

Minutes of the Round Table
***“Future of the EU quality policy:
can we guarantee quality without managing the production?”***
Brussels, 29 September 2009

Mr. Michel Dantin, MEP (EPP, FR), and **CNAOL, OriGIn, AICIG, CECRV, CNAOC, FEDERDOC** and **IVDP**¹ organised in the European Parliament (EP), on 29th September 2009, a round table on the importance of production's management for products with Protected Denominations of Origin (PDOs) and Protected Geographical Indication (PGIs).

Michel Dantin opened the Round table discussion by reminding participants that the territories where PDOs/PGIs are produced are exceptional areas because of their fragility. He underlined that PDO and PGI producers face many constraints during the production, the transformation and the transportation of their products. He stressed that consumers are unforgiving when the expected quality of the product is not there. For him, this is why PDO/PGI products need to have a management instrument to control their volumes and guarantee a certain quality.

Patrice Chassard, President of Saint-Nectaire and Vice-President of CNAOL, underlined the importance of the PDO/PGI production which has a strong social and economic impact in the regions where they are produced. He gave the following example: in France, the average direct employment figure for 100 000 litres of milk is 0.76, in the PDO sector, it is much higher (Saint-Nectaire: 2.8 or Roquefort: 7.1). He indicated that the success of the Comté cheese industry is based on two economic instruments: milk quotas and the management of volume growth by the interbranch organisations to control the quality. These tools allow for the price of milk paid to the producers to follow the price of the Comté cheese on the market. Moreover, in the context of the current dairy sector crisis, it stressed that the price of milk for the production of PDOs has not gone down, which is exceptional. He presented the main conclusions of a study by the economist Peter MEREL on "*Economic effects of the Supply control in the Comté cheese sector*":

- The price paid by consumers would be exactly the same without the Comté's sector organization, i.e. the consumer would not pay less for the cheese;
- Thanks to this organization, there is a better distribution of the value added from pre-production to post-production.

He concluded by saying that the ability for PDOs to manage the volume would definitely help to develop investments, research and innovation in this field and to ensure a proper redistribution of the value added to producers.

Paolo De Castro (S&D, IT), Chairman of the Committee on Agriculture of the European Parliament (Comagri), said that Comagri is currently working on this issue. He noted that quality is very important for the European territories in order to be competitive in the global market, and that the PDOs/PGIs are the added value of the Common Agricultural Policy (CAP). However, they are not immune to crisis, such as the dairy sector crisis. He identified two different issues, which should be worked on:

- The recognition of PDOs/PGIs outside the EU: a list of the most important PDOs/PGIs (about 30/40), that should be protected at the international level through a binding multilateral register, should be drawn. According to him, GIs are unfairly suffering from usurpations on the global market. The international protection of GIs should be obtained;
- Regarding the Green Paper on quality policy, more CAP is needed. The CAP should be more attentive to European citizens' demands and should take into account new challenges. The EU ought to be more proactive in this area, particularly against the U.S. Farm Bill which provides for aids to favour exports.

¹ *Conseil National des Appellations d'Origine Laitières – France ; OriGIn - Organisation for an International Geographical Indications Network, AICIG - Associazione Italiana Consorzi Indicazioni Geografiche; CECRV - Conferencia Española de Consejos Reguladores Vitivinícolas, CNAOC - Confédération Nationale des Producteurs de Vins et Eaux-de-Vie de Vin à Appellations d'Origine Contrôlée; FEDERDOC - confederazione nazionale dei consorzi volontari per la tutela delle denominazioni dei vini italiani, IVDP - Instituto dos Vinhos do Douro e do Porto.*

Paolo Tanara, President of Consorzio del Prosciutto di Parma, stressed that all the PDOs/PGIs are facing the same problem: a constant production increase, within a context of poor growth of demand, which leads to supply excess and to the reduction the profitability margin. The reduction of these margins often causes economic damages for companies and has a negative impact on the quality of the product. In the past years, the increase of the supply had as consequences the reduction of wholesale price and the raise of the consumer price. Consumers thus do not benefit from this situation. According to him, there is a need to act preventively to avoid production excesses and this is possible through the management of the volume of the production. A management based on two points: the availability of raw materials and the analysis of the consumer demands. Such an approach would have no negative impact on competition because free competition is guaranteed by the multiplicity of producers and it does not depend on the quantities produced but on the transparency of the market.

