COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.5.2009
SEC(2009) 670

COMMISSION STAFF WORKING DOCUMENT

accompanying the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF REGIONS

on agricultural product quality policy

Impact Assessment Report

{COM(2009) 234}
{SEC(2009) 671}

Contents

ANNEXES

IMPACT ASSESSMENT REPORT FOR A COMMUNICATION ON AGRICULTURAL PRODUCT QUALITY POLICY

PROCEDURAL ISSUES AND CONSULTATON OF INTERESTED PARTIES

Lead DG: DG Agriculture and Rural Development (AGRI)
Other services involved: SG, SJ, ENV, ENTR, TRADE, MARE, REGIO, SANCO, MARKT, RTD, COMP, DEV, ECFIN, TAXUD
Agenda Planning references:
Green Paper on agricultural product quality: 2008/AGRI/008;
Communication on agricultural product quality policy: 2009/AGRI/003.

Preparation of the Impact Assessment (IA) on agricultural product quality policy was conducted with an ad-hoc Inter-service Group made up of representatives of interested Directorates General and Commission Services. Work on the IA was carried out from October 2008 to March 2009, during which the ISG met 4 times.[1]

Stakeholders were extensively consulted, particularly in the period from the first conference on food quality certification schemes on 5-6.2.2007 (Brussels) to the second conference on 12-13.3.2009 (Praha). All relevant target groups — farmers, processors, retailers, traders, consumers, general public, third countries — contributed, in particular during the Green Paper consultation (see below). Main results and positions expressed have been taken into account throughout the Impact Assessment process and are referenced section 4 of this report.

1.1. Consultation of stakeholders

The work presented in this Impact Assessment is the result of several years of consultations in the field of quality policy for agricultural products.

– In 2004, in the context of the **pilot project** on 'quality assurance and certification schemes for integrated supply chain management and the opportunity of a Community legal framework for protection of such schemes', funded by the European Parliament (EP), a **Stakeholder Hearing** was organised on 11/12 May 2006 in Brussels by DG JRC/IPTS and DG AGRI. It was conducted on the basis of a set of panels, each one representing a given stakeholder category: farmers/producers, traders, food processors, certification bodies, catering and retailers, as well as consumers. The report of the stakeholders hearing is available in Annex E.2.

– A conference entitled ***'Food quality certification schemes: adding value to farm produce'*** was organised by the Commission on 5-6.2.2007. Four workshops relating to different aspects of the Food Quality Certification

[1] See Annex E.1 for note of meeting.

schemes as well as a plenary session were organised. The main conclusions of this conference are available in Annex E.3.

– A **survey** to evaluate the socio-economic impacts of the registration under the EU quality schemes was organised in 2007 by DG AGRI**.** All producer groups of products registered as geographical indications (PDO, PGI) and traditional specialities guaranteed (TSG) were invited to contribute to an online questionnaire. In total 143 replies were received. The main results of this survey are presented in Annex E.4.

– The Commission undertook in a declaration[2] on 20.3.2006, to conduct a **policy review** of the operation of the PDO-PGI Regulation and its future development, covering all aspects of the policy that Member States, the Commission and stakeholders may wish to raise. A seminar meeting with some Member States and stakeholders organised by Swedish national authorities on 2.10.2007, discussions in the Standing Committee. and Round Tables organised by stakeholders (*O'Connor* and *Insight*) between March and July 2007 in Brussels constitute the basis of this policy review.

– Three meetings of the **Advisory Group on Quality of Agriculture Production** (composed of socio-economic interest groups representing organizations throughout the EU involved in the agri-food chain) took place during the Impact Assessment process. The two first focused on the Green paper consultation (24.11.2008, 2.12.2008) and the third (25.2.2009) mostly focused on the problem definition and the policy options developed in this impact assessment.

– In order to close the Green Paper consultation process, a **high-level Quality Policy Conference**[3] was held by the Czech presidency on 12-13.3.2009. The Commission presented a summary report of the views expressed in the Green Paper. Debates and conclusions[4] will also be taken into account in the final draft of the Communication.

1.2. Online public consultation and website

A wide Stakeholder consultation covering all aspects of the quality policy took place through a Green Paper on agricultural product quality policy. The Green Paper described clearly and concisely the current situation on the different topics covered and raised mainly open questions targeted on the issues.

The consultation was open from 15.10.2008 until 31.12.2008. Eleven weeks were allocated for responses, which is compatible with the minimum period established by the Commission for consultations. The on-line questionnaire

---

2 Issued in the context of the recast of adoption of Council Regulation (EC) No 510/2006 on geographical indications; Addendum to the Draft Minutes – 2720th meeting of the Council of the European Union (Agriculture and Fisheries) held in Brussels on 20 March 2008 (7702/06 ADD 1).

3 http://www.qpc.cz/index.php?lchan=1&lred=1

4 http://www.qpc.cz/speakers-presentations-and-conclusions

was available on the *Your Voice* website and, uniquely among current Commission Green Papers, the questionnaire was made available in all official languages. New web pages on quality were developed on the DG AGRI website to present the Green Paper, make it available on-line in all EU languages and propose background information and documents.[5]

Considerable efforts were made to promote it and generate debate during national and regional conferences and numerous others DG AGRI's Advisory Groups. For an indicative list of events related to Green Paper, please refer to Annex E.5.

560 contributions were received and acknowledgement was provided to each of them. The feedback of the Green paper consultation is provided by means of the summary report published mid-March 2009[6]. The opinions expressed are summarised and presented in Annex E.6.

[5] http://ec.europa.eu/agriculture/quality/policy/index_en.htm

[6] http://ec.europa.eu/agriculture/quality/policy/consultation/contributions/summary_en.pdf

1.3. Impact Assessment Board opinion

The draft Impact Assessment report was submitted to the Impact Assessment Board (IAB) on 4 March 2009. The IAB held a hearing on the subject on 25 March which was followed by the submission of the detailed opinion on 30 March 2009.

In particular, the IAB asked to clarify the scope and focus of the planned initiative, streamline the presentation and assessment of individual options and clarify the value added of quality labelling and certification schemes The IAB also asked to be more specific as regards the potential lack of consistency between the different EU schemes.

The author DG followed these recommendations by substantially redrafting the relevant chapters, especially those on policy context and problem definition as well as analysis and comparison of options. A section describing in detail the possible inconsistencies of the EU measures as well as a section on overall policy coherence and synergies between preferred options were added. The presentation of different options was harmonised and the overall presentation of the report was improved. Information on the economic significance of different quality measures was included. Evidence on consumer preferences concerning "place of farming" labelling was added.

After re-submission the IAB pointed out that the effectiveness of the complete package of preferred options should be better assessed and that some inconsistencies in the presentation of the preferred options in sections 6.1 and 6.5 should be corrected.

The author DG added a table on linkages between the preferred options and corrected the presentation of sections 6.1 and 6.5.

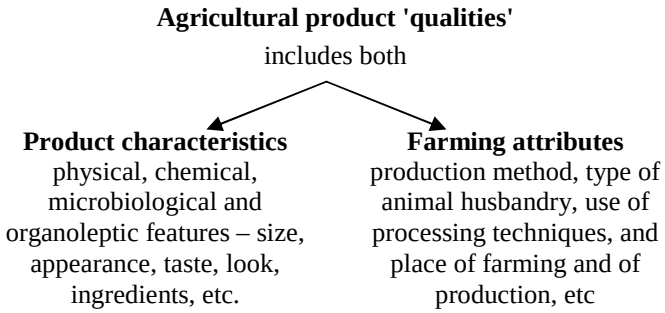
2. POLICY CONTEXT, PROBLEM DEFINITION AND SUBSIDIARITY

2.1. Policy context

Farmers must be able to identify and meet the demands of their customers if they are to retain a fair share of the value added. This is partly a question of the expertise and skill of the farmer in creating the product. But is it also a matter of successful communication of the production methods and product qualities to the supermarket buyer and to the consumer. EU agricultural product quality policy is designed to facilitate farmers in taking on this challenge (Box 1).

Aims of agricultural product quality policy:

- farmers get a **fair return** for the qualities of agricultural product;
- farmers can react to consumer demand for **value-added** product qualities;
- labelling terms are defined to let **consumers identify qualities** of product



'**agricultural product**': as defined in Annex I to the Treaty.

Box 1. Aims of quality policy and definitions

Relation to Common Agricultural Policy (CAP)

Many of the financial instruments of the CAP are designed to assist farmers orient their production towards meeting quality outcomes. Quality objectives are thus an integral part of the CAP. The subject of the current exercise, however, is the non-financial measures, particularly labelling and certification instruments that are used in marketing to describe agricultural product qualities.

'Baseline' standards

The starting point for EU agricultural product quality is the minimum farming requirements, or baseline standards. These are the farming rules and standards demanded by society and followed by all EU farmers (See Box 2)[7].

[7] See also Annex A(I), especially Appendix I.

- Hygiene and safety: basic requirements set out under the General Food Law (2002) listing the obligations for food and feed producers;
- Animal nutrition rules, laying down in particular prohibited materials, prohibited practices, and labelling requirements for the feed;
- Animal welfare and transport, including general welfare rules applicable to all farm animals and specific conditions for certain species;
- Plant health rules, including the approval and use of plant protection products, designed both for safety and environmental care;
- Animal health rules regulating the approval and use of veterinary drugs, outlawing for example anabolic drugs (hormones, and beta-agonists);
- Environmental compliance: Some 20 environmental measures, mainly directives, regulating farm activities in order to protect biodiversity, water quality, and soil.

Box 2. Main fields of EU farming requirements

The application of these baseline requirements is guaranteed through official controls. In addition, some stakeholders (retailers, processors and some farm organisations) have developed private farm assurance schemes that certify compliance with standards set at or slightly above the official baseline standards. Farming requirements that do not impact on product hygiene and safety[8] are applied only within the borders of EU Member States. They ensure that EU farmed product has met minimum societal demands for farming standards and EU farmers should be able to communicate this to buyers and consumers.

'Differentiation' characteristics and attributes

In addition, the EU is renowned for its high quality food products having specific product characteristics or farming attributes that distinguish them in the marketplace, in particular those labelled under registered geographical indications.

Environmental sustainability

Pressure to demonstrate environmental sustainability comes both directly from the marketplace and, particularly via demands from the Parliament, from civil society. Specific private logos and schemes have been developed to demonstrate to consumers that product has the farming attributes of environmental protection in many environmental fields, from protection of rainforest, biodiversity and national park protection, to 'low carbon' claims. The Commission has also launched such initiatives, the most significant of which is the Organic farming labelling scheme.

Instruments of quality policy can be used to enhance environmental sustainability. By communicating to consumers the environmental farming attributes and characteristics of product at the point of sale, consumers can be made more aware of environmental inputs and can direct their purchases to favour sustainable production.

[8] Product hygiene and safety standards are applied equally to product placed on the EU market irrespective of where in the world the agricultural product has been farmed.

A number of schemes do not target environmental sustainability, but may have positive impacts (some schemes supporting traditional production have this effect), and some schemes may have negative environmental externalities (for example, if production increases beyond capacity).

Instruments of agricultural product quality policy

The response of EC to the quality challenge has been to develop a variety of instruments concerning the marketing of agricultural products that guarantee product characteristics and farming attributes:

– **marketing standards** and product directives, laying down agricultural product identity (e.g. definitions of 'drinking milk', 'fruit juice, 'wine'), classification of products (class, size …), origin and place-of-farming labelling, and defining certain 'reserved terms'[9] that indicate value-adding characteristics and attributes, such as farming method.

