, pp. 5; Economides, 1997

<sup>13</sup> The section on trademarks draws upon the work of Economides, 1997

The main argument for advocating trademarks is the existence of information asymmetry in many markets. The purpose of most trademark laws is primarily to protect the consuming public, not the trademark owners.<sup>14</sup> Often, the seller has more and better information about the unobservable features of the good for sale, than does the consumer.<sup>15</sup> And often, the unobservable features are the key determinants of the value of the good. In the absence of trademarks, consumers would often pick a good with undesirable qualities. On top of that, producers would choose to produce goods with the cheapest possible unobservable qualities, since they, without trademarks, would be unable to transmit to the consumer signals of the unobservable high qualities of their goods. Basically, trademarks provide information in summary form, through a symbol that the consumer identifies with a specific combination of features. This is efficient and timesaving for the consumer, it promotes brand competition, which leads to higher quality goods in the marketplace, and furthermore, allows the consumer to get the quality he/she is paying for. In other words, the risk that the consumers get confused would be eliminated. If confusion exists in the market, and products with a similar name but with other features (such as lower quality) exist, the success of the trademark will be limited. To expand, the producer receives a price mark-up for products appreciated by the consumers. The negative aspect of trademarks is that the protection of law that is offered is still a form of monopoly right, which distorts the market.

Essentially, Geographical Indications are valuable for the same reasons that trademarks are valuable. Hence, GIs function as assets for producers and the designations further serve as a means for consumers to distinguish between different products. Furthermore, protection of GIs prevents the terms from becoming generic. As in the case with trade marks, the main argument for advocating GIs is the existence of information asymmetry. Hence, consumers are protected from confusion by receiving information on a product's geographical origin, at the same time as producers can signal the exact value of their product, which allows appreciated producers to receive price premiums for their products. The major difference between trademarks and GIs is that GIs are linked with territory; a trademark can be sold and re-localized but not a GI. Furthermore, a trademark is an exclusive individual right whereas a GI is accessible to any producer of the locality or region concerned.<sup>16</sup> Though there are

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<sup>14</sup> This section draws upon the work of Hennessey, 1999, pp. 3; Rangnekar, 2004, pp 9-11

<sup>15</sup> The section on "theory of goods" will explain information asymmetry more in depth

<sup>16</sup> GAIN Report, 8/28/2003, p. 4

important differences between GIs and trademarks, it should be noted that the use of a GI may be combined with a trademark which identifies a specific producer within the geographical area.<sup>17</sup>

### 3.2.2 Theory of goods

Economists have classified goods on the basis of how information is accessed by and/or conveyed to consumers.<sup>18</sup> Three categories of goods exist;

- Search goods: Consumers can ascertain quality before buying them.
- Experience goods: Consumers can ascertain quality after buying and using them.
- Credence goods: Consumers cannot ascertain quality neither prior inspection nor after buying and using them. In this case, consumers will base their choice mainly on the indications supplied by the producer.

Many goods might display characteristics of more than one category. Furthermore, as individual consumers differ in their preferences, a particular good could be classified differently across consumers. For example, in the case of coffee beans, a consumer that is largely concerned with price rather than other product attributes would consider coffee beans a search good. Another consumer, who value attributes such as flavor before price, would consider coffee beans an experience good. In contrast, a consumer who is interested in the attributes of the production process (e.g. fair trade, environmental concerns etc.) would consider this a credence good.

Because of the existence of asymmetric information for experience and credence goods, reputation – often communicated through distinctive signs – plays an important economic role of signaling a certain level of quality that consumers learn to expect. By maintaining a certain minimum level of quality, and asserting this to the consumer, producers of reputable products can charge a price premium (differential between marginal cost and price).<sup>19</sup> Consumers can retaliate by curtailing future purchases if quality does not meet expectations. For the producers, the system of reputation imply that their decisions to invest in quality products is dynamic: the returns from current investments in producing high-quality products occur in the

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<sup>17</sup> Correa, 2002, pp 15

<sup>18</sup> Rangnekar, 2004, pp 9-11; Arfini et al; 2003, pp 3; OECD, 2000, pp 8

<sup>19</sup> Rangnekar, 2004, pp 9-11; OECD, 2000, pp 8

future following repeated purchases on account of the product's high-quality reputation. Only when consumers learn about the quality of products, it is meaningful for producers to invest in producing high-quality products.

Agro-food products features goods of all three types mentioned above; however the majority are experience goods, whereas the majority of GI products are credence goods.<sup>20</sup> Different aspects of goods are clearly of different importance to different consumers. GIs can act as signaling devices for consumers interested in the area of geographical origin of the product, as well as certain quality standards and production methods. GIs are therefore timesaving for the consumers since it expunges confusion, and therefore minimizes the consumers search cost.

Hence, asymmetric information in the case of GIs justifies protection. This protection shields the consumers against misleading information on the origin of products and they protect producers against the dilution of an indication, allowing them to receive price premiums. It should also be recognized that there are three main types of risk, from the standpoint of free competition, with the protection of GIs. These risks are;

1. Protection of GIs may contribute to the existence of monopolistic cartels
2. Protection of GIs may constitute obstacles to new market entrants
3. Protection of GIs increases the risk for over-administration and over-regulation (such as quota control of supply).<sup>21</sup>

### **3.2.3 Rural development theory and GIs**

Many rural development strategies are based on the production of differentiated agricultural goods, demanded by a fraction of consumers because of these products quality, environmental innocuousness, and/or typicality. When these goods are associated with the area where they are produced, they represent an immobile comparative advantage, which can be used as a force for spurring economic activity in remote and/or underprivileged regions. The reason to why producing specific products can be more profitable than generic agricultural production is twofold. First, differentiation generates a degree of market power, which may be exploited through proper organization among producers. Secondly, these products may have specific

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<sup>20</sup> OECD, 2000, pp 32

<sup>21</sup> OECD, 2000, pp 16

characteristics that are desired by consumers, who will have a higher tendency to buy them, provided that appropriate communication is done. Both these arguments have been described for above.

“Geographical indications are much more than the identification of a product with a place. As a type of intellectual property, that is attached to territory, they are a means for the social and industrial groups with rights to them to protect and distinguish their products. Small local producers are able to use them to enhance their reputations, and to sell directly to final demand, thus competing more effectively against large corporations”.<sup>22</sup>

The connection between product and region allows for niche marketing, brand development and extracting value from reputable indications. GIs can serve as a tool for securing consumers’ loyalty by establishing the link between product attributes and the geographical origin. A GI essentially permits to increase producers’ rents based on product differentiation, in a form of monopolistic competition, as mentioned previously. However, the economic value of GIs is not limited to the additional rents they may generate to producers. There are also other, less quantifiable, benefits such as the possibility of generating employment, increasing income or retaining population in certain regions.<sup>23</sup> This occurs not only from the direct links with production of the GI product, but also through indirect “spillovers”. The publicity a GI may bring to a region and the enhancement of territorial identity that it can bring to the locals are two such spillovers. The GI product identity can feed back into the regional identity and this enhanced regional identity thus becomes available for other producers’ products in the area. Hence, the intellectual property rights become available to producers of other products and services in the territory, who therefore can market their local products because of the association with the original product. For example, the region Burgundy gives its name to a famous wine, and at the same time the region Burgundy becomes known because of its wine. This attracts rural/cultural tourism to the region, which in turn can contribute to increased demand for other locally produced products, or to the provision of services that would not otherwise have been available. Hence, because of the marketing of the region through one GI product, there is a chance of creating more job

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<sup>22</sup> Moran, 1993, pp 264

<sup>23</sup> Correa, 2002, pp 15-16

opportunities and increased incomes through an indirect link with the original GI.<sup>24</sup> For these reasons, GIs are regarded as a potential tool for rural development.

However, some argue that the potentials of GIs to contribute to rural development have been over-estimated. For example, Callois (2004, pp 15) argues, “even under a collective income-maximizing strategy, differentiation is by no means automatically profitable [...] Individual productivity, and product differentiation must be high enough”. Furthermore, he claims that quality labels are a selfish way of development, as the rise in some farmers’ income does not benefit the rural region as a whole. The gains to the individual producer are higher the fewer the farmers who produce it, and the more the quality good is specific and profitable. Nonetheless, Callois also points out the indirect links between GIs and rural development, saying that origin labeled products can have a positive impact on local cohesion and identity, and that the social impact is often more important than the direct economic impact.

### **3.3 Summing up**

Asymmetric information in the case of GIs justifies protection. This protection shields the consumers against misleading information on the origin of products, and it protects producers against the dilution of an indication, allowing producers to receive price premiums. GIs are differentiated agricultural goods, and because of their association with the area of production they constitute an immobile comparative advantage to this area. Producing specific products is often assumed to be more profitable than generic agricultural production because differentiation generates a degree of market power to the producers. Furthermore, specific products are likely to have specific attributes/characteristics, which, if recognized by consumers, can generate a price premium for the producer. Production of GI products may also have broader, indirect effects on for example employment generation, and a GI product can act as a marketing tool for a region. However, some claim that GIs are a selfish way of development, as the rise in some farmers’ income does not benefit the region as a whole.

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<sup>24</sup> Ray, 2002, pp 12; Rangnekar, 2004, pp 16-17

## 4 The WTO and the TRIPs Provisions

Bearing the background on GIs provided in chapter 2 in mind, and with the theoretical insights from chapter 3, the current debates in the WTO regarding GIs could be understood more easily. This debate is of interest to this thesis because the EU claims, among other things, that protecting GIs contribute to rural development in the EU, and therefore it is essential that GIs are being adequately protected world-wide. Naturally, because enforcing protection simultaneously justifies that monopoly rights are given to certain producers, it is crucial to this debate whether or not the EU can prove that GIs do actually contribute to rural development. Hence, here follows an in-depth description of the current discussions in the WTO.

### 4.1 GI history in the WTO

In 1994 the World Trade Organization (WTO) reached an agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement) which defines GIs as “*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*”.<sup>25</sup> The TRIPs Agreement requires WTO Members to provide the legal means for interested parties to prevent the use of a GI that either indicates or suggests that a good originates in a geographical area other than the true place of origin, in a manner which misleads the public as to the geographical origin of the good, or constitutes an act of unfair competition.<sup>26</sup>

Three articles were stipulated under the TRIPs Agreements, Article 22, 23 and 24. All products are covered by Article 22, which defines a standard level of protection. In short, this article says that GIs have to be protected in order to avoid misleading the public and to prevent unfair competition. Article 23 provides a higher level of protection for GIs for wines

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<sup>25</sup> WTO, [http://www.wto.org/english/thewto\\_e/whatis\\_e/eol/e/wto07/wto7\\_19.htm#note1](http://www.wto.org/english/thewto_e/whatis_e/eol/e/wto07/wto7_19.htm#note1)

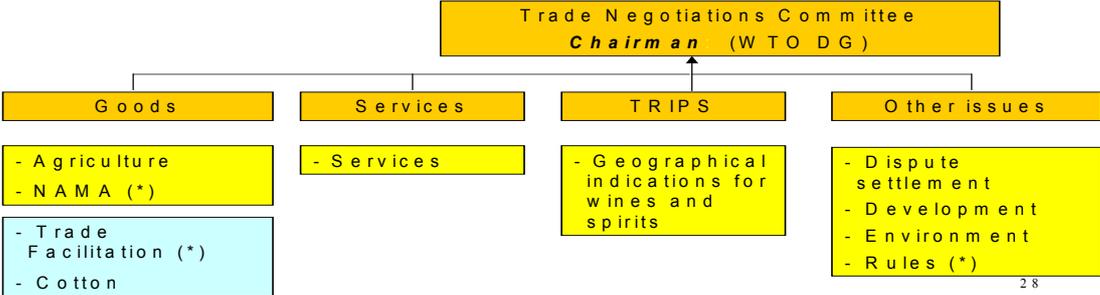
<sup>26</sup> The United States Mission to the European Union, July 22, 2003, [www.useu.be/Categories/Trade/July2203USGeographicalIndications.html](http://www.useu.be/Categories/Trade/July2203USGeographicalIndications.html)

and spirits. GIs for these products have to be protected even if misuse would not cause the public to be misled or where the geographical indication is accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like. Article 24 of TRIPs provides a number of exceptions to the protection of geographical indications that are particularly relevant for geographical indications for wines and spirits (Article 23). For example, Members are not obliged to protect GIs when a name has become a generic term or when a term has already been registered as a trademark.<sup>27</sup> (See Appendix 1 for the full description of Article 22, 23 and 24.)

### 4.2 The Doha Development Round – what is the issue?

The current round of negotiations in the WTO is referred to as the Doha Development Agenda (DDA). The Doha negotiations take place under several different pillars; Goods, Services, TRIPS, and Other Issues. See Figure 4.1 below.

**Figure 4.1: DDA negotiations: Structure**



**Source:** WTO Intellectual Property Division, June 2005

As described for above, GIs are part of the TRIPS Agreement. The TRIPS Agreement was revolutionary in that it created uniform minimum standards for protection of GIs for all WTO Member states (148 members as of August, 2005). However, it does not define a system that WTO Members must implement. GIs are therefore protected by a variety of national laws and

<sup>27</sup> WTO, [http://www.wto.org/english/tratop\\_e/trips\\_e/gi\\_background\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/gi_background_e.htm);

under a wide range of legal theories, including trademark, unfair competition, consumer protection, and special laws for the protection of geographical indications.<sup>28</sup> Compared to the number of trademarks registered in the world (approximately 6 million are estimated to currently be in force), the issue of GIs might seem like a trivial debate.<sup>29</sup> However, the negotiations are of tremendous importance to the countries that have developed a tradition of protecting GIs, such as many European countries.

Since 1994, three issues have been debated: creating a multilateral register for wines and spirits, extending the higher (Article 23) level of protection beyond wines and spirits and the claw-back of certain GIs for their “countries of origin”, whether they constitute generic terms or trademarks in the countries where they are currently used.<sup>30</sup>

In short, a number of countries want to negotiate extending to other products the higher level of protection currently given to wines and spirits as well as the claw-back of GIs (the EU-position), others oppose the move (the US position). The division on the issue is therefore North-North, which is fairly untypical in the WTO context, where most disputes tend to be North-South. Several developing countries are supporting both sides. Many argue that the present TRIPs provisions on GIs are basically the result of trade-offs between the US and the EU, set during the Uruguay Round negotiations in 1994. These trade-offs were partly due to the link to the agricultural negotiations, even though the negotiations started out as an intellectual property dispute.<sup>31</sup> Given this link, the higher level of protection for wines and spirits was implemented for the political reason of persuading the European Union to join consensus on the Uruguay Round package, in spite of strong opposition on part of many other countries. The only feasible option not blocking the negotiation was thus to agree to further talks on the topic.<sup>32</sup> The WTO debates on “extension” are so far inconclusive. The original deadline for the agreement was set to the Cancún Ministerial Conference in September of 2003. However, the negotiations failed and for the moment the focus is on the Hong Kong

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<sup>28</sup> For example, Roquefort has been reserved for cheese produced in France under the French AOC system, under the EU Agricultural Regulation No. 2081/92, and under US Trademark Registration No. 571,798. Heinze, 2003, <http://www.aplf.org/mailler/issue97.html>

<sup>29</sup> WIPO/Italian Ministry of Foreign Affairs, 2005

<sup>30</sup> Lovells, 2003, pp. 3

<sup>31</sup> Whether or not the negotiations should take place under the Agriculture or the TRIPs pillar is still being debated, with the EU as proponents of making it part of the Agriculture negotiations, and the US supporting it to remain under the TRIPs negotiations.

<sup>32</sup> Das, 2004, pp. 3

Ministerial Conference, taking place in December 2005. However, it is still uncertain whether the issue will be part of the final Doha negotiating package.

**4.3 Brief outline of the different positions**

*The Demandeurs:* The main proponent of the proposal for a mandatory extension of Article 23 to other products as well as a multilateral register for wines and spirits are the European Union and some Eastern European countries (non-EU members), China, Iceland, India, Kenya, Mauritius, Nigeria, Pakistan, Sri Lanka, Switzerland, Thailand, Tunisia, Turkey, Jamaica and several other Caribbean and Andean countries, as well as several African countries.<sup>33</sup>

*The Joint Proposal Group:* The main actors of the Joint proposal group (opposing an extension of Article 23 etc.) are the United States, Argentina, Australia, Brazil, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, Djibouti, Dominican Republic, El Salvador, Guatemala, Hong Kong, Japan, Malaysia, Mexico, New Zealand, Paraguay, the Philippines, South Africa and Uruguay. Instead they support the idea of a voluntary notification and enforcement system within the WTO.<sup>34</sup>

**Table 4.1: Arguments for and against increased protection of Geographical Indication**

<b>For increased protection</b>	<b>Against increased protection</b>
(a) additional protection of geographical indications for all products adds value for exports because it increases the chances of market access for such goods;	(a) the legal and administrative costs associated with extending the scope of Article 23.1 would be significant;
(b) without the additional protection, free-riding is possible and there is a risk that geographical indications will become generic over time;	(b) there is no evidence of failure of Article 22 to protect geographical indications for products other than wines and spirits;

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<sup>33</sup> ERS/USDA, <http://www.ers.usda.gov/Briefing/WTO/geoindications.htm>; Das, 2004, pp. 5, <http://www.indiatogether.org/2004/apr/eco-tradeGIs.htm>; [www.wto.org](http://www.wto.org); WIPO/Italian Ministry of Foreign Affairs, 2005

<sup>34</sup> ERS/USDA, <http://www.ers.usda.gov/Briefing/WTO/geoindications.htm>; USTR, 2002, [http://www.ustr.gov/sectors/2002-09-20-GI\\_23\\_extension\\_paper.PDF](http://www.ustr.gov/sectors/2002-09-20-GI_23_extension_paper.PDF); WIPO/Italian Ministry of Foreign Affairs, 2005

(c) the test contained in Article 22, which currently applies to products other than wines and spirits, leads to legal uncertainty in the enforcement of protection for geographical indications;

(d) Article 22 places a costly burden of proof on the producer entitled to use a geographical indication to show that the public has been misled, or that there has been an act of unfair competition;

(e) the cost to individual producers or consortia of registering their GI in every country is today in many cases exorbitant.

(c) there is no evidence to indicate whether extending the scope of Article 23.1 to products other than wine and spirits would result in more effective protection than is already afforded to those products under Article 22;

(d) additional protection could close-off future market access opportunities for emerging industries and result in uncertainty concerning the continued use in existing markets;

(e) consumer confusion would be caused through the disappearance of terms customarily used to identify products which will, in turn, increase search and transaction costs for consumers and potentially prices as well.

**Source:** De Sousa, 2001, p. 8-9

Table 4.1 describes the formal arguments heard from both sides. However, the financial and policy related interests from the different parties need to be laid out as well.

On the demandeur side, first, GIs are of economic significance to many EU countries.<sup>35</sup> The European Communities have registered more than 4,900 (4,200 for wines and spirits; almost 700 for other products) geographical indications. Also, in the EU, the issue of GIs is closely tied to the agricultural policies. Since 1992, quality rather than quantity has been the focus of the agricultural policies, and rural development has been included as one of two pillars of the CAP (Common Agricultural Policy), underlining the importance Europeans attach to having a vivid countryside. GIs is claimed to be a significant tool to enable the Union to pursue these objectives.<sup>36</sup> The advocates of an extension further argue that increased protection of GI products would create a genuine niche for development of agri-food industries in developing countries, and hence contribute to rural development also in these countries. Furthermore, the advocates emphasize that GIs is a matter of free trade, not protectionism. Several European GIs are today trademark protected in non-European countries by non-European producers.

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<sup>35</sup> When nothing else mentioned, all information in this section is collected from the European Commission's homepage, [http://europa.eu.int/comm/trade/issues/sectoral/intell\\_property/argu\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/intell_property/argu_en.htm)

<sup>36</sup> Next chapter will treat this issue in-depth. The EC homepage as well as Das, 2004

Because of this, the “original producers” are locked out of these markets, or have to sell their product under another name.<sup>37</sup>

Furthermore, the demandeur group claims that extended WTO protection of GIs would benefit producers as well as consumers by allowing the producers to signal the specific characteristics of their products and capitalize on them, and by diminishing the confusion to the consumers. The chance that overall food quality would increase is also great, since the producers under GI protection would have greater incentives to produce high-quality products, because they are assured that the consumers can distinguish between their product and similar products. On top of that, it is argued that additional protection is needed due to the current difficulties of GI enforcement. Small producers do not have the resources to negotiate GI protection with numerous governments. WTO protection would therefore vastly facilitate the negotiation process for these producers. On top of this, the demandeurs claim that there are too many loopholes with the current system, which makes it difficult for producers to take advantage of the existing GI protection.

The joint proposal group consists mainly of the “new world”, hence the countries that were populated by European emigrants. Therefore, they often claim that the immigrants brought the traditional methods of producing food and beverages with them to their new home countries. It is therefore argued to be unfair that a region should have monopoly on producing a certain product, when the same production methods are practiced elsewhere. However, the underlying reason to why the US (and others) is opposing the demandeur proposal is that the proposal threatens companies that hold trademarks of GI products. “Multinationals and companies outside the EU that have built reputations in part on products that originally came from Europe could suffer under the EU proposal if they were required to change the name of their products and if demand for the products were to decrease. Companies such as Kraft generate millions of dollars annually from sales of inexpensive Parmesan cheese, which takes its name from the world class Parmigiano Reggiano”.<sup>38</sup>

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<sup>37</sup> For example, today Parma Ham is trademark protected in Canada. This has the implication that the Italian producers of Prosciutto di Parma (which translates to Parma Ham) cannot sell their ham in Canada under its original name, but have to call it “N. 1 Ham”. Furthermore, the Italian producers do not even have access to the Mexican market. Estimations appreciate that the Prosciutto di Parma producers are losin an estimated 3.5 million euro per year in these two countries alone.

[http://europa.eu.int/comm/trade/issues/sectoral/intell\\_property/argu\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/intell_property/argu_en.htm)

<sup>38</sup> Babcock & Clemens, 2004, pp 10. Note that Kraft already has been forced to change the name of its cheese to Parmesello within the EU. The EU proposal would block Kraft from marketing Parmesan cheese anywhere in the world, even though Kraft has produced a version of Parmesan cheese since 1945.

Furthermore, the joint proposal group argues that a more extensive protection than the one prevalent would not be fair, since not all WTO countries have as many GIs to protect as Europe does. Additional protection would therefore generate unequal gains. They also claim that many of the demandeur countries do not protect their own GIs for the moment, thus a WTO protection would not affect their domestic GI protection. The joint proposal group also emphasizes the enormous bureaucratic costs of implementing the proposal. The costs to governments of enforcing the rules and the costs to producers that would have to re-label their products would be tremendous. Furthermore, these countries also argue in terms of confusion to the consumers, just like the demandeur group. Their argument is that re-labeling products that consumers are accustomed to would cause great confusion.

