THE ADDED VALUE OF EU QUALITY SCHEMES

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The promotion of geographical indications (GI) has helped EU products attract new emerging markets which seek quality food. However, Europol warns that fake GI products are on the rise across the EU and policymakers should not disregard the protection of intellectual rights.

A number of factors ranging from the Russian embargo to price volatility has put enormous pressure on already struggling EU agricultural markets. The Russian ban cost many European farmers their main export market overnight, worth €5.5bn.

The European Commission has managed to open new export outlets and EU agri-food exports have since increased. According to the latest Eurostat data, the annual value of EU agri-food exports in 2016 reached a new record level of €130.7bn.

The US and China are the bloc’s main trading partners, but new Asian markets have emerged, such as Japan, Vietnam, and Korea. In 2017, remarkable gains were also recorded in Philippines, Singapore and Indonesia.

However, EU farmers believe that this has not yet translated into more money in their pockets.

“I think once we get into new markets we have to ensure that some of those gains also come back to farmers,” Pekka Pesonen, the secretary-general of the EU farmers’ association Copa-Cogeca, told EURACTIV.

**QUALITY SCHEMES AND TRADE DEALS**

Southern European exports such as olive oil, wine and fresh vegetables have been popular in third countries because of their especially high quality.

Marc Vanheukelen, the European Union’s ambassador to the World Trade Organisation (WTO), said last year that the demand of emerging markets is growing “due to the increase of the population and in particular of the middle class, whose eating habits are changing”.

He stressed that consumers have increasing expectations regarding the quality, safety and nutritional value of the products they eat and “Europe is well placed to meet this demand”.

The EU has focused a lot on the...
quality of the food produced in its territory and has created geographical indications to help protect and promote products with unique characteristics.

France, Italy, Portugal, Spain and Greece top the list for food products registered under EU quality schemes. Their “protected” products range from fresh meat and fruits and vegetables to oils and cheese.

EU quality schemes concern foodstuffs, wine, spirits and aromatised wine, as well as organic products. Currently, 1,402 food products have been registered with geographical indications (GIs), while the EU’s exports of products protected by geographical indications are worth an estimated €11.5bn.

GIs are also an integral part of the trade deals between the EU and third countries.

The EU recently signed a political agreement with Japan to accelerate a trade deal by the end of the year. Agriculture Commissioner Phil Hogan stressed that the EU negotiators managed to protect more than 200 geographical indications.

“As European standards in food quality and safety are the highest in the world we were able to achieve full protection for our high-value EU geographical indication products as well as full or improved market access for numerous key sectors,” the Commissioner said.

FRANCE HIT BY COUNTERFEIT PRODUCTS

However, fake GI products have raised eyebrows in Brussels.

According to the European Union Intellectual Property Office (EUIPO), 9% of all GI products on the EU market were counterfeited in 2014. This figure represents €4.3bn and has raised the alarm in several EU member states.

France was among the countries most severely hit by this phenomenon, mainly because wine has the highest premium among protected product classes.

The counterfeit market value in France reached €1.6bn, followed by Italy (€682m), Germany (€598m), Spain (€266m) and Greece (€235m).

Another report on counterfeiting conducted last month (23 June) by EU law enforcement agency Europol warned that the situation was deteriorating.

Particularly, it said that the misuse and counterfeiting of certification labels continued to be a “major issue” for EU producers.

“The value of falsely labelled geographical indication infringing (GII) products in the EU remains high, with the main producers of the original products, such as Germany, Spain, France, Italy and Greece, being the most affected by counterfeit labelled comestibles,” Europol noted, adding that the products most affected were wine, spirits, cheese, meat, fruit, vegetables and cereals.

China is the leading producer of counterfeit products while Turkey is also considered an important hub.

Europol also expressed its concerns about the attention paid to intellectual property rights (IPR), claiming that focus on other areas of criminality and terrorism has resulted in a drop in IPR crime as an enforcement priority.

“Nevertheless, IPR crime continues to be one of the most lucrative criminal enterprises, and this report has shown how it is frequently closely linked to other serious crimes,” the report noted.
Portugal’s ‘vinho verde’ producers seek EU protection for demarcated regions

The ‘vinhos verdes’ (green wines) of northwestern Portugal have no direct international competitors, but their producers nevertheless want the European Union to safeguard the regional demarcations in its trade accords with foreign markets, local officials said. EURACTIV’s partner Lusa reports.