– EU **agricultural product quality schemes**. Six schemes are in operation: for geographical indications[10] (three schemes; see also Box 3), traditional specialities guaranteed[11], organic farming, and product of outermost regions. The content of these latter two schemes are not examined in this impact assessment report[12]. Two further EU schemes are under development: extending the *Ecolabel* to foodstuffs[13], and an animal welfare labelling scheme[14];

---

9 Examples of 'reserved terms' include 'free range' eggs, 'traditional rosé' wine and 'extra virgin' olive oil. These terms can only be used to describe product in conformity with the definition laid down in legislation.

10 'geographical indication' refers both to the 'protected designation of origin (PDO)' and the 'protected geographical indication (PGI)'. See also Annex B, § 1.1 The legal framework.

11 See Annex C, § C.1 Introduction.

12 The EU scheme for organic farming has only recently been reformed and the scheme identifying specific product of outermost regions is a relatively new scheme.

13 COM (2008)451final: Proposal for a Regulation of the European Parliament and the Council on a Community Ecolabel scheme

14 Agenda Planning: 2009/SANCO/037, Communication on Animal Welfare labelling.

Geographical indications are names that describe a product that owes its identity to the place in which it is produced. Three schemes operate:

– Wines: commenced in the 1970s by protection of names notified by Member States to the Commission. As part of the 2008 reform of the wine CMO, a Community register was established. A separate scheme for aromatised wines also exists.

– Spirits: an EU system was also created in 2008, replacing a list of spirit names protected under earlier spirit drinks legislation.

– Agricultural products and foodstuffs: this registration scheme was created in 1992. The system has been modified most recently in 2006 when the legislation was recast to simplify procedures including for 3rd country applicants, clarify the role of Member States, and encourage the use of the EC symbols.

Box 3. EU geographical indications schemes

In addition, numerous **private and national (and regional) certification schemes** have been developed. These include food assurance certification schemes (guaranteeing 'baseline' standards have been met), and food quality certification schemes that 'differentiate' product on the market by highlighting value-adding product characteristics and farming attributes to buyers and consumers.

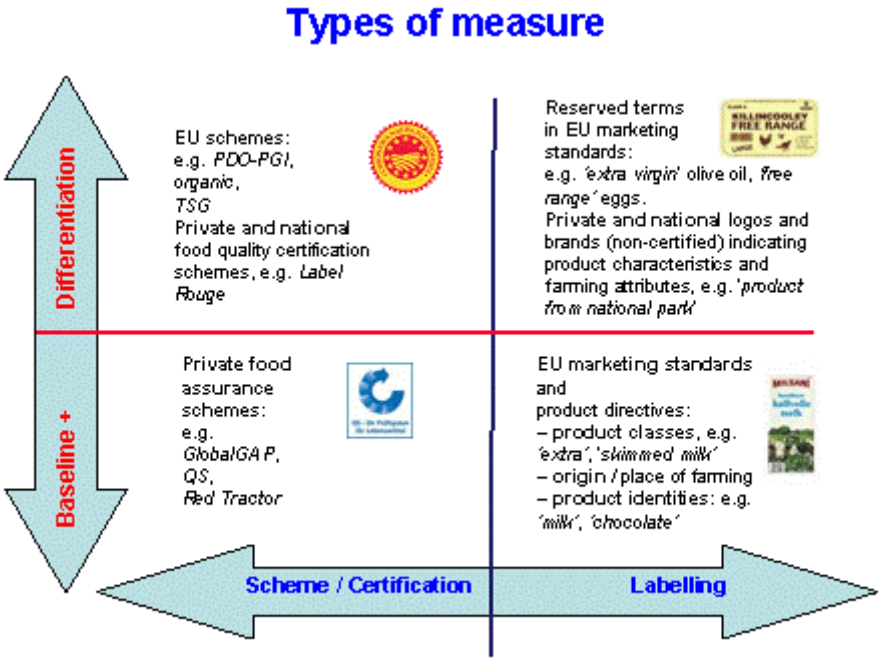
Box 4 shows a rather random selection of logos and labelling devices that may be found in the marketplace. They include logos for EU agricultural product quality schemes, for private and national schemes, and labelling terms from marketing standards, such as classes, product definitions, value adding 'reserved terms', and labelling of the place of farming or production. Each one has in common that it conveys an item of information about product characteristics or farming attributes from the farmer to the buyer or consumer.

Box 4: Logos and labels showing information about agricultural product qualities

For a **basic typology**, the measures can be divided in two ways (see Box 5), although the divisions are not strict and there are overlaps:

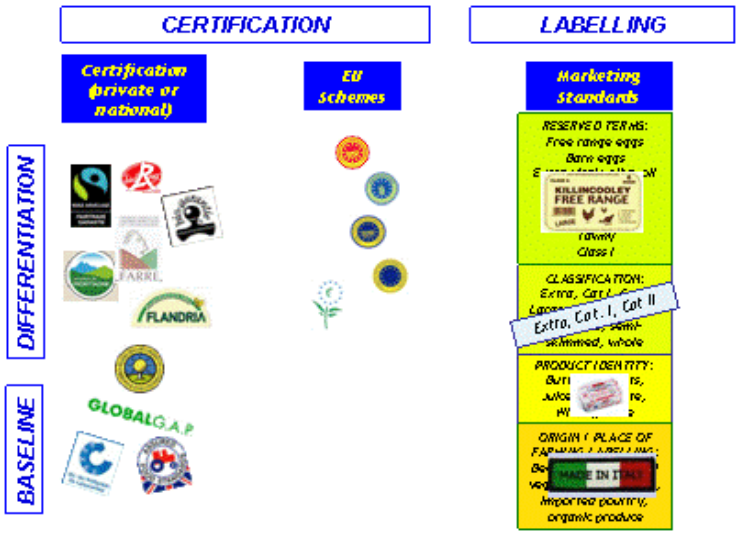
– 'certification type' and 'labelling type'. **Certification type** schemes are used for relatively complex farming requirements that are typically contained in a detailed specification. Compliance is checked frequently (e.g. annually) by a certifier or equivalent, and the process is relatively costly to implement. The **labelling type** measures normally identify straightforward characteristics and attributes and are left to self-declaration by operators. Public authorities enforce the measures on a risk-based approach.

– 'baseline' and 'differentiation'. **Baseline measures** show compliance with basic requirements, whether the legal minimum or just above. They include labelling showing origin and product classifications. **Differentiation measures** guarantee the presence of a value-adding characteristic or attribute.



Box 5. Typology of quality and assurance certification schemes and marketing standards

Rearranging the schemes and logos in Box 4 above according to the typology in Box 5, it can be seen (Box 6) that the **EU quality schemes** are all certification-differentiation type, while **EU marketing standards** are labelling-type measures, covering both differentiation and baseline information. **Private sector schemes** include baseline-certification schemes that assure product has been farmed and produced in line with basic requirements, and differentiation-certification schemes. In addition, there are private logos and brands (labelling type) also passing information about specific product qualities, but which are not supported by certification.



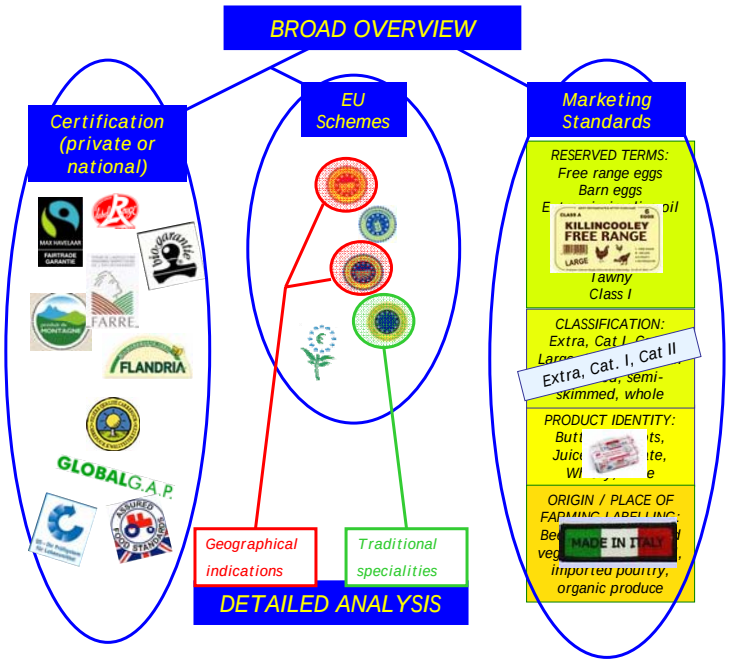
Box 6: Logos and labels arranged according to certification/labelling and baseline/differentiation

Scope of Impact Assessment

The diagram in Box 6 presents a broad picture of the field of agricultural product quality policy. Until now, this policy has not been considered as a whole, while the EU schemes and measures have also evolved fairly independently of each other. This assessment comprises a broad analysis of the main types of instrument and detailed assessment of two EU schemes (see Box 7, and for a schematic representation, Box 8).

- **Marketing standards**: broad overview analysis, focussing on the process by which marketing standards are developed;
- Current **EU quality schemes**:
  - detailed analysis of the EU **geographical indications schemes**. This follows a 'policy review' process launched in 2006 and a policy evaluation completed in 2008;
  - detailed analysis of the EU **traditional specialities** scheme, also following a review process begun in 2006;
  - *no analysis of the EU organic scheme*, which has only recently been recast (2007).
  - *no analysis of the EU outermost regions scheme*, which is a recent scheme.
- **Private, national and new EU certification schemes**:
  - broad overview analysis of the operation of **private and national schemes** in the single market, following from a research project begun in 2005 and the Food Quality Certification conference in 2007.
  - **Candidates for new EU schemes**: broad overview analysis, focussing on the process by which new EU schemes could be developed.

Box 7: Scope and depth of coverage of Impact Assessment



Box 8: Coverage of the impact analysis on the policy field of agricultural quality policy

Economic significance of agricultural product quality measures

There is great variety in the market share covered by quality terms and instruments. Compulsory measures (for example origin labelling for beef & veal, fruits & vegetables and some others), by definition cover 100% of the relevant market or sector, while voluntary measures vary widely in their degree of uptake (see Box 9).