Summing up, the main actors in the DDA-debate are the EU and the US – both acting in their own economic interest. For the EU it is essential that GIs are adequately protected throughout the world, because of the importance of these products to certain member states. GIs is a part of a broader policy objective with the CAP, where focus recently has shifted from production of quantity to quality. However, in the US, where several multinationals are dependent on the brand names with ‘European heritage’, and where the legal system is very differently set-up than from the EU, enforcing EU’s requirements would be a heavy economic burden for certain industries, and therefore also a very unpopular political move.

## **5 The European Union and Geographical Indications**

This chapter starts out by giving an overview of the EU policies on agriculture and rural development. I will then describe how GIs fit into this broader scheme, and give a picture of what the GI system looks like within the Union. By doing this, the essential background information needed in order to analyze GIs impact on RD in Europe will have been provided.

### **5.1 The objectives of the CAP and the reforms**

In order to understand the importance of GIs to the EU, one has to be familiar with the context of agricultural policies in the Union. Subsidizing of agriculture in the EU has taken place for half a century. After the Second World War the rural poverty in Europe was immense. Also, the degree of self-sufficiency in agricultural products was very low, and the farms were small scale and low-tech. A system to support the farmers was therefore established in 1962. The objectives were to: increase agricultural productivity; provide a proper standard of living for the agricultural population; stabilize markets through smaller price variations; establish self-sufficiency; and to ensure the supply of food to reasonable prices.<sup>39</sup>

The main instrument of the CAP used until the early 1990s were fixed prices on the commodity markets. The fixed prices were set above world market prices. High tariffs were used to keep out cheap products from the rest of the world. Hence, the EU isolated itself from external competition. However, as the European farmers' productivity increased, the use of tariffs was no longer sufficient to keep the high commodity prices. A surplus of agricultural products was being produced which caused the policies of intervention – export subsidies and intervention buying. That is, high guaranteed prices were paid to EU farmers for any amount not sold on the market. The CAP was (and to some degree still is) funded by tariffs and by member country contributions (share of GDP). Since the major part of the CAP expenditures was caused by the production surpluses, the CAP became a system of transfers between member countries (from net importing to net exporting countries). This caused pressure for reforms. Others demanding a reform were the European consumers, third countries that were

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<sup>39</sup> Ortalo-Magné & Mahé, 1999, pp. 90

hurt by our support system<sup>40</sup> as well as environmental and agricultural lobbyists, and eventually the upcoming enlargement spurred changes.<sup>41</sup>

As a result of the pressure, the CAP has been reformed three times since 1992. Because of this, the support given to European farmers today is mainly decoupled, implying that farmers make their production decisions based on market signals to a much greater extent. Focus has shifted from production of quantity, towards quality. Hence, instead of producing large quantities of bulk commodities, the European farmers today invest a lot more in value-added food production. Multifunctionality is a key word of today's agricultural policies as well. The idea that farmers provide a public good, by maintaining the rural areas in shape, rather than just producing food, has contributed to the public being willing to support the farmers. However, the support farmers receive today is linked to how well they maintain their land, if they follow certain environmental standards, animal health standards etc. Ten percent of the CAP budget is dedicated towards rural policies today.<sup>42</sup>

## 5.2 Rural Development

The interest in the development of rural areas in Europe comes from the effects of the development paths undertaken by occidental economies, where for a long period of time, the predominance of growth has centered on the active, and dynamic, role of urban and industrial areas.<sup>43</sup> Between 1975 and 1995 the reduction of agricultural farms in Europe was more than forty percent in the EU-9, and 32 percent in the EU-12. As a consequence, rural areas have experienced increased economic and social problems in competitiveness. The income derived from the agricultural activity has systematically remained inferior to the average of the extra-agricultural sectors. This has contributed to depopulation, as well as environmental and cultural degradation, of the rural areas. It has also produced important changes within the agricultural sector. Farm sizes have grown larger and larger over time, diminishing the role played by family farms. Larger farms can use resources more efficiently through economies of scale and thereby outplay non-industrial farms. Also, the development of multinational

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<sup>40</sup> In particular the US, Australia and New Zealand but later also coalitions of developing countries

<sup>41</sup> Colman & Roberts, 1994

<sup>42</sup> Colman & Roberts, 1994, pp 110-115; Kelch & Normile, 2004, pp 2

<sup>43</sup> This section draws upon Pacciani et al., 2001, pp 2-3; Cecchi, 1999, pp 8; Wijnands et al., 2004, pp 2; Sivini, 2004, pp 1-3

retailers in the food sector has changed the everyday life for producers. These big multinationals operate on the European and world markets and, because of their strong negotiating position, are able to determine the prices to the producers. The smaller farms have had to face a situation where the farmers' share of the consumer expenses has been continuously decreasing. Family farms, constrained by family needs, are less well suited to face the challenge of economic growth than big farms that are fully integrated in the market. All these factors have contributed to changing the appearance of, and the diminished role played by, rural areas. The uneven growth of the urban and rural areas has marginalized the role played by agriculture in the national economies, with deep social effects. By rural development economists, one way of providing enhanced opportunities for rural areas ties quality and differentiation of products, as well as environmental impact, to a "new, cultural" dimension of consumption.<sup>44</sup>

The European Union has over the last decade gradually integrated the agricultural policies with a concept of rural development, a concept that is oriented towards a diversification of economic and social activities in rural areas. Diversification here has two meanings: firstly, diversification of on-farm activity and secondly, diversification of the economic base of rural areas. Diversification strategies have one primary aim and that is to support rural incomes, either by providing new entrepreneurial opportunities, or by providing new employment opportunities. Three key words can be used to describe the concept of rural development in the European Union;<sup>45</sup>

- Endogenous: rural development should be mainly based on local resources.
- Integrated: rural development is not only agricultural development, but it considers multifunctionality of agricultural firms as well as the integration of all the economic and social activities (tourism, craft, services etc.).
- Sustainable: the respect of natural and social environment plays a central role.

Hence, as described for above, Europe has moved the whole basis of support away from being a sectoral policy for agriculture based on commodity price support, towards being a more integrated policy for rural areas. In an era when farming has become agribusiness, and farmers need to be entrepreneurs seeking to maximize the economic return from their resources, the environmental services and cultural landscape preservation they carry out do

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<sup>44</sup> See the theory chapter on Rural Development

<sup>45</sup> Draws upon Pacciani et al., 2001, pp 3 and Skuras, 2004, pp 4

not pay. Therefore, farmers need incentives to provide these types of services to the rest of the society, who perceive these features to be collective goods that need to be protected. This is where the protection, and indirectly promotion, of typical products – GIs – come into play.<sup>46</sup>

In protecting product names from misuse and imitation, the objectives of the EU regulator were explicitly directed at supporting the rural economy by encouraging diversification of agricultural production, improving farmers' incomes, and retaining population in rural areas.<sup>47</sup>

### 5.3 Geographical Indications in the EU

In 1992 the European Union introduced legislation on geographical indications and designations of origin in an attempt to harmonize this protection at the Community level (EC Regulation No 2081/92). The objectives of the regulation can be classified according to three categories,<sup>48</sup>

- ❖ An *agricultural and rural policy* objective, which can be broken down into three sub-objectives:
  - Encourage the diversification of agricultural production (agricultural policy)
  - Achieve a better balance between supply and demand (market policy)
  - Promote the value of products for the development of remote or less-favored regions, with the secondary aim of stabilizing and improving farm incomes (rural development policy)
- ❖ A *competition policy* objective:
  - Guarantee equal competition between the producers of products benefiting from these designations
- ❖ And a *consumer policy* objective, with two sub-objectives:
  - Clarity (“consumers must, in order to be able to make the best choice, be given clear and succinct information regarding the origin of the product”)
  - Credibility (“to enhance the credibility of these products in the eyes of the consumer”)

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<sup>46</sup> Buckwell, 1997, pp 1-10; Sivini, 2004, pp 1-3

<sup>47</sup> Hayes et al., 2003, pp 6

<sup>48</sup> The following text is a direct quote from Barjolle & Sylvander, 2000, pp 9

Until today, the EU system for protection of GIs is by far the most elaborate GI system that exists in the world. The classification used is similar to the French system of appellations of origin; within the EU they are named Protected designation of origin (PDO), Protected geographical indication (PGI) and Traditional Specialty Guaranteed (TSG). The GI regulation protects the names of cheeses, hams, sausages, olives, breads, fruits, vegetables and much more.<sup>49</sup> (See Appendix 1 for a full list of the products protected by the registration).

PDO is a term used to describe food items that are produced, processed *and* prepared in a particular geographical location using knowledge privy to the people of that location. PGI products must be produced, processed *or* prepared in a specific geographic region. Hence, the difference between a PGI and PDO is that the PGI only requires one of the three aforementioned characteristics in order to be registered. Examples of PDOs are Roquefort and Parmigiano Reggiano and of PGIs are scotch beef and scotch lamb.<sup>50</sup> The TSG indicator refers not to origin, but to traditional characteristics by which the product is produced and composed. Examples of TSGs are Mozzarella and Jamón Serrano.<sup>51</sup> Registered PGIs, PDOs and TSGs are legally (inside the territory of the European Community) protected against any misuse or misleading indication. Furthermore, the Commission has authority to negotiate agreements with third countries for the reciprocal protection of designations. This paper will cover only PDOs and PGIs, since the TSG regulation does not restrict the production to specific regions.

On June 12 and July 1 1996, the European Commission adopted an initial list of 318 and a second list of 64 products under the Regulation on the protection of geographical indications and designations of origin. Since then, additional products have been added, and the Regulation on PDO/PGIs now covers almost 700 food names (wines and spirits not included).<sup>52</sup> Some of the registrations have been, and still are, controversial, and various court cases throughout the EU since the late 1990s have resulted. Some examples of the cases brought to the Court of Justice of the European Communities, and hence indicate the difficulty of the granting of protection, are;<sup>53</sup>

- Gorgonzola/Cambozola, 1999

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<sup>49</sup> EU Food Law News, 24 January 1997, [www.foodlaw.rdg.ac.uk/news/eu-97-12.htm](http://www.foodlaw.rdg.ac.uk/news/eu-97-12.htm)

<sup>50</sup> ERS/USDA; <http://www.ers.usda.gov/Briefing/WTO/geoindications.htm>

<sup>51</sup> European Commission's homepage, [http://europa.eu.int/comm/agriculture/foodqual/quali1\\_en.htm](http://europa.eu.int/comm/agriculture/foodqual/quali1_en.htm)

<sup>52</sup> 694 PDO and PGIs as of 2005-08-01, European Commission's homepage,

[http://europa.eu.int/comm/agriculture/foodqual/quali1\\_en.htm](http://europa.eu.int/comm/agriculture/foodqual/quali1_en.htm)

<sup>53</sup> 22 cases as of 2005-08-10, OAMI, <http://oami.eu.int/EN/mark/aspects/ecj-2.htm>

- Feta, 1999
- Parmesan, 2002
- Grana Padano, 2003
- Prosciutto di Parma, 2003
- Budweiser, Budweiser Budvar, Bud / American Bud, 2003<sup>54</sup>

On top of EC Regulation No. 2081/92 the EU has signed bilateral agreements with numerous countries involving protection for thousands of geographical (e.g. cities and regions) and non-geographical wine names. Examples of protected names under the agreements are “sherry” and “port”.<sup>55</sup>

### **5.3.1 Distribution of PDO/PGIs between countries and products**

A north-south divide within the EU can definitely be observed. (See Table 5.1). The countries with a long experience from protection of appellations of origin (France, Italy, Spain, Portugal) top the list (in terms of number of products protected), followed by Greece and Germany. Over 90 percent of the cases originate from these six countries. Germany stands out a little bit in this crowd, being the only “non-Southern” country. A closer look at the country’s PDO/PGI registration reveals that the explanation lies in the large number of waters and beers protected (43). Without these entries, Germany would only account for 3.46 percent of the PDO/PGIs registered. The northern countries, which traditionally have been protecting food products under trademark laws, are far behind their southern neighbors, and several of the new member states still do not have a single PDO/PGI to protect. Looking instead at the number of PDO/PGIs protected per capita, Portugal and Greece are by far the largest actors. Italy, Spain and France still have more PDO/PGIs than the average for the EU, 1.53, but Germany has fewer registrations than the EU average. (Ignoring Luxembourg because of its relative insignificance). None of the northern or eastern European countries have more registrations than the EU average.

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<sup>54</sup> The first bilateral convention between a member state and a non-member country protecting indication of geographical source from that of a non-member country.

<sup>55</sup> ERS/USDA, <http://www.ers.usda.gov/Briefing/WTO/geoindications.htm>

**Table 5.1: Distribution of PDO/PGIs within the EU (as of August, 2005)**

Country	No of PDO/PGIs	Share of total PDO/PGIs (%)	No of PDO/PGIs per 1 million citizens
Belgium	4	0.58	0.39
Czech Republic	3	0.43	0.29
Denmark	3	0.43	0.56
Germany	67	9.65	0.81
Estonia	0	0	0
Greece	84	12.10	7.64
Spain	91	13.11	2.19
France	143	20.61	2.40
Ireland	3	0.43	0.77
Italy	149	21.47	2.60
Cyprus	0	0	0
Latvia	0	0	0
Lithuania	0	0	0
Luxemburg	4	0.58	8.93
Hungary	0	0	0
Malta	0	0	0
The Netherlands	6	0.86	0.37
Austria	12	1.73	1.48
Poland	0	0	0
Portugal	93	13.40	8.94
Slovenia	0	0	0
Slovakia	0	0	0
Finland	1	0.14	0.19
Sweden	2	0.29	0.22
United Kingdom	29	4.18	0.49
<b>Total</b>	<b>694</b>	<b>100</b>	<b>EU average: 1.53</b>

*Source:* European Commission, [http://europa.eu.int/comm/agriculture/qual/en/1bbab\\_en.htm](http://europa.eu.int/comm/agriculture/qual/en/1bbab_en.htm) and Eurostat news release, [http://epp.eurostat.cec.eu.int/cache/ITY\\_PUBLIC/3-31082004-BP/EN/3-31082004-BP-EN.PDF](http://epp.eurostat.cec.eu.int/cache/ITY_PUBLIC/3-31082004-BP/EN/3-31082004-BP-EN.PDF)

Most GI researchers tend to explain the pattern by referring to the different juridical set-ups, and differing traditions of protecting food products under different types of laws. In other words, because the northern and eastern European countries lack a tradition of protecting appellations of origin, they lag behind in the EU Regulation system. However, Lee & Rund (2003) attribute the uneven pattern of PDO/PGI registrations to climatic conditions. They claim that the Mediterranean weather has made the Southern European societies heavily agricultural and therefore their products are more likely to be harvested, produced and prepared locally. Whereas Northern European countries, which face a more severe weather, are less likely to produce agricultural products and thus more likely to deal in finished products.

Lee & Rund (December 2003) compared the number of PDOs registered with the number of PGIs as of September 2003. (See Table 5.2). The total amount of registrations were 601 at the time, 364 of them being PDOs and 237 of them PGIs, hence 60.6 percent of the registrations were PDOs and the remaining 39.4 percent PGIs. The reason to why they believe this is important is because they make the assumption that PDO has more to do with process, whereas PGI has a closer connection to geography.<sup>56</sup> Hence, more people locally would be involved in producing a PDO-product, and therefore the number of jobs per quantity produced would be higher for PDO than for PGI products. In other words, PDO products would have a greater impact on RD than PGIs under the Lee & Rund assumption.

**Table 5.2: Type of GI by country**

Country	GI type		Ratio PDO/PGI	Total
	PDO	PGI		
Austria	8	4	2	12
Belgium	2	2	1	4
Denmark	0	3	Na	3
Finland	1	0	Na	1
France	63	68	0.9	131
Germany	38	25	1.5	63
Greece	59	22	2.7	81
Ireland	1	2	0.5	3
Italy	78	40	2	118
Luxembourg	2	2	1	4
Netherlands	5	0	Na	5
Portugal	52	29	1.8	81
Spain	42	25	1.7	67
Sweden	0	2	Na	2
UK	13	13	1	26
<b>Total</b>	<b>364</b>	<b>237</b>	<b>1.54</b>	<b>601</b>

*Source:* Lee & Rund, 2003, [http://www.american.edu/ted/giant/pubs/eu\\_analysis.doc](http://www.american.edu/ted/giant/pubs/eu_analysis.doc)

Based on Lee & Rund's assumption, one would then draw the conclusion that production of GI products is most efficient (in terms of contribution to employment generation, and hence RD) in Greece, followed by Italy and Austria.

<sup>56</sup> Remember the definitions, PDO describes food items that are produced, processed *and* prepared in a particular geographical origin, PGI products must only be either produced, processed *or* prepared in a specific geographical origin.

Looking instead at the types of products that are being protected; cheeses, meat-products, ‘fruits, vegetables & cereals’, and olive oils stand out, together accounting for 80 percent of the registrations.

**Table 5.3: Distribution of PDO/PGIs between products**

<b>Product</b>	<b>No of PDO/PGIs</b>	<b>Share of total PDO/PGIs</b>
Cheeses	155	22.33
Meat-based products	75	10.81
Fresh meat (and offal)	101	14.55
Fresh fish etc.	9	1.30
Other products of animal origin	22	3.17
Oils and fats/olive oils	89	12.82
Table olives	16	2.31
Fruits, vegetables and cereals	140	20.17
Bread, pastry, cakes etc.	17	2.45
Beer	18	2.59
Other drinks	39	5.62
Non-food products etc.	9	1.30
Spices etc.	4	0.58
<b>Total</b>	<b>694</b>	<b>100</b>

*Source:* European Commission, [http://europa.eu.int/comm/agriculture/qual/en/1bbaa\\_en.htm](http://europa.eu.int/comm/agriculture/qual/en/1bbaa_en.htm)

France and Italy dominate the cheese registration, with 42 and 31 registrations respectively. France also, together with Portugal, dominates the meat-based/fresh meats categories. The two countries hold 54 and 46 registrations respectively. Portugal further rules the registration of honey (9 of 15), whereas Italy and Greece control the oils and fats category (36 vs. 25 registrations). Greece also holds a near monopoly in the table olives section, while it is almost a draw between the major players (Greece, Spain, France, Italy and Portugal) in the fruits, vegetables and cereals sector. Germany, as mentioned before, is strong in beers and waters.

Summing up, one can conclude that the EU countries involved in GIs are mostly from Southern Europe. The products are mostly related to animal husbandry (meat and dairy) and high value added products, especially cheese. However, production of PDO/PGI fruit, vegetables & cereals has increased over the last couple of years; also oils hold a prominent position. A relatively high degree of product specialization by country exists.

## 6 Evaluating GIs in the EU

GIs as a concept have so far been explained from several different angles. The history and background has been provided, as well as the current issue in the DDA-round. Furthermore, the economic theory justifying protection and explaining the potential benefits (in particular in spurring rural development) has been described for. I will now turn my focus to on one of the objectives with the stipulation of EU Regulation 2081/92, namely that the regulation should “promote the value of products for the development of remote or less-favored regions, with the secondary aim of stabilizing and improving farm incomes”.<sup>57</sup> In brief, this chapter aims at mapping down what the impacts from production of GI products have been on rural areas. The next chapter will look closer at what the experience has been for selected products/regions, as well as the significance of having a protection in place. Almost ten years after the implementation of the regulation on Community level, such an evaluation seems appropriate. This is due to two reasons; first, it is important to follow up on how well the actual objectives have been achieved through the regulation that was put in place; and second, because of the ongoing DDA-negotiations (and a potential final package on GI protection under the WTO in December), where the EU claims that extended protection of GIs worldwide is an essential tool for rural development strategies. If GI production can be proven to contribute to rural development, and if protection of GI products is necessary in order for the producers to reap the full benefits from such production, then the countries currently opposing the EU suggestion of ‘extension’ of protection should take the EU argument more serious. The data laid out in this chapter, together with the case studies laid out in next chapter, will allow me to draw conclusions on whether or not GIs have a higher positive impact on the regions where they are being produced, than ‘regular’ agricultural production has. This will depend on whether or not the products extract price premiums and if there is a consumer interest for these products. Next chapter will then be concluded with a discussion on whether or not protection of GIs is necessary in order for GIs to have a positive impact on its region of production.

As described for in the section on rural development theory, the reason to why production of specific products can be more profitable than generic agricultural production is twofold. First,

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<sup>57</sup> Barjolle & Sylvander, 2000, pp 9

differentiation generates a degree of market power. Secondly, these products may have specific characteristics that are desired by consumers and who will therefore have a higher propensity to buy them, provided that appropriate communication is done. In real life, these two features translate into price premiums (because of a monopoly position) and growing output (because of increasing consumer demand).

The evaluation carried out in this chapter will mainly focus on the existence of price premiums and growth, and it will be divided into four sections. First, I will look at the economic importance of GI production for selected EU member states. My focus will be on the four countries with the highest number of PDO/PGI products currently protected under Regulation 2081/92. Aggregate statistics on turnover value, importance of exports etc. for these countries reveal a lot on the experience many GI producers have had, and therefore on the overall impact of GI production on rural areas. I will then look at the European consumer attitude to GIs. In order for the strategy behind GIs to succeed, there has got to be an interest from consumers for these types of products. Documented existence of price premiums is not enough to proof such interest, since an existing price premium could be due to many other reasons, such as the historic reputation of a good. In other words, if it can be proven that consumers have an interest in consuming GI products, then chances are also greater that the “diversification of rural areas strategy” will be more successful. The third section of this chapter however, will look at the documented existence of price premiums. This part naturally complements the previous section, hence it is not enough for consumers to claim that they are willing to pay extra for GI products, it is obviously of importance that their willingness to pay is also translated into price premiums. The fourth section will look at the change of production of some selected PDO/PGI products, where signs of growth can be interpreted as an increasing interest among consumers for these products, and hence greater potential for GI products to benefit their regions of production.

## **6.1 Economic importance of PDO/PGIs to some EU countries**

The economic and social impact on countries’ economies can testify to the importance, and the relevance of protection of GIs, to some of the EU member countries. The impact and importance of GIs has only been thoroughly documented by some of the member countries,

notably those that have most at stake (France, Italy, Spain, Portugal) and therefore this is not an exhaustive evaluation of all member countries.

### 6.1.1 France<sup>58</sup>

In 2003, the total turnover for PDO and PGI products in France was 3.15 billion Euros, an increase with 28 percent (up from 2.46 billion Euros) from 1997. At least 53 000 jobs were directly related to the PDO/PGI production in France, however some claim that the figure was almost 65 000.