“Defending European-origin denominations concerns us, that is, guaranteeing that the names of European demarcated regions are defended in destination countries,” said Manuel Pinheiro of the Vinho Verde Wine Region Wine Commission.

In comments to Lusa, Pinheiro welcomed the EU’s work so far with national and sector authorities in defending producers’ interests.

“The European Union has done a job of defending denominations of origin that appear as annexes in these [trade] agreements. The states that [sign them] with the European Union have to guarantee that they will defend those denominations of origin, so that they are not the target of fraud,” he explained.

The regional commission stressed that the sector currently exports about half of its total output and that such guarantees are therefore key to sustaining the growth seen in various non-EU markets such as the US and Canada, as well as in South America and Asia.

GROWING EXPORT MARKETS

Pinheiro highlighted the trade agreement with Canada, which he said was very important, because of the size and potential of the market for Portuguese exports.

The US is also an important foreign market for vinho verde – indeed

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the largest along with Germany – representing as it did last year record sales of €48m, and with the prospect of gains in the coming years.

Although sales to these and other markets such as Japan and Russia continue to grow, Pinheiro noted that the sector is still finding it difficult to increase the retail price per litre, which is currently stuck at €2.20.

“That’s the great challenge,” he said. “The challenge of market quantities and numbers we’re winning, but the new frontier is selling at greater value.”

It is, Pinheiro said, “necessary to plant new vines to make better grapes [and] better wine and then take it to market so that the client can value it more”.

Total production of vinho verde last year fell 20%, to 52 million litres, due to higher than normal rainfall. But the quality of the year’s output was “exceptional”, according to the commission.

### IMPROVING THE PRODUCT’S IMAGE

The Felgueiras agricultural cooperative, one of the region’s largest vinho verde producers with more than 1,000 wine makers and an annual production of 5 million litres, including 1.2 million for export, stresses the impact of upgrading vines. Every year since 2000, its director Rui Madeira said, 100 hectares of new vines have been planted, of varieties that produce higher quality grapes that make wine that sells better and at higher prices.

In comments to Lusa, Madeira stressed that exports in recent years have tended to be of more expensive wines, such as sparkling vinho verdes that are very much appreciated in Russia and Brazil.

“We have to get rid of the idea that verde is a cheap wine,” he said. “Today verde has a better international image as a quality product, which allows us to sell more quality and value.”

The Quinta da Aveleda, in Penafiel, is the country’s largest exporter of vinho verde, with its Casal Garcia brand accounting for two thirds of its sales. Martim Guedes, from the marketing department, stressed to Lusa that this year the company will plant 50 hectares of new vines to meet growing demand and also step up quality controls.

For this year the company projects turnover of €35m, up €2m from 2016. The increase in selling prices that the brands have achieved will also feed through into profits – in line, he noted, with the average price of a litre of vinho verde, which has been rising for about a decade and which last year for the first time matched that of mature table wines.

Aveleda sells as much to the US and Germany together as to Portugal, Guedes noted. Although the domestic market has recovered this year after several years of decline.
Spain is an agricultural powerhouse: agri-food products account for 20% of the country’s exports. And if there is one thing keeping Spanish farmers competitive in the age of globalisation it is the quality of their products. EURACTV’s partner EFEAgro reports.

Spain’s one million farms cover 30 million hectares of land, take in €45bn in Common Agricultural Policy (CAP) payments, generate 11% of the country’s GDP and account for one fifth of its exports, worth some €48bn.

Isabel García Tejerina, Spain’s minister for agriculture and fisheries, food and the environment (Mapama), once described Spain as “the vineyard, the oil mill and the orchard of the world”, driven by the quality of its products and its export power.

This position has been achieved thanks to the efforts of farmers, the agricultural industry and food distributors, with the support of local and national administrations.

**QUALITY IS KEY**

“Quality is essential in global markets,” Carlos Cabanas, secretary general of agriculture and food at Mapama, told EFEAgro. “Our priority has been to work on traceability, checks and the fight against fraud, and to adapt our quality standards to new technologies: we have reviewed more than 500 products in the last four years.”

Cabanas highlighted the importance of continuing to work “on the promotion of this differentiation that allows Spanish and European products to compete under better conditions on the international markets”. He added that the European Commission has always supported a European production model focussed on quality, “through standards that have given us the highest levels of food safety”.

Spain has also passed a law on improving the functioning of the food chain, which includes monitoring and quality control tools.