Type of measure	Compulsory / voluntary	Economic importance
Marketing standards		
– Beef and veal o Traceability	Compulsory for beef and veal	EU production: 7.9 million tons in 2006, EU-25
– Fruit and vegetables, excluding potatoes o Indication of the country of origin	Compulsory for fruit and vegetables	EU production: 104 million tons, average 2003-2005, EU-25
– Milk o Category according to fat content	Compulsory for drinking milk	EU production: ca 41 million tons in 2006, EU-25
– Eggs o Place of production (producer code) and production method must be labelled	Compulsory for in-shell eggs	EU production: 6.9 million tons in 2006, EU-25
– Poultry o Indication of the country of origin	Compulsory for imported fresh poultry meat	0.05 million tons of poultry meat imported

by the EU-25 in 2006, compared to 10.9 million tons produced in the EU-25

Type of measure	Compulsory / voluntary	Economic importance
Marketing standards (continued)		
– Honey o Indication of the place of production	Compulsory for all honey marketed in the EU	EU production: 174,000 tons in 2005, EU-25 EU imports: 149,000 tons in 2005, EU-25
– Olive oil o Indication of the country of production (from 1.7.09)	Compulsory	EU production: ca 1.9 million tons in 2005/2006, EU-25
– Wine	Compulsory	EU production: 175 million hl (2005-2006 campaign, EU-25)
– Sugar	Compulsory	EU production: 18.5 million tons in 2004, EU-25
– Hops	Compulsory	Ca 50.000 tons in 2007, EU-27
– Fruit juice	Compulsory	EU production: 11.7 billion litres in 2007, EU-27
– Coffee extracts, fruit jams, jellies, and marmelades, cocoa and chocolate products, spreadable fats and Spirit drinks	Compulsory	
Example of sectors without marketing standards		
– Cereals		EU production: 292 million tons in 2008/2009, EU-27
– Pigmeat		EU Production: 21.4 million tons in 2006, EU-25
EU quality schemes		
– Geographical indications (PDO/PGI)	Voluntary	821 names of agricultural products registered; 356 spirit names and about 2000 wine names. In 2006, roughly 18% of the cheese produced in France had an origin registration and the turnover of registered-origin milk products is estimated to account for €2.1 billion (INAO). In Italy, PDOs and PGIs accounted for 25% of overall food product turnover in 2003. 50% of EU wine production (169 million hl) is marketed under PDO (DG AGRI, 2007)
– Traditional specialities (TSG)	Voluntary	Only 20 names registered (insignificant economic impact).

Type of measure	Compulsory / voluntary	Economic importance
EU quality schemes (cont)		
– Organic farming	Voluntary	In the EU-27, on average 4.1% of agricultural area was under organic farming in 2007 (BÖLW 2009), led by Austria with 11.7%. In Germany, the biggest market for organic products in the EU (5.3 billion € in 2007 = one third of the overall EU market for organic products), the share of organic food in overall food turnover was 3.2% in 2007 (BÖLW 2009). As regard producer prices, organic milk prices were 17% higher than non-organic milk ones in 2006 (EU-15 - Farm Accountancy Data Network, EU- Dairy farms economics- 2008 report, Annex II) while organic eggs producer prices were 53% higher than free range eggs prices and 134% higher than cage eggs producer prices (in 2008, DK - Jordbrugets prisforhold 2008, Fødevareøkonomisk Institut, Serie C nr. 93).
Private and national certification schemes		
– Baseline (assurance) schemes	Voluntary	GLOBALGAP now has 92000 certified producers worldwide; sales of fresh fruit & vegetables to supermarkets in the EU are assumed to be 80-100% GLOBALGAP certified 70% of the UK area under potatoes is covered by the Red Tractor scheme and 100% of potatoes sold in supermarket are covered by the scheme Assured combinable crops scheme covers about 85% of arable crops traded in the UK The QS scheme (DE) has a market share of around 67% in the German pork market.
– Differentiation schemes	Voluntary	Around 350 schemes in the EU (2007 estimate). Widely differing economic importance, e.g.: Label Rouge (FR) accounts for 30% of overall poultry production in France. For whole chicken, the Label Rouge share even amounts to 56%. Neuland (DE) covers 200 producers and a market share of around 0.05%

Box 9: Economic significance of different quality measures

2.2. Problem definition

2.2.1. Overall problem: asymmetric information

The problem in the marketplace is that, except in very marginal circumstances (e.g. on-farm shops), farmers are not able to communicate directly with buyers and consumers about the product characteristics and

farming attributes of agricultural products purchased[15]. The reverse is also true, that consumers cannot address their questions and concerns directly to farmers. If consumers express a strong desire for certain information, provided the market is functioning properly, the retailers should insist that the information is given. However, consumers' demands are not always clear (see Box 10).

According to a Eurobarometer survey conducted in 2005, the most important 'levers' identified by consumers when buying food were quality (42%) and price (40%). However, the term 'quality' was not defined and, as is pointed out in the Eurobarometer survey, a number of the other elements in the question are quality-related.

Even excluding the global category of quality, it can be seen that 'production method' and 'origin' are quite low down in terms of priority (9^{th} and 10^{th}) after 'appearance', 'taste', 'health', 'family preference', 'habit' and 'food safety'.

Further research cited in the Commission's impact assessment report on general food labelling issues highlights that, when consumers are prompted about origin or production method labelling, much stronger support is forthcoming. The number of consumers considering origin labelling important is 78% (and higher) according to studies in Nordic countries and 80% in the UK, etc.[16]

Concerning production method, studies on animal welfare and concerns over pesticide residues indicate that, as with origin, when prompted, consumers declare information on these elements to be of far greater importance than is apparent from an unprompted list of most-important factors. This was illustrated in relation to animal welfare in Special Eurobarometer 229 'Attitudes of consumers towards the welfare of farmed animals'[17] which found '[a] slight majority of citizens of the European Union (52%) state that they never or very rarely think about the welfare and protection of animals when they buy meat, compared to 43% who state that they consider animal welfare most or some of the time when purchasing meat. 43% is of course extremely high compared with the 7% of consumers who spontaneously mentioned production method (any production method) as a factor in their purchases.

Box 10. Consumer demand for prompted and unprompted factors

Consumers will not necessarily demand information about product that corresponds to particular farming methods, place of farming, or that meets certain production requirements, but consumers do appreciate relevant information, if it is made available in a credible form. Thus for matters such as farming method and origin, market forces alone cannot be relied on by farmers who want to better communicate this information. At the same time, if the information were given, it would assist consumers in making their choices.

The problem is thus the result of a classic example of market players trying to deal with **asymmetric information**. At its simplest, the farmer has information about the place of farming, the product characteristics, and the farming attributes that the buyer does not have. If the farmer cannot convey the qualities of the product to the satisfaction of the buyer, the latter will not

15 See OECD document Appellations of origin and Geographical indications in OECD Member countries: economic and legal implications, OECD, 2000. See also D. Rangnekar "The Socio-Economics of Geographical Indications" 2003.

16 Impact assessment report on general food labelling issues, 30.1.2008, SEC(2008) 92, pp. 21-22.

17 http://ec.europa.eu/food/animal/welfare/euro_barometer25_en.pdf

be inclined to pay the fair price; on the other hand if the purchaser trusts blindly that the qualities are present he is vulnerable to unscrupulous sellers trying to dupe the purchaser into buying product that in fact does not possess the desired qualities. Buyers are not willing to be fooled (twice) and so if the information asymmetry persists, the price, even for the genuine value-added product, will tend to fall to the commodity value – and in theory to zero if purchasers cannot trust that minimum requirements have been met.

The picture is more complex with the intervention between the farmer and the consumer of the retailer – who also initially lacks the level of knowledge about product that the farmer has. On the other side, the retailer in its relation with the consumer is able to provide or withhold information from the consumer about the product characteristics and farming attributes, and in this case the farmer is unable to influence that provision of information.

The response of farmers towards retailers, and retailers towards consumers, is to **signal** the qualities of the product. By credibly transmitting information about the product, the seller can rebalance the information asymmetry – and reassure the consumer that the product is genuine. For example, a farmer may present his product as having the attribute of 'organic' and demand a higher price. But not every farmer can write 'organic' on the invoice and secure the premium: the credibility must be provided by organic certification – and the credibility of the certifier itself backed up by accreditation, EU legislation, Member State listing and official inspection. Armed with this (reliable) information, the retailer can confidently pay the premium price and is now in a position to credibly rebalance the information asymmetry towards the consumer. Relying on its reputation (a supermarket's most valuable asset) and an organic logo or label claim that is respected by the consumer, the supermarket can signal the special attribute of the product and secure a premium price at retail level also.

Retailers do not only wait for farmers to come forward with initiatives to rebalance information. They also **screen** for qualities by, for example, asking for tenders, specifying product characteristics or farming attributes or by reference to marketing standards. This induces farmers to reveal their information about the product qualities and so rebalance the asymmetry. A particularly important screening mechanism that emerged in the 1990s has been to require farmers' product to be certified according to an assurance scheme that conveys the credible information that the product has been produced in accordance with basic legal requirements and good practice. Consumers are not normally in a position to be able to screen.

Labelling protocols also allow screening. For example, all eggs must be labelled under the marketing standard according to their method of production, and all beef must be labelled with the animal's place of birth, raising and slaughter[18]. This forces information normally the preserve of the seller into the public domain and so also invested with the purchaser, who

[18] Both egg production method labelling and beef place of farming labelling are obligatory. See Annex A(i) § 2.3.

then has confidence to purchase in possession of the shared information. Credibility is provided in this case by the application of a legal requirement.

In the case of optional reserved terms, such as production method of poultry meat, or place of farming of pigmeat[19], there is no legal requirement for the information to be given. In these cases, sellers will be more likely to share information, such as 'free range' or a local or renowned place of farming, they see as adding value or which are essential to consumers' decisions to purchase at the price demanded. For other product, the retailer may choose to not share the information, either reasoning that it is not significant for the buyer, who does not as a rule demand it[20] (and therefore it is irrelevant to information asymmetry), or that concealment is preferable to sharing of information seen as less positive. This is a dangerous strategy if the consumer, on finding out that the product does not exhibit the characteristics or farming attributes or was not farmed in the place assumed, feels duped. And, whether or not the consumer feels deceived, the farmer, believing that the information is significant, is ultimately frustrated that the consumer could not make his purchase decisions in possession of that information.

If communication is not successful a number of problems result:

– For all product, the buyer may be unaware of or misunderstands the product characteristics and farming attributes. This undermines the potential for the consumer to select and pay for the product characteristic and farming attribute. As a result the farmer is unlikely to receive a fair return for those characteristics and attributes.

– In the case of high value adding characteristics and attributes, the farmer may not be able to access the potential higher returns;

– The choice of product available to consumers will fall below potential.

A particular problem arises in **communicating benefits of basic farming requirements**. These requirements are applied to all farmers in the EU in order to meet societal expectations. As such, they should represent a strength for EU agriculture and a selling point. However, at the point of sale, information relating to baseline farming standards is almost absent. This makes it almost impossible for consumers to connect product with the efforts put in by EU farmers in meeting farming requirements on animal management, environmental care and good farming practice in general. More product is labelled for consumers with an origin statement. According to a UK survey, about 2/3 product is labelled with origin (just over 1/3 voluntary and just under 1/3 compulsory)[21].

---

19 The 'mentions valorisantes' of poultry meat and place of farming of pigmeat are optional.

20 See Box 4 above and Annex A(i) § 2.1.

21 2005 study: 69% of product carried an explicit origin statement; of which 54% were given voluntarily.