The cheese sector: The cheese sector is by far the most important PDO/PGI sector in France, and it is a growing sector. In 2003, the turnover for the PDO-dairy sector (which includes 3 types of butters and 40 different cheeses) was 2 billion Euros. This was an increase by 25.8 percent (up from 1.59 billion Euros) since 1997. The overall output of the cheeses that today carry the PDO label increased from 152 411 tons in 1991, to 190 540 tons in 2003, an increase by more than 25 percent. In other words, an increasing consumer interest was picked up by producers who either increased already existing production, or who went from producing 'regular' dairy products, to PDO-products, resulting in an increase of total output. In year 2000, the price gap between non-PDO cheese and PDO-cheese in France was 2.1 Euro per kg, although it should be recognized that there are variations among PDO-cheeses. Hence, consumers are willing to pay more for French PDO-cheeses than regular cheeses, and furthermore – because the turnover value has increased relatively more than the output since 1997, the prices to consumers must have increased over this time period as well. This reflects an increasing willingness to pay for PDO-cheeses among consumers.

At least 23 000 raw producers (milk farmers) were directly involved in the PDO/PGI dairy production in 2003.<sup>59</sup> On top of that several indirect jobs have been generated at dairies, wholesalers etc.

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<sup>58</sup> All data on France stems from: French Ministry of Agriculture, 2004; ; Lassaut, 2001; INAO, <http://www.inao.gouv.fr/public/home.php>; Aubard, 2005

<sup>59</sup> Some studies claim that the PDO/PGI dairy sector in France generates 28 000 direct jobs; Aubard, 2005

**Table 6.1: Production of French PDO-cheeses, 2003**

<b>Product</b>	<b>Output (tons)</b>	<b>Share of total PDO-cheese output (%)</b>
Comte	44 717	23.47
Roquefort	18 510	9.71
Cantal	17 974	9.43
Reblochon	16 987	8.92
Others	92 352	48.47
<b>Total</b>	<b>190 540</b>	<b>100</b>

*Source:* INAO, <http://www.inao.gouv.fr/public/home.php>

The largest PDO-cheeses in France – Comte, Roquefort, Cantal and Reblochon – together account for more than half of the French PDO-cheese market, Comte and Roquefort are also the two biggest PDO/PGI export products. Total exports of PDO-cheeses in 2003 were 5.8 percent (11 000 tons) of total production, up from 5.3 percent in 2001. 3 509 tons (or approximately 32 percent of the total exports) were accounted for by Roquefort, the second largest export was Comté, 2 683 tons (almost 25 percent of total exports of PDO/PGI dairy products). Increasing exports implies that the potential market is growing. This in turn implies that the potentials for rural development (through higher profits and more jobs) are increasing, and hence that the importance of protection of GIs is ever more important.

The PDO-sector, excluding cheeses: This includes all other sectors, which hold PDO protection, for example olive oils, meat based products, honey, fruit, vegetables etc. The turnover for 2003 was approximately 0.15 billion Euros. In all, more than 9 000 producers are directly involved with this sector, and almost 300 processing firms.

The PGI-sector: This sector includes all PGI-products, regardless of the type of product, however the majority of the PGI-products are meat based. The total turnover for 2003 was 1 billion Euros. The sector grew by 39 percent between 1997 and 2003 (up from 0.72 billion Euros). This growth was to a large extent due to the number of new products registering, rather than an unusual growth of the already registered products. This also, however, reflects an increasing consumer interest, which in turn has motivated producers to go into GI-production. PGI-production covers more than 21 000 producers, 765 processing firms (the number of employees is not known) and more than 2 000 distributors (number of employees not known).

To sum up, PDO/PGI production generates many billion Euros to French producers. The consumer interest in French GI products has evidently increased over the last decade, which has resulted in higher output levels and also higher prices (as well as documented price premiums) for GI products. This has translated into higher incomes, and generated a substantial amount of jobs, in other words GI production contributes to keeping rural areas vivid in France, and the importance of GI production is rising.

### 6.1.2 Italy<sup>60</sup>

Italy has the most PDO/PGI products protected under Regulation 2081/92, the turnover value is also the highest turnover among all Member States. The turnover for PDO/PGI products in Italy in 2002 was almost 7.8 billion Euros, an increase by 26 percent since 1999 (when the turnover was approximately 6.2 billion Euros).<sup>61</sup> 7.8 billion Euros was equivalent to seven percent of the total value of agricultural production in Italy year 2002. However, approximately 65 percent (or 5.1 billion Euros) is accounted for by only four products – Prosciutto di Parma, Prosciutto di San Daniele, Grana Padano and Parmigiano Reggiano. Nonetheless, in 2002, over 100 000 agricultural unities and 5 400 processing enterprises were directly involved in the production of PDO/PGI products all over Italy. The products are estimated to contribute to the generation of over 300 000 jobs (directly and indirectly). In 2002, 624 400 acres were used for the production of PDO/PGI products, an increase in acres by 2.4 percent since the year before.

**Table 6.2: PDO/PGI products in Italy by sector (2002), consumer value**

Product	Production (thousand acres)	Turnover (million Euros)	Exports (million Euros)	Destination of Exports		Total export share (%)
				% EU	% non-EU	
Processed meats	167.5	3 086.9	613	81.4	18.6	15.1
Cheeses	414.3	4 513.7	638.9	47.7	52.3	18.4
Olive oils	5	54	18.5	45.9	54.1	27
Fruits & Vegetables	34.5	73.1	2.3	32.4	67.6	3
Other products	3	45.4	6.3	40	60	0.3
<b>Total</b>	<b>624.4</b>	<b>7 773.0</b>	<b>1 279.1</b>			<b>16.7</b>

*Source:* Fondazione Qualita, 2003

<sup>60</sup> All data on Italy stems from: Fondazione Qualitativa, 2003; Belletti et al., 2000

<sup>61</sup> The turnover for PDO/PGI products was approximately 12 000 billion lire in 1999, the exchange rate as of 31 December 1999 was 0.000516457 lira per Euro

The largest PDO/PGI sector in Italy, in terms of turnover, is also (like in France) the cheese sector. The sector had a turnover of 4.5 billion Euros for 2002. The turnover for the PDO/PGI processed meat sector for the same year was 3.1 billion Euros. The sector with the largest dependency on exports is the olive oil sector, although the economic value of exports is much larger for the processed meats and the cheese sectors. It is also notable that exports within the Union are of greatest importance to the processed meats sector, whereas the other sectors export a larger share to the non-EU market.

**Table 6.3: Main PDO/PGI processed meats products, Italy (2002), consumer value**

Product	Turnover (million Euros)	Exports (million Euros)	Export (%)
Prosciutto di Parma	1 453	420.9	17.8
Prosciutto San Daniele	803	90	16
Mortadella Bologna	363	34.3	30
Bresaola delle Valtellina	203.7	5	8
Speck dell' Alto Adige	167.2	58.2	5
Total	2 990.2	608.5	15.5
Other products	96.7	4.5	3.3
<b>Total processed meats</b>	<b>3 086.9</b>	<b>613</b>	<b>15.1</b>

*Source:* Fondazione Qualita, 2003

Prosciutto di Parma stands out in the processed meats sector, with a turnover of almost 1.5 billion Euros in 2002. 17.8 percent of the production is being exported, an increase with 6.1 percentage points since 1999, when only 11.7 percent was being exported. The second largest PGI/PGO processed meat producer in Italy is Prosciutto di San Daniele, with a turnover in 2002 of 803 million Euros. San Daniele producers export 16 percent of their production, an increase with 2 percentage points since 1999, when only 14 percent of the production was sold abroad. Mortadella Bologna is the processed meat with the greatest dependency on exports. Overall, the share of PDO/PGI processed meats products that are being exported increased significantly, from 9.8 percent to 15.1 percent, between 1999 and 2002.

**Table 6.4: Main PDO/PGI cheeses, Italy (2002), consumer value**

Product	Turnover (million Euros)	Exports (million Euros)	Export (%)
Grana Padano	1 460.3	180.6	19.6
Parmigiano Reggiano	1 398.6	120.4	11.5
Gorgonzola	392	110.5	26.6
Mozzarella di Bufala	386.9	87.8	56.7
Pecorino Romano	264.3	106.6	14
Total	3 902	605.9	21.1
Other products	611.7	32.9	5.1
<b>Total cheeses</b>	<b>4 513.7</b>	<b>638.9</b>	<b>18.4</b>

*Source:* Fondazione Qualita, 2003

The PDO/PGI cheese with the highest turnover is Grana Padano, closely followed by Parmigiano Reggiano. The Grana Padano producers exported almost 20 percent of its production in 2002, a remarkable increase from 1999, when the export share was only 14.7 percent. The same holds true for Parmigiano Reggiano, the export share increased from 7.8 percent in 1999 to 11.5 percent for 2002, even though the total turnover value decreased with 123 million Euros between 1998 and 2002 (down from 1 522 million Euros). Gorgonzola is the only of the main PDO/PGI cheeses whose export share has decreased; it fell from 29.5 percent in 1999 to 26.6 percent in 2002.<sup>62</sup> The dependency among the Mozzarella di Bufala producers on exports is significant, with more than half of their production being shipped abroad. Overall, the export of PDO/PGI cheeses has increased between 1999 and 2002 (from 16.9 to 18.4 percent), but the increase is not as significant as the increase in the processed meats sector.

**Table 6.5: Main PDO/PGI Olive Oils, Italy (2002), consumer value**

Product	Turnover (million Euros)	Exports (million Euros)	Export (%)
Toscana	20.4	13.3	60
Umbria	9.8	0	20.1
Riviera Ligure	6.7	1.3	20
Garda	2.8	0.9	30
Terre di Siena	2.7	0.8	54.1
Total	41	16.3	31.8
Other products	13	2.2	8.7
<b>Total olive oils</b>	<b>54</b>	<b>18.5</b>	<b>27</b>

*Source:* Fondazione Qualita, 2003

The olive oil sector is the fastest growing export sector among the PDO/PGI products in Italy. Between 1999 and 2002 the share of PDO/PGI olive oils being exported increased from 4.4 to

<sup>62</sup> Likely due to the discovery of the bacteria listeria, which exists in Gorgonzola.

27 percent. Toscano was accountable for much of this increase, with its share of production being exported increasing from 36.3 percent in 1999 to 60 percent in 2002. However, besides Toscano, only Garda was on the top five list over PDO/PGI olive oils turnover in 1999, all the other products have recently increased their sales, and as can be seen in table 6.5 all of them export an important share of their production, with Terre di Siena being the most outstanding example.

Summing up, one can conclude that also for Italy, the production of GI products is very important. It generates many billion Euros of income to the production regions, and it contributes to over 300 000 jobs. As for France, the consumer interest in Italian GI products has increased over the last decade, which has resulted in higher output of GI products. Hence, GI production is increasingly contributing to keeping rural areas vivid in Italy.

### 6.1.3 Spain<sup>63</sup>

The value of Spain's PDO/PGI products is only a fraction of that of Italy's. In 2002 the turnover was 542.6 million Euros. However, over the last decade the growth of the market for Spanish PDO/PGI products has been significant. The turnover in 2002 was almost three times that of the turnover a decade earlier. (See Table 6.6).

**Table 6.6: PDO/PGI products in Spain by sector (market value in million Euros)**

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Cheeses	109.4	97.1	91.3	90.5	73.4	61.4	57.1	56.6	45.1	36.6
Virgin Olive Oil	55.9	42.7	49.1	34.7	28.3	27.6	27.1	19.4	23.1	20.7
Jamón	49.5	59.2	49.3	38.4	32.8	36.7	34.9	28.7	22	24.6
Vegetables	46.3	46.4	29.1	35.7	27.8	32.5	14.1	12.5	12.6	12.6
Other fresh meat and meat based products	105	96.7	80.4	53.5	46.7	45.6	52.1	26	2.3	1.6
Fruits	70.9	71.7	73	72.1	53.2	48.6	39.5	28.8	24.1	26.7
Nougat (turrón)	83.6	69.5	65.5	50.1	49.8	54.9	43.3	53.5	54.9	52.9
Others	22	18.6	14.6	11.3	43.3	41.3	8.1	8.3	8.3	6.5
<b>Total</b>	<b>542.6</b>	<b>501.9</b>	<b>452.3</b>	<b>386.3</b>	<b>355.3</b>	<b>348.6</b>	<b>276.2</b>	<b>233.8</b>	<b>192.4</b>	<b>182.2</b>

*Source:* Ministry of Agriculture, Fisheries and Food of Spain; 2005; [www.mapya.es](http://www.mapya.es)

<sup>63</sup> All data on Spain stems from: Ministry of Agriculture, Fisheries and Food of Spain, 2005, [www.mapya.se](http://www.mapya.se); SIA-DGA, 2001

The largest, in terms of value, sectors in Spain, are the fresh meats (including Jamón), processed meats and the cheese sectors. Most impressive is the growth of the fresh meat and meat based products sector.<sup>64</sup> However, it is notable that the distribution of Spanish PDO/PGIs (in terms of value) is fairly equal, and no sector dominates over the others. The sudden increase, and then sudden drop, of the category labeled “others”<sup>65</sup> for 1997-98 is noteworthy, however no explanation to this sudden peak is to be found in the data provided by the Spanish Ministry of Agriculture. It is also notable that nougats make up a large share of the Spanish PDO/PGIs, a product that has barely any PDO/PGI value for other EU member states.

**Table 6.7: Domestic value and value and destination of exports of Spanish PDO/PGIs, 2002**

	Domestic (million Euros)	Exports (million Euros)	Destination of exports		Total market value (million Euros)
			% EU	% non-EU	
Cheeses	87.19	22.21	52.2	47.8	109.4
Virgin Olive Oil	39.88	16.03	69.3	30.7	55.91
Vegetables	45.16	1.16	82.8	17.2	46.32
Fruits	42.94	27.96	98.4	1.6	70.9
Nougat (turrón)	73.8	9.83	27.9	72.1	83.63
Ham, other meat and meat based products and other products	175.25	1.17			176.42
<b>Total</b>	<b>464.22</b>	<b>78.36</b>			<b>542.58</b>

*Source:* Ministry of Agriculture, Fisheries and Food of Spain; 2005; [www.mapya.es](http://www.mapya.es)

In 2002, 14.4 percent of the total value of Spanish PDO/PGI products was exported. The largest export products in 2002 were fruits and cheeses, the same products as for 1999. Hams, other fresh meat products and meat based products were by far the most popular PDO/PGI products on the domestic market. Of the export products, the nougat sector was the one that was most dependent on third country markets (72 percent of the total exports of nougat). In terms of value however, the exports of cheese to third country markets is the most important (10.6 million Euros in 2002).

<sup>64</sup> The reason behind the remarkable increase is not known to the author, but could stem from an increase in the number of products registered, rather than a tremendous increase of output or retail value.

<sup>65</sup> Including rice, beans & lentils, honey, raisins and tubers among other products.

Summing up, one can conclude that also for Spain, the production of GI products is important. Even though the total turnover value is a lot lower for Spain than for the neighboring countries of France and Italy, GI production is of significant importance to the regions where this type of production takes place. As in the case for France and Italy, the demand for Spanish GI products has increased significantly over the last decade, which has translated into increased outputs, revealing the potentials that exist for Spanish GI producers, and hence rural development, in the future.

#### 6.1.4 Portugal<sup>66</sup>

The total turnover of PDO/PGI products in Portugal in 2003 was 70 million Euros. This was an increase with 136 percent (in terms of value) since 1997. The largest sector was the fruit sector, whose total turnover jumped from 22.8 million Euros in 2001, to 38 million Euros in 2003. This was mostly due to the increase of the price of Pera Rocha do Oeste, whose total turnover value in 2003 was almost 32 million Euros (and hence it is the largest individual PDO/PGI product in Portugal), but also due to the PDO/PGI registration of new products (such as Citrinos do Algarve: Oranges and Tangerines). Cheese production is the second largest sector, and the turnover of this sector has also increased over time, even though not as drastically as for the fruit sector.

**Table 6.8: PDO/PGI products in Portugal by sector (market value in thousand Euros)**

Sector	1997	1998	1999	2000	2001	2003
Cheese	7 634	8 014	10 726	11 495	12 758	12 397
Beef/Cattle	6 346	6 053	6 736	7 999	9 178	9 813
Sheep	783	731	2 068	1 697	1 396	1 930
Goat	152	206	341	251	148	282
Pork						1 154
Processed meat	446	915	1 039	2 158	2 181	2 651
Honey	334	281	347	394	704	339
Olive Oil	1 494	1 508	2 949	2 695	5 812	3 453
Fruit	12 482	33 231	19 167	22 609	22 789	38 074
<b>Total</b>	<b>29 670</b>	<b>50 939</b>	<b>43 372</b>	<b>49 297</b>	<b>54 964</b>	<b>70093</b>

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

Note: market value for 2003 estimated from estimations based on average prices for the PDO/PGI product and the total amount produced

<sup>66</sup> All data on Portugal stems from: Fragata & Leitao, 2002; Ministry of Agriculture, Rural Development and Fisheries of Portugal, [www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

PDO/PGI production makes up 11 percent of the total production of sheep meat in Portugal. This is the sector where PDO/PGI products hold the largest share. The first PDO/PGI registration in the pork sector took place 2003, and hence the share of production is fairly insignificant.

**Table 6.9: PDO/PGI share of total foodstuff production in Portugal, by sector, 2003**

<b>Sector</b>	<b>PDO/PGI production (tons, olive oil in hl)</b>	<b>Total production in Portugal (tons, olive oil in hl)</b>	<b>PDO/PGI share of total production (%)</b>
Cheese	1 287	63 257	2
Beef/Cattle	2 114	78 689	2.7
Sheep	291	2 640	11
Goat	24	701	3.4
Pork	414	308 758	0.1
Processed meat	225	x	x
Honey	79	7 310	1.1
Olive Oil	10 683	342 544	3.1
Fruit	28 708	832 666	3.4

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

The vast majority of the Portuguese PDO/PGI products are consumed domestically. For many products, such as beef products, goat meat, honey and olive oil, a third of the production does not even leave the local region of production. However, the fruit PDO/PGI sector is completely reliant on exports. The honey producers also export a substantial amount of their production, and more than a fifth of the olive oil produced is shipped abroad. It is also notable that the share of total production being exported has increased for several of the sectors since 1999. The cheese export has increased from 3 percent, the processed meat export has increased from one percent, the olive oil export has increased from 3 percent and the export of fruits increased by 55 percentage points from 31 percent. Only the honey sector exported a smaller fraction of total production in 2003 compared to 1999, a decrease from 68 to 43 percent. For the majority of PDO/PGI producers in Portugal however, the domestic market is still the most important market.

**Table 6.10: Domestic consumption and exports of Portuguese PDO/PGI products, 2003**

<b>Sector</b>	<b>Local consumption (%)</b>	<b>Domestic consumption (%)</b>	<b>Exports (%)</b>
Cheese	14	80	6
Beef/Cattle	30	70	-
Sheep	4	96	-
Goat	34	66	-
Pork	8	92	-
Processed meat	16	79	4
Honey	36	21	43
Olive Oil	34	65	21
Fruit	3	11	86

**Source:** Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

Note: Estimations based on total value of production, 'domestic consumption' entails consumption taking place in Portugal but outside the region of production

As can be seen from Table 6.10, Pera Rocha do Oeste has substantial impact on the figures in the PDO/PGI fruit sector. When the price per kg of the pears doubled in two years (from 0.60 Euros per kg in 2001 to 1.20 Euros per kg in 2003), this therefore had a major impact on the total turnover value of the whole PDO/PGI production in Portugal. Pineapple growers in Acores/San Miguel carry out the only other significant production of PDO/PGI fruit in Portugal.

**Table 6.11: The Portuguese PDO/PGI fruit sector, 2003**

<b>Product</b>	<b>Total value of production (Euros)</b>	<b>Share of total PDO/PGI fruit sector (%)</b>
Castanha da Padrela	24 375	0.06
Pera Rocha do Oeste	31 575 373	82.93
Maca de Alcobaca	1 069 422	2.81
Cereja de S.Juliao - Portalegre	6 463	0.02
Castanha Marvao - Portalegre	2 575	0.01
Maca de Portalegre	327	0.001
Ameixa d'Elvas	200 000	0.53
Citrinoso do Algarve: Laranjas	716 305	1.88
Citrinoso do Algarve: Tangerinas	29 434	0.08
Ananas dos Acores/S.Miguel	4 286 266	11.26
Maracuja dos Acores/S.Miguel	1 062	0.003
Anona da Madeira	162 500	0.43
<b>Total</b>	<b>38 074 102</b>	<b>100</b>

**Source:** Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

The second biggest PDO/PGI sector in Portugal – the cheese sector – is much more evenly distributed. Queijo de Sao Jorge had the largest turnover in 2003, almost 4 million Euros and

approximately a third of the total PDO/PGI cheese sector. Queijo de Sao Jorge was followed by Queijo de Nisa, Queijo de Azeitao and Queijo Serra de Estrela, and the four cheeses together accounted for almost three quarters of the total PDO/PGI cheese production in 2003 in Portugal.

**Table 6.12: The Portuguese PDO/PGI cheese sector, 2003**

<b>Cheeses</b>	<b>Total value of production (euros)</b>	<b>Share of total PDO/PGI cheese production (%)</b>
Queijo de Terrincho	403 377	3.25
Queijo de Cabra Transmontano	113 056	0.91
Queijo Rabacal	12 000	0.10
Queijo Serra de Estrela	1 555 911	12.55
Queijo Castelo Branco	614 833	4.96
Queijo Amarelo da Beira Baixa	506 968	4.09
Queijo Picanteda Beira Baxa	186 172	1.50
Queijo de Azeitao	1 568 437	12.65
Queijo de Evora	339 650	2.74
Queijo de Nisa	2 046 839	16.51
Queijo Mestico de Tolosa	194 153	1.57
Queijo de Serpa	979 200	7.90
Queijo de Sao Jorge	3 870 076	31.22
Queijo do Pico	0	0
Requeijao Serra de Estrela	5 885	0.05
<b>Total</b>	<b>12 396 557</b>	<b>100</b>

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

Summing up, in terms of total turnover, the Portuguese PDO/PGI production is fairly insignificant compared to the PDO/PGI sectors in Italy and France, and even Spain. However, the PDO/PGI production constitutes between 2 and 4 percent of total production for several sectors in Portugal, and the value of PDO/PGI production has increased significantly since 1997 for all sectors. Also, the share of production being exported has increased for several sectors. Hence, also producers of GI products in Portugal face an increasing demand, which has translated into increased production. GI production is therefore also in Portugal of uttermost importance to the producers of certain products, from certain regions, where the connection between this type of agricultural production and the development of the region is obvious.