EU Agriculture Commissioner Phil Hogan recently announced an
initiative to introduce minimum requirements aimed at tackling unfair competition in the food supply chain. According to Commission sources, “a public consultation will first take place and an impact assessment will be presented if the action is considered appropriate in the first half of next year.”

The Spanish Federation of Food and Beverage Industries (FIAB) insisted on the sector’s “very strong commitment to quality” and highlighted its use of innovative solutions, such as the technology platform “Food For Life Spain”, to ensure its food products are safe and of the highest quality.

THE ROLE OF DISTRIBUTORS

The president of the Association of Spanish Chains of Supermarkets (ACES), Aurelio Del Pino, told EFEAgro that distributors “participate in two ways” in safeguarding food quality: “How we want the product to be and what additional qualities we want it to have. With our own brands this is an even more challenging job, with tougher checks, because these products bear our name.”

The association has a collaboration agreement with Origen España, an umbrella organisation covering most of Spain’s geographical indications and which carries out “additional checks”. According to Del Pino, fresh products always undergo an exhaustive quality control process, both in distribution depots and on the shop floor.

The ACES president defended distributors’ “ability to dictate” quality standards, saying this had a transformative effect on the industrial sector.

Ignacio García Magarzo, director-general of the Spanish Association of Distributors, Self-services and Supermarkets (Asedas), emphasised the effects of EU regulation, which prohibits and sanctions certain practices “because they do not add value and generate costs which adversely affect the consumer”.

He stressed that Asedas supports the aims of these regulations that “try to bring transparency and stability to commercial relations”. But he added, “At the same time, we have warned that unnecessary costs generated by administrative intervention should be avoided. The experience of recent years makes us think that the path of self-regulation, if taken seriously, presents enormous opportunities for sectors to transform their business relationships.”

And he insisted that, “farmers must adopt structural measures to increase their bargaining power, gain influence and adapt their production to the market”.

A market characterised by globalisation and different production models in which Spain, and the European Union as a whole, can only survive if they fly the flag of quality and added value.
In June, the EU and China published a list of 200 European and Chinese geographical indications (GIs) that are protected on their respective markets, as part of a bilateral deal that should be concluded by December. EURACTIV’s partner Italia Oggi reports.

Both parties submitted 100 denominations each but many European items, particularly those from Italy, have been left off the list. This is because the European Commission’s selection criteria for its 100 denominations took into account GI market volume in China and the potential risk of counterfeiting. Only one product from the South of Italy made it onto the list: buffalo mozzarella.

Once pen was put to paper on the agreement, the Commission immediately began negotiations with the EU member states in order to include other products on the list.

A first draft added a further 162 European products and Protected Geographical Indications (PGIs), including five Sicilian items, all selected based on predicted demand in China. In January, China in fact eliminated its phytosanitary barriers that had hindered imports of Sicilian citrus fruit.

Italian MEP Michela Giuffrida (S&D group), a substitute on the European Parliament’s Committee on Agriculture and Rural Development, asked the Commission to include more Sicilian products on the new list, in order to guarantee “territorial representation of the island’s products”.

She also told Italia Oggi that “I would like to have other interested parties involved in these consultations, such as consortia and producer organisations, because it would make these European negotiations more credible and more in accordance with the market’s demands and potential.”

The Italian lawmaker added: “This list of products protected in China does not mean that only those on the list will be marketed in China. No one is being excluded here.

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“In fact, some companies are not willing to bear the costs. Some Sicilian producers were asked if they wanted to participate with a European delegation in two major agri-food fairs in Iran and Saudi Arabia. They declined the invitation because they thought it would be anti-economical for them.”

Giuffrida insisted that the road ahead is clear and that the range of products agreed with China should be widened. She added that the “appeal” of GI’s is clear and that products bearing the stamp of approval often see an upsurge in foreign sales and demand.

Chinese products aspiring to obtain EU GI status include Yantai Ping Guo (the Yantai apple), Hengxian Mo Li Hua Cha (jasmine tea), Panjin Da Mi (rice), and Baise Mang Guo (the Baise mango).

The Chinese agri-food products market is one of the biggest in the world and is growing year on year, supported by a growing middle class, which has developed a taste for European food and drink, often due to increased experience of international travel. The country even boasts its own GIs, still unknown to European consumers.

The bilateral deal between Europe and China was welcomed immediately by Italy’s national confederation of cultivators, Coldiretti, which said that “the defence of Italian products from unfair competition posed by fakes and imitations will encourage Italian foodstuff exports”.