Paolo De Castro said that Comagri will make sure that this item is included in the report on the communication on agricultural product quality policy.

Luciano Vilhena Pereira, President of Instituto dos Vinhos do Douro e do Porto (IVDP), made a brief summary of the history of Porto and of the evolution of the designations of origin's control by the organization. PDOs are considered as public goods in Portugal since 1756. The IVDP is a public institution that has several important functions, including the regulation of the production and the commercialization. He stressed that the abolition of the planting rights in the wine sector could cause, in the Douro region, a doubling of the planting area. Since 1934, there is a very strict supervision of the production potential, with notably a classification of the land parcels following 12 different quality criteria to guarantee the quality. He concluded by pointing out that Porto sales did not drop in the past few years because the PDO/PGI are synonymous with excellence.

Marco Ortiz, Representative of Comunidad de Valencia in Brussels, spoke on behalf of Mr Fernando Prieto Ruiz, President of Conferencia Española de Consejos Reguladores Vitivinícolas (CECRV), who could not attend. He presented the CECRV missions and the importance of PDO wines for Spain. He took the example of wines from La Rioja, which represent 15% of the GDP of this region. If the planting rights system is abolished, 130,000 additional hectares will be eligible for planting in La Rioja, which could cause a significant risk of destabilization. He said that the organizations in charge of PDO wines should be able to manage the production potential in order to maintain a balance between the supply and the demand. The planting rights must be maintained in the regions where PDO wines are produced to enable them to grow and to guarantee high quality products.

Patrick Le Brun, President of Syndicat des vignerons de Champagne and Vice President of CNAOC, explained the significant role of the PDO wine industry in the French economy (50% of the production of wine in volume and 83% to 85% of the production in value). He highlighted that quality has a cost and therefore has a price. Wine production depends on natural elements and does not allow temporary layoffs if there is a fall in the activity. He regretted that the production regulation's issue has not been taken on board in the Green Paper and the Commission's communication on quality policy. He stressed that in all industrial sectors trademark owners manage the exact quantity produced. Today, the management of the planting rights enables to forecast production volumes. He gave the example of Sancerre and Côtes de Provence PDOs, which have prudently managed their planting rights and have avoided overproduction. He also pointed out to the positive development of Champagne thanks to the management of its plantations, which were stopped during market crisis. He demonstrated that the management of production potential has no negative impact on prices because the average bottle price has increased moderately over the past 30 years. Consumers do not suffer from that policy, but benefit from higher quality wines. He reminded that the abolition of the planting rights is scheduled for December 31, 2015 at the EU level. No other system has been proposed so far for PDO and PGI wines. According to him, history shows that a careless management of planting rights leads to overproduction crisis. Indeed, doubling the area of plantations is a serious risk. He thus wishes an extension of the planting rights system beyond 2015 for all EU or, the possibility for Member States to maintain the planting rights system only for PDOs beyond 2018.

