GEOGRAPHICAL INDICATIONS (GIs) IN THE EUROPEAN UNION

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The Territorialized Agri-Food Systems:
Source of Diversity and Tool for Integration and Competitiveness
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IMPLEMENTATION OF GI SCHEMES AT EU LEVEL
Short history of the implementation of GIs in the European Union (EU)

• Implementation of intellectual property tools at international level since the 19th century (Paris Convention, 1883)
• First implementation of GI scheme by the EU in 1962 with the common market organisation (CMO) in the wine sector
• Expansion of the coverage to :
  – 1989 : spirits
  – 1991: aromatised wines
• Development of national frameworks in addition to the EU one in some Member States (France...)
Present situation in the EU: different scheme for GIs

• Wine, agricultural products and foodstuffs:
  – Protected denominations of origin (PDOs) and Protected geographical indications (PGIs)
  – PDOs and PGIs in the wine sector since 2008
  – Requirements are higher for PDOs than for PGIs, in terms of link to the « terroir »

• Spirits and aromatised wines:
  – Geographical indications (GIs)

• Gradual harmonisation of schemes
GI supply chain

• Collective organisation (even if the applicant may be a single producer)
• Definition of :
  – Area of production
  – Rules of production: agricultural and/or processing stages
  – Final product
• Link between territory and the product (quality, reputation, other characteristics)
• Possible links between GIs and public intervention (specific rules for GIs, investment supports)
ECONOMICS OF GIs IN THE EU
Economic features of GIs in the EU (2010)

• At least one GI in each Member State of the EU
• 2 768 GIs registered and 54.3 billion euros sales
  – Wines : 56% of sales value (1 560 GIs)
  – Agro-food products : 20% of sales value (867 GIs in January 2010 and 1 229 in May 2015)
  – Spirits : 15% of sales value (337 GIs)
  – Aromatised wines : 0.1% of the sales value (4 GIs)
• Sales by destination :
  – 60% of sales on national market
  – 20% on intra-EU markets
  – 20% on extra-EU markets
• Size of individual GIs :
  – Average sales value : 19.6 million euros / GI
  – The 7 largest GIs accounted for 27% of the total sales value
  – 50% of the Gis with less than 1 million euros sales
  – 14% of the Gis with no production

Source : AND International study for the DG AGRI of the European Commission
GIs in the food and drink sector

Share of GIs in the national food and drink sector

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<th>Legend</th>
<th>Share of GIs</th>
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<td>&gt;10%</td>
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<td>7,5-10%</td>
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<td>5-7,5%</td>
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<td>2,5-5%</td>
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<td>&lt;1%</td>
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GIs accounted for:
- 5.7% of EU food and drink sector (14.5% in France, 9.5% in Greece and Italy)
- 15% of EU trade for food and drinks (87% for EU wine trade)

GIs accounted for: 50% of EU wine production, 30% of EU spirit production, 10% of EU cheese production

Sales value and number of Gis:
- FR and IT: 60% of sales / 52% of GIs
- DE and UK: 21% of sales / 7% of GIs
- ES and PT: 13% of sales / 26% of GIs

Main sectors under GI:
- French wine
- Italian agro-food prod.
- Italian wines
- UK spirits
- Spanish wines

Source: AND International study for the DG AGRI of the European Commission
Identification of four motivations for the support of GIs - Sylvander et al. (2005)

• **Competition rules** (since the 19th century):
  – Large scale GIs/sector
  – Sales out of production area (export orientation)

• **Market regulation** (since the 1960s-1970s):
  – Implementation for the wine sector and more recently for ham and cheese in EU regulations
  – Regulation of yields and planting areas (wine), regulation of supply (ham, cheese)

• **Rural development** (since the 1990s):
  – Reaction to globalisation and crisis
  – GI may be used as a distinction on the market (30% of Italian consumers recognise PDO logo but only 2% of Dutch consumers, source: Eurobarometer)
  – Positive presuppositions for the development of GIs (market development, consumer perception, price)
  – Link with the 14% of GIs with no production?

• **Heritage value & management of the resources** (since the 2000s):
  – No connection with economic objectives
Profitability of GI products

- **Price premium** (based on statistical analysis in AND-I study for European Commission)
  - The price of GI product is 2.23 higher than the similar non GI products
  - Larger price premium for wines and spirits than for agro-food products
  - For agro-food products, price premium tends to be higher for processed products than for unprocessed products

- **Gross margin** (based on the analysis of 12 GI supply chains in Areté study for European Commission):
  - Agricultural stage: gross margin higher for GI products in 5 cases, similar in 5 cases and lower in 2 cases
  - Final product stage: gross margin higher for GI products in 9 cases and lower in 3 cases

- Gross margin tends to be higher for GI products than for non-GI products, notably at the final product stage
CONCLUSION
Conclusion (1/2)

- GIs are a framework which stakeholders may use to implement their strategy.
- Potential positive effects may be:
  - Intellectual property
  - Quality management (specifications, controls...)
  - Market regulation (wine, ham, cheese)
  - Cooperation between stakeholders (definition of the specifications and, in some cases, of a strategy)
  - Evolution in the relationship between upstream and downstream stakeholders (depending on the content of the specifications)
  - Market segmentation (between different GI categories and non-GI products)
  - Communication (use of the logo)
  - Territorial impacts, depending on the content of the specifications and the market development
Conclusion (2/2)

• **Extreme diversity of GIs** in terms of economic features:
  – from a few thousands to a few bilions euros sales
  – All agricultural, food and drinks sectors covered

• Once the GI registered, there is **no guarantee of development**

• The **success of a GI supply chain** is not directly linked to its « GI feature » but to the effectiveness of the food chain and the coherence of the marketing mix : products / price / place / promotion

• **Prospects for GIs at EU level** :
  – Harmonisation of the schemes (merge of PDOs and PGI ?)
  – GIs for non-food products ?

• **Market prospects** :
  – Agro-food products : growth expected, at least through external growth (48 Gis registered in 2014)
  – Wines: depends on global wine market and the competition between « Terroir » wines and varietal wine
  – Spirits : depends on the evolution of a few GIs, notably Scotch Whisky and Cognac
Thanks for your attention

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