### **6.1.5 Conclusions on economic importance to some countries of PDO/PGI production**

The four countries with the highest number of PDO/PGI registrations under Regulation 2081/92 – Italy, France, Spain and Portugal – have followed a fairly similar pattern. In three of the countries, a handful of products (or even less) make up a significant share of the total turnover value.<sup>67</sup> The turnover value differ quite a lot between the different countries – from 7.8 billion Euros in Italy (2002) to 70 million Euros (2003) in Portugal. However, what all four markets have in common is that they are growing. The PDO/PGI market in Spain tripled over a decade, whereas Portuguese production increased by 136 percent in six years, and Italian and French production has increased by more than 25 percent since the end of the 1990s. The dependency on exports differs between countries, as well as between sectors and among different products within the same sector. However, the share of PDO/PGI products being exported has increased in all four countries. In Italy and France, the two countries where estimations of total employment generation have been carried out, the PDO/PGI production provide at least 350 000 jobs.

Summing up, it is evident that the market for PDO/PGI products is growing. This reveals an interest among consumers for these types of products, which has been picked up by producers. Hence, PDO/PGI production is of increasing importance to farmers and processors of agricultural products. Although GI-production only constitutes a fraction of total value of foodstuff production in Europe, the role several GI-products play for the regions where production occurs is non-negligible. The country data presented in this chapter shows the importance of income generation and job generation that is attached to the GI-production in certain regions and in certain sectors, and hence the relevance in supporting this type of production in order to contribute to rural development.

## **6.2 Consumer attitude**

As noted in the introduction of chapter six, the difficulty in quantifying the exact share of the price of a GI product that is attributable to the actual PDO/PGI designation, calls for an analysis of the consumers attitude. Documented interest among consumers is therefore of

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<sup>67</sup> No statistics on product level were found for Spain

importance when evaluating Regulation 2081/92's relevance for rural development. Without an interest from the consumers, and a willingness to pay for knowing the origin of a product, the system of origin labeling cannot survive. This section provides evidence on the importance European consumers attach to GI products, and their willingness to pay for such products.

### **6.2.1 How European consumers perceive GIs and their willingness to pay price premiums<sup>68</sup>**

According to a Eurobarometer poll from 1999 this is how European consumers perceive GIs (poll carried out between 29 October 1998 to 10 December 1998, in EU-15 of 16 214 people):<sup>69</sup>

- 37 percent think of GIs as a guarantee of origin
- 37 percent think of GIs as a guarantee of quality
- 56 percent think of GIs as a guarantee of place and method of production
- 17 percent associate GIs with tradition

and European consumers' willingness to pay price premiums:

- 43% were willing to pay up to an extra 10% for GI products
- 8% were willing to pay up to an extra 20% for GI products
- 3% were willing to pay up to an extra 30% for GI products

These results demonstrate that almost half of the European consumers claim to be willing to pay a price premium for being guaranteed the origin of the product. Furthermore, the results imply that Europeans to a great extent recognize origin labeling and associate it with a guarantee of a specific origin.

Nevertheless, the relevance of this study should be taken with some degree of cautiousness. Another Eurobarometer poll from 1998 (carried out in a similar manner to the one in 1999, described for above) showed somewhat contradictory results – only 6.3 percent of the consumers knew the three letters “PDO”, and 13.5 percent the full denomination “protected designation of origin”. Moreover, only a third of the consumers knew that the PDO label

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<sup>68</sup> WIPO Seminar, Federacion Nacional de Cafeteros de Colombia, 2005

<sup>69</sup> Correa, 2002, pp 17 ; European Commission, public opinion, [http://europa.eu.int/comm/public\\_opinion/index\\_en.htm](http://europa.eu.int/comm/public_opinion/index_en.htm)

implies that the product has a well-defined geographical origin, and only a quarter could say that the main ingredients must all come from the production area.<sup>70</sup> Hence, if consumers do not recognize and associate the label with particular qualities, their willingness to pay a price premium for it is going to be diminished. It should be noted that the differences between Northern and Southern European consumers were tremendous. For example, in Portugal and Luxembourg 20 percent of those asked knew about the term, compared to only 1 percent in Sweden and Denmark.<sup>71</sup>

More recently, Eurobarometer (February 2005) presented a study on Europeans' perception of the European agricultural policies (the CAP).<sup>72</sup> The survey was conducted among 25 000 European citizens from all 25 member states. The poll did not address specific GI concerns, but it did reveal that issues such as food quality and origin of food products are of importance to European consumers.<sup>73</sup> It also showed that 45 percent of the EU consumers found that the CAP plays its role well in protecting the specificity and taste of European agricultural products.<sup>74</sup>

Taking the three polls together (from 1998, 1999 and 2005), one can conclude that quality and origin is of importance to the European consumers, which signals that they would be prepared to pay price premiums for products which guarantee origin and production methods. However, it is unclear how familiar the typical EU consumer is with the labeling used to designate origin within the Union (the PDO/PGI designations), and hence, it is also unclear if the PDO/PGI label in itself contributes to the existence of price premiums.

## 6.2.2 Regional polls

Italian consumers were asked about their awareness of and dependence on labels of origin for two famous products (Parmigiano Reggiano and Prosciutto di Parma).<sup>75</sup>

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<sup>70</sup> Barjolle et al., 2000b

<sup>71</sup> Barjolle & Sylvander, 2000a

<sup>72</sup> European Commission, 2005, [http://europa.eu.int/comm/agriculture/survey/index\\_en.htm](http://europa.eu.int/comm/agriculture/survey/index_en.htm); When reading these statistics, and comparing them to older figures, bear in mind that the EU has increased from 15 to 25 members since May 2004, which is not accounted for in the statistics.

<sup>73</sup> 33 percent found that the CAP did a good job in ensuring food quality, 29 percent agreed with the statement that the CAP ensures that the consumers know what geographical area the food comes from.

<sup>74</sup> 30 percent did not agree with this statement, the rest of the consumers did not have an opinion.

<sup>75</sup> Arfini, 2000

**Table 6.13: Consumer Trust and Consortium Labels**

	<i>Parmigiano-Reggiano Cheese</i>			<i>Parma Ham</i>		
	1	2	3	1	2	3
Consumers looking for Consortia label (%)	75.8	19.6	4.5	66.9	24.9	8.2
Consumers looking for firm brand (%)	29.5	33.2	33.9	22.8	39.7	34.8

Note: 1 = always; 2 = sometimes; 3 = never

Source: Arfini, 2000

- Between 2/3 and 3/4 of the respondents always sought the collective labels
- About 1/4 always sought the firm's brand
- More than 70 percent of the interviewed consumers could not remember the name of the firm producing the product

These results support the idea that collective labels (PDO/PGIs) are important to many consumers in Italy, in fact for certain products, it is much more important than the actual brand name. This in turn is likely to contribute to the consumers being willing to pay a price premium for products that are origin labeled. However, it should be noted that Parmigiano Reggiano and Prosciutto di Parma are at the upper end of the GI products in Europe, few products are better recognized than these two. Hence, it may be the case that for less famous PDO/PGIs, the brand name is of more importance to the consumers.

A more comprehensive study of Italian consumers was made in 2002.<sup>76</sup> 800 consumers indicated what criteria were of relevance to them when shopping for foodstuff. See Table 6.14.

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<sup>76</sup> Fondazione Qualita; 2003

**Table 6.14: Criteria for choice by consumers when buying foodstuff**

<b>Criteria for consumption</b>	<b>Most important</b>	<b>Multiple answers</b>
Recognizing the trademark	23.6	39.6
Good price	18.1	38.3
Italian product	17.6	32.7
Characteristics (smell, color etc.)	9	22.7
Organically produced	8.4	20.2
Regional/local origin	8.1	18.9
PDO/PGI product	7.4	17.7

*Source:* Fondazione Qualita; 2003

This is somewhat contradictory to the poll covering only Parmigiano Reggiano and Prosciutto di Parma, since the PDO/PGI label here seems to be of much less importance. However, still 17.7 percent of the Italian consumers look for the PDO/PGI label when doing grocery shopping, which may signal that almost a fifth of the Italian consumers are willing to pay a price premium for origin labeled products.

The same poll also revealed that Italian consumers associate the PDO/PGI label with food safety (32.6 percent), quality (30.9 percent) and typicality (30.0 percent). The fact that these criteria are of importance to Italian consumers may explain why only 20 percent of the interviewed said that they were not willing to pay a price premium for such products. Hence, according to the poll, 80 percent of Italians are prepared to pay extra for a PDO/PGI product. Furthermore, the poll showed that 51.8 percent of the Italian consumers had bought a PDO/PGI product during the past year (only 23.7 percent had not, the rest did not know if they had). The consumers who had not bought PDO/PGI products were asked for the reason for this; 33.7 percent of them answered that they were not aware of that the labeling existed; only 9.8 percent answered that PDO/PGI products were too expensive. Hence, taken together the two polls support the idea that consumers recognize the PDO/PGI label, associate this with safety, quality and typicality and are willing to pay a price premium for such product, even if the PDO/PGI label in itself is not enough for a consumer to buy the product.

Alvensleben & Schrader (1998) analyzed the importance German consumers' gave different attributes (price, brand and origin label) for butter and fresh potatoes. The brands got fictitious

names. The origin labels were the official Schleswig-Holstein quality labels. The test persons were asked to rank the test products according to their preference. For butter, the relative importance of the attributes was:

- Price = 40%; origin label = 36%; brand = 24%

For potatoes, the relative importance of the attributes was:

- Price = 33%; origin label = 40%; brand = 27%

For butter, 62 percent of the consumers are willing to pay more for the brand with the regional reference compared to the two competing brands without a regional reference. 68 percent of the consumers are willing to pay more for the butter with the origin labels than for unlabeled butter. Hence, the authors draw the conclusion that food products, which are perceived to originate from the own region, are preferred to products with an unknown origin. In other words, this analysis suggests that there is a potentially large market for origin labeled products in Germany.

### **6.2.3 Conclusions on European consumer attitudes**

There is a significant and documented interest among European consumers for the qualities that PDO/PGI products represent – food safety, food quality, environmental concerns etc. Furthermore, there is a considerable interest from consumers to pay a price premium for such products. The problem, however, seems to be that the average consumer is not familiar with the PDO/PGI labeling. The regional polls presented in this section only documents the interest of Italian and German consumers, and one must be aware of the differences among the consumers in the different member states in terms of the importance attached to origin of a food product. Therefore these results cannot be generalized to all consumers in the Union. However, the fact that there is a strong interest in these countries can give us a hint on what the potentials are for origin labeled products. The overall results provided in this section support the idea that GI products can contribute to increased incomes for GI producers, because a substantial amount of consumers are prepared to pay for knowing the origin and production methods of a food product.

### **6.3 Existence of price premiums**

This section puts together information on evidence of price premiums that are paid for PDO/PGI products. The prices of the PDO/PGI products presented here have been compared either to the price of close substitutes, or to the price of the product before the PDO/PGI protection. Note however, that the existence of a price premium does not necessarily imply that the premium stems from the actual protection of PDO/PGI products. The price premium could for example simply stem from the reputation of the product, a reputation that maybe was established long before the protection was put in place.

Regardless, the existence of a price premium is important because, as noted in the theory chapter, it implies that the raw producers (the farmers) may make a higher income than from ‘regular’ production, hence, contribute to increasing the income in rural areas. It may also signal that there is an interest from consumers for these types of products, and therefore the market shares of these products may increase. As a result, producers may invest to a greater extent in this type of production. Because PDO/PGI production typically is more labor intensive than production of bulk commodities, there is then potential for increased employment opportunities in the regions that have successful PDO/PGI products. Furthermore, the vast majority of the producers involved in PDO/PGI production are small farms, hence if a price premium can help these farms remain in business, then PDO/PGI protection can contribute to the preservation of the rural areas.

Table 6.15 and 6.16 present evidence on documented price premiums in Italy, France and Portugal.

**Table 6.15: Documented existence of price premiums in Italy and France**

Product	Price premium
Parma Ham (Italy)	Ham with consortia label: 50 000 lira/kg Ham with EU PDO origin guarantee: 42 772 lira per kg Undifferentiated dry-cured ham: 39 031 lira per kg
Cheeses in France (2002)	General, average PDO price: 10.42 euro/kg General, average price for all cheeses: 8.11 euro/kg
Milk purchasing price to producer (2002, France)	Average price, milk (not for PDO use): 0.30 euro/liter Beaufort producers: 0.57 euro/liter Reblochon producers: 0.40 euro/liter Comte producers: 0.39 euro/liter Maroilles producers: 0.34 euro/liter Brie de Meaux producers: 0.31 euro/liter
Olive oil retail price (France, 2002)	PDO: 20 euro/liter Non-PDO trademark: 14 euro/liter
Olive oil purchasing price to farmer (France, 2002)	PDO: 12.70 euro/liter Non-PDO trademark: 8.40 euro/liter
Retail price Camembert (France, 2002)	Camembert de Normandie (PDO): 1.80 euro/u Non-PDO Camembert: 1.46 euro/u
Retail price (both cheeses produced in French Comte, almost similar production and process requirements)	Comte (PDO): ca 9.80 euro/kg Emmental (general): ca 6.80 euro/kg

*Source:* INRA (institut national de la recherche agronomique), 2002, <http://w3.inra.fr/>; French Ministry of Agriculture and Fisheries, 2003' [www.agriculture.gouv.fr/](http://www.agriculture.gouv.fr/); Arfini et al., 2003

**Table 6.16: Documented existence of price premiums in Portugal, 2003 (Euros per kg)**

Sector/product	Average price	Average price, reference market	Price premium
<b>Cheeses</b>			
Queijo de Terrincho	13	11.5	1.5
Queijo de Cabra Transmontano	8	6	2
Queijo Rabacal	15	11.5	3.5
Queijo Serra de Estrela	15.75	13.13	2.62
Queijo Castelo Branco	11.37	9.47	1.9
Queijo Amarelo da Beira Baixa	8.23	7.23	1
Queijo Picanteda Beira Baxa	8.72	7.48	1.24
Queijo de Azeitao	17	13	4
Queijo de Serpa	12	10	2
Queijo de Sao Jorge	5.83	4.98	0.85
Requeijao Serra de Estrela	1	0.9	0.1
<b>Processed meat</b>			
Alheira de Mirandela	4.5	3.25	1.25
Chourico de Carne, E.e B.	15.66	6.97	8.69
Chourico Grosso, E. e B.	17.57	16.68	0.89
Farinheira, E. e B.	5.25	4.13	1.12
Morcela, E. e B.	9.22	5.3	3.92
Paio, E. e B.	24.58	21.78	2.8
Paia de Lombo, E. e B.	27.93	25.08	2.85
Paia de Touchinho, E. e B.	16.74	14.38	2.36
Presunto de Barrancos	33.6	22.4	11.2
<b>Honey</b>			
Mel das Terras Altas do Minho	5	3	2
Mel do Parque de Montesinho	3.8	2.7	1.1
Mel de Serra da Lousa	6	5	1
Mel do Alentejo	8.4	3.5	4.9

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

There are also other, not as specifically quantified, examples of PDO/PGI products that benefit from price premiums. For example<sup>77</sup>;

- Volailles de Bresse (poultry, France) received a price premium of 65-80 Francs per kg (2001)
- Lentille verte du Puy (lentils, France) received a price premium of 27-30 Francs per kg (2001)
- The retail price of Poulet de Bresse (chicken, France) is four times the price of standard chicken

<sup>77</sup> Lassaut, 2001; Correa, 2002, pp 17; European Commission, 2003, [http://europa.eu.int/comm/trade/issues/sectoral/intell\\_property/argu\\_en.htm](http://europa.eu.int/comm/trade/issues/sectoral/intell_property/argu_en.htm)

- The retail price of the PDO olive oil “Riviera Ligure” (Italy) is 30 percent more than for anonymous olive oil
- The Italian PDO olive oil “Toscano” is sold at a 20 percent price premium
- The retail price of “Roccamare” cheese (Italy) has increased by 100 percent since the GI protection

There are also examples of how land value increases after PDO/PGI protection has taken place. For example, the value of the land where olives for the PDO Nyons Olive Oil are grown increased by 9.5 percent per year between 1999 and 2002. During the same time period, the value of basic olive land (in France) increased by 7.4 percent.<sup>78</sup>

Hence, presented in this paper is evidence of the existence of price premiums for several different French, Italian and Portuguese finished products, and also price premium for some inputs (milk, olives) in other PDO/PGIs. A number of other PDO/PGI products have been claimed to receive price premiums, six of which were presented here. Notable is that the price premium for PDO cheeses overall in France is over 2 euros per kg. Evidently, this is not enough evidence to claim that all PDO/PGIs extract a price premium. However, it does prove that PDO/PGI registered products at least in some cases benefit from a price premium. Furthermore, the fact that the milk purchasing price to producers of PDO-cheese is much higher than the price paid by producers of regular cheese, shows that the price premium, at least in some cases, benefits the raw producer as well, and not only the processor. The difference in price to farmers producing olive oil further underlines that point. In other words, the whole production chain benefits from being able to signal the origin of a product to consumers. From this section, one can draw the conclusion that there is potential for GI-products to receive price premiums, and hence contribute to the development of remote and/or less-favoured regions, in the way described for previously.

## **6.4 Evidence on growth of GI products**

In this section, data on growth for PDO/PGI products is presented. It has already been shown that the overall growth of the PDO/PGI sectors in the four major GI-countries (France,

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<sup>78</sup> French Ministry of Agriculture, 2004

Portugal, Italy and Spain) has been substantial. However, this section will focus on the growth of individual products. Most cases discussed are French and Portuguese, which does not imply that growth has only taken place in these countries, but rather that these countries have documented GI products more tediously.

One cannot automatically assume that the presence of growth in a PDO/PGI sector stems from the implementation of protection of GIs on the EU level, however when a sector is growing it does prove that there is an increasing interest for that type of product from consumers. In the same way as with the existence of price premiums, increasing interest from consumers spurs investments in this sector from producers. Again, because of the PDO/PGI sectors higher labor intensity than regular food production, the existence of growth in a sector therefore contributes to rural development through increased income and employment generation.

Several examples of PDO/PGI products experiencing growth exist. In 1998, there were 25 farmers who produced 2 500 tons of Morbier, a French cheese, yearly. In year 2000, the cheese received PDO-protection, and by 2002 there were 40 farmers who produced Morbier. The production volume had now doubled to 5 000 tons. Other cheeses that have shown strong increase of their output after PDO-qualification are Rocamadour, who grew by 8 percent per year after 1996 until 2003, and Valencay, who grew by 16 percent per year between 1998 and 2003.<sup>79</sup> This shows that PDO/PGI protection creates confidence among producers, which encourage them to invest in this type of production. The output of the Italian ham San Daniele increased from 1.78 million hams in 1997 to 2.14 million hams in 2000.

Another example of growth is the French PDO-cheese “Camembert de Normandie”. The overall Camembert<sup>80</sup> consumption in France decreased by 31 percent from 4.76 kg/household in 1991 to 3.29 kg per household in 1998. However, the consumption of Camembert de Normandie throughout that same time period increased by 31 percent, from 0.31 kg per household to 0.41 kg per household.<sup>81</sup>

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<sup>79</sup> French Ministry of Agriculture, 2004

<sup>80</sup> Note that general Camembert does not have a PDO or PGI protection

<sup>81</sup> French Ministry of Agriculture, 2004

**Table 6.17: Percentage change of output of the highest output PDO-cheeses in France, 1998-2003**

Comté	11.0%
Roquefort	4.5%
Cantal	4.3%
Reblochon	-2.5%

*Source:* INAO, <http://www.inao.gouv.fr/public/home.php>; Lassaut, 2001

**Table 6.18: Percentage change of output of selected AOC cheeses in France, 1988-1998**

Mont d'O r	398%
Sellessur Cher	240%
Poulligny Saint-Pierre	106%
Livarot	57%
Reblochon	78%
Bleude Gex	-3%
Ossau-Iraty	-31%
Bleudes de Causses	-45%

*Source:* Lassaut, 2001

Table 6.17 and 6.18 show that the cheeses experiencing the highest growth during the decade of implementation of Regulation 2081/92, were not the cheeses with the highest output. However, the four main cheeses in France have all experienced growth. The output of Reblochon decreased some between 1998 and 2003, as did the output of some AOC-cheeses during the 1990s. However, this may reveal a change of preference among consumers for other PDO-cheeses (bearing in mind that the overall output of PDO-cheeses in France increased by 25 percent between 1997 and 2003), which is likely to be due to the discovery of the bacteria listeria (also existing in Gorgonzola as described for before) existing in all the cheeses with decreasing output.

As can be seen in table 6.19, the Portuguese cheese sector shows some drastic changes, with an overall growth of turnover of 15 percent, whereas output (in kg) increased by barely 3 percent.<sup>82</sup> Hence, the increase of prices has been higher than the increase of production, revealing an increased interest by consumers to pay for these types of products. Eight of the Portuguese PDO/PGI cheeses increased their production between 1999 and 2003, and two more products were registered for protection during this time period. However, four products experienced decreased sales, and production of one cheese stopped completely. In other

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<sup>82</sup> See Appendix 3 for more details.

words, the experience in Portugal has been somewhat mixed, and it cannot be taken for granted that the production of a GI product will automatically be a success story. Although, it should be commented on that the increase of the products whose markets have grown has been much more substantial than the decrease for the products whose sales have gone down, hence the overall experience is positive.

**Table 6.19: Change of production and turnover for Portuguese cheeses, 1999-2003**

Product	Change of output (%)	Change of turnover (%)
Queijo de Terrincho	-3.0	-3.0
Queijo de Cabra Transmontano	715.0	769.3
Queijo Serra de Estrela	111.6	122.2
Queijo Castelo Branco	18.1	-18.6
Queijo Amarelo da Beira Baixa	-11.2	-30.4
Queijo Picanteda Beira Baxa	-22.8	-32.7
Queijo de Azeitao	34.9	43.3
Queijo de Nisa	50.8	37.0
Queijo Mestico de Tolosa	3707.3	6457.0
Queijo de Serpa	147.3	158.0
Queijo de Sao Jorge	1.2	5.3
<b>Total</b>	<b>2.9</b>	<b>15.3</b>

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)

Summing up, several cases of growth for PDO/PGI products have been documented, but there have also been cases where the level of output has decreased. We can therefore not conclude that the production of a GI product always will be a success story. What we can determine however, is that the majority of products looked at have experienced growth, and so has the overall markets for GI products, and hence there seems to be substantially more regions benefiting increasingly from GI production, than regions whose benefit is decreasing from this type of production.