Daniele Bianchi, Member of the Cabinet of Commissioner Mariann Fischer Boel in charge of the Quality Policy, said that the issue of quantity control is a rhetorical question that clashes with the principle of the free competition. Several questions emerge from this: should we allow the management of the quality and/or the quantity of the production? Who could manage it and how? He said that the European Court of Justice (ECJ) has clearly established that the management of the markets is of the EU exclusive competence via community tools. However, in the past few years, there has been a gradual dismantlement of most of these instruments. There should be a discussion on the possibility for other stakeholders to fill this legal vacuum. There is a possibility to change things from a legal point of view, but a political will is necessary. He highlighted that GIs have to be opened to all producers and that the Commission is currently examining the issue of the distribution of the margins in the agro-food sectors. He reminded that the two main principles of the Green Paper are simplification and transparency. The added value of European food production should be promoted and the protection of GIs should be strengthened at the international level. He insisted that the increasing number of GI registration requests is putting a strain on the system which risks losing its credibility. The system must be simplified. The possibility for an operator, such as a Consorzio, to be granted a greater form of management over the GI could be considered. The *ex-officio* protection must be strengthened. Finally, he questioned the necessity to maintain the distinction between the PDO/PGI and to register all of them at the EU and international levels.

Discussion

Jean-Jacques Bret, Director of the Comité Interprofessionnel du Comté, said that the control of the production purely based on quality criteria is not sufficient. The control over the quantity is also essential. The excesses of the market are not compatible with quality because crisis destroy the heritage and create a concentration of the producers. The idea is not to subtract the PDO/PGI from the general rules of the market but to give them a long-term development perspective. A solution for the management of the production in the GI sector must be found.

Herbert Dorfmann (PPE, IT), member of the European Parliament and of the Comagri, stated that the control cannot only take place at the quality level. He was very impressed by the figures shown by the French PDO wines. He believes that a debate should be opened on this topic. Issues relating to fair competition must be discussed within the European Parliament, which will work on the file during the next years to ensure that the farmers can survive.

Stefani Berni, Director of the Consorzio of Grana Padano, stressed that the PDOs/PGIs are perceived as trademarks by consumers. However, they cannot act like trademarks because they do not have the opportunity to plan their production. The management of the volume of production would improve the quality of the products and will have a strong impact on consumers.

Christian Jochum, Austrian Chamber of Commerce, said that transparency towards consumers and GIs protection are the most important issues.

Maria Petre, former *rappporteur* of the European Parliament on the Green Paper was pleased to note that the discussion continues. She agreed with all the ideas exposed during the debate, which were included in the European Parliament's report on the Green Paper.

Bruno Guichart, delegate of the Spanish Federation of Food Industry (FIAB), asked Patrice Chassard if PDO/PGI producers are less affected by the dairy sector crisis than the other producers. **Patrice Chassard** replied that PDO/PGI products have fewer difficulties than others in the sector. However, they notice that the price drop does not have any impact on the consumer price. **Jean-Jacques Bret** added that PDOs are less affected by the crisis, but that they did not benefit from the rise in industrial milk prices last year. Nonetheless, if price did not rise, they also did not drop this year. The benefit of the management of production is that it ends the shortage and allows for a regular long-term growth.

Marc Carballido, Vice-Chairman of AREPO asked Daniele Bianchi which role the regions will play in the implementation of the new legislation. **Daniele Bianchi** underlined that, in the existing framework, managing the volume production can be done if there is no monopoly. To do so, the system has to be simple to manage and avoid breaking the fair competition rules. Dairy farmers have today the same demands over market regulation. However, if a "micro-management" is allowed for PDOs/PGIs, other sectors will ask for the same rights. The role of the regions could be improved in a system in which there are several levels of GI recognition. According to him, the two-level system of protection (UE and national) is the simplest.

Michel Dantin questioned the Commission Representative on the possible impact of a European multilevel system of protection for GIs on the WTO negotiations. **Daniele Bianchi** said that a multilevel system is not a problem. He took the example of the bilateral agreement with South Korea. The Commission is negotiating with South Korea the protection of a short-list of GIs, on which it will be able to add, if necessary, other GIs. He believes that there is no sense to ask for international protection of a GI that is not exported. However, if it becomes more important, the international protection should be considered.

