

oriGIn paper on the management of production volumes for PDOs and PGIs

The Organization for an International Geographical Indications Network (oriGIn) is an international network of geographical indications, representing 250 organizations and over two-million producers from some 40 countries.

oriGIn advocates for a more effective legal protection and enforcement of GIs at the national, regional and international level and promotes the recognition of the fundamental role of origin products in the sustainable development of local communities.

1) Current risks of the PDO-PGI sector

The risk of crisis concerns today any product with a Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI). The growing liberalisation of the agro-food sector makes the PDO and PGI more attractive and reinforces the risks of destabilisation. Unlike sectors where crisis can be considered to have a regenerating role and to constitute a progress (through a more rational allocation of resources), in the PDO and PGI sector, the crisis have as main consequence the irreversible closing of the small production sites (farms, transformation or maturing sites) which are the more traditional, to the advantage of the bigger sites.

Every crisis for a PDO or PGI product leads to:

- In the short term: quality problems, as the sale of products of poor quality or the decline in the image of the PDO or PGI; and
- In the medium term: **a loss of specific tastes** (this is even more worrying). This corresponds to a loss for consumers, both in the local and global market.
- In the long term, we assist to the closing down of businesses, in particular:
 - o The more traditional production sites, which constitute the heritage of PDOs/PGIs and give a great contribution to the diversification of taste,
 - o And sometimes the cultural/architectural sites which are linked to them.
- In general, by a migration of the production sites to areas easier to access (for example plains) at the expense of more difficult sites, such as mountains. This evolution leads to an exodus from rural areas, notably the so-called "less favoured areas". In parallel, we witness reduced economic dynamisms in such areas and, as a result, to an impoverishment of the local economic and social capital.

These phenomena are often irreversible.

An example of recent crisis: the case of the PDO Parmigiano-Reggiano cheese

In the second half of 2008, the situation of the market of the Parmigiano-Reggiano dramatically deteriorated. Following an excessive production, the stocks quickly grew, which produced a sharp decrease of the trade prices (sales in front the cheese factory). The prices reached their lowest point in November 2008: € 7.15 / kg (they were at €8.37 / kg at the beginning of the year). This crisis destabilized the whole production sector of the Parmigiano-Reggiano (milk and cheese producers) and required a public intervention to establish a balance between offer and demand.

2) Why the products with PDO and PGI ask for the possibility to manage the growth of the volumes

The main objective is to **allow groups in charge of the management of the PDO/PGI which wish to do so to prevent the crisis** of underproduction or of overproduction. The management of the growth of the volumes of PDO/PGI products, when it exists, works as a safety net. This tool is an important factor of dynamism, material and immaterial investments (research and export), qualitative amelioration, growth and opening to new operators. The practice shows that the management also ensures a better distribution of the added value all along the supply chain and, from the point of view of consumers, does not generate any increase in prices. It also attracts, in the areas producing PDO/PGI, new producers or young farmers who see in this collective management a guarantee of stability.

Due to the minority market share of the PDO/PGI products on the European market, this provision would by no means harm competition.

Finally, it should be noted that the management of the production volumes would be neutral for the budget of the Common Agricultural Policy. As it prevents crisis, it would decrease the demands for compensation that always occur in case of severe crisis in a sector.

The Comté PDO cheese example

The Comté cheese is one of the few French cheeses that has the possibility to manage the volumes of production thanks to a national law that strictly defines under which terms this can be done.

Before the establishment of volume management, Comté was regularly subject of overproduction crises followed by underproduction crisis which destabilised the sector. In the 1990s, Comté cheese producers invested in a promotional campaign in the USA, with the support of EU funds. However, when the American importers started to show interest for the product, the sector was facing an underproduction crisis (which followed an overproduction crisis). As a result, producers were not able to export the requested quantities of Comté cheeses to the USA. The promotional investment was totally wasted.

The management of the volumes' growth was the solution found by Comté producers to avoid such crises. Every year, the members of the sector negotiate the rise of the production for the following year. This measure is then analysed and approved by the French authorities. The sector has not been subject to crisis since the establishment of such measure and it has suffered less than other cheese producers from the overall milk crisis in 2008.

A study of an economist of the Davis University, California, P. Mérel, on the management of volumes showed that the system has no impact on the prices to consumers and ensures a better repartition of the added value along the supply chain.

3) Proposal in the framework of the quality package

oriGIn has been advocating for the introduction in the quality package of **the possibility for those groups** in charge of the management of the PDO and PGI products **which wish so**, to manage the growth of the volumes of production. These measures aim at preventing crisis, while maintaining PDO/PGI products in the logic of competition. The system would remain open to new operators and no attempt to create an artificial income or undue increase of prices from consumers would be possible within such a framework.

These measures would always be **voluntary**. Furthermore, as proposed by oriGIn, the groups in charge of the management of the PDO and PGI products would have to ask the national public authorities for the possibility to apply such measures. As a consequence, these measures would be optional (and not applied to all PDOs/PGIs nor in all Member States).

oriGIn fully supports the amendments adopted by the Agriculture Committee of the European Parliament on this point (reports of Mrs. Garcia Perez adopted on 21 June and 4 July 2011). It is important that the Member States be allowed to grant the groups in charge of the management of the PDO and PGI products the possibility to take measures to manage the offer, as far as these measures are applied in a proportionate and non discriminatory manner to prevent crisis. These measures must be notified by the Member State to the European Commission.