## 6.5 Summing up

Has it been proved that production of GIs benefit rural areas in Europe? Undoubtedly. Specific products generate a degree of market power to producers of PDO/PGI products, which has been translated into price premiums for several products. Furthermore, GI products have specific characteristics that demonstrably are desired by consumers, which again

translate into price premiums, and also to growing markets for many GI products. However, it cannot be concluded that GI production benefits all producers involved in all types of GI production, hence it cannot be presumed that the origin label automatically brings higher income and generates employment in a less-favored region. Instead, what the data provided in this chapter has proven is that there is potential for GI production to generate many benefits to rural areas. By documenting the existence of price premiums for GI products as well as the growth of many GI markets over the last decade, I therefore conclude that overall, GI products have had a positive impact on the European countryside with the remark that the experience has not been identical for all regions and all products.

## 7 The lessons learned from Case Studies

This chapter provides further analysis of the GI phenomenon in Europe, only the focus is now on individual products rather than on the whole sector. When trying to evaluate the economic impact of GIs, one soon realizes that the lack of data is a problem. Furthermore, the complexity of the impact of production of GIs, and the difficulty in measuring indirect effects, leads one to look at qualitative data. In this chapter, I will lay out case studies that have been made of European GIs. These case studies, in combination with the quantitative data looked at in the previous chapter, will allow me to draw tentative conclusions on whether Regulation 2081/92 has contributed to Rural Development in Europe. The focus of the case studies will again be on the existence of price premiums and also on how the product has performed over the last decade. However, the case studies are of further importance because of the qualitative information they provide, such as:

- Impact on employment in the region
- Distribution of potential benefits from GI production (concentration of production, exertion of monopoly power within the supply chain etc.)
- Other social benefits (such as attraction of tourism)

As was described for in the theory section on rural development, these potential indirect effects from GI production can have much greater impact on the region of production than the direct effects. Therefore, even if these features cannot be quantified, the evidence provided from case studies is of importance. It should be noted that the number of case studies provided in this study is not enough to generalize about the impact all GI products have on their regions of production. Rather, these case studies should be viewed as evidence on what potential effects production of a GI product may have. This chapter will then conclude by a discussion on whether or not the protection of GIs in the EU through Regulation 2081/92 actually has benefited the producers of GI products, and hence contributed to rural development, or if such protection is superfluous because GI producers would have been able to reap the full benefits of their production even without such protection.

## 7.1 Barjolle & Sylvander studies

Barjolle & Sylvander (2000a; 2002) and Barjolle et al. (2000b) have over several years followed and evaluated the performance of 21 PDO/PGI products from seven European countries. This is the most comprehensive evaluation that has been made of GI products. The focus of their studies has been to identify what the criteria for success for a GI product are. In order to do this, they identified criteria that they expected a GI products success to be based on. These four criteria are:

- Urgency; reflecting the firms' motivation
- Specificity; reflecting the difference between the product and its substitutes
- Relevance; reflecting market attractiveness, consumer demand for the product, and choice of distribution channel
- Coordination and cooperation; reflecting the ability of firms to achieve collective and efficient product management

**Table 7.1: The 21 PDO/PGI products studied by Barjolle & Sylvander et al.**

Country	Product
France	Cantal, Agneau du Quercy, Comté, Pommes de terre de Merville, Huile d'olive de Nyons
Greece	Feta, Zagora Mèla, Peza Olive Oil
Italy	Prosciutto di Parma, Parmigiano Reggiano, Fontina
Netherlands	Noord-Hollandse Edammer, Boeren-Leidse met Sleutels (cheese), Opperdoezer Ronde (potatoes)
UK	West Country Farmhouse Cheddar Cheese, Scotch Lamb, Jersey Royal Potatoes
Spain	Jamón de Terruel, Ternasco de Aragon
Switzerland	Gruyère, Abricot Luizet du Valais

A product had to fulfill three of the following four criteria in order to be claimed to be successful;

- Significant turnover and economic importance
- High growth rate (greater than that of the reference market)

- Notoriety of specific product name and/or mark or collective brand name<sup>83</sup>
- Positive price difference compared with the closest substitute product

This is their findings (where 1 indicates that the product has not succeeded, and 3 indicates complete success, hence fulfillment of at least three of the criteria):

**Table 7.2: Economic Success for 21 PDO/PGI products**

Degree of Success	Product
1	Merville Potatoes; Ternasco of Aragon; Teruel Ham; Cantal; Scotch Lamb
2	Nord Hollandse Edammer; West Country Farmhouse Cheddar; Boeren-Leidse met Sleutels; Luizet Apricot; Feta; Quercy Lamb; Fontina; Parmiggiano Reggiano
3	Peza Olive Oil; Opperdoezer Ronde; Parma Ham; Jersey Royal Potatoes; Zagora Apple; Nyons Olive Oil; Comte; Gruyere

In other words, eight of the products were considered to have achieved ‘complete success’, and another eight products had had some success. Only five products were not considered to have been successful at all. Table 7.3 shows the ratings by product for each category. The products got a score of either 1 or 2, where 1 is non-sufficient and 2 sufficient.

**Table 7.3: Performance by 21 PDO/PGI products**

Products	Turnover	Volume Growth rate	Price premium
Parmiggiano Reggiano	2	1	1
Fontina	1	2	1
Cantal	2	1	1
Comte	2	2	2
Feta	2	2	1
Noord Hollandse Edammer	1	1	2
Boeren-Leidse met Sleutels	1	1	2
WCF Cheddar	2	1	2
Gruyere	2	2	2
Jersey Royal Potatoes	2	2	2
Opperdoezer Ronde	1	2	2
Merville Potatoes	1	1	1
Luizet Apricots	2	1	1
Zagora Apple	2	1	2
Quercy Lamb	1	2	2

<sup>83</sup> I ignore this criteria in my analysis, since it is outside the focus of an economic evaluation

Ternasco de Aragon	2	1	1
Scotch Lamb	2	1	1
Parma Ham	2	2	2
Teruel Ham	1	2	1
Nyons Olive Oil	1	2	2
Peza Olive Oil	2	1	2

*Source:* Barjolle & Sylvander (2000a; 2002); Barjolle et al., 2000b

Hence, according to Barjolle and Sylvander's study, 12 of the 21 products receive a price premium. 13 of the products have a significant turnover. 10 of the products show a greater growth rate than that of their reference market. Most significant was the growth of Feta and Comte. According to the authors, increased exports contributed to these products development, but the high growth was mainly accounted for by increased sales in the country of origin. The explanation to why there was no real price premium for Parmigiano Reggiano (compared to Grana Padano, its closest substitute) and to why the cheese production did not expand, is that Parmigiano Reggiano was being over-produced during 1990-93, which caused a demand deficit the following years.<sup>84</sup> The explanation to why the production of WCF Cheddar fell was that the milk prices were so high that several producers had to leave the industry and several others had to cut back their production.

Barjolles and Sylvander also took social performance into account; by rating the PDO/PGI products supply chains' different impact on regional economies and their potential to stimulate rural employment.<sup>85</sup>

**Table 7.4: Social Success for 21 PDO/PGI products**

<b>Social Success</b>	<b>Product</b>
Low Impact	Feta; Nord Hollandse Edammer; Boeren Leidse met Sleutels; West Country Framhouse Cheddar, Opperdoezer Ronde; Merville Potatoes; Quercy Lamb
Moderate Impact	Comte; Cantal; Luizet Apricot; Zagora Apple; Ternasco de Aragon; Scottish Lamb; Teruel Ham
High Impact	Parmigiano Reggiano; Fontina; Gruyere; Jersey Royal Potatoes; Parma Ham; Nyons Olive Oil; Peza Olive Oil

<sup>84</sup> See case study on Parmigiano Reggiano

<sup>85</sup> Barjolle & Sylvander base their judgement on direct and indirect employment generation, as well as the effects on other business sectors in the region (such as tourism).

14 of the products, or two thirds of the sample, are appreciated to have had at least a mediocre impact on the regions where they are being produced. Hence, for many of the products the social impact is greater than the direct measurable economic impact.

### **7.1.1 Analysis of Barjolle & Sylvander's findings**

Barjolle and Sylvander explain the somewhat mediocre economic performance by Noord Hollandse Edammer, Cantal, Scotch Lamb, Merville potatoes and Ternasco de Aragon with that these products are not very different from those of its very close substitutes. Hence, because the GI products are not specific enough, they do not have a degree of market power and the consumers do not appreciate their specific characteristics because these cannot be distinguished from these of the products close substitutes. However, I do not find this explanation sufficient, since there are other products in the sample that have shown equally low specificity but still performed well economically (Parma Ham and Peza Olive Oil). Looking specifically at Parma Ham, the product gets high scores in relevance (implying that the management has done well in defining the correct market for the product, where the demand for the product is high), and for coordination (a measure that is based on several factors, for example: quality management, enforcement of the code of practice, payment for the raw material according to the final quality of the product, promotion, management of output and growth etc.). Hence, in the case of Parma Ham, it seems as if the management's successful coordination and marketing strategies have compensated for the non-specificity of the actual product (by making the consumers believe that this product really has specific characteristics), and hence contributed to the high economic performance. Looking instead at Peza Olive Oil, this product also gets a high score for its relevance, and the urgency (hence the motivation of the involved actors to succeed) is appreciated as very high. This could explain the success for Peza Olive Oil. Still though, no explanation seems to be sufficient, since Cantal has scored equally with Peza Olive Oil for all categories, but still its degree of observed success is much lower. One reason could be that the specificity is perceived as much lower for Cantal than it is for Peza Olive Oil, indicating that the scale used by Barjolle &

Sylvander was too broad.<sup>86</sup> Another reason to why Cantal performed badly is that the cheese, according to the authors, is made to very perfunctory specifications, which has allowed for intense concentration of cheese makers. This has pushed down the price the local farmers receive for their milk. Similar reasons explain the low milk prices received by the farmers producing the milk for Nord-Hollandse Edammer and Boeren-Leidse met Sleutels. In other words, the exercise of monopoly power within the supply chain risks the benefits for the supply chain as a whole.

Regarding social impact, Barjolle and Sylvander made the following comments; “Except for the four highest-scoring products (Parmiggiano Reggiano, Fontina, Comte, Gruyere) social impact is more important than economic impact in the narrow sense. The social role of a supply chain is more important in spite of modest performances and is limited neither to the criteria by which success has been defined here, nor to producer prices.”<sup>87</sup> The authors conclude that several of the products are located in less-favored areas and contribute, through their price premium, to increasing the return for farmers. The most artisan products (Parmigiano Reggiano, Fontina, Gruyere, Nyons Olive Oil and Peza Olive Oil) show the greatest intensity of labor in the production, and the production also takes place in more small-scale industries. Because of this, these products are also among the products that contribute most to the beneficial effects on the local economy.

Summing up, 12 of the products receive a price premium, 13 of the products have a significant turnover, 10 of the products show a greater growth than their reference markets, and 2/3 of the products had a moderate or high social impact on their respective regions of productions. Hence, although these results cannot be generalized to all GI products, it is a fact that for certain regions the economic and social impact from GI production is of significant importance.

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<sup>86</sup> The comment that was made regarding Cantal’s specificity was “product with a widely recognized denomination (very positive image of the region) but with very unequal characteristics and a low level of typicity. Not perceived by the consumers as a price premium product”.

<sup>87</sup> Barjolle & Sylvander, 2002, pp 15

## 7.2 The case of Comté<sup>88</sup>

Comté is a French cheese from Franche-Comté. Franche-Comté consists of one PDO region (the Comté region) and one non-PDO region. The production of cheese dates back to the Middle Ages. It has had the French AOC protection since 1958, and now has the PDO designation under Regulation 2081/92. It is by far the French AOC cheese with the highest production volumes. Comté is produced in the same region as the cheese Emmental.

The two cheeses meet almost the same production and process requirements, however the producers of Emmental has chosen an industrial strategy, whereas the Comté producers chose a PDO strategy. Between 1992 and 2002 the Comté production in French-Comté increased at a regular pace of 3 percent per year (from 35 373 tons to 48 631 tons), throughout the same time period the local Emmental production dropped (from 41 709 tons to 29 075 tons).

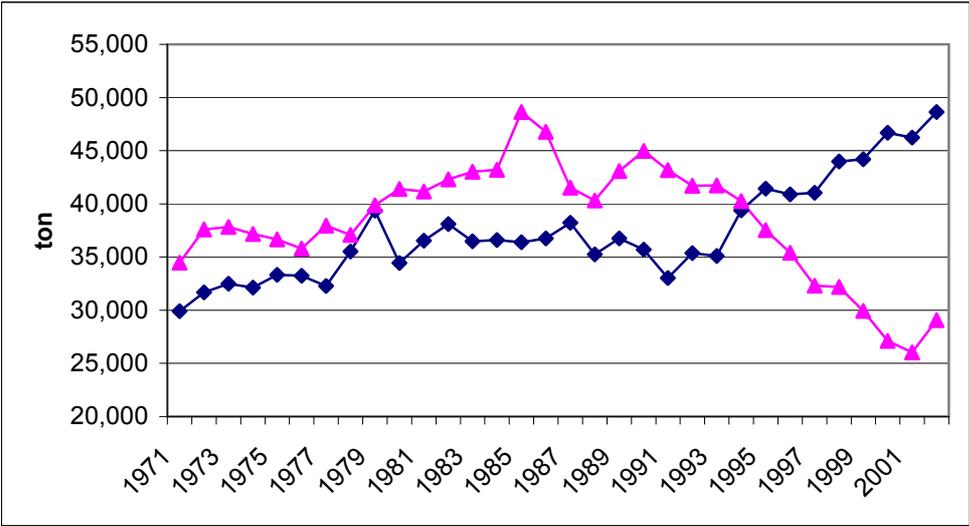
As can be seen from Figure 7.1 the production of Comté has remained localized in the Franche-Comté region, whereas Emmental production has been transferred to western France, as a basic product. 97 percent of the Comté that is being produced today takes place within the region (the rest is being produced in Ain), in 1971, 96 percent of the Comté production took place in the region. Hence, the increase of the production volume has benefited the Comté region.<sup>89</sup> For Emmental, the increase in production volume between 1971 and 2002 has not benefited the region since today only 11 percent (or 29 075 tons in 2002) of the total production (257 929 tons) is being produced locally. 69 percent of the production takes place in the West (compared to 5 percent in 1971).

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<sup>88</sup> French Ministry of Agriculture and Fisheries, 2003

<sup>89</sup> The production taking place in the Franche-Comté n increased from 29 903 tonnes in 1971 to 48 631 tonnes in 2002.

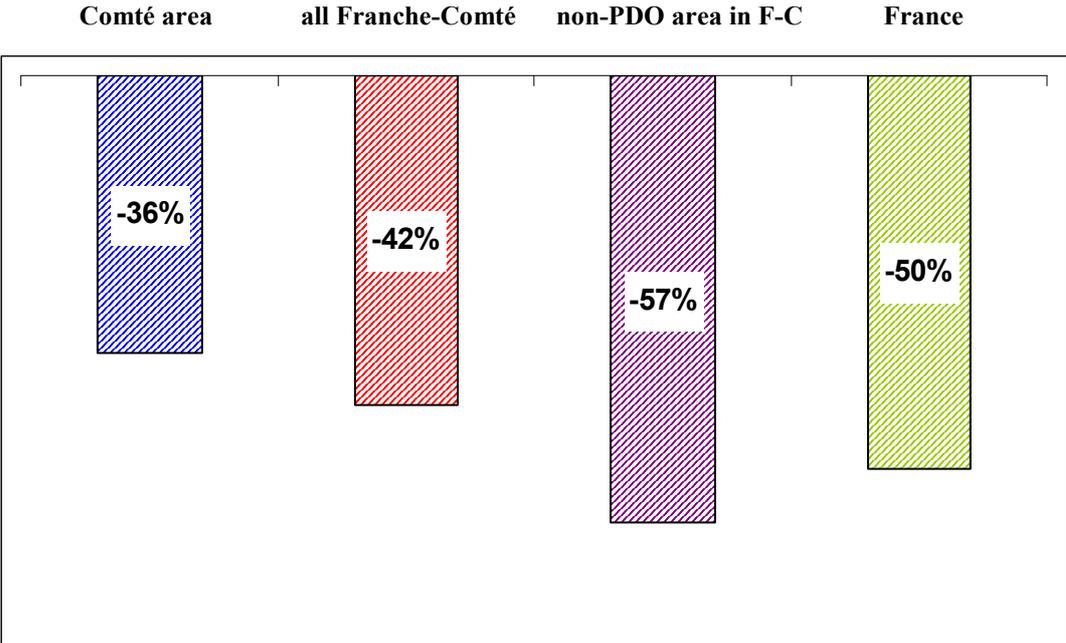
**Figure 7.1: Production of Comté and Emmental in Franche-Comté (tons)**  
 (triangle = Emmental, square = Comté)



Source: French Ministry of Agriculture and Fisheries, 2003

The number of bovine milk farms that went out of business was fewer in the Comté area, than in the non-PDO area of Franche-Comté. (See Figure 7.2). The number of farms in the Comté region decreased by 36 percent from 11 772 in 1988 to 7 994 by year 2000. However, the number of bovine milk farms in the part of Franche-Comté that is not part of the PDO-region decreased even more, 57 percent between 1988 and 2000 (from 7 953 to 4 924 farms).

**Figure 7.2: Evolution of the number of bovine milk farms between 1988 and 2000**

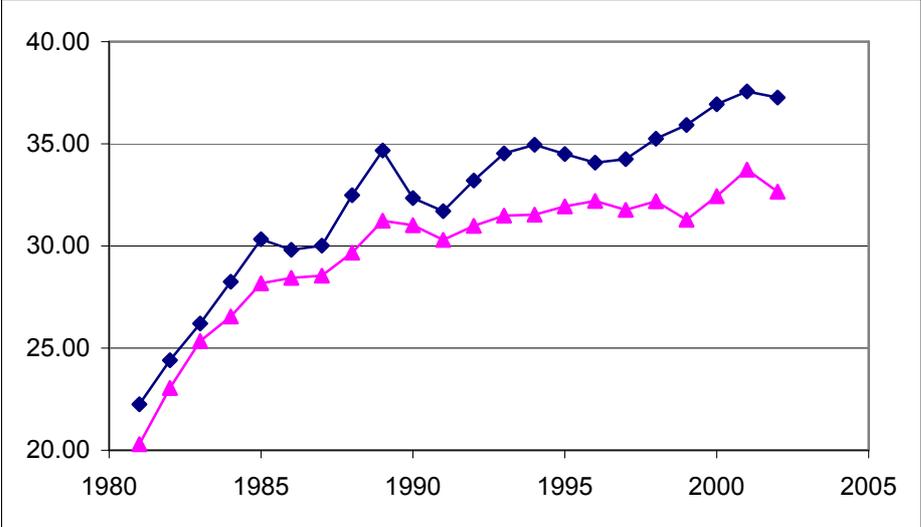


Source: French Ministry of Agriculture and Fisheries, 2003

Comté producers receive higher prices at every stage of the production than those observed for the Emmental sector. Moreover, the gap between the two products is increasing. For example (see Figure 7.3) the milk prices that the raw producers of Comté milk receive are significantly higher than those received by ‘regular’ milk producers. Also, the price received by the processors for the finished product (see Figure 7.4) is essentially higher for Comté processors.

**Figure 7.3: Milk price, Comté (euro/hl)**

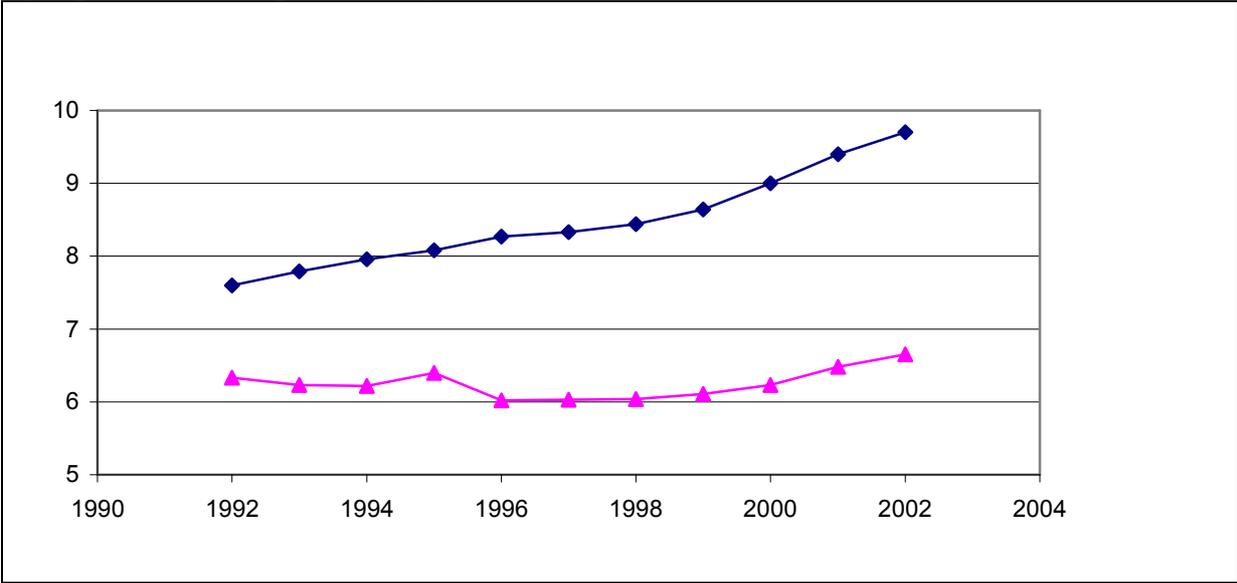
(triangle = basic milk, square = Comté milk)



Source: French Ministry of Agriculture, 2003

**Figure 7.4: Consumer price, Comté (euro/kg)**

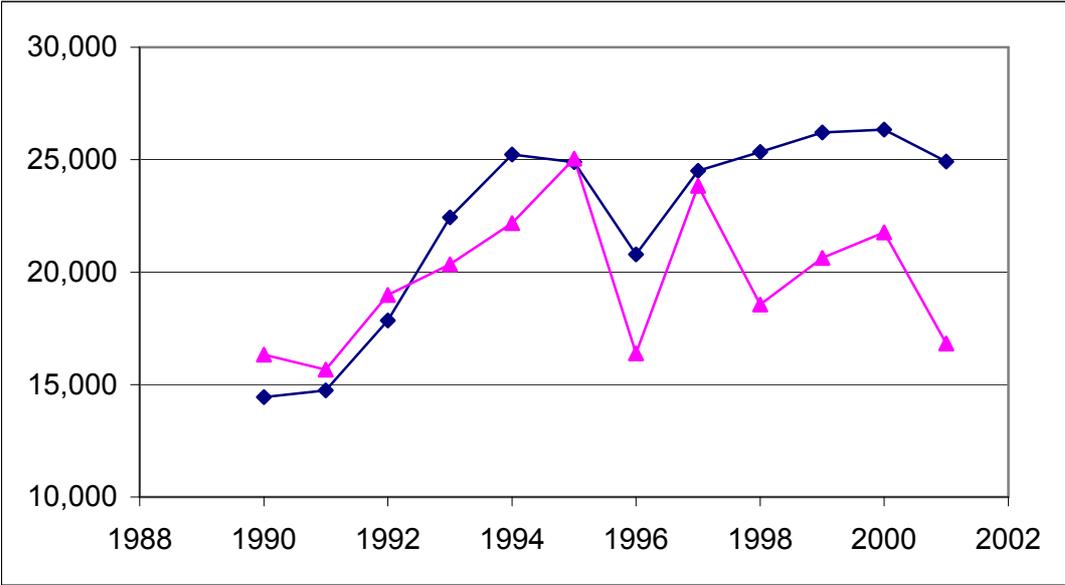
(triangle = Emmental, square = Comté)



Source: French Ministry of Agriculture, 2003

The economic profitability of milk farms in the Comté area has increased continuously since 1990 (from 14 440 euros to 24 915 euros in 2001), in 2001 their profitability was 32 percent higher than for non-PDO area milk farms (who made on average 16 834 euros). See Figure 7.5. This also explains why more farms stayed in business in the Franche-Comté PDO-region, than in the non-PDO region (Figure 7.2, previously).