According to official figures, China’s consumption of Italian products jumped 19% in the first month of 2017 and foodstuff exports totalled €391m in 2016. The wine sector was the big winner, after China got through €101m of Italy’s finest bottles.
Farmers in Greece are concerned about the fate of feta cheese in EU trade agreements with third countries after the EU failed to fully protect the iconic product in the CETA free trade deal with Canada. EURACTIV Greece reports.

Feta cheese is considered the “white gold” of Greece’s economy. The country produces around 120,000 tons of feta every year, while the total domestic production of sheep and goat milk is about 1,100,000 tons.

Currently, the country exports approximately 500 tons of feta to Canada yearly. After the trade deal between the Brussels and Ottawa, Canadian companies can continue to produce and market ‘Canadian feta’ in their country.

The CETA agreement protects more than 140 geographical indications from all over Europe. But in the case of feta – as well as Asiago, Gorgonzola, Fontina and Munster cheeses – Canadians can produce and sell their “own feta” in the domestic market.

Specific products such as feta, which is protected in the European Union, must meet the requirements of the EU’s designation of origin quality scheme, so Canadian cheeses labelled as feta cannot enter Europe.

However, Canadian producers that began using the feta label on the domestic market before 2013 will be able to continue doing so.

Once CETA comes into force, Canadian producers will also be obliged to add formalities such as ‘kind’, ‘type’, ‘style’ or ‘imitation’ to their labels, combined with an easily legible and visible indication of the geographical origin of the product in question.

“No ‘Greek feta’ or ‘Greek style feta’ or Greek flags will be allowed to Canadian producers,” socialist MEP Eva Kaili pointed out.

On the other hand, Greek
companies that produce genuine feta will be able to export to Canada.

**FETA FROM COW’S MILK**

Takis Peveretos, President of the Association of Greek Breeders, told EURACTIV.com that the lack of full protection for feta in CETA was unacceptable.

“It is the ‘big hitter’ of our exports, not only of cheese but also of other products [...] considering that the 52,000 tons exported annually bring €350m to Greece’s balance of exports,” he emphasised.

For Peveretos, two issues arise from CETA and the future of feta cheese.

Feta is only made with sheep’s milk (70%) and goat’s milk (30%). “With the CETA agreement, Canadians will be able to produce and sell feta made from cow’s milk,” the Greek farmer said.

Similarly, Nikos Palascas, President of the Federation of Breeders of Thessaly, told Athens News Agency that Greece’s “white gold” was a victim of the CETA deal.

“The problem is that large multinational companies around the world have specific dairies and so they will ‘smother’ the market with cow feta while the milk will come from animals that eat GM animal feed,” he warned.

In an effort to calm down angry Greek farmers, Agriculture Commissioner Phil Hogan promised to review the case of feta after five years. However, Greeks fear this would already be too late.

“Hogan’s commitment is not helpful at all. [...] Consumers will get used to eating cheese from cow’s milk and will think it is feta,” Peveretos noted, adding that the feta case should be reconsidered in one year at most.

The same view is shared by the Association of the Milk and Dairy Products Industry, which claims that the Commission used the five-year argument as “bait” to keep the Greek government on side.

**FUTURE TRADE DEALS**

In addition, Greek breeders fear that CETA will set a precedent that will enable other countries to demand a similar deal for feta. This is already the case with South Africa.

Peveretos also blamed the previous New Democracy government of conservative Antonis Samaras, as well as former Commission President José Manuel Barroso, for failing to protect feta in the CETA deal and urged the current government put the case high on the agenda in future bilateral trade deals.

“We now know the background. In 2013, the then government allowed the Commission to negotiate this way with Canada regarding feta,” he noted.

In a statement earlier this month (11 July) the Greek government stressed that it had launched a campaign to revise the deals affecting the “national cheese” and emphasised that with Japan, feta will be better protected.

Indeed, with Tokyo, genuine Greek feta does enjoy full protection. But the commercial interest for domestic production is quite low: there is no established Japanese industry already producing a product it calls feta.

Sources from the Greek ministry of agriculture told EURACTIV that from now on, the government will try on to use the deal with Japan as a “role model” for future EU trade agreements with third countries.

**COMMISSION: EVERY CASE IS DIFFERENT**

The European Commission believes that it obtained the highest level of protection possible in its deal with Canada, qualifying the achievement as an ”unprecedented success”.