Two options are possible: (a) to communicate directly compliance with baseline farming standards and (b) to communicate place of farming. To what extent is there a demand for these options? (see Box 11)

"Complies with EU requirements"	**"Farmed in EU"**
(a) Compliance with basic farming requirements (i.e. those set out in Box 2 above) refers to a wide range of farming activities. There is clearly a demand for this information since the private sector has responded with a number of farm 'assurance' schemes, which certify that agricultural product has been farmed in accordance with baseline standards — as interpreted and laid down in a specification. Demand for this broad certification comes mainly from retailers and processors since these schemes are primarily 'business-to-business' schemes that do not convey information to consumers. Some schemes do have consumer logos and thus a level of consumer regognition, but for a substantial proportion of certified product, the certification is only communicated to the processor or to the retailer, and not to the consumer. For the product sold to consumers under an assurance scheme logo, there is also a question whether the consumer understands that the product is certified to baseline requirements (including due care, etc.) or whether the consumer infers a 'value added' characteristic.	(b) Demand for place-of-farming from consumers is more clear. In repeated surveys, a high proportion of consumers (over 60% in surveys in the UK, France, Nordic countries), when asked specifically want to know origin or place of farming. The product for which 80% of consumers think origin labelling is most important is meat, particularly the meat ingredient in prepared foods (UK, Nordic countries). However, 'unprompted' surveys return the result that only a very low proportion of consumers spontaneously mention origin as an important factor in making purchases (fewer than 10%). Research in Ireland (2003) reported, however, that most consumers assumed the meat they were buying was of national origin, implying that consumers might not spontaneously refer to origin labelling because they make reasonable assumptions about origin, not because they do not care. The reasons why consumers want to know the origin or place of farming of agricultural product vary from 'food nationalism' to perceived concerns about the product standards in other countries, and specific reputations for foodstuffs from certain countries. [22]

Box 11: Demand for labelling of baseline standards and place-of-farming/origin

Therefore:

– When consumers focus on origin labelling, there is consistent, explicit demand to know where food was farmed or produced;

– In the absence of a specific focus on origin labelling, consumers do not spontaneously mention origin, although there is some evidence that this is in part because they make assumptions that the food is of national origin.

[22] Research summarised in 'What consumers want, a literature review', March 2007, UK Food Standards Agency.

WTO requirements must also be followed (Box 12).

Any labelling of place of farming must be WTO compatible and not be motivated by a desire to impede imports. International comparisons show that country or origin labelling, usually combined with place of farming clarifications, is being introduced in some leading OECD economies (Australia, US, …) and indeed is recommended for conformity with many international standards (e.g. UN/ECE fruit and vegetable standards; Codex cheese standards).

Is it preferable from an international perspective to require imported product to be labelled as place of farming "non-EU" or "country"? If this is really an issue, the choice could be given, to label the country of the place of farming or alternatively 'non EU'. Likewise within the EU, the requirements could be a choice between 'EU' and 'member state' place of farming. In the recently adopted olive oil labelling, while EU producers will have to identify the place of harvest as well as the place of pressing, for imported olive oil, 'origin' according to the non-preferential rule was adopted.

Box 12: Place of farming labelling: WTO considerations

The **underlying drivers** of the problem are the constantly changing and evolving factors that influence market demand, such as:

– Recession, increasing the search for low priced or good value products;

– Food scares, resulting in need to strengthen confidence in hygiene and safety processes;

– Concerns about biodiversity loss, creating demand for products from farming systems that protect biodiversity;

– Climate change, leading to a desire from consumers to take action in their food purchases to reduce carbon footprint;

– Animal welfare campaigns raising consciousness and demand from consumers for high animal welfare products.

Farmers and producers may respond to these factors, but in the absence of effective communication, the information asymmetry vis-à-vis retailers and then consumers, will quickly lead to difficulties.

As far as farmers/producers and consumers are concerned, **second-level drivers** can also be identified. These are caused by the reaction of the processors/traders and retailers to the underlying drivers. The second-level drivers of retailers (and processors) include:

– Need to protect reputation, and minimise liability exposure, in the face of food scares or criticism from specific stakeholders (animal welfare, environmental protection, etc.), leading to development of quality assurance schemes, and a reluctance to reveal information perceived as diminishing the value of a product (such as compliance with minimum requirements);

– Need to keep prices down by using bargaining power with suppliers and by maintaining flexibility in supplies. The resulting complexities of trade can lead to processors and retailers being unwilling or unable except at

excessive cost, to trace and label the place of farming or other farming attributes of agricultural ingredients of product.

While these actions are responses by processors and retailers to the underlying drivers, for farmers and producers they operate as drivers of the changing market demand.

2.2.2. Problem of coherence of EU measures

The diverse instruments that comprise agricultural product quality policy have in common that they assist farmers and producers overcome information asymmetry and communicate with buyers about the qualities of the product. Two new EU schemes are in development (extending the *Ecolabel* to foodstuffs and a scheme for *animal welfare*) and others are proposed by stakeholders, particularly in the environmental sphere. Council has asked the Commission to look at labelling options in the complex area of *Carbon footprint*, and stakeholders have proposed EU schemes for high-nature-value farming; climate change; integrated farming; mountain products; and water labelling. On 2.3.2009, the Commission launched a 'Retail Forum' designed to 'promote more sustainable consumption', including in the food sector, by involving stakeholders (although no immediate reference was made to farmers) in initiatives to improve the provision of sustainability information to consumers.[23]

The existing **EU labelling schemes** have developed independently and in general without coherence. This point was highlighted in the Conclusions to the Czech Presidency High Level Conference on the Future of Agricultural Product Quality Policy, 13.3.2009, which included in its conclusions: *"The Conference noted that a number of EU schemes are currently being developed and called for coherence to be ensured."*[24] The current multiple developments of EU schemes and policy in this area brings the potential for inconsistencies:

– The proposal to extend *Ecolabel* to foodstuffs is in co-decision procedure. The overlap with the organic farming scheme has been raised in the Parliament and in responses to the Green Paper on agricultural quality policy. Sustainability and environmental care are central features of the organic farming method. In addition, the organic farming regulation

---

[23] IP/09/339, http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/339&format=HTML&aged=0&language=EN
A week earlier, an 'Inter-branch food group' was launched by stakeholders (farming unions, suppliers, agricultural traders, food and drink producers and packaging suppliers) with the aim of bringing some transparency and coherence to the emerging number of environmental claims, Press release, 26.2.2009, 'Key food chain partners to launch sustainability roundtable', CIAA, Confederation of the Food and Drink Industries in the EU, http://www.ciaa.be/asp/documents/detailed_doc.asp?doc_id=863

[24] *Information from the Presidency on the outcomes of the Conference*. http://www.qpc.cz/

protects the term 'eco' exclusively for product of organic farming[25], although the *Ecolabel* Impact Assessment asserted, wrongly, that "*Companies wishing to write 'bio' or 'organic' on food must meet EU standards to do so. No such standard exists for green claims like … 'eco'.*"[26] The text went on to argue for application of the *Ecolabel* to food in part based on this misapprehension. Under a revised proposal, the extension to foodstuffs will be subject to a report in 2011, which will specifically address the opportunity for introducing the *Ecolabel* for foodstuffs. One 'solution' to be considered is that only organic product would qualify for the *Ecolabel*, which at the very least implies a certain duplication of the labelling message, if not potential for consumer confusion.

– A future animal welfare scheme will overlap to an extent with the organic farming scheme, given that animal welfare is an integral element of organic farming. The services concerned are in close coordination to ensure a compatible and coherent outcome.

– Work on any EU carbon labelling scheme or indicators is not far advanced. Given that Council has flagged the link to *Ecolabel*, similar overlaps with the Organic scheme may be anticipated.

Concerning **marketing standards**, these have been developed by sector according to need, leading to a number of differences, for example:

– Obligatory place-of-farming for some sectors (e.g. wine, beef, fruit and vegetables, honey), but not others (e.g. lamb, dairy products, some processed products)

– Obligatory production method labelling for in-shell eggs, but not for poultry or pigmeat.

– Protection of traditional terms in wine sector, but not in other sectors.

– Lack of horizontal reserved terms applicable to several sectors.

The single CMO[27], Regulation (EC) No 1234/2007, allowed for some legal discrepancies to be remedied. However, a number of minor inconsistencies, particularly between compulsory and optional measures, remain.

Concerning **private and national food quality certification schemes** in general, in addition to the present Communication:

– The Commission (DG TRADE) has presented a Communication on fair trade schemes (which follows a similar line as in the present document);

---

25 Article 23, Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products

26 Commission Staff Working Document accompanying revised Community Ecolabel award scheme (2008), page 24.

27 CMO: Common Market Organisation.

– DG SANCO will bring forward a Communication on Animal welfare labelling covering the operation of private animal welfare schemes contemporaneously with the present exercise;

– DG MARE is reflecting on the need for sustainable sea fisheries labelling (also referred to as '*Ecolabelling'*) and the opportunity for a new EU scheme in 2009.

Finally, policy coherence must also take account of **general policies of the EU** and notably the single market, competition issues, including fair competition for producers, and not misleading consumers.

2.2.3. Complexity and other problems in current measures

Marketing standards, including place-of-farming labelling

The development of marketing standards is characterised by inflexibility of compulsory rules that cannot be adapted quickly to changing market needs, and burdens on farmers in complying with standards that may not be needed by buyers. Marketing standards have historically been developed sector-by-sector and comprise detailed, complex rules, although their incorporation within the single CMO in 2007 has provided a framework for coherent development in future. Marketing standards, and particularly the defined 'reserved terms' and 'place of farming' labelling requirements, are a primary means for overcoming problems of asymmetric information.

Overall, therefore, current marketing standards address some of the information asymmetry questions, but not in a coherent or comprehensive way and rules are complex.

Geographical indications

Geographical indications are not widely recognised by consumers. Neither the terms 'protected designation of origin' and 'protected geographical indication', nor the EU logo are widely used on packaging. Only 8% of EU consumers can recognise or distinguish the EU logos. In addition, there are a number of problems of essentially a technical nature, such as divergent application of controls.

The three different schemes, which have differing procedures, control mechanisms and protection provisions, leads to considerable complexity and potential incoherence in implementation. A number of ambiguities exist in the extent of intellectual property protection provided under the legislation.

Geographical indications address the key part of the information asymmetry — the purchaser can be sure that the protected name describes the authentic product, and that the name cannot be used to describe imitation product. However, other means are needed to fully inform the purchaser about the specific characteristics of the product and only a few consumers can recognise the symbol implying the EU communication as a marketing strategy is not successful.

Traditional specialities

Since 1992 only 20 names have been registered as traditional specialities guaranteed. The scheme as conceived is too complex and difficult to implement.

For the few products on which it is used, the scheme guarantees authentic product is described by "TSG". However, the 20 names registered in comparions to several thousand in national lists illustrates that it is not useful in overcoming the bulk of information asymmetry concerning traditional products.

Private and national certification schemes

Private and national certification schemes have the potential to fill all information asymmetries and the diversity of schemes address many issues. However, there remain threats to the single market, questions on transparency of schemes (and the credibility of the claims), and burdens on farmers, particularly where they have to join several schemes.

2.2.4. Conclusion

As can be seen the problem of **information asymmetry** is only addressed to an extent by current EU schemes and initiatives. However, no doubt in reaction to this problem, a variety of initiatives addressing mainly 'single issue' subjects (climate change; animal welfare; fair trade; sustainability) are in train. The diversity of these initiatives contributes to the **coherence problem** and there is a danger of an uncoordinated approach to agricultural product quality policy measures, resulting in confusion for stakeholders and consumers and policy inconsistencies. Current EU marketing standards and inflexible to operate and EU schemes **excessively complex**.

2.3. Who is affected by the problem and to what extent?

The parties affected by asymmetric information and communication failure are farmers and producers who will be unable to realise the benefit of the product characteristic or farming attribute, and consumers who are not aware of the attribute of the product and cannot exercise their choice in any confidence. For traders and retailers a communication failure may represent a lost opportunity for additional return. The problem is diminished by the extent to which the communication is successful through labelling under a marketing standard or certification scheme or required by law.