**Figure 7.5: Economic profitability of milk farms in Franche-Comté (Euros)**  
 (triangle = Non-PDO area, square = Comté area)



*Source:* French Ministry of Agriculture and Fisheries, 2003

The social impacts from the two cheese industries also differ a lot. Emmental milk farms are, in terms of output, on average 17 percent bigger than Comté milk farms (Comté average output in 2002 was 182 917 liters per farm, compared to 219 932 liters per Emmental farm). Furthermore, the Emmental cheese dairies are, on average, much larger than the Comté dairies (5 400 tons compared to 270 tons produced cheese on average in year 2002). The Emmental sector is also experiencing a high level of concentration – six producers process 90 percent of the total production of cheese. Furthermore, Comté is much more labor intensive in its production than Emmental. The number of full time equivalent jobs per one million liter Comté milk is five times higher than that for Emmental milk (not including milk producers). One million liters of Comté milk is calculated to generate three full time jobs, the equivalent for Emmental is 0.6 jobs. On top of that, Comté is indirectly expected to generate another 0.5 full time jobs per one million liter milk for promotion, consulting etc. In 2002, the Comté business generated a total of 4 970 jobs; 3 200 milk producers, 1 520 direct jobs, 250 indirect

jobs. The small size of the Comté cheese units, together with its high labor/capital ratio in production, therefore benefits the F-C region to a greater extent than the production of Emmental does (per quantity of output).

Comté is also regarded to act as a marketing tool for the region of Franche-Comté and hence attract tourism. The PDO-region had 2 190 000 overnight stays in 2002. 30 000 people visited the ‘cheese caves’, many of these naturally buying the cheese as well. In fact, a museum has been built to the dedication of the cheese in the town Poligny.

To sum up, the Comté study shows very positive results. Over the last decade, the output has increased significantly and the economic profitability per farm has increased. Although the number of farms in the PDO-region has decreased, it has decreased less than in the neighboring non-PDO area, and less than the average for France. The existence of price premiums (both for the price that the raw milk producers receive, and for the price that the processors receive for the final product) reveals that there is a significant willingness among consumers to pay for Comté. On top of this, the production of Comté is (relative to the production of similar products) labor intensive, hence creating an extensive amount of jobs in the Comté area. There is also evidence for the creation of indirect jobs because of the marketing tool Comté acts as for the region. In conclusion, the production of Comté contributes to the well-being of the region of Franche-Comté.

### **7.3 The case of Queijo de Nisa<sup>90</sup>**

Queijo de Nisa is a Portuguese half-hard cheese made from raw sheep milk. It has had the PDO protection since the implementation of Regulation 2081/92. In the same geographical area as Queijo de Nisa is being produced, other half-hard cheeses are also produced, to a large extent by the same firms, and these cheese are also made from raw sheep milk (and in some cases goat milk). The geographical production area of “Queijo de Nisa” is in a less-favored area in Northern Alentejo, where, in 1998, 241 farmers shared 30 750 sheep. Agriculture in the region is acknowledge to play a dual role; partly as a provider of food, and partly as a provider of rural, environmental and cultural services. In 1998, there were 32 dairies in the

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<sup>90</sup> Fragata et al., 1998

region, nine of which produced the PDO-cheese, and these 32 dairies can be divided into three different categories. By comparing these different types of dairies, conclusions can be drawn on the social and economic impacts related to the cheese production.

The type A dairy is characterized by family ownership; they use family labor and hired labor, with an average of 4.2 workers per unit. The type B dairies are local associations in which people hold direct membership and are able to participate in the affairs of the firm; milk producers or independent processors created these associations in the 1990s. The B-type dairies have mostly hired labor, and on average they have 18.7 workers per unit. The A-type enterprises operate during a working season from December to June, while B-type enterprises work all year round. Both A and B type dairies produce the PDO-cheese. The C-type dairies do not produce PDO-cheese. They are very similar to the type A dairies, but have on average 3.1 workers per unit. The employees have, for the most part, not received formal training and there is less innovation for new technology for ripening the cheese. In general, these dairies are more associated with their own milk production in comparison to the cheese dairies that manufacture PDO-cheese.

8.9 percent of the total value of the cheese produced in the region comes from “Queijo de Nisa”. There are only three type-B dairies, but 91.3 percent of the production of the PDO-cheese is concentrated to these dairies. Type A and type B dairies produce approximately half of the value of the cheese from the region; the type C dairies produce the remaining 48.9 percent.

**Table 7.5: Value of cheese leaving the processors in the area of “Queijo de Nisa”, 1997**

Cheeses	Processors of PDO cheese				Processors of non-PDO cheese				Total	
	Type A Thousand Euros	%	Type B Thousand Euros	%	Total Thousand Euros	%	Type C Thousand Euros	%	Thousand Euros	%
PDO <i>Nisa</i>	25.6	8.7	270.7	91.3	296.3	100			296.3	8.92
non-PDO	132.8	4.4	1 266.5	41.8	1 399.3	46.2	1 626.9	53.8	3 026.2	91.1
Total	158.5	4.8	1 537.2	46.3	1 695.6	51.1	1 626.9	48.9	3 322.5	100

*Source:* Fragata et al., 1999

All 32 dairies generated employment to 153 persons in 1998, including cheese makers, and factory, office and distribution workers. These people are seasonal and full-time workers, full-time workers are very dominant in the type B dairies, whereas type A and type C have mostly seasonal workers. During the period 1991-97 the number of cheese dairies decreased by 30 percent, from thirty-three to twenty-three. At the same time, the decrease in the number of firms was followed by an expansion of the number of workers, from 82 in 1991 to 153 in 1998. The decrease in number of dairies was mostly due to the retirement of some old craft processors, owing to the requirement to have a legal license for cheese making. The increase in number of workers can be explained by the transformation into partnership firms by several C-type dairies into three larger dairies. The larger size required them to hire more labor. These dairies are believed to develop into B-type dairies eventually.

Since this case study was carried out, the production of Queijo de Nisa has increased by almost 400 percent. (See Table 7.6). On top of this, the price paid for the GI-product was almost thirty percent higher in year 2001. This contributed to a five-fold increase of the total production value.

**Table 7.6: Development of Queijo de Nisa, 1997-2001**

	1997	1998	1999	2000	2001	Increase %
Production (tons)	23.4	37	85.4	120.3	110.9	374
Average price (Euros/kg)	14	17.5	17.5	17.5	18	28.6
Value of total production (1000 Euros)	328	646.8	1 493.6	2 104.7	1 995.9	509

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, 2004, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/indices\\_97a01.pdf](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/indices_97a01.pdf)

Summing up, the story of Queijo de Nisa is very different from that of Comte. The history of the Portuguese cheese is much shorter, and it received its first official protection through Regulation 2081/92. Also, the number of producers involved in this case is much fewer, and the region where the production takes place is poorer than the Comte region. However, the cheese production has had a very positive experience over the last decade, just like the case for Comte. Furthermore, the processors claim that the PDO-protection of the cheese has introduced vitality into the regional cheese market, which has improved the sales of the other cheeses from the region. It has also contributed to making their region more widely known, therefore attracting tourism and acting as a marketing tool for other products from the region. There is a clear tendency towards larger cheese processors and concentration of production,

but this has not translated into an increase of production while fewer jobs. In stead, the increased volume of cheese produced has generated more jobs (both directly and indirectly). The product has also gained acknowledgement from consumers, who besides demanding larger quantities of the cheese also have been prepared to pay an increasing price premium. Hence, the production of Quiejo de Nisa benefits the region significantly.

#### **7.4 Tuscan Extra-Virgin Olive Oil<sup>91</sup>**

The traditional consumer of Tuscan olive oil has been the local clientele; in the early 1990s two thirds of Tuscan extra-virgin olive oil was sold through direct sales to consumers. The consumers' motivation was based on "traditionalism" and the production methods used by the producers. There was also an economic motivation, since buying un-bottled oil directly from a farm allowed the customer to obtain lower prices. However, the traditional local consumption has decreased progressively over the last decade. The reason for this can mostly be attributed to the changing socio-economic patterns that influence food consumption (fewer family members, increasing distance between home and work place etc.). Because a fewer number of meals are eaten at home, and because of the tendency towards bigger, de-specialized supermarkets, the relationship between the traditional, local consumer and the local product has been weakened. Instead, the growth of the existence of the "socio-cultural consumer", concerned about the environment and about production methods, has become more and more important. The socio-cultural consumer neither lives, nor has links with the production area, and is very often not Tuscan (if he/she has been in contact with producers it is mostly during holidays or weekend excursions), but he/she feels a "cultural proximity" to the producer. Hence, "cultural proximity" is becoming more and more important, whereas "geographical proximity" is increasingly less important. This shows in the export figures, with the share of Toscano being exported increasing from 36.3 percent in 1999 to 60 percent in 2002.

This evolution of consumers, in combination with the PDO/PGI protection, has had some important consequences for holders of the Tuscan extra-virgin oil label. For example, all producers must now build storage facilities and get the necessary equipment for bottling etc.

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<sup>91</sup> Belletti & Marescotti, 1998; Rangnekar, 2004, pp. 5, 27

They must also get involved with bureaucratic procedures, such as authorization, quality controls and so on.

In 1998, more than 70 000 Tuscan farms were involved in olive cultivation. However, the product specifications defining the PGI-product and the costs associated with the protection have caused several small producers to get out of production. Today, small producers (lot sizes under 900 kg) account for less than 2 percent of the production, while the group defined as large producers (lot sizes in excess of 10 000 kg) make up more than 77 percent. The reason to the exclusion of small producers is twofold; partly it is due to “self-exclusion” (disinterest in using the indication), and partly it is due to incapacity by smaller producers to access certification (because of the costs associated with the protection). However, for those included, the standardization and differentiation of the product might have positive implications. Many consider Tuscan extra-virgin olive oil the reference point for quality, and hence the PGI-oil earns a price premium. Another reason to the price differentiation might be the decrease of supply due to the withdrawal from production from many small producers, the supply has declined over the last decade.

Simultaneously, the EU rural development policies are believed to have contributed to the increase of agro-tourism in the province of Grosseto (where the olive oil is being produced), which has spurred the sales, and hence the production, of the olive oil. The olive oil itself is also considered an important marketing tool for the region.

The protection of GIs by the EU is believed to be very useful in elimination of opportunistic behavior of many bottling agents. The PGI denomination is also said to favor or strengthen the placement of Tuscan ‘general’ olive oil in big or medium bottling enterprises, which, in order to include in their stock products marked “Tuscan” will have to buy oil from Tuscan producers, even if it is not the PGI labeled oil. Hence, the PGI-label of “Toscana” contributes to the sales of other products from the region.

Summing up, the case of Toscana Olive Oil is different from the cases of the two cheeses that have been presented so far, in that it focuses on how changes in consumption patterns influences changes in production. The experience of Tuscan Olive Oil reveals the complexity of trying to evaluate the effects of PDO/PGI protection. When the olive oil clientele changed, the requirements facing the producers wanting to label their oil “Tuscan Olive Oil” also

changed. When Regulation 2081/92 was implemented, this required even stricter controls and methods of production. As a result of this, several producers chose to give up - either they gave up production completely, or they gave up the use of the label. On the other hand, those who still remain in production capture a higher price premium. Furthermore, “Tuscan Olive Oil” is functioning as a marketing tool for the region, attracting thousands of tourists, and thereby, indirectly generating job opportunities. On top of this, it has contributed to the association many consumers make between ‘good olive oil’ and the region of Tuscany. Because of this, it has indirectly contributed to increased sales of other olive oils from the region, even though these oils do not have the PDO/PGI protection.

Hence, the case of Toscano olive oil cannot be considered to either support or slay the hypothesis that production of GI products contributes to rural development. Whether or not the development of the production of the oil is attributable to the protection of the product under Regulation 2081/92 can be disputed. However many producers of Toscano today are dependent on the protection in order to remain in business, since their market share could otherwise have fallen in the hands of producers from outside the region. In this regard, Regulation 2081/92 can to some extent be attributable for the well-being of the Toscano-region.

## **7.5 Prosciutto di Parma<sup>92</sup>**

The collective name belongs to a group of ham processors, not the hog farmers. The “Prosciutto di Parma” designation requires that the ham be produced from a pig raised in certain regions in the north of Italy, only traditional Italian breeds such as “Italian Landrace” and “Italian Large White” are allowed.

Players and figures for the supply-chain of Parma Ham:

- 5 550 breeders
- 163 slaughterhouses
- 201 processing companies
- 3 000 employees in processing companies

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<sup>92</sup> Arfini et al., 2003; Hayes et al, 2003

- In 2002, the turnover was 1 453 million Euros<sup>93</sup>

Italian hog prices have averaged \$7.44 per hundred pounds higher than German hogs over the last decade, and almost the same for French hogs. Even though there is no evidence that the Italian hog producers can maintain excessive profits from the existence of the “Prosciutto di Parma” denomination, it is however likely that the higher prices observed in Italian hog production, together with the definition of what type of breed Parma Ham must be made from, have allowed the Italian hog industry to survive despite competition from EU producers of less expensive hogs.

Price premiums (also mentioned in the section on price premiums):

- 50 000 lire/kg for Prosciutto di Parma, produced by the consortia, with PDO-label
- 42 772 lire/kg for ham with the EU PDO origin guarantee, but without consortia label
- 39 031 lire/kg for undifferentiated dry-cured ham

Hence, much of the value of the “Prosciutto di Parma” denomination stems from the long history of the product, and the value that consumers associate with this, thus, the value that the consortia has created partly through marketing. However, the 9.8 percent more that consumers are prepared to pay for the PDO label suggests that there is some value also to this protection.

Summing up, it is very likely that the hog farmers involved in the Prosciutto di Parma production manage to stay in business because of the price premium their product receives. Furthermore, the producers of the ham also extract a price premium compared to other dry-cured ham, and even though Parma Ham has a long standing reputation, and therefore can extract a price premium, the consumer poll proves that consumers are willing to pay extra also from the PDO-labeling. Hence, this provides evidence in favor of GI products impact on the incomes, as well as employment generation, in rural areas.

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<sup>93</sup> Fondazione Qualitativa, 2003

## 7.6 Le Gruyere<sup>94</sup>

Le Gruyere is a Swiss cheese, PDO-registered under Registration 2081/92 by the EU. In 1999, the production of Gruyere cheese was 26 000 tons. About one third of the volume was exported, and Gruyere is the most consumed cheese in Switzerland.

Switzerland's dairy sector consists of two systems; the artisanal system and the industrial system. There are 20 000 producers for the industrial system, 2 500 local producer association and 8 dairy companies (they make up 96 percent of the dairy market, with one of the dairies buying more than half of the total quantity of milk produced in Switzerland) that sell the products to the retailers (two main retailers control nearly 80 percent of the sales of dairy products in Switzerland). Under the artisan system, there are 16 000 producers, 1 000 cheese processors and 20 ripeners. The ripeners sell the products to the retailers or directly to the consumers. In the industrial system, the producers do not know how their milk will be processed. They deliver the milk to a local group of producers that is affiliated to a federation, and the federation in turn has a contract with a dairy company. These dairy companies decide on the use of milk either for generic products or industrial cheeses based on pasteurized milk. Under the artisan system, the producer is in direct contact with an artisan-type of cheese dairy. These dairies then sell the cheeses to a maturing company (ripeners) who then trade the product in Switzerland and abroad. Artisanal products are labor-intensive rather than capital-intensive, and therefore cannot benefit from economies of scale. The production of PDO-cheeses takes place within this system.

In brief, the industrial system is characterized by extreme concentration of the sectors downstream. The asymmetry of information to the advantage of processors and retailers, which have precise information on the selling prices and the production costs of each products, as well as the difficulty for the producers in getting the quality of their milk recognized, contributes to the prices for milk being pushed down, and raw producers (farmers) going out of business.

In the case of Gruyere, whose supply chain consists of 3 500 producers, 210 village cheese dairies, 10 ripeners, and two main retailers, the concentration process has been slowed down

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<sup>94</sup> Reviron et al., 2003; Barjolle & Chappuis, 2001

and many raw producers and dairies have been able to stay in business. This is due to the code of practice that every producer and processor has to follow. The code of practice, by voluntarily limiting productivity for the benefit of the quality and the typicality of the product, hence contributes to the maintenance of traditional production, and hence, the preservation of disadvantaged regions where the production takes place.

Reviron et al claim that there is a direct link between the agricultural policies in Europe, and the mechanism of distribution of the added value in the supply chains. Without the protection of PDO/PGI products, they claim that the production of Gruyere would be threatened. The maintaining of artisanal enterprises in less-favored or remote areas has wider implications on rural development and settlement.

This case study does not allow one to draw any conclusions on how the protection of GI products benefits the rural areas. However, the study does give one a better understanding of why this type of protection is important (if having a vivid countryside is an objective), and what choices the raw producers of milk are faced with in Switzerland. The case can be generalized to hold true for many other parts of Europe, and is therefore of relevance. If producers have a viable alternative to standard methods of production, then many farmers can remain in production and hence, this is a way of enabling less-favored areas to remain vital.

## **7.7 Parmigiano Reggiano<sup>95</sup>**

Parmigiano Reggiano is an Italian cheese, from the Parma region (within the regions of Emilia Romagna and Lombardy). The turnover for 2002 was 1.4 billion Euros, making it one of the PDO/PGI products with the highest turnover. However, the importance of Parmigiano Reggiano cheese is not limited only to its production value, but it also activates other production sectors, thereby creating a chain whose total value is estimated to approximately 5 billion Euros.

Parmigiano Reggiano is based on a dense network of farms that convey their milk to co-operatives and/or private dairies. Hence, the farms condition the overall supply of milk, and

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<sup>95</sup> Arfini, 1999; Bertozzi, 2004; Fondazione Qualitativa, 2003

therefore, cheese. Lately, a process of concentration of production has taken place. Even if small, family-run farms characterize the sector, many farmers have sold their cattle (with a decrease of over 36 000 heads of cattle between 1994 and 1999) and left the sector because of the beginning of the “milk-quota regime”. By contrast, the farms that are still active in the sector have increased the number of cattle, choosing a more intensive management.

- In 1990, the farms less than 20 hectares represented 67 percent of milk-producing farms in Emilia Romagna, by 1995 that share was down to 62.9 percent.
- Between 1991 and 1995, in the entire Parmigiano Reggiano region, there was a significant increase in the contribution of milk by each farm (from 117 tons of milk per farm in 1991 to 169 tons per farm in 1995).
- Between 1991 and 1995 there was a decrease in the number of participating farms by 4 851 units (a decrease by 36.6 percent).

Furthermore, in 1970 there were 1 652 active dairies, in 1998 there were 612 dairies, and this number was down to 524 by 2003. However, the largest decrease of dairies has not taken place in the less-favored areas, but instead in the areas where intense extra-agricultural activities have developed alongside farming. The concentration of production is further demonstrated by the increase of dairy sizes, both in terms of processed milk and of cheese produced.<sup>96</sup> The production of Parmigiano Reggiano (within the rightful territory) has increased from 76 265 tons of cheese in 1970 to 110 128 tons in 1998. In 2003 the total production was 113 455 tons.

As Parmigiano Reggiano has become a more standardized and commercialized product, the ageing companies (ripeners) have received an increasing degree of monopoly power, treating the dairies like ‘price-takers’. Cheese dairies have weak market power relative to the superior bargaining position of the ripeners because wholesalers/ripeners can decide when to purchase the product, whom to purchase it from etc. Also, the ripening process is key in the production process, and requires a lot of space and financial capital, which is mainly possessed by the wholesalers/ripeners. The difference in bargaining power is further deepened by the fact that there are many more dairies than wholesalers or ripeners. Hence, an un-proportionate share of the benefits from the price premium may in some cases stay with the wholesaler/ripeners, at

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<sup>96</sup> In 1970, a dairy processed on average 699 tons of milk, by 1998 the figure was 2 713 tons. The quantity of cheese produced per dairy has increased by 3.5 times, from 46.2 tons in 1970 to 179.9 tons in 1998.

the expense of the raw producers and the first-stage processors (cheese dairies). The relationship between the cheese dairies and the wholesalers/ripeners is one example of how the benefits from the price premium, if there is one, benefits different components of the supply chain unevenly.<sup>97</sup>

The case of Parmigiano Reggiano is complicated. It is a multi-billion Euro business, which contributes to income and thousand of job opportunities in the Parma-region. However, commercialization has increased the pressure for increased efficiency in production. Like in all businesses, this leads the least efficient producers to get out of production. Also, with increasing monopoly power down-stream the production chain, the degree of “fairness” in distribution of income for all involved producers, is not as high as one would wish for. Regardless of this, it should be recognized that the popularity of Parmigiano Reggiano among consumers has had tremendous positive effects for the Parma-region. An unfair share of the profits may still be considered better than no income at all.