“It was a ground-breaking improvement of the previously existing situation in the Canadian market [...] the alternative would have been no protection at all of such names,” EU spokesperson Daniel Rosario told EURACTIV.com.

The EU official continued, saying that in the case of Canada, the discussion was “very difficult” because the very notion of GIs was originally rejected and feta was broadly considered a generic name on the North American market.

“In this context, any concession from Canada could only be obtained by accepting a special treatment,” the Rosario stressed, adding that had the status quo remained there would be no protection at all for feta.

“Such protection also represents market opportunities for Greek producers who can enter these markets with the possibility to communicate to Canadian consumers the unique features of the ‘only and true’ Greek Feta,” the Commission official emphasised.

A source with experience in trade talks told EURACTIV.com that the “prior use” of protected labels in GI negotiations should be considered, especially in countries with the presence of a European diaspora or with certain consumption patterns.

Canada has a 250,000-strong Greek community, some of whom are involved in the business of ‘Canadian feta’ production.

The same source explained that all trade deals with third countries differ greatly and every case needs to be addressed accordingly. For instance, for Vietnam, it won’t be an issue to protect feta like in Europe but convincing the Canadians to do the same might require an additional effort.

“The reason is simple: you have some cheese called ‘feta’ that has been produced or sold in Canada for generations. Whereas in Vietnam, you don’t,” the source emphasised.
The EU’s Southern member states are the leading producers of foods certified by EU quality schemes: between them, Italy, France, Spain, Portugal and Greece account for 70% of the total.

The EU has 1,402 food products registered and identified with geographical indications (GIs).

The European Union Intellectual Property Office published figures on counterfeit market value in Europe, showing that in 2014, 9% of all GI products on the EU market were counterfeits.

However, in 2014, EU consumers spent a total of €48 billion on GI products and wine topped the list.

In 2014, the French counterfeit market was worth €1.6 billion, followed by Belgium ($1 billion), the UK ($800 billion), Ireland ($500 billion), and Luxembourg ($350 billion).

But quality schemes also open up opportunities for fraud, and the alarming market value of counterfeit products is raising eyebrows in Brussels.

In order to ensure their products remain attractive to discerning consumers, EU food producers are focusing on quality, in order to ensure their products remain attractive to discerning consumers.

“…we enjoy the highest food quality and safety standards in the world here in Europe. I make this point repeatedly when I am on trade missions abroad, but I also think we need to emphasise the point at home.”

Phil Hogan, European Commissioner for Agriculture and Rural Development
EU QUALITY SCHEMES EXPLAINED

- **Protected Designation of Origin (PDO)**
  - Total 626 food products
  - These products are indivisibly linked to a specific geographical area. They are produced, processed and prepared in the region concerned, using local ingredients and expertise.

- **Protected Geographical Indication (PGI)**
  - Total 720 food products
  - These products are identified with the specific region where they are produced, processed and prepared. But the ingredients do not necessarily come from the region concerned.

- **Traditional Specialties Guaranteed (TSG)**
  - Total 56 food products
  - These products are made using traditional techniques or ingredients, with no link to a specific geographical area.

WINE TOPS CONSUMPTION

EU quality schemes do not relate only to food products, but also cover wines, spirits and aromatised wines.

In 2014, EU consumers spent a total of €48 billion on GI products and wine topped the list.

**TOP GI PRODUCTS BY EU MARKET SHARE**

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>54.3%</td>
</tr>
<tr>
<td>Cheese</td>
<td>12.7%</td>
</tr>
<tr>
<td>Spirits</td>
<td>13.3%</td>
</tr>
<tr>
<td>Beers</td>
<td>4.6%</td>
</tr>
<tr>
<td>Fresh meat and meat products</td>
<td>7.5%</td>
</tr>
<tr>
<td>Fruits, vegetables and nuts</td>
<td>1.7%</td>
</tr>
<tr>
<td>Other</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

FRENCH COUNTERFEIT MARKET WORTH €1.6 BILLION

However in 2014, 9% of all GI products on the EU market were counterfeits. This represents €4.3 billion. The consumer loss is estimated at up to €2.3 billion, about 4.8% of total GI purchases.

**COUNTERFEIT MARKET VALUE**

- France: €682 million
- Italy: €598 million
- Germany: €266 million
- Spain: €235 million
- Greece: €1.6 billion

Source: European Commission, European Union Intellectual Property Office Observatory

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