The problem of asymmetry of information affects every product, since initially the producer has complete information, and the buyer has none, about the agricultural product’s characteristics and farming attributes. The measures and schemes discussed here go some way to rebalancing the information.

Farmers are affected by marketing standards in the sense that they deliver products that respect requirements set by trading partners as well as marketing standards. This conditions their production process and farm management. Marketing standards may prevent the placing on the market of a product that is new, innovative but for which EU marketing standards have not made provision yet. Alternatively, the marketing standard may prevent

the retail sale of products that are basically safe to consume but do not reach the minimum requirements laid down in the EU marketing standard. The characteristic sought after is in fact set below the marketing standard – either because the purchaser values the 'anti-attribute' on the basis that '*de gustibus non disputatum est*' – or because the low quality is countered by good value, i.e. the price is lower than the quality is poor.

For geographical indications, farmers and producers of agricultural products having an intrinsic link with geographical origin are the main population concerned by the problem. They are concerned as they invest in order to comply with the rules of the specifications (rules on production, labelling, conditioning and establishment in the delimited area), sustain costs of control before placing the product in the market, sometimes cost of joining an association, and are affected by procedures in registering names.

Beneficiaries/right-holders of intellectual property rights of geographical indication are concerned by any lack of enforcement of their rights. Other operators for which the right of use a name has been limited or denied (long procedures, legal uncertainty) are also affected.

Producers who wish to market traditional agricultural products or foodstuffs are affected adversely by the failure of the TSG scheme. It could be assumed that mainly (artisan) small-scale producers/processors (SMEs) that use traditional method of production and/or ingredients in production of local/regional specialities do not opt for TSG registration because of its complexity.

Farmers and producers are affected by all schemes that require them to produce according to certain standards and procedures, regardless of whether these are communicated to consumers or not.

The impact of private standards on **farmers and producers in developing countries** has been discussed in a number of publications and international fora. Two perspectives are described in a 2005 Worldbank report[28], identifying standards as 'catalysts' or 'barriers'.

Consumers are affected by obligatory marketing standards in a positive sense in so far as the product quality is what they seek, the labelling information is useful for purchasing decisions, and they do not want the product or information that is excluded from retail view by the marketing standard. They are affected negatively if there is an impact on price from, e.g. labelling requirements, or if desirable product is excluded from sale.

Consumers are the final users of the product bearing value adding terms, including geographical indications, traditional specialities, and private and national differentiation schemes. The schemes should provide useful reliable information to assist purchasing decisions and pay a price premium. Consumers who are interested in purchasing traditional foods are unlikely t be able to find with any frequency the 20 TSGs on the market, even less with TSG indication or a logo on the label. They may however rely on private or national labels claiming traditional production.

---

[28] See Annex D, § 2.2(c).

Consumers are directly affected by schemes which are communicated to the general public by way of a label or logo. These represent the vast majority of differentiation schemes as well as some assurance schemes. In a 2005 study conducted for DG SANCO[29], many consumers claimed that, while they welcome as much information as possible on the product, they experience the following problems (amongst others): Confusion between 'real' and 'objective' information and advertising and 'marketing-type' information; difficulty in locating the genuinely useful aspect one is looking for; suspicions of there being information missing, such as ingredients or additives not mentioned.

Food processors, traders and retailers may also be prevented from marketing new and innovative product by the lack of responsiveness of marketing standards. Official marketing standards may form the basis of private requirements. For enterprises without sufficient reach to impose their private standards, recourse to EU-level and indeed global standards, should facilitate trade.

Other actors in the food supply chain (processors, traders, retailers) are affected to the extent that their operations need to be certified as well. Quite often, certification schemes cover the whole food supply chain and thereby have an impact on all actors in the food supply chain. However, the extent to which this represents a burden depends amongst others on the degree of concentration at the particular chain level.

Public authorities are first of all concerned as marketing standards are laid down by the legislator and enforced by public authorities. In addition, there are several international intergovernmental forums where marketing standards are discussed and where the EU and/or the Member States are represented (in particular *Codex Alimentarius*, but also for specific commodities UN/ECE[30], OECD, OIV[31], etc…).

Member States and public authorities are concerned with the administrative burden of implementing the EU schemes (geographical indications and traditional specialities), both processing applications, oversight of controls on the production process (or direct public inspections), and policing of the marketplace.

For private certification schemes, the public authorities have a minimal role, confined only to administration of the national accreditation authority.

2.4. How would the problem evolve without a change in policy?

The agri-food retail sector is highly innovative and competitive. If the problem of sharing information outlined is one that affects consumer

---

29 OPTEM 2005; http://ec.europa.eu/consumers/topics/labelling_report_en.pdf

30 United Nations Economic Commission for Europe.
Site for agricultural quality standards: http://www.unece.org/trade/agr/welcome.htm

31 International Organisation of Vine and Wine, http://www.oiv.int/uk/accueil/index.php

demand, there is every chance that market forces will drive a response. If one retailer can secure an advantage by communicating better to consumers about the farming standards, requirements and place of farming of agricultural product, then the innovation will spread to others.

However, in the absence of there being a significant market demand for this kind of information, and the evidence is that consumers do not rate production method or place of farming as important factors in unprompted surveys, greater transparency and information sharing is unlikely to be required.

In the four policy areas the following evolution in the problem may be expected:

Marketing standards	– Current situation would continue, that is ad hoc development of EU marketing standards including sectoral origin labelling. – Public marketing standards will continue to trail commercial practices, therefore needing a constant updating. – Moreover duplication of standards by private actors will continue.
Geographical indications	– as added value and profit will not be equally distributed along the chain, the revenue of produces could weaken. – increase in the number of applications submitted by Member States and third countries as well registrations – continued existence of four legal frameworks (including aromatised wines) and three registers could lead to confusion for users, producers, consumers and third country partners. – In some Member States, the geographical indications systems will remain unknown to some producers because of inadequate information.
Traditional specialities	– very few names would be applied for and registered. – scheme continue to be unknown.
Private and national certification schemes	– currently observable trends in the development of certification schemes would continue:
Differentiation schemes:	– performance in the market will continue to be the main determinant of success or failure. – Schemes will come and go according to how well retailers see they meet consumer demands, how much more consumers are willing to pay for certified goods and how expensive scheme participation is for farmers and producers (i.e., whether they can derive economic benefit from scheme participation). – Whether the overall number of differentiation schemes is likely to rise is difficult to predict. – However, without a change in policy, there won't be any significant changes in the way these schemes operate. – Greater transparency and clarity of the claims made may or may not be in the interest of scheme owners, but the growing debate around these schemes and the greater attention given to these issues in the media may have a positive influence. – The issue of consumer confusion arising from different schemes covering similar objectives is being taken up by initiatives such as the ISEAL Code of Good Practice, which

	claims to be the international reference for setting credible voluntary social and environmental standards.
Assurance schemes	– the proponents of currently existing schemes claim to have already embarked on a significant degree of harmonisation. GLOBALGAP's predecessor EurepGAP replaced a range of different retailer standards for good agricultural practices.
New EU schemes	– could be proposed in an ad-hoc manner, depending on political priorities at any one moment.

2.5. Does the EU have a right to act?

The issues which may give rise to action touch on various policy areas of Community competence. These include trade policy; consumer policy; environmental policy; development policy; competition policy; internal market policy; food and feed safety policy (including labelling and animal welfare policy). First and foremost, however, agricultural policy is concerned. EU farming requirements and rules for the placing of agricultural products and foodstuffs on the internal market and ensuring the integrity of the internal market are matters of Community competence (Titles I and II of Part Three – Community Policies – of the Treaty establishing the European Community, and in particular Article 37 thereof).

No option described in this Impact Assessment conflicts with the EU Charter of Fundamental Rights.

2.6. Should the EU act?

In respect of agricultural product quality policy, thee main problems that warrant EU action are:

– to address information asymmetry, for example if a term describing a product quality is used in a way to cause unfair competition and to mislead consumers;

– to restore and maintain coherence of EU measures and initiatives;

– to reduce complexity and simplify schemes.

Marketing standards and place-of-farming labelling	– integral part of the Common Market Organisation for most agricultural products. EC action is therefore only way to make adjustments in standards. – For the specific issue of indicating the origin or place of farming, national rules could lead to a fragmented approach. Origin and pace of farming can be determined in many ways.
Geographical indications	– to uphold intellectual property rights and law.
Traditional specialities	– to protect traditional identities throughout the single market (which the scheme has not done)
Private and national certification schemes	– in general there is no role for the EU in the operation of private and national schemes unless they operate against the Community interest. – While several ongoing attempts are aiming at harmonising the existing approaches, the development of an agricultural quality policy which would include a policy line on certification schemes for agricultural products and foodstuffs is within the remit of the Community. However, given the existence of EU legal frameworks for the single market, competition, and on misleading the consumer, a new legislative framework governing food quality certification schemes does not pass the necessity test and soft-law options should be looked at first with a view to better implementing existing provisions and policy.
New EU schemes	– there is a need to address opportunity for direct EU action needs in future in a coherent way rather than ad-hoc as different schemes are proposed.[32]

2.7. Identification of policy issues

One aim of bringing together the currently disparate instruments that make up agricultural product quality policy into a single analysis was to see how to improve coherence and bring synergies to the development of policy. The analyses have shown the following potential links across the policy:

– 'reserved terms', which are an instrument under marketing standards, could be appropriate as an option for the development of the traditional specialities scheme, or as an alternative to demands for new EU quality schemes;

– the problems identified in relation to private and national certification schemes are equally risks for the EU quality schemes, and a common framework could be considered;

– the issue of considering the correct policy response to the rising number of candidates for new EU quality schemes can be addressed across the board

[32] See also Annex D, § 4.3.2: Developing new stand-alone EU schemes for specific policy areas.

– from the perspective of private and national schemes, from that of existing EU schemes, and from the angle of reserved terms under marketing standards.

In examining the policy objectives (Section 3), options (Section 4) and analysis (Section 5), the issues will be divided as follows (*See also Box 8, supra*):

– Policy issue 1: Marketing standards, including place of farming labelling

– Policy issue 2: Geographical indications

– Policy issue 3: Traditional specialities

– Policy issue 4: Private, national and new EU certification schemes

3. OBJECTIVES

3.1. General objective

To enable farmers and producers to meet consumer expectations for product characteristics and farming attributes and communicate them effectively, ensuring:

– farmers and producers get a fair return reflecting the agricultural product quality;

– farmers and producers can react to consumer demand for value-added product characteristics and farming attributes;

– consumers can rely on labelling terms to identify agricultural product characteristics and farming attributes.

3.2. Specific objective

The specific aims of the proposed Communication on agricultural product quality policy are:

– To improve problems of communication between farmers and buyers and consumers arising from asymmetric information about the qualities of agricultural product;

– To increase coherence of EU agricultural product quality policy instruments;

– To reduce complexities for farmers and producers, and consumers.