The information provided in this case study does not allow one to draw any conclusions on whether the implementation of Regulation 2081/92 has affected the development of the production of the cheese. However, protection of the name Parmigiano Reggiano in the EU enables many Parmigiano-Reggiano producers to stay in business because they get their rightful market share. Counterfeiting is simply illegal, and therefore no other producer or retailer in the EU can use the name. For example, Kraft, the American cheese producer, has had to rename the product it previously sold under the name Parmesan in Europe, to Parmesello. Because the Parmigiano Reggiano producers can be assured that consumers recognize their product, many of them also remain in business. Hence, Regulation 2081/92 in this sense contributes to rural development.

## **7.8 Feta<sup>98</sup>**

Feta is a Greek cheese made from a mixture of goat and sheep milk. It is positioned on a very high attractive market, despite a strong competition from several substitutes and imitations.<sup>99</sup>

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<sup>97</sup> Rangnekar, 2004

<sup>98</sup> Barjolle et al., 2000b

Feta has benefited from a growing consumption of goat and sheep milk products over the last decade. The growth of the market, especially outside Greece, has partly been due to the PDO protection. Some large Greek firms saw the potentials that a possible protection of the denomination “Feta” - for only Greek made Feta - could generate, and therefore boosted their production. They simply wanted to be the first ones on the export market, overtaking the shares that for example Danish and German producers had held before. This development, in combination with the economies of scale the larger firms could take advantage of, were to the detriment of smaller production units. The preservation of economic activities in less favored areas is in this case threatened by the strategy of the larger actors, who have been encouraged by the PDO status. In other words, even though the output of the PDO-cheese is increasing, it does not benefit marginalized regions in Greece.

The case of Feta shows that firms with superior bargaining power may be tempted to appropriate a disproportionate share of the economic value generated from securing protection. The case of Feta therefore demonstrates how the protection of GIs in Europe in this case has not benefited rural development.

## **7.9 Conclusions from case studies**

The evidence provided in these case studies also supports the idea that the production of GI products contributes to rural development, through the generation of income and employment to less-favored regions in Europe. Clearly though, not enough data on individual European GI products is today available, in order for me to draw any all-embracing and comprehensive conclusions on how all GI production in Europe impacts rural regions. However, the majority of the case studies presented show that production of GI products benefits the region of production more than the production of ‘conventional’ agricultural products does. The cases of Comte and Queijo de Nisa, for example, show how an origin labeled product can affect a marginalized region very positively.

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<sup>99</sup> Both national and international competitors. However, Danish and German producers recently lost a case against the Greek producers, and will now have to rename their product. It should be noted that Danish and German feta is made from cow milk, and were hence not perfect substitutes.

However, the case studies have also given some insight on the potential risks from having a system of protection of GIs in place. For example, some of the risks associated with origin labeling are the bureaucratic costs associated with the introduction of the origin label, as well as higher demand on quality standards, which may cause some producers to withdraw from production. The cases of Tuscan Extra-Virgin Olive Oil and Parmigiano Reggiano demonstrate that there is a threshold to success – at a certain point the product gets so well recognized and is so strictly controlled, that producers get crowded out of the market and the price premiums mostly benefit those within the supply chain that has the most leverage. Regardless of this, it should be recognized that both these products still generate much employment and a higher level of income to their respective local regions, than what would have been possible without the recognition of the product. They also generate indirect jobs through the number of tourists they attract.

The case of Feta further demonstrated what might happen when some producers can take advantage of the increased market share that became available because of the implementation of the protection. The case of Feta is somewhat different than the other cases presented, however, since Feta has been produced in several places throughout Europe for a long period of time. When all producers were declared “illegal” producers, except for the Greece producers, several large companies boosted their production level and took advantage of the new export possibilities that opened up, to the detriment of the smaller farmers in the region. Hence, this, to some extent, supports the idea put forward in the theory chapter by Callois. In other words, “the rise in some farmers’ income does not necessarily benefit rural development”. In Greece, in the case of Feta, because some smaller producers were forced to get out of production when not being able to compete with bigger businesses, rural regions did not benefit overall from the GI protection, even though individual producers made much higher profits.

### **7.10 Has the protection offered through Regulation 2081/92 contributed to rural development?**

It has so far been established that the production of GIs has a strong potential of having a more positive impact on the region of production than the production of traditional

agricultural products has. This is due to the potential of extraction of price premiums, and because of the growth of the GI market in Europe that has occurred over the last decade.

However, whether or not the protection of GI products in Europe offered through Regulation 2081/92 has contributed to rural development in the Union is another issue. It is not obvious that the regulation serves a purpose in supporting less-favored regions. As in the case with all intellectual property, it needs to be questioned whether GIs should really enjoy the degree of monopoly power that the protection entails. As described for in the theory chapter on intellectual property, the main argument for advocating protection of GIs is the existence of asymmetric information. Protection here ensures that the rightful producers also can reap the full benefits from producing the GI product, because no other producer can use the product name.

The reason to why GI products need to be protected under a specific GI regulation in order to contribute to rural development, instead of being protected under trademark laws, is that GI protection ensures that the production of the product stays within the region (which usually is in less-favored regions), hence that the production cannot be re-localized. Furthermore, the GI protection also ensures that the production takes place in a traditional manner, which is more labor intensive, and therefore contributes to the generation of more employment per quantity of output than regular production. In other words, specific GI protection, rather than trademark protection, enables the less-favored regions to hold on to their comparative advantage. Hence, simply for this reason, Regulation 2081/92 serves a purpose in contributing to rural development.

However, when evaluating whether or not the regulation serves a purpose, it needs to be emphasized that the protection in itself does not guarantee price premiums or even the survival of the product. The protection merely secures, as mentioned above, that the potential benefits do fall in the hands of the rightful beneficiaries, and that the production cannot be sold to other regions. This guarantee is not of equal importance to all PDO/PGI producers in the EU. For some it is a necessity, in order for the rightful producer to reap the benefits of the price premium. In other cases, the protection merely guarantees that if the product does become successful, no one else can benefit from the work that one producer (or group of producers) has put into developing or marketing the product (because the product is simply not well enough recognized for it to be a potential prey).

It is important to distinguish between products that are known only around the production area, from products that are well-known at the national level, and products that have a notoriety all over Europe or even the world. The relative importance of protecting the names of these products depends, naturally, on the attractiveness of the name. For products like Parmigiano Reggiano and Roquefort, the protection is very important. Due to their age and their recognition outside of their production area, their names are potential prey for businesses seeking to free-ride. For these products the regulation is a real necessity, in order for the profits to stay in the region of original production. It is also necessary in order to guarantee that the names of the products do not become generic (which is for example the case with certain trademarks that have become very successful, as mentioned in the theory chapter).<sup>100</sup> For other products (for example Fontina, Cantal, Comte, Scottish Lamb, Peza Olive Oil) their reputation is mostly limited to a national or regional level. Hence, the major risk faced by these products is the appearance of imitations within their region of production. The regulation is helpful for them for the same reasons as for the aforementioned products, even though the risks and consequences are not as high, and hence the production of these GI products might contribute to rural development even though they are not protected by a regulation. The last group of products is much less, or not at all, threatened by the degeneration of their names. These products often bear composed names, such as Jersey Potatoes, Luizet Apricots, Zagora Apples etc. The protection of their names is not as important to the producers, but the PDO/PGI label may for these products instead serve as a marketing signal. Hence, another reason, besides the obvious ‘protection-reason’ to why Regulation 2081/92 contributes to rural development in the EU is because the PDO/PGI protection is perceived among producers as being able to contribute to enhancing producers’ competitive position. According to informed sources, the number of GI products registered under Regulation 2081/92 may increase by 50 percent in the coming years, which proves that there is a tremendous interest among European producers for the production of GI products.

In other words, asymmetric information exists in the GI market, and the GI names are associated with different values, therefore it serves a purpose to protect these products, to make sure that the production stays in the original region of production, and hence contributes

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<sup>100</sup> It should also be noted that the name Parmesan already is considered to be a generic term in for example the United States, and it is therefore possible that the product would have faced the same risk in Europe, had the protection not been put in place.

to keeping rural areas vivid. By diminishing the risk for counterfeiting, producers are encouraged to invest in high-value added products. Regulation 2081/92 does not in itself contribute to rural development in Europe. But, because Geographical Indications have the potential of contributing to the development of less-favored regions, the protection of these products is valuable. The regulation guarantees that no one can misuse the protected names, and that production cannot be re-located, and therefore that the profits from GI sales end up with the rightful beneficiaries. Regulation 2081/92 therefore contributes to enhancing the life in rural areas in Europe.

## 8 Summary and concluding remarks

Geographical Indications are collective property rights, which identify a good as originating from a specific geographical region. These types of property rights are particularly important to Europe, and in particular to the Southern European countries. Because GIs are produced in a traditional manner, which often is more labor intensive, and because the property right belongs to a region, and not a company, and therefore cannot be re-localized, these types of products are believed to contribute more to rural development than ‘conventional’ agricultural production does. Hence, GIs represent an immobile comparative advantage, which can be used as a force for spurring economic activity in remote and/or less-favored regions. In the EU, GI products have been protected under Regulation 2081/92 since 1996. One of the objectives with the protection is that GIs should contribute to rural development through increased incomes and employment generation in less-favored regions.

In order for GI production to be able to contribute to rural development, the consumers have to have an interest in this type of niche market. This interest in turn, has to be translated into price premiums and also growing markets for GI products, in order to make it worthwhile for existing producers, and also to attract new producers to GI production. The GI product may also have other, less quantifiable, impacts on the region of production. For example, the GI might attract tourism, or promote the name of the region, which in turn helps other products (both food stuff and non-food stuff) to increase their sales.

This study has showed that consumers in Europe have an interest in GI products, and in the types of qualities GI products represent – food safety, food quality, environmental concerns etc. This study has further showed that many European GI products receive a price premium compared to their reference market. Furthermore, and this is to some extent even more important, many raw producers (milk farmers, olive growers etc.) receive a price premium for their contributions to the final products. In other words, there seems to be a lot of potential for GI products to generate higher incomes to their regions’ of production, than ‘conventional’ farming does. The higher income to the region as a whole will stem both from higher profits per producer, but also from generation of employment, due to the labor

intensive production, which creates more sources of income. Furthermore, the data presented in this study shows that the output of GI products has increased significantly over the last decade for most sectors in the four countries with the most GI products registered (Italy, France, Spain and Portugal). This suggests that the market for GI products is growing, which will attract new producers, and further increase the incomes of those already involved in GI production.

However, the effects of production of GIs are more complex than what the aggregate quantitative data suggests. The case studies presented shed some light on this problem. Most GI products that have been documented show a positive development, with Comte and Queijo de Nisa being the two highlights. For example, the producers of Comte have over the last decade increased output significantly, and increased profitability per farm. Although the number of farms in the PDO-region has decreased, it has decreased less than in the neighboring non-PDO area and less than the average for France.

Parmigiano Reggiano and Toscano Olive Oil have also had positive developments in terms of increasing output and prices. Both products also generate substantial employment, both directly and indirectly, through for example attraction of tourism. Nonetheless, these two GIs demonstrate that there is a threshold to success. At a certain point a product can get so well recognized, and be so strictly controlled, that some producers get crowded out of the market. Furthermore, differing levels of leverage among producers at different stages of the supply chain, has led to uneven distribution of the benefit that the price premium, being paid for the final product, generates. There is also a risk that there is an optimal maximum number of GI products to an area. This is not something that I have been able to prove in my thesis;<sup>101</sup> however, logically one would assume that an unlimited number of producers of GI products would not benefit everyone. This could then maybe explain the less successful experience of some of the products put forward in Barjolle & Sylvander's studies.

There is also the case of Feta, where larger producers could take advantage of economies of scale in their production, and therefore crowd out smaller producers from the market. The reason to why there was new potential for economies of scale for these producers was that Regulation 2081/92 prevented producers in Denmark and Germany (among others) from

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<sup>101</sup> Due to the lack of data and the short time span that the protection has been in place in Europe.

producing Feta, and as a result an incredibly large export market opened up for the Greek producers. Hence, the actual PDO-protection was the reason to why producers in rural areas were forced to get out of production.

In other words, production of GI products in order to achieve rural development is not guaranteed to be a panacea. However, despite the gloomy experiences by some of the larger products, overall there is a very positive tendency within the EU for GIs. As stated before, the proven existence of price premiums and the fact that most GI markets are growing, show that there is a high potential for GI products to have a significant economic, and hence social, impact on their region of production.

As have been described for in this study, there are several reasons justifying protection for GIs. First of all, as noted in the theory chapter, protection of property rights, such as trademarks and GIs, is justified because of the existence of asymmetric information. Without protection of these names, producers would not have a mean to signal the particular qualities of their product to consumers, since without a protection in place, anyone could use the name of “their” product. Protection is also justified because it ensures producers that the name of their product cannot be classified as a generic term, which has many times been the case for successful products; hence the incomes their product name generates will benefit only the rightful producers. Furthermore, protection ensures that counterfeiting is illegal, which further motivates producers to invest in this type of production because it ensures them that their investment will not benefit non-eligible producers. Most importantly however, in relation to rural development, is the need for protection of GIs under a specific GI protection law, instead of protecting GIs under trademark law. A specific GI regulation guarantees that the production of the GI remains in the accurate region, and also that the production is being carried out in the traditional manner. This in turn guarantees that the profits from the production benefits producers in rural areas, and it also guarantees that employment is generated (because manpower cannot be substituted with machines). Hence, specific GI protection is essential in order for GI products to contribute to rural development.

In sum, because producers are guaranteed that they can signal the quality of their product to the consumers, and that they can reap the full benefits of the investments they make, it is also meaningful for them to invest in GI-production. This confidence among producers, together with the property right’s connection to a region, is a necessity in order for the strategy of rural

development in the EU, involving GI production, to be successful. Hence, in conclusion, because GI products are valuable and generate significant amounts of incomes and jobs, it is vital for GI producers to have their product names protected. This protection in turn guarantees that the proceeds will profit the rightful producers, and therefore benefit rural areas. In short, Regulation 2081/92 has overall, even if not in each and every case, contributed to rural development in the EU.

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## Appendix 1: TRIPs Articles relating to Geographical Indications<sup>102</sup>

### Article 22

#### Protection of Geographical Indications

1. 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.

2. In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

(b) any use which constitutes an act of unfair competition within the meaning of Article 10*bis* of the Paris Convention (1967).

3. A Member shall, *ex officio* if its legislation so permits or at the request of an interested party, refuse or invalidate the registration of a trademark which contains or consists of a geographical indication with respect to goods not originating in the territory indicated, if use of the indication in the trademark for such goods in that Member is of such a nature as to mislead the public as to the true place of origin.

4. The protection under paragraphs 1, 2 and 3 shall be applicable against a geographical indication which, although literally true as to the territory, region or locality in which the goods originate, falsely represents to the public that the goods originate in another territory.

### Article 23

#### Additional Protection for Geographical Indications for Wines and Spirits

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<sup>102</sup> WTO, [http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm3b\\_e.htm#3](http://www.wto.org/english/tratop_e/trips_e/t_agm3b_e.htm#3)

1. Each Member shall provide the legal means for interested parties to prevent use of a geographical indication identifying wines for wines not originating in the place indicated by the geographical indication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like. [\(4\)](#)

2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, *ex officio* if a Member's legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

3. In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.

4. 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.

## **Article 24**

### International Negotiations; Exceptions

1. Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.

2. The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Council, which, at the request of a Member, shall consult with any Member or Members in respect of such matter in respect of which it has not been possible to find a satisfactory solution through bilateral or plurilateral consultations between the Members concerned. The Council shall take such action as may be agreed to facilitate the operation and further the objectives of this Section.

3. In implementing this Section, a Member shall not diminish the protection of geographical indications that existed in that Member immediately prior to the date of entry into force of the WTO Agreement.

4. Nothing in this Section shall require a Member to prevent continued and similar use of a particular geographical indication of another Member identifying wines or spirits in connection with goods or services by any of its nationals or domiciliaries who have used that geographical indication in a continuous manner with regard to the same or related goods or services in the territory of that Member either (a) for at least 10 years preceding 15 April 1994 or (b) in good faith preceding that date.

5. Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith either:

(a) before the date of application of these provisions in that Member as defined in Part VI;  
or

(b) before the geographical indication is protected in its country of origin;

measures adopted to implement this Section shall not prejudice eligibility for or the validity of the registration of a trademark, or the right to use a trademark, on the basis that such a trademark is identical with, or similar to, a geographical indication.

6. Nothing in this Section shall require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to goods or services for which the relevant indication is identical with the term customary in common language as the common name for such goods or services in the territory of that Member. Nothing in this Section shall

require a Member to apply its provisions in respect of a geographical indication of any other Member with respect to products of the vine for which the relevant indication is identical with the customary name of a grape variety existing in the territory of that Member as of the date of entry into force of the WTO Agreement.

7. A Member may provide that any request made under this Section in connection with the use or registration of a trademark must be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.

8. The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person's name or the name of that person's predecessor in business, except where such name is used in such a manner as to mislead the public.

9. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

## Appendix 2: PDO/PGI distribution by country

Protected Designation of Origin (PDO) / Protected Geographical Indication (PGI) by country (the countries not listed do not have any PDO/PGIS registered) as of October 7, 2005<sup>103</sup>

### Belgium

#### Cheeses

- Fromage de Herve

#### Meat-based products

- Jambon d'Ardenne
- Pâté gaumais

#### Oils and fats/olive oils

- Beurre d'Ardenne

### Czech Republic

#### Beer

- Budějovické pivo
- Budějovický měšťanský var
- Českobudějovické pivo

### Denmark

#### Cheeses

- Danablu
- Esrom

#### Fruit, vegetables and cereals

- Lammefjordsgulerod

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<sup>103</sup> European Commission, DG-AGRI [http://europa.eu.int/comm/agriculture/qual/en/1bbab\\_en.htm](http://europa.eu.int/comm/agriculture/qual/en/1bbab_en.htm)

# Germany

## Cheeses

- Allgäuer Bergkäse
- Allgäuer Emmentaler
- Altenburger Ziegenkäse
- Odenwälder Frühstückskäse

## Meat-based products

- Ammerländer Dielenrauschinken/ Ammerländer Katenschinken
- Ammerländer Schinken/Ammerländer Knochenschinken
- Greußener Salami
- Nürnberger Bratwürste/Nürnberger Rostbratwürste
- Schwarzwälder Schinken
- Thüringer Leberwurst
- Thüringer Rostbratwurst
- Thüringer Rotwurst

## Fruit, vegetables and cereals

- Spreewälder Gurken
- Spreewälder Meerrettich

## Fresh meat (and offal)

- Diepholzer Moorschnucke
- Lüneburger Heidschnucke
- Schwäbisch-Hällisches Qualitätsschweinefleisch

## Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Aachener Printen
- Lübecker Marzipan
- Meißner Fummel
- Nürnberger Lebkuchen

## Fresh fish, mollusks and crustaceans and products derived therefrom

- Oberpfälzer Karpfen
- Schwarzwaldforelle

## Beer

- Bayerisches Bier
- Bremer Bier
- Dortmunder Bier
- Gögginger Bier
- Hofer Bier
- Kölsch
- Kulmbacher Bier
- Mainfranken Bier
- Münchner Bier

- Reuther Bier
- Rieser Weizenbier
- Wernesgrüner Bier

#### Other drinks

- Bad Hersfelder Naturquelle
- Bad Niedernauer Quelle
- Bad Pyrmonter
- Birresborner
- Bissinger Auerquelle
- Blankenburger Wiesenquelle
- Caldener Mineralbrunnen
- Ensinger Mineralquelle
- Felsenquelle Beiseförth
- Gemminger Mineralquelle
- Göppinger Quelle
- Graf Meinhard Quelle Giessen
- Haaner Felsenquelle
- Haltern Quelle
- Höllens Sprudel
- Katlenburger Burgbergquelle
- Kißlegger Mineralquelle
- Leisslinger Mineralbrunnen
- Lieler Quelle
- Löwensteiner Mineralquelle
- Rhenser Mineralbrunnen
- Rilchinger Armandus Quelle
- Rilchinger Gräfin Mariannen-Quelle
- Schwollener Sprudel
- Siegsdorfer Petrusquelle
- Steinsieker Mineralwasser
- Teinacher Mineralquellen
- Überkinger Mineralquellen
- Vesalia Quelle
- Wernigeröder Mineralbrunnen
- Wildenrath Quelle

#### Oil and fats/olive oils

- Lausitzer Leinöl

### Greece

#### Cheeses

- Anevato
- Batzos
- Feta
- Formaella Arachovas Parnassou
- Galotyri
- Graviera Agrafon
- Graviera Kritis
- Graviera Naxou
- Kalathaki Limnou

- Kasseri
- Katiki Domokou
- Kefalograviera
- Kopanisti
- Ladotyri Mytilinis
- Manouri
- Metsovone
- Pichtogalo Chanion
- San Michali
- Sfela
- Xynomyzithra Kritis

#### Table olives

- Kalamata
- Konservolia Amfissis
- Konservolia Artas
- Konservolia Atalantis
- Konservolia Piliou Volou
- Konservolia Rovion
- Konservolia Stilidas
- Trumba Quios
- Trumba Thasu
- Trumba-Ambadai Rethimno Crète

#### Fruits, vegetables and cereals

- Aktinidio Pierias
- Aktinidio Sperchiou
- Corinthiaki Stafida Vostitsa
- Fasolia Gigantes-Elefantes Kastorias
- Fasolia Gigantes Elefantes Kato Nevrokopiou
- Fasolia Gigantes Elefantes Prespon Florinas
- Fasolia Koina Mesosperma Kato Nevrokopiou
- Fasolia Plake Megalosperma Prespon Florinas
- Fistiki Aeginas
- Fistiki Megaron
- Kelifoto fistiki Phtiotidas
- Kerasia Tragana Rodochoriou
- Kumquat Kerkyras
- Mila Delicious Pilafa Tripolos
- Mila Zagora Piliou
- Milo Kastorias
- Patata Kato Nevrokopiou
- Portokalia Maleme Hanion Kritis
- Rodakina Naoussas
- Syka Vravronas Markopoulou Mesogion
- Tsakoniki Melintzana Leonidiou
- Xera Syka Kymis

#### Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Kritiko paximadi

#### Fresh fish, molluscs and crustaceans and products derived therefrom

- Avgotaracho Messolonghiou

Other products of animal origin (eggs, honey, milk products excluding butter, etc.)

