



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

Table of content

1. Implementation of GI schemes at EU level
2. Economics of GIs in the EU
3. Conclusion

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
 - 1992: Agricultural products and foodstuffs (1992)
- 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

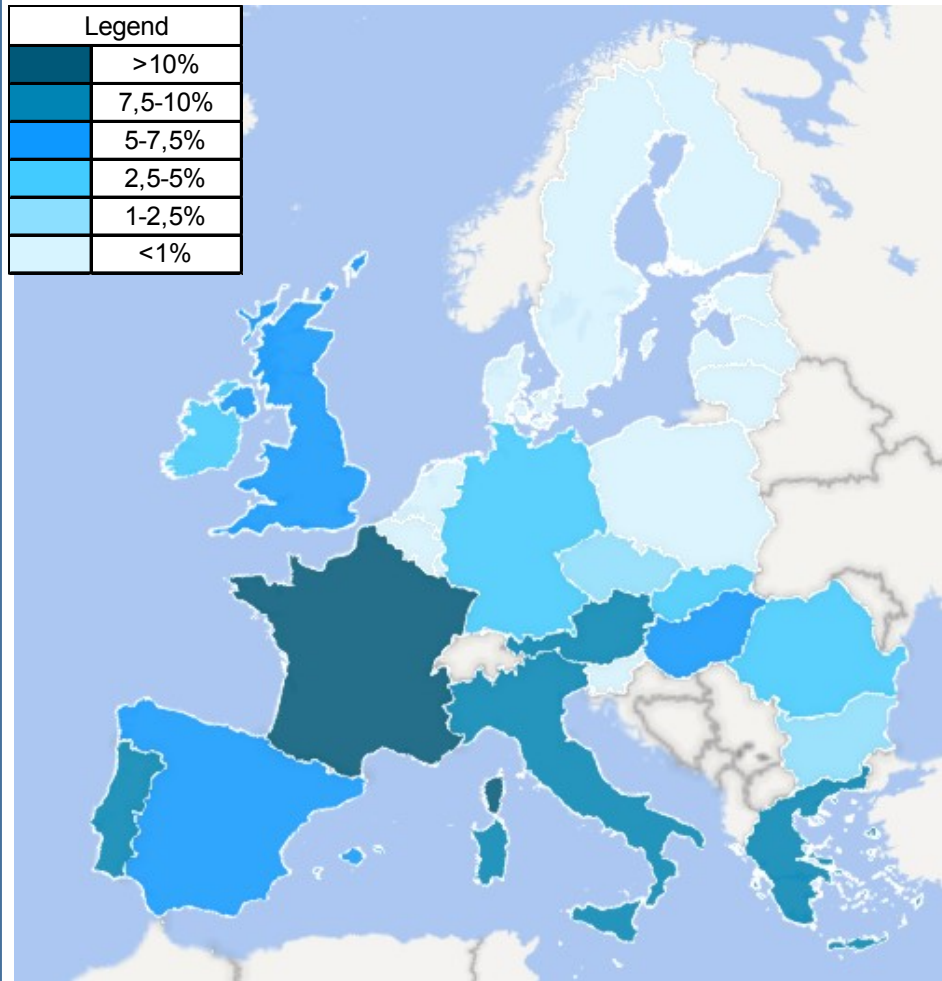


Economic features of GIs in the EU (2010)

- 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

GIs in the food and drink sector

Share of GIs in the national food and drink sector



Source : AND International study for the DG AGRI of the European Commission

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

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 billions 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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