3.3. Operational objectives for strategic orientations

The operational objectives, which are at the level of determining the strategic orientations of policy are to elaborate during 2009 strategic orientations for policy development covering the four issues:

Policy issue	Operational objective
Policy issue 1: Marketing standards, including place of farming	– To facilitate flexible adaptation of standards – Simplify standards and reduce burdens on operators – Maintain a minimum level of quality requirements – Establish terms of reference to obtain fair return for value-added qualities – To reduce control burden on public authorities
Policy issue 2: Geographical indications	– to ensure clearer information regarding the products specific characteristics linked to geographical origin, enabling consumers making more informed purchase choices. – to ensure a single approach at EU level for a system of protection of names for products with specific qualities linked to geographical origin and simplify the Community schemes on geographical indications. – to ensure uniform enforcement - throughout the EU - of the intellectual property rights stemming from the registration of product names both of the EU. – to improve incomes of farmers and ensure that the system contributes to rural economy.
Policy issue 3: Traditional specialities	– to ensure the most appropriate instruments are used for identifying and protecting traditional specialities and to achieve the specific objectives, by simplifying or replacing the existing scheme; – to make EU instruments coherent and consistent across agricultural product quality policy, to reduce divergent procedures and inconsistencies and to clarify confusing legislative provisions.
Policy issue 4: Private, national and new EU certification schemes	– to ensure that private and national certification schemes uphold the proper functioning of the internal market, that transparency in increased, the potential for consumer confusion is reduced, and duplication and overlap of requirements is diminished. – to ensure that any proposals for new EU quality schemes are coherent and consistent across agricultural product quality policy.

4. POLICY OPTIONS

4.1:	*Marketing standards*
4.2:	*Geographical indications*
4.3:	*Traditional specialities*
4.4:	*Private, national and new EU certification schemes*

4.1. Policy issue 1: Marketing standards

During detailed analysis two options were considered and then discarded after technical screening, namely:

– introduction of an **EU logo indicating compliance with EU requirements**[33], which was raised in the Green Paper. The logo would be used on all agricultural product and food that had been produced in line with EU farming requirements. However, it would present considerable technical obstacles and was opposed by almost all stakeholders. The main problems and difficulties are:

- Need for certification and traceability, without which the logo would not have credibility, but which would increase costs and burdens on farmers considerably;
- Application to imported product would be complex as the logo would be used on 3rd country product that met equivalent requirements, irrespective of the legislative rules applicable in the 3rd country;
- The identification of EU requirements at farm level is difficult to determine, given that many rules are applied by directive and subject to implementation by national authorities — who sometimes add requirements.

– **No EU action: abolition of marketing standards**. Complete removal of marketing standards from Community legislation does not seem an appropriate way forward. As it leaves "the field unoccupied" it is possible that divergent, national marketing standards may be introduced. Such could have serious and negative consequences for the functioning of the internal market and the smooth disposal of agricultural goods on the market. All stakeholders supported continuation of marketing standards (although simplified).

MARKETING STANDARDS, Option 1.1. Status quo plus: simplification.

Simplification of marketing standards means a harmonisation of standards where possible, harmonisation of common elements across different sectors including public control arrangements, removal of obsolete provisions and drafting in line with the latest legal drafting principles. In this option, neither the process nor the content related difficulties would be substantially addressed.

Stakeholders say (farming sector and industry):

[33] See Annex A(i), § 4.1.2.

– maintaining the current status is the optimal solution.
– keep current approach for the benefit of both producers and consumers. Stakeholders should be more involved in the decision making process.

MARKETING STANDARDS, Option 1.2. Replacement of specific EU marketing standards, by a general base standard.

This option foresees complete removal of specific marketing standards from Community legislation, accompanied by a new general standard, applicable to all products. This will avoid the need for Member States to introduce national rules, which could lead to a fragmentation of the single market. Products in compliance with UN/ECE or Codex standards would be considered to be in compliance with the general base standard.

Stakeholders say (farming sector and MS authorities):
– Minimum marketing standards must be set at EU level.
– Recent reform of fruit and vegetable standards is a good example to follow.
– If there is compliance with common, general standards of hygiene and product safety, the marketing standards can be left to self-regulation.

MARKETING STANDARDS, Option 1.3. Combined approach

Mirroring the New Approach for setting conformity standards for industrial products, this option comprises essential requirements or base standard in legislation (as in Option 1.2) and technical specifications in standards agreed by stakeholders using a standards setting body (the CEN framework).

Stakeholders say (farming sector) :
– The option of using a stakeholder standards-setting body (like CEN used for industrial standards) is worth exploring.
– Producers should be involved in the drafting of marketing standards.

MARKETING STANDARDS, Option 1.4. Develop use of reserved terms

Lay down clear definitions, identities, classes, sizes, which have to be respected if used at the stage of placing on the market and are voluntary for producer/operators. Reserved terms are suitable for simple single-issue claims (e.g. ‘farmhouse’, ‘free range’, and particularly if the 'traditional specialities' scheme instrument is discontinued, the term 'traditional'). The new legal framework of the single CMO provides a logical platform in which to reserve terms that apply to more than one CMO sector.

Stakeholders say (farming sector, NGOs):
– The sector would not communicate on negative aspects.
– Farmers to be given more freedom to classify their products to avoid industrialisation.
– It would be possible as soon as the rules are decided at EU level and uniformly applied.
– Producers will be weakened vis-à-vis retailers.
– It should however not mislead consumers.

MARKETING STANDARDS, Option 1.5. Extending existing compulsory indication of place-of-farming (EU/non-EU or country) to cover agricultural product

Extend compulsory labelling of the place of farming to agricultural product sectors, according to sector-by-sector analysis of needs. Labelling of EU/no-

EU and/or Member State/Third country to be considered especially in light of WTO considerations.

Stakeholders say:

- Farming groups generally favoured compulsory place-of-farming labelling, mostly at country-level rather than EU/non-EU, but in general thought it had to be considered sector-by-sector; "not realistic for all product" said several, but there was a general view that beef labelling requirements should be extended to all meat.
- Individuals, including farmers, were generally in favour of origin or place of farming labelling, but almost unanimously preferring 'country' rather than 'EU/non-EU'. One exception was a respondent who argued for EU/non-EU to 'prevent national market protection by Member States'.
- Several NGOs thought 'EU' too broad to carry meaning to consumers and a smaller territory was needed to convey information such as food tradition and distance travelled.
- Representatives of processors were strongly, though not unanimously, opposed to obligatory place-of-farming labelling. Few retailers responded, one view was that it is feasible for raw products and very-lightly processed, but loses value for processed products.
- Similar divisions were evident from stakeholders consulted on the options retained in the Quality Policy Advisory Group on 25.2.2009. Industry underlined in particular the difficulties of indicating origin for highly processed and mixed foods, such as bread, beer and pate made with a mixture of meats, and place of farming of animal feed (in respect of meat products). Support for place of farming labelling (at country level) was most pronounced from farming groups and consumer representatives, as well as an animal welfare representative.

4.2. Policy issue 2: Geographical indications

During detailed analysis[34] a number of options were considered and then discarded after technical screening. These include:

- Action through a general **Directive**, delegating to Member States the task of identifying and protecting geographical indications, with legal effect at EU level. This option presents a low consistency with one of the objectives of the policy, i.e. to have a harmonised application throughout the single market.

- **Co-regulation** and **self-regulation** options need the involvement of non-governmental organisations, social and economic partners. The highly fragmented representation of that interest and the economic and legal dimension of the problem are structural limits that make those options low in terms of effectiveness and efficiency in comparison with the other options.

- **No action at Community level (abolition)** would lead to a greater risk of market failure as to the non harmonised level of protection and mechanisms to ensure it. In absence of a mechanism of mutual recognition between Member States, operators willing to have their product names protected in the EU would face 26 different systems. Products circulating in the EU may risk misuse, usurpation, etc. outside the country which grants them protection. In addition the diversity of action by the Member

[34] See Annex B, § 4 and in particular § 4.11.

States would lead to a multiplication of regional/local labels and therefore creating more confusion among consumers.

– **International rules option through Lisbon Agreement** would be impossible to apply in a short term, as an international negotiation to adhere to WIPO would be needed as well as some amendments on definitions. In the longer-term, however, this option should not be ruled out.

GEOGRAPHICAL INDICATIONS, Option 2.1. Status quo plus: Simplification of PDO/PGI schemes and streamlining existing procedures

The legal text could be clarified without changing the current legal architecture and time taken to process applications at EU level further reduced.

Sub-option 2.1.1 Merging PDO and PGI definitions

More radical simplification could be achieved by merging the two geographical indication types: the narrower 'protected designation of origin' and the broader 'protected geographical indication'. In effect, the protected designation of origin would be abolished and existing registrations become protected geographical indications. This option would reverse recent policy of enhancing the difference between the two types.

During the **Quality Policy Advisory Group** on 25.2.2009, consumers and farmers representatives expressed strong views against this option that would, in their view, undermine current geographical indications systems. Nevertheless, during Green paper consultation, some academic organisation and other respondents underlined difficulties to understand differences between the 2 definitions, and asked for more clear distinction between the PDO and PGI definitions, or even advocated for a merge.

Sub-option 2.1.2 Creation of a single instrument for registering wines, spirits, and agricultural product and foodstuffs

Creation of a single regulation would enable policy to become more coherent, for example by using similar criteria and procedures for registrations. A single register, whether or not in 3 parts, could be created, while retaining the specificities of each type.

An overwhelming majority of respondents (majority of Members states and regional authorities, farming organisations and individuals for farming sector, some consumer organisations) during the Green Paper consultation expressed views in favour of a gradual harmonisation and simplification of the 3 systems, while keeping their specificities. Respondents related to wine and spirit sectors, insisted in keeping the specificities while expressed fear to end up with the lowest common definitions.

Sub-option 2.1.3 Allow national system of protection of geographical names

This option would consist in allow national systems of protection of names to be set up in parallel to EU geographical indications. Protection of those names would then only apply as to the national market. In parallel, it would be possible to introduce trade (volume and value) criteria as a precondition for registration of names in EU registers.

This option is supported by a minority of Member States

GEOGRAPHICAL INDICATIONS, Option 2.2. Abolish current sui generis PDO/PGI system at EU level and replace by existing trademark system

The level of protection of geographical indications would be the one ensured by TRIPS, but the legal means to apply it (protect names) would only apply (exclusive system) through the Community trademark system (Council Regulation (EC) No 40/94 on the Community trademark35). The definition of designation of origin will disappear, as same definition of geographical indications will apply to every Member State (TRIPS definition of geographical indication).

For a majority of respondents to the Green Paper (most Members states, farming organisations, processing and retail organisations) geographical indications *sui generis* system and trademarks system are not alternatives but two distinct instruments in nature that should co-exist. Utility of trademark system was mentioned by some respondents from regional authorities to protect small productions who can not apply for PDO/PGI because they consider the system expensive or even as preliminary protection step (for example as collective trademark). In addition, during the **Quality Policy Advisory Group** on 25.2.2009, consumers and farmers representatives expressed against that option that would undermine current geographical indication systems.

GEOGRAPHICAL INDICATIONS, Option 2.3 Clarifying PDO/PGI rules

The system in place could be clarified and improved by taking into account the results of stakeholder consultations. This could be done through modification of the current regulations and by drafting guidelines. Issues to be addressed include: use of geographical indications as advertised ingredients of processed products; the labelling of place of farming of raw materials used in a geographical indication product; the rules for ensuring enforcement (in the market place, at production stages and during transit and trade prior to retail sale); the clarification as far as possible of the rights of use of protected names, including in relation to other (potential) uses on non-originating product, the coexistence with trademarks, transitional periods, and generic character of names.