- Meli Elatis Menalou Vanilia

Oils and fats/olive oils

- Agios Mathaios Kerkyras
- Apokoronas Hanion Kritis
- Archanes Iraklio Kritis
- Exeretiko partheno eleolado: "Thrapsano"
- Finiki Lakonias
- Kalamata
- Kefalonia
- Kolymvari Hanion Kritis
- Kranidi Argolidas
- Krokees Lakonias
- Hania Kritis
- Lakonia
- Lesbos
- Lygourgio Asklipiou
- Olympia
- Petrina Lakonias
- Peza Iraklio Kritis
- Preveza
- Rhodos
- Samos
- Sitia Lasithi Kritis
- Thassos
- Viannos Iraklio Kritis
- Vorios Mylopotamos Rethymnis Kritis
- Zakynthos

Non-food products and others

- Krokos Kozanis
- Mastiha Chiou
- Mastihelaio Chiou
- Tsikla Chiou

## **Spain**

Cheeses

- Cabrales
- Idiazábal
- Mahón
- Picón Bejes-Tresviso
- Queso de Cantabria
- Queso de l'Alt Urgell y la Cerdanya
- Queso de La Serena

- Queso de Murcia
- Queso de Murcia al vino
- Queso de Valdeón
- Queso Ibores
- Queso Majorero
- Queso Manchego
- Queso Palmero o Queso de la Palma
- Queso Tetilla
- Queso Zamorano
- Quesucos de Liébana
- Roncal
- Torta del Casar

### Meat-based products

- Botillo del Bierzo
- Cecina de León
- Dehesa de Extremadura
- Guijuelo
- Jamón de Huelva
- Jamón de Teruel
- Lacón Gallego
- Salchichón de Vic o Llonganissa de Vic
- Sobrasada de Mallorca

### Fruit, vegetables and cereals

- Alcachofa de Benicarló o Carxofa de Benicarló
- Alcachofa de Tudela
- Arroz de Valencia o Arròs de València
- Arroz del Delta del Ebro
- Avellana de Reus
- Berenjena de Almagro
- Calasparra
- Calçot de Valls
- Cerezas de la Montaña de Alicante
- Cítricos Valencianos o Cítrics Valencians
- Chufa de Valencia
- Clementinas de las Tierras del Ebro o Clementines de les Terres de l'Ebre
- Espárrago de Huétor-Tájar
- Espárrago de Navarra
- Faba Asturiana
- Judías de El Barco de Ávila
- Kaki Ribera del Xuquer
- Lenteja de La Armuña
- Manzana de Girona o Poma de Girona
- Manzana Reineta del Bierzo
- Melocotón de Calanda
- Nísperos Callosa d'En Sarriá
- Pera de Jumilla
- Peras de Rincón de Soto
- Pimientos del Piquillo de Lodosa
- Pimiento Riojano
- Uva de mesa embolsada "Vinalopó"

### Fresh meat (and offal)

- Carne de Ávila
- Carne de Cantabria
- Carne de la Sierra de Guadarrama
- Carne de Morucha de Salamanca
- Carne de Vacuno del País o Euskal Okela
- Cordero Manchego
- Lechazo de Castilla y León
- Pollo y capón del Prat
- Ternasco de Aragón
- Ternera Asturiana
- Ternera de Extremadura
- Ternera de Navarra/Nafarroaka Aratxea
- Ternera Gallega

Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Ensamada de Mallorca o Ensamada mallorquina
- Iijona
- Mantecadas de Astorga
- Pan de Cea
- Turrón de Agramunt o Torró d'Agramunt
- Turrón de Alicante

Other products of animal origin (eggs, honey, milk products excluding butter, etc.)

- Miel de Granada
- Miel de La Alcarria

Oils and fats/olive oils

- Aceite de Mallorca/Aceite mallorquín/Oli de Mallorca/Oli mallorquí
- Aceite de Terra/Oli de Terra Alta
- Aceite del Bajo Aragón
- Baena
- Les Garrigues
- Mantequilla de l'Alt Urgell y la Cerdanya o Mantega de l'Alt Urgell i la Cerdanya
- Montes de Toledo
- Priego de Córdoba
- Sierra de Cádiz
- Sierra de Cazorla
- Sierra de Segura
- Sierra Mágina
- Siurana

Other Annex 1 products (spices etc.)

- Azafrán de la Mancha
- Pimentón de Murcia

## **France**

Cheeses

- Abondance
- Beaufort
- Bleu d’Auvergne
- Bleu des Causses
- Bleu du Haut-Jura, de Gex, de Septmoncel
- Bleu du Vercors
- Brie de Meaux
- Brie de Melun
- Brocciu Corse ou brocciu
- Cantal ou fourme de Cantal ou cantalet
- Camembert de Normandie
- Chabichou du Poitou
- Chaource
- Chevrotin
- Comté
- Crottin de Chavignol ou Chavignol
- Emmental de Savoie
- Emmental français est-central
- Epoisses de Bourgogne
- Fourme d’Ambert ou fourme de Montbrison
- Laguiole
- Langres
- Livarot
- Maroilles ou Marolles
- Mont d’or ou vacherin du Haut-Doubs
- Morbier
- Munster ou Munster-Géromé
- Neufchâtel
- Ossau-Iraty
- Pélarдон
- Picodon de l’Ardèche ou picodon de la Drôme
- Pont-l’Evêque
- Pouligny-Saint-Pierre
- Reblochon ou reblochon de Savoie
- Rocamadour
- Roquefort
- Saint-Nectaire
- Sainte-Maure de Touraine
- Salers
- Selles-sur-Cher
- Tomme de Savoie
- Tomme des Pyrénées
- Valençay

#### Table olives

- Olives cassées de la Vallée des Baux-de-Provence
- Olives noires de la Vallée des Baux-de-Provence
- Olives noires de Nyons

#### Meat-based products

- Boudin blanc de Rethel
- Canard à foie gras du Sud-Ouest (Chalosse, Gascogne, Gers, Landes, Périgord, Quercy)
- Jambon de Bayonne
- Jambon sec et noix de jambon sec des Ardennes

## Fruit, vegetables and cereals

- Ail rose de Lautrec
- Chasselas de Moissac
- Coco de Paimpol
- Fraise du Périgord
- Haricot Tarbais
- Lentille verte du Puy
- Lentilles vertes du Berry
- Mâche nantaise
- Melon du Haut Poitou
- Melon du Quercy
- Mirabelles de Lorraine
- Muscato du Ventoux
- Noix de Grenoble
- Noix du Périgord
- Olive de Nice
- Piment d'Espelette - piment d'Espelette-Ezpeletako Biperra
- Pomme de terre de l'Île de Ré
- Pomme de terre de Merville
- Pommes et poires de Savoie
- Poireaux de Créances
- Pruneaux d'Agen - Pruneaux d'Agen mi-cuits
- Riz de Camargue

## Fresh meat (and offal)

- Agneau de l'Aveyron
- Agneau de Pauillac
- Agneau du Bourbonnais
- Agneau du Limousin
- Agneau du Poitou-Charentes
- Agneau du Quercy
- Boeuf charolais du Bourbonnais
- Boeuf de Chalosse
- Boeuf du Maine
- Dinde de Bresse
- Canard à foie gras du Sud-Ouest (Chalosse, Gascogne, Gers, Landes, Périgord, Quercy)
- Porc de la Sarthe
- Porc de Normandie
- Porc de Vendée
- Porc du Limousin
- Taureau de Camargue
- Veau de l'Aveyron et du Ségala
- Veau du Limousin
- Volaille d'Ancenis
- Volaille de Bresse
- Volaille de Gascogne
- Volaille de Houdan
- Volaille de Janzé
- Volaille de la Champagne
- Volaille du Berry
- Volaille du Gatinais
- Volaille du Languedoc
- Volaille du Lauragais
- Volailles d'Alsace

- Volailles d’Auvergne
- Volailles de Bretagne
- Volailles de Bourgogne
- Volailles de Challans
- Volailles de Cholet
- Volailles de la Drôme
- Volailles de l’Ain
- Volailles de Licques
- Volailles de l’Orléanais
- Volailles de Loué
- Volailles de Normandie
- Volailles de Vendée
- Volailles des Landes
- Volailles du Béarn
- Volailles du Charolais
- Volailles du Forez
- Volailles du Gers
- Volailles du Maine
- Volailles du plateau de Langres
- Volailles du Val de Sèvres
- Volailles du Velay

Bread, pastry, cakes, confectionery, biscuits and other baker’s wares

- Bergamote(s) de Nancy
- Brioche Vendéenne

Fresh fish, molluscs and crustaceans and products derived therefrom

- Anchois de Collioure
- Coquille St. Jacques des Côtes d'Armor

Other products of animal origin (eggs, honey, milk products excluding butter etc.)

- Crème d’Isigny
- Crème fraîche fluide d’Alsace
- Miel d’Alsace
- Miel de Corse - Miele di Corsica
- Miel de Sapin des Vosges

Other drinks

- Cidre de Bretagne ou cidre breton
- Cidre de Normandie ou cidre normand
- Cornouaille
- Domfront
- Pays d’Auge/Pays d’Auge-Cambremer

Oils and fats/olive oils

- Beurre Charentes-Poitou - Beurre des Charentes - Beurre des Deux-Sèvres
- Beurre d’Isigny
- Huile d’olive d’Aix-en-Provence
- Huile d’olive de Haute-Provence
- Huile d’olive de la Vallée des Baux-de-Provence

- Huile d'olive de Nyons

#### Non-food products and others

- Huile essentielle de lavande de Haute-Provence
- Foin de Crau

## Ireland

#### Cheeses

- Imokilly Regato

#### Meat-based products

- Timoleague Brown Pudding

#### Fresh fish, molluscs and crustaceans and products derived therefrom

- Clare Island salmon

## Italy

#### Cheeses

- Asiago
- Bitto
- Bra
- Caciocavallo Silano
- Canestrato Pugliese
- Casciotta d'Urbino
- Castelmagno
- Fiore Sardo
- Fontina
- Formai de Mut Dell'alta Valle Brembana
- Gorgonzola
- Grana Padano
- Montasio
- Monte Veronese
- Mozzarella di Bufala Campana
- Murazzano
- Parmigiano Reggiano
- Pecorino Romano
- Pecorino Sardo
- Pecorino Siciliano
- Pecorino Toscano
- Provolone Valpadana
- Quartirolu Lombardo

- [Ragusano](#)
- [Raschera](#)
- [Robiola di Roccaverano](#)
- [Spessa delle Giudicarie](#)
- [Taleggio](#)
- [Toma Piemontese](#)
- [Valle d'Aosta Fromadzo](#)
- [Valtellina Casera](#)

#### Table olives

- [La Bella della Daunia](#)
- [Nocellara del Belice](#)

#### Meat-based products

- [Bresaola della Valtellina](#)
- [Capocollo di Calabria](#)
- [Coppa Piacentina](#)
- [Cotechino Modena](#)
- [Culatello di Zibello](#)
- [Lardo di Colonnata](#)
- [Mortadella Bologna](#)
- [Pancetta di Calabria](#)
- [Pancetta Piacentina](#)
- [Prosciutto di Carpegna](#)
- [Prosciutto di Modena](#)
- [Prosciutto di Norcia](#)
- [Prosciutto di Parma](#)
- [Prosciutto di San Daniele](#)
- [Prosciutto di Veneto Berico-Euganeo](#)
- [Prosciutto Toscano](#)
- [Salame Brianza](#)
- [Salame di Varzi](#)
- [Salame d'oca di Mortara](#)
- [Salame Piacentino](#)
- [Salamini italiani alla cacciatora](#)
- [Salsiccia di Calabria](#)
- [Soppressata di Calabria](#)
- [Sopressa Vicentina](#)
- [Speck dell'Alto Adige, Sudtiroler Speck, Sudtiroler Speck](#)
- [Valle d'Aosta Jambon de Bosses](#)
- [Valle d'Aosta Lard d'Arnad](#)
- [Zampone Modena](#)

#### Fruit, vegetables and cereals

- [Arancia rossa di Sicilia](#)
- [Asparago bianco di Cimadolmo](#)
- [Asparago verde di Altedo](#)
- [Basilico Genovese](#)
- [Capperi di Pantelleria](#)
- [Carciofo di Paestum](#)
- [Carciofo Romanesco del Lazio](#)
- [Castagna del Monte Amiata](#)
- [Castagna di Montella](#)

- Ciliegia di Marostica
- Clementine del Golfo di Taranto
- Clementine di Calabria
- Fagiolo di Lamona della Vallata Bellunese
- Fagiolo di Sarconi
- Fagiolo di Sorana
- Farina di Neccio della Garfagnana
- Farro della Garfagnana
- Ficodindia dell'Etna
- Fungo di Borgotaro
- Kiwi Latina
- Lenticchia di Castelluccio di Norcia
- Limone Costa d'Amalfi
- Limone di Sorrento
- Marrone del Mugello
- Marrone di Castel del Rio
- Marrone di San Zeno
- Mela Val di Non
- Nocciola del Piemonte
- Nocciola di Giffoni
- Peperone di Senise
- Pera dell'Emilia Romagna
- Pera mantovana
- Pesca e nettarina di Romagna
- Pomodoro di Pachino
- Pomodoro S. Marzano dell'Agro Sarnese-Nocerino
- Radicchio rosso di Treviso
- Radicchio variegato di Castelfranco
- Riso Nano Vialone Veronese
- Scalognone di Romagna
- Uva da tavola di Canicatti
- Uva da tavola di Mazzarrone

#### Fresh meat (and offal)

- Agnello di Sardegna
- Vitellone Bianco dell'Appennino Centrale

#### Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Coppia Ferrarese
- Pane casareccio di Genzano
- Pane di Altamura

#### Other products of animal origin (eggs, honey, various milk products, not including butter)

- Miele della Lunigiana
- Ricotta Romana

#### Oils and fats/olive oils

- Alto Crotonese
- Aprutino Pescarese
- Brisighella
- Bruzio

- Canino
- Cartoceto
- Chianti Classico
- Cilento
- Collina di Brindisi
- Colline di Romagna
- Colline Salernitane
- Colline Teatine
- Dauno
- Garda
- Laghi Lombardi
- Lametia
- Lucca
- Molise
- Monte Etna
- Monti Iblei
- Penisola Sorrentina
- Pretuziano delle Colline Teramane
- Riviera Ligure
- Sabina
- Tergeste
- Terra di Bari
- Terra d'Otranto
- Terre di Siena
- Terre Tarantine
- Toscana
- Tuscia
- Umbria
- Valdemone
- Val di Mazara
- Valle del Belice
- Valli Trapanesi
- "Veneto Valpolicella", "Veneto Euganei e Berici", "Veneto del Grappa"

#### Non-food products and others

- Aceto balsamico tradizionale di Modena
- Aceto balsamico tradizionale di Reggio Emilia
- Bergamotto di Reggio Calabria

#### Other Annex 1 products (spices etc.)

- Zafferano del' Aquila
- Zafferano di San Gimignano

## **Luxemburg**

#### Meat-based products

- Salaisons fumées marque nationale Grand-Duché de Luxembourg

#### Fresh meat (and offal)

- Viande de porc marque nationale Grand-Duché de Luxembourg

Other products of animal origin (eggs, honey, milk products excluding butter etc.)

- Miel luxembourgeois de marque nationale

Oils and fats/olive oils

- Beurre rose de la marque nationale Grand-Duché de Luxembourg

## **The Netherlands**

Cheeses

- Boeren-Leidse met sleutels
- Kanterkaas, Kanternagelkaas, Kanterkomijnkaas
- Noord-Hollandse Edammer
- Noord-Hollandse Gouda

Fruit, vegetables and cereals

- Opperdoezer Ronde
- Westlandse druif

## **Austria**

Cheeses

- Gailtaler Almkäse
- Tiroler Almkäse / Tiroler Alpkäse
- Tiroler Bergkäse
- Tiroler Graukäse
- Vorarlberger Alpkäse
- Vorarlberger Bergkäse

Meat-based products

- Gailtaler Speck
- Tiroler Speck

Fruit, vegetables and cereals

- Marchfeldspargel
- Wachauer Marille
- Waltviertler Graumohn

Oils and fats/olive oils

- Steierisches Kürbiskernöl

## Portugal

### Cheeses

- Queijo de Azeitão
- Queijo de Cabra Transmontano
- Queijo de Évora
- Queijo de Nisa
- Queijo do Pico
- Queijo Mestiço de Tolosa
- Queijo Rabaçal
- Queijo São Jorge
- Queijo Serpa
- Queijo Serra da Estrela
- Queijo Terrincho
- Queijos da Beira Baixa (Queijo de Castelo Branco, Queijo Amarelo da Beira Baixa, Queijo Picante da Beira Baixa)

### Table olives

- Azeitona de conserva Negrinha de Freixo

### Meat-based products

- Cacholeira branca de Portalegre
- Chouriço de Carne de Estremoz e Borba
- Chouriço de Portalegre
- Chouriço Grosso de Estremoz e Borba
- Chouriço Mouro de Portalegre
- Chouriça de carne de Vinhais or Linguiça de Vinhais
- Farinheira de Estremoz e Borba
- Farinheira de Portalegre
- Lombo branco de Portalegre
- Lombo enguitado de Portalegre
- Linguiça de Portalegre
- Morcela de assar de Portalegre
- Morcela de cozer de Portalegre
- Morcela de Estremoz e Borba
- Paia de Lombo de Estremoz e Borba
- Paia de Toucinho de Estremoz e Borba
- Paio de Estremoz e Borba
- Painho de Portalegre
- Presunto de Barrancos
- Presunto de Barroso
- Salpicão de Vinhais

### Fruit, vegetables and cereals

- Ameixa d'Elvas
- Amêndoa Douro

- Ananas dos Açores/São Miguel
- Anona da Madeira
- Castanha da Terra Fria
- Castanha de Marvão - Portalegre
- Castanha de Padrela
- Castanha dos Soutos da Lapa
- Citrinos do Algarve
- Cereja da Cova da Beira
- Cereja de São Julião - Portalegre
- Maçã Bravo de Esmolfe
- Maçã da Beira Alta
- Maçã da Cova da Beira
- Maçã de Alcobaça
- Maçã de Portalegre
- Maracuja dos Açores/S. Miguel
- Pêra Rocha do Oeste
- Pêssego da Cova da Beira

#### Fresh meat (and offal)

- Borrego da Beira
- Borrego de Montemor-O-Novo
- Borrego do Baixo Alentejo
- Borrego do Nordeste Alentejano
- Borrego Serra da Estrela
- Borrego Terrincho
- Cabrito da Beira
- Cabrito da Gralheira
- Cabrito das Terras Altas do Minho
- Cabrito de Barroso
- Cabrito Transmontano
- Carnalentejana
- Carne Arouquesa
- Carne Barrosã
- Carne Cachena da Peneda
- Carne da Charneca
- Carne de Bovino Cruzado dos Lameiros do Barroso
- Carne de Porco Alentejano
- Carne dos Açores
- Carne Marinhoa
- Carne Maronesa
- Carne Mertolenga
- Carne Mirandesa
- Cordeiro Bragançano
- Vitela de Lafões

#### Other products of animal origin (eggs, honey, milk products excluding butter etc.)

- Mel da Serra da Lousã
- Mel da Serra de Monchique
- Mel da Terra Quente
- Mel das Terras Altas do Minho
- Mel de Barroso
- Mel do Alentejo
- Mel do Parque de Montezinho
- Mel do Ribatejo Norte (Serra D'aire, Albufeira de Castelo de Bode, Bairro, Alto Nabão)

- Mel dos Açores
- Requeijão Serra da Estrela

#### Oils and fats/olive oils

- Azeite de Moura
- Azeite de Trás-os-Montes
- Azeite do Ribatejo
- Azeites da Beira Interior (Azeite da Beira Alta, Azeite da Beira Baixa)
- Azeites do Norte Alentejano

## Finland

#### Fruits, vegetables and cereals

- Lapin Puikula

## Sweden

#### Cheeses

- Svecia

#### Bread, pastry, cakes, confectionery, biscuits and other baker's wares

- Skånsk spettkaka

## United Kingdom

#### Cheeses

- Beacon Fell traditional Lancashire cheese
- Bonchester cheese
- Buxton Blue
- Dorset Blue cheese
- Dovedale cheese
- Exmoor Blue cheese
- Single Gloucester
- Swaledale cheese, Swaledale ewes' cheese
- Teviotdale cheese
- West Country farmhouse Cheddar cheese
- White Stilton cheese, Blue Stilton cheese

#### Fruits, vegetables and cereals

- Jersey Royal potatoes

#### Fresh meat (and offal)

- Orkney beef
- Orkney lamb
- Scotch beef
- Scotch lamb
- Shetland lamb
- Welsh beef
- Welsh lamb

#### Fresh fish, molluscs and crustaceans and products derived therefrom

- Arbroath Smokies
- Scottish Farmed Salmon
- Whitstable oysters

#### Beer

- Kentish ale and Kentish strong ale
- Newcastle brown ale
- Rutland bitter

#### Other products of animal origin (eggs, honey, milk products excluding butter, etc.)

- Cornish Clotted Cream

#### Other drinks

- Gloucestershire cider/perry
- Herefordshire cider/perry
- Worcestershire cider/perry

### Appendix 3: Change of production and turnover for Portuguese cheeses, 1999-2003

Product	Production, 1999 (kg)	Turnover, 1999 (Euros)	Production, 2003 (kg)	Turnover, 2003 (Euros)	Change of output (%)	Change of turnover (%)
Queijo de Terrincho	31980	415740	31029	403377	-3.0	-3.0
Queijo de Cabra Transmontano	1734	13005	14132	113056	715.0	769.3
Queijo Rabacal			800	12000		
Queijo Serra de Estrela	46688	700320	98788	1555911	111.6	122.2
Queijo Castelo Branco	45780	755370	54075	614832.8	18.1	-18.6
Queijo Amarelo da Beira Baixa	69360	728280	61600	506968	-11.2	-30.4
Queijo Picanteda Beira Baxa	27650	276500	21350	186172	-22.8	-32.7
Queijo de Azeitao	68401	1094416	92261	1568437	34.9	43.3
Queijo de Evora	32000	432000	26147	339649.5	-18.3	-21.4
Queijo de Nisa	85350	1493625	128732	2046839	50.8	37.0
Queijo Mestico de Tolosa	329	2961	12526	194153	3707.3	6457.0
Queijo de Serpa	33000	379500	81600	979200	147.3	158.0
Queijo de Sao Jorge	656050	3673880	663821	3870076	1.2	5.3
Queijo do Pico	157800	789000				
Requeijao Serra de Estrela			5885	5885		
<b>Total</b>	<b>1256122</b>	<b>10754597</b>	<b>1292746</b>	<b>12396557</b>	<b>2.9</b>	<b>15.3</b>

*Source:* Ministry of Agriculture, Rural Development and Fisheries of Portugal, [http://www.idrha.min-agricultura.pt/produtos\\_tradicionais/estatisticas/estatisticas.htm](http://www.idrha.min-agricultura.pt/produtos_tradicionais/estatisticas/estatisticas.htm)