Sylvain Naulin, Representative of the Comité Européen des Entreprises Vins said that the GI reputation must be preserved to ensure income for the entire sector. He does not support the request to maintain the planting rights which, according to him, did not prevent overproductions. In the new Common Market Organization for wine, interbranch organisations have more competences in the supply management. New supply management tools are thus needed.

Roberto Scalacci, CIAA, said that we must control the quality but also quantity and ensure a better protection of GIs at the international level.

Riccardo Ricci Curbastro, President of FEDERDOC, declared that all heritages are essential, no matter how big they are. The creation of several levels of protection is thus impossible; all GIs have to be protected equally. However, there should be a focus on the most counterfeited products to increase their protection.

Michel Barnier (PPE, FR), MEP, affirmed that high quality products are the added value of the CAP. The EU should not give anything away at the WTO level on this topic.

Daniele Bianchi declared that the Commission's proposal aims at establishing a single system with similar basic principles but which would allow to have a protection at different levels (regional, national, European and international) and a simple, credible and defensible system.

Luca Giavi, Director of the Consorzio Radicchio di Treviso, said that, in time of crisis, there is a risk that only large companies will remain on the market because they have financial resources. This can happen at the expense of the quality.

Christophe Derrien, COPA-COGECA, asked the Commission Representative if there was a legal way to give an EU protection to some PDOs/PGIs without giving them an international protection. **Daniele Bianchi** answered that the Commission will solve the legal issues later.

Ana Soeiro, General Secretary of the Portuguese Association Qualifica, said that two elements were forgotten during the discussion: (1) GIs are intellectual property rights, so the owners of this right should be able to manage it, (2) GIs are important because they have been protected for a long time in terms of quality and quantity. Producers must thus have the right to manage their production. Moreover, if all GIs are not protected equally, newly registered GIs will have fewer rights. Counterfeiting problems on third countries markets will not be solved by a multilevel approach because when small GIs will enter these markets and will try to protect themselves, they will face well established counterfeits.

Eric Tesson, representative of CNAOC, said that all GIs have to be protected equally even if they do not export. Indeed, the reputation of a PDO can largely exceed its export's zone. In

response to Mr. Naulin about the effectiveness of the planting rights, he said that the management of the volume of production by producers was a success when producers paid attention to their trade development and adapted their planting right policy accordingly. Finally, the usefulness of the planting rights should not be advocated on the basis of regions which did not to use them and found themselves in overproduction.

Jérôme Agostini, Director of the French association CNIV, highlighted that the GI approach followed mainly in the Southern EU Member States is largely different from the sector and market organization in the EU Northern countries, which favour cooperatives or large private companies. In these countries, operators can manage their production, which is not the case for GIs. He pointed out to the importance of production regulation, which is a necessary precondition to guarantee the quality. To him, there is no need for a new legislation because existing instruments are efficient.

Pier Maria Saccani, Secretary General of the AICIG said he approves a two-level protection (national and European).

Agnès Laszczyk, Director of the French association of FedeLIS, asked the Commission representative if the current PDO/PGI legislation enables the organizations which manage the specifications to control the volume of production.

Leo Bertozzi, Director of the Consorzio of the Parmigiano Reggiano, insisted that it is essential to modify the provisions of the EU competition law so that the organizations in charge of the PDO/PGI can manage their production, notably because these sectors are often composed of a high number of small companies.

Michel Dantin, concluded by insisting on the importance of the reputation of GIs which is both individual and collective through the use of the EU logos. Their price is based on their reputation and the regulation of the supply. He believes that the best way to regulate the supply is to act at the production level. In addition, he considers that the owners of the intellectual property rights, i.e. PDO/PGI owners, should be able to dictate all the rules including the production volumes. This issue needs further investigation. He also indicated that the Comagri is willing to be an active stakeholder in the debate on the communication on quality and that it is very interested in hearing new proposals regarding production management instruments. He asked PDO/ PGI producers to continue their work and to make new proposals to EU authorities.