This option was preferred by the **Quality Policy Advisory Group** meeting on 25.2.2009.

[35] Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, Official Journal L 011, 14.1.1994, p. 1.

4.3. Policy issue Policy issue 3: Traditional specialities

During detailed analysis[36] it is apparent that '*status quo*' is not a viable option. With only 20 names registered since the scheme's inception it has clearly not met its objectives. Nevertheless, *status quo* is retained as a point of comparison for other options. The option of defining 'traditional' as a reserved term under marketing standards is raised under Option 1.4 above.

TRADITIONAL SPECIALITIES, Option 3.1: Status Quo — continuation of current scheme

This option envisages the continuation of the current scheme, which is not considered viable, but it is retained as a point of comparison to other options.

Although the importance of, and support for, the current scheme was underlined by several stakeholders from all categories in the Green Paper consultations, only a few of them (again practically all categories but national authorities) were in favour of status quo.

TRADITIONAL SPECIALITIES, Option 3.2: Simplified certification scheme

If the TSG scheme continues then it should be simplified. The current scheme provides that a name can be registered in one of two ways: either the term is protected and cannot be used on similar product, or the term is not protected and the only restriction on the use of the name is with the indication 'TSG' that shows the genuine traditional product is described. Simplification could therefore take the form of limiting the scheme to only one of these options.

Sub-option 3.2.1. TSG registration without reservation of the name

This sub-option would entail the abolition of protection of the name. Therefore the registration of a name would serve only to identify the traditional form of the product.

Sub-option 3.2.2. TSG registration with reservation of the name

In this case, the name would only be used to describe the product made in accordance with the specification.

In the Green Paper consultation, stakeholders, in particular national and regional authorities of the Member States most frequently proposed simplification of the current scheme. With this regard, the option that only registration with reservation of the name would be allowed, was preferred by several stakeholders.

TRADITIONAL SPECIALITIES, Option 3.3: protecting the term 'traditional' as a reserved term under marketing standards

Given that most of the names were registered without reservation of the name and serve only to identify the traditional speciality and not to protect the name, the introduction of a defined reserved term for 'traditional product' would be an option. This option is included under Option 1.4 above.

[36] See Annex C, § 4.

The definition of 'traditional' could pose technical difficulties. However, this is also the case for any option identifying traditional foodstuffs (including leaving the matter to the market) and at least one organisation has developed a workable definition.[37]

The reserved terms option could also follow the path taken for traditional terms in the wine sector, where each term (not just the general 'traditional' concept) is protected in legislation[38]. However, the 'traditional terms' option is considered to be excessively burdensome procedurally and has been developed in the very particular circumstances of wine labelling. Therefore as a broad-ranging instrument for strategic orientations, this option is not retained.

In the context of Green Paper consultations, various stakeholders, notably national authorities and farming organisations, most frequently proposed that a reserved term is defined as an alternative to TSG scheme.

TRADITIONAL SPECIALITIES, Option 3.4: No EU action: discontinuation of current scheme

Existing EU scheme would be discontinued and the EU would in principle not get involved by setting specific rules in regard to names of traditional products. Regulating traditional specialities and its implementation would be left to the private sector, Member States and regions. Several schemes exist currently at Member State level (see examples from Italy and Belgium[39]) to identify traditional products and these initiatives seem to be viable.

In the context of Green Paper consultations, some but not a majority of stakeholders suggested deletion of the scheme. This view was scattered almost evenly among many categories of stakeholders.

4.4. Policy issue 4: Private, national and new EU certification schemes

A number of problems highlighted in the detailed analysis can at least partly be addressed by making better use of existing legal instruments or by building on ongoing initiatives in the private sector. Other issues however may need further action related to the way in which certification schemes operate (process) or the policy areas covered by certification schemes (content).

In the detailed analysis, a **legislative option** was discussed, consisting of legislation setting down rules or a framework for the operation of food quality certification schemes. However this was screened out on grounds of lack of efficiency, effectiveness and coherence with other EU policy objectives (e.g., simplification) as well as lack of stakeholder acceptance.[40]

---

37 See Box 8 in Annex C, § 4.2.2.

38 See Box 9 in Annex C, § 4.2.2.

39 Annex C, § 4.1.2.

40 See Annex D, § 4.2.2.

PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES, Option 4.1: no EU action = status quo (plus further research)

This option is a continuation of the present situation in which the EU is not directly involved in the operation of private and national/regional certification schemes[41]. The EU provides a general policy framework on issues of relevance to certification schemes (internal market rules; competition rules; consumer information and labelling requirements) but no specific legislation.

This option would include **further research** to gain a better understanding of the nature and extent of the problem.

Farmers' associations in a stakeholder hearing in 2006 expressed the view that market forces are already leading to greater harmonisation of scheme requirements. Existing EU legislation could be applied to deal with a great part of the problems, so no new legislation is needed in this area. While no EU action is not an option, interventions should be as light as possible.

PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES, Option 4.2: Develop guidelines for the operation of certification schemes (focus on process)

Development of guidelines or best-practice approaches along the lines of the following criteria: independence of certification and control; accreditation arrangements; stakeholder participation in scheme development (including from developing countries); transparency of standard setting processes and scheme requirements; the need for clarity of the relation between scheme requirements and legal minimum requirements. Schemes not in conformity with the guidelines (but in line with all other legislation) would not be prevented from operating in the EU market.[42]

In the consultation on the Green Paper, stakeholders across all categories were of the view that EU guidelines are sufficient to contribute to a more coherent development of certification schemes.

PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES, Option 4.3: Developing new EU quality schemes for specific policy areas (focus on content)

The Commission has already developed certification schemes (or is preparing to develop them) in several policy areas.

A further option in addressing the landscape of private and national certification schemes is to develop a new EU scheme in a given subject area which would either replace all existing schemes in the policy area or serve as a reference standard for other schemes. Two EU schemes (*Ecolabel* for

[41] The EU oversees certification schemes itself. These are the schemes for (a) protected designations of origin and protected geographical indications, (b) organic farming and (c) traditional specialities guaranteed. They are treated in parts II and III of this impact assessment, and further schemes are under consideration (Ecolabel for processed food and Animal Welfare).

[42] See Annex D, § 4.2.3.

foodsrtuffs[43] and *Animal welfare* labelling[44]) are in development[45], Council has asked the Commission to look at labelling options in the complex area of *Carbon footprint*, and stakeholders have proposed EU schemes for high-nature-value farming[46]; climate change; integrated farming; mountain products; and water labelling[47]. Each new scheme will have to be assessed on its own merit. It is beyond the scope of this impact assessment to analyse possible policy options for new schemes at this stage.

PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES, Option 4.4: Establish common criteria for new EU schemes (focus on process)

As an alternative to Option 4.3, and given the number of new schemes and proposals coming forward, the criteria to be applied in the decision on whether or not to establish a new EU scheme could be established. This option comprises introducing criteria to assess the need for new EU certification schemes for agricultural products and foodstuffs. Criteria would be developed in consultation with stakeholders.

Stakeholders say:

- Retailers feel that the further development of EU schemes should be in response to specific consumer demand rather than to meet different policy objectives (Retailer panel, Stakeholder Hearing, 2006)
- The majority of respondents to the Green Paper consultation (mainly representing national authorities, the farming community, trade and processing organisations) are against introducing new EU schemes (although some make specific reference to mandatory schemes and don't express their views of voluntary schemes). Some see possibilities for new schemes if certain conditions are fulfilled, and 24% of all respondents (= 50 replies) are of the opinion that new schemes are needed in certain policy areas

Illustrative list of criteria based on stakeholder views:

- Is the scheme addressing an identified priority area for EU policy?
- Is there a problem in the specific policy area that cannot be addressed (or that is caused) by private and/or national or regional initiatives?
- Would the establishment of an EU scheme in the particular policy area solve the identified problem(s)?
- Does the scheme take an integrated approach to sustainability of farming requirements or otherwise address the problem of trade-offs?
- Would the administrative costs and burden of an EU scheme be compensated by improvements in other areas (e.g. functioning of the internal market; burden on farmers/producers; consumer interests)?
- Is the proposed new EU scheme coherent and compatible with other EU initiatives in the same policy area? Could the problem be better addressed by adjusting another EU initiative rather than creating a new one?
- Is the proposed new EU scheme in line with the Community's international obligations (e.g. WTO laws) towards third country trading partners?

---

43 COM (2008)451final: Proposal for a Regulation of the European Parliament and the Council on a Community Ecolabel scheme

44 Agenda Planning: 2009/SANCO/037, Communication on Animal Welfare labelling.

45 See Annex D, § 4.3.2.

46 Ibid, § 4.3.2, Box 9

47 Ibid, Annex 9

PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES, Option 4.5: Development of protected reserved terms corresponding to specifications

In cases where direct EU action is justified, a lighter option administratively could be to develop **reserved term protection**. This is considered under the marketing standards heading above (Option 1.4).

5. ANALYSIS OF IMPACTS

5.1. Overall assessment of impacts

The quality policy instruments are either 'certification type' (geographical indications, traditional specialities, and private and national certification schemes) or 'labelling type' (marketing standards, including product identity, reserved terms and place of farming labelling).

5.1.1. Economic impacts

There is little information concerning the costs of these instruments that has come to light in the course of this assessment.[48] However, certain studies and information are available on certification schemes from which some data can be extracted.

(a) Certification-type measures

Farmers: Certification costs

– application procedure (one-off): for geographical indication applications, figures have been given in the range: €3000, to €900 (for a 4-page application), and €107. Some applications are free.

– compliance costs. For assurance type certification, a study in 2004 showed that since most of the obligations corresponded to legal requirements or good practice, most farmers already complied and had zero compliance costs in terms of farm buildings and equipment. In practice, some farmers incurred some building and other costs as the price of joining the certification scheme, which implied that the preceding situation was not in full compliance with minimum requirements. This gave rise to high 'perceived' compliance costs.[49] For differentiation schemes, costs of conversion into the system were reported for an animal welfare scheme and a general quality scheme. Upgrading buildings was the highest costs (up to several thousand €).[50] The total compliance costs, factoring in

---

48 An EC-funded research project, CERTCOST: Economic analysis o certification systems for organic food and farming, is running from 2008-2011.

49 'Costs and benefits of farm assurance to livestock producers in England', Fearne and Walters, Wye College, 2004. The report warns: 'The assessment of costs and benefits of farm assurance to livestock producers if fraught with problems, not least due to the paucity of data in the public domain on which rational alternative market scenarios can be based.'

50 Neuland, JRC case study.

buildings, fixed costs and variable costs, of the Label Rouge scheme were estimated at almost 200% higher that for standard product.[51]

– certification costs, or annual fee for joining the scheme are in the range of 200 – 400 € per year for an assurance scheme for geographical indications. For an animal welfare scheme, pig costs of €11 per sow were given. For GlobalGap, the annual fee is in the region of €1500.

– inspection costs depend on frequency of inspections and length of inspection. Under a farm assurance scheme, pig farmers were required to have quarterly visits from vets, of between 1 and 4 hours per visit., at approx 100 € per hour. (400 – 1600 € per year). For an animal welfare scheme: €180 per year, plus €26 meat inspection[52].

– record-keeping costs: for all certification schemes this cost in terms of management time is additional to normal farming procedures. For farm assurance, the costs was for 60-70% of farmers, between 0-5% of the farmer's time.[53] For geographical indications, 4% is mentioned as the administrative cost in time to the farmer.

Farmers: benefit of certification schemes:

– data on benefits is also hard to identify. However, it seems logical to assume that for the successful schemes, given they are voluntary, that the benefits must outweigh the costs. For Neuland, in 2006 data showed that certified pig prices were 20% above conventional pigs. For assurance schemes, no data on higher prices is available, but the benefit might be increased market access to supermarkets that use the assurance schemes.

  Studies have shown that consumers are willing to pay more for certified products from well-known schemes than for non-certified products or those certified under lesser known schemes. For example, willingness to pay for products carrying the German QS label was found to be three times higher than for products carrying the label of a less well-known scheme[54]. Another study shows that 59% of Finnish consumers are willing to pay more for information on quality and safety of beef products[55]. However, it is also known that expressed willingness to pay for quality attributes often does not match actual purchasing behaviour and that therefore these figures have to be treated with care.

– benefits may not be reflected in price but in access to the market.

---

51 Label Rouge, JRC case study

52 JRC case studies.

53 Fearne and Walters, op cit. page 42.

54 Enneking, U. (2004). Willingness-to-pay for safety improvements in the German meat sector: the case of the Q&S label. European Review of Agricultural Economics 31(2), 205-223.

55 Latvala, T. and J. Kola (2004). Consumers' Willingness to Pay for Additional Information on Food Quality and Safety. Paper presented at the 84th EAAE Seminar 'Food Safety in a Dynamic World'. Zeist, The Netherlands, February 8 - 11, 2004

Retailers:

No data available of costs and benefits of certification schemes.

However, the assurance schemes provide liability protection to retailers and protect (or enhance) their reputation. Potentially a high benefit and an 'insurance' scheme.

Operators in developing countries:

Costs and benefits of participating in the GLOBALGAP (formerly EurepGAP) assurance scheme to operators in developing countries have been estimated for Kenya, Zambia and Uganda[56]. In general, the studies conclude that small-scale growers need external support (by donors or exporters) to be able to afford certification, costs of which in the case of Kenya are in the range of 636 GBP for establishment and 175 GBP per annum to maintain. In Zambia, establishment costs per grower even amounted to 4664 GBP for initial investment and 938 GBP per annum for maintenance costs. In Uganda, the study concludes that an export company would have to sell an additional 53 tonnes of horticultural products to break even (18 % more for a company exporting 300 tonnes per annum). Farmers would have to increase their production by about 0.1 to 0.3 acres to compensate for additional costs through higher net income.

(b) Labelling-type measures

Costs

For labelling obligations, the EU project on baseline measurement and reduction of administrative cost (ENTR/06/061) looked at food safety information obligations, including labelling of foodstuffs and found that the food labelling obligations under Directive No 2000/13/EC carried an administrative cost of € 630 million.

Changing a food product label for meat in England in accordance with Commission Directive 2001/101/EC[57] has been estimated to cost a typical shop in the region of 50-150 GBP and can be offset by incorporating such changes as part of the normal label redesign cycle[58].

The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) in a statement on the Commission proposal for a Regulation of the European Parliament and of the Council on the provision of food information to consumers (COM(2008) 40 final)[59] puts the cost of changing a label at €56.

On the issue of country of origin labelling (COOL), a study conducted in the US on raw food labelling estimates cost increases in the range of 0.01 % for

---

56 Analysis available on www.agrifoodstandards.net

57 This directive amended Directive No 2000/13/EC.

58 http://www.food.gov.uk/foodindustry/regulation/ria/ria2003/foodlabelling2003riafinal

59 http://www.ueapme.com/docs/pos_papers/2008/080805_pp_labelling.pdf

poultry meat and 0.64 % for fish. On the other hand, an Australian study covering different raw products within processed food shows cost increases on average of 1.4 % for the implementation of extensive labelling requirements, while a study from New Zealand comes up with a medium estimate of 0.48 % [60].

Mandatory labelling measures impose costs on all foods in the supply chain, from producers to food retailers. As a result, all consumers would pay for the labelling system, including those who are indifferent to such labels.

Voluntary labelling of certain foods satisfies the consumer segment that is interested in such information. Because such labels only apply to products targeted to these consumers they could reduce the overall cost of the system and possibly lead to more appropriate labels.

Benefits

There are no known studies that try to estimate the benefits of labelling-type measures for agricultural product quality[61] in quantitative terms. These would depend to a large extent on the issue addressed by the labelling measure and consumers' preferences (expressed for example through their willingness to pay a premium for the information in the case of voluntary labelling).

5.1.2. Social impacts

Consumers are the main beneficiaries from certification and labelling schemes. They enable the consumer to share the information that without the scheme would be in the exclusive domain of the farmer (or retailer). This in turn allows them in confidence to make a purchasing choice.

The consumers benefit will be greatest the more they have valuable information on which to make purchase decisions.

5.1.3. Environmental impacts

There are no general environmental impacts from certification and labelling schemes. However, for schemes that are aimed directly at environmental issues, the environmental value can be substantial as it allows consumers to align purchasing decisions with the environmental outcome.

5.1.4. Burdens on public authorities

Private certification schemes: practically no cost, except for oversight of accreditation authorities.

EU schemes and national schemes: if implemented by private scheme, no cost; if implemented by public authority, cost will be quite high, but recoverable from fees, if the authority wishes.

---

60 Figures cited in DG SANCO Impact Assessment on General Food Labelling Issues, COM (2008) 40 final

61 Studies have been done showing the benefits of improved nutritional labelling in the US, Canada, Australia and New Zealand.

Protection of Intellectual Property Rights: The existing EU schemes for PDOs and PGIs put a burden on public authorities in the EU Member States linked to the application procedure (including objections), monitoring and enforcement. In Belgium (Wallonia), the application process has been estimated to cost 10,000 € per request, a similar figure is given by the UK, while Hungary estimates 390 €/application. In terms of staff, 0.3 FTE work on PDO/PGI-related matters in Wallonia while Germany employs two persons (although not full-time), Greece has two full-time staff plus seasonal help, Hungary has 6 FTE and Sweden estimates 0.7 FTE to deal with PDOs and PGIs. Several other countries state that it is impossible to separate out the costs or staff time dedicated to the scheme (e.g. IT, DK, ES). At EU level, there are currently 25 full-time persons involved in processing PDO/PGI and TSG applications.

Labelling requirements: relatively low cost. If controls are integrated with food law controls, they can be carried out on a risk basis. At the leading French market at Rungis, the number inspectors working on fruit and vegetable marketing standards has reduced from 25 to 5 in the last 10 years.

5.2. Qualitative impacts by measure

5.3:	*Marketing standards*
5.4:	*Geographical indications*
5.5:	*Traditional specialities*
5.6:	*Private, national and new EU certification schemes*

5.3. Policy issue 1: Marketing standards

	Advantages	Drawbacks
Option 1.1: **simplification.**	+ A simplified and coherent framework. + more transparent; easier to develop.	– It does not address the issues identified; no increase in flexibility for example, not a reduction of administrative burden for farmers and operators.
Option 1.2: **Replacing specific by general standard**	+ A very lean legal framework, which allows for the placing on the market of ugly or innovative products. + It is likely to lead to a reduction in administrative burden to farmers.	– The general base standard may not necessarily function as a 'quality target' in some markets. – consumers may see less information available systematically.
Option 1.3: **Combined approach**	+ The combined approach rests on the voluntary nature of the marketing standards (beyond matters set in the baseline legislation). It provides a mechanism to develop trading rules and standards that the stakeholders can agree and has been shown to work in non-agricultural sectors. It is compatible with continued fruitful development of international standards, which is important for the international aspect.	– articulation with the GFL structure needs to be assured – the farming sector may simply be too fragmented to be able to staff the technical committees; – other attempts to find industry agreement on technical issues in the agriculture sector have shown that consensus can be difficult.
Option 1.4: **Reserved terms**	+ Its optional or voluntary character, as farmers can pick and choose from the 'reserved terms' menu; they will have more flexibility in their operations. It provides a tool to farmers to obtain a reward for adding value to a product. + light administrative burden and low compliance costs (no certification); + effective to protect single-concepts + viable alternative to failed	– Reserved terms are laid down by the legislator, which is a process that may take some time. – Operators will not communicate on negative aspects. – only useful where the term is simple to define; – legislation can be slow to develop new terms; – avoids logo fatigue / allows marketing managers to develop own design and identity of product.

	TSG scheme.	

	Advantages	Drawbacks
Option 1.5: **Place of farming labelling**	+ Enables farmers to communicate easily to consumers with information they wish to know. + Impact on costs modest (about 0,1%, but data unreliable and costs vary according to type of product.) + enable consumers to take purchasing decisions on basis of place of farming (which is a significant desire in prompted surveys) + SME farmers and producers of single ingredient processed agricultural product will be able to better communicate the place of farming with the consumers. + Public authorities: provided inspections of place of farming labelling are integrated into existing control structure, the impact on control authorities will be modest. + Consumers and households: place of farming labelling will enable consumers to be informed about the farming attributes and requirements more easily. + Transparency: the labelling will contribute to better information to the public. Labelling of place of farming may give some consumers useful information on production style, climate, and (possibly subjective) information about the quality of the product. + As one aim of the labelling of place of farming will be to make better known the environmental compliance efforts that farmers achieve, provided this is successful, then the benefit to the environment in terms of better understanding of environmental requirements will be significant	– Sectoral requirements are diverse, giving a patchwork approach. This implies that sectoral needs will have to be taken into account. – Member State label may be difficult to apply in sectors integrated across single market (e.g. milk.) – Impact on processors will be negative insofar they need to frequently alter labels as a function of purchases. For multi-ingredient processed product, the difficulties of identifying the place of farming of all, or the main, ingredients could be formidable and will add costs. – Identification of place of farming of every significant ingredient could be too costly. – only country or regional labelling has resonance, and EU/non-EU label is not regarded as specific enough to convey useful information. – For processed goods, if the labelling requirement results in a price increase, consumers would lose. – Negative impact on SME processors that use a diversity of sources and have to relabel frequently. However, this impact will be slight.

5.4. Policy issue 2: Geographical indications

	Advantages	Drawbacks
Option 2.1: Streamlining procedures	+ Harmonisation of delays between the three systems + reduction of delays would have positive impact on the efficiency of business planning.	– reduce transitional periods granted at national level
Option 2.1.1: Streamlining procedures and merging 2 definitions (PDO and PGI)	+ It would bring EU GI definition closer to TRIPS definition + it would make it easier negotiations with 3C on protection + it would help providing consumers a clearer message on products' characteristics linked to geographical origin	– two different types of geographical origin (PDO-PGI) originally introduced to reflect existing national experiences=>likely difficult implementation – inconsistent with recent graphic differentiation of PDO and PGI symbols – inconsistent with recent wine reform – it would drive down the intensity of the link between product and geographical origin – For PDO producers: - cost to change the logo; - perceived demotion of status, - may revert to national symbols.
Option 2.1.2: Streamlining procedures and merging 3 registers (wine, spirits and agricultural products)	+ Ensure coherence among EU rules on protection of geographical names + in line with better regulation and simplification + a single register would be consumers –friendly and easy for operators and administration use + a single legal act and a single register would contribute to a better enforcement + merging would support EC negotiation position in DDA on extension of protection beyond wines and spirits + opportunity to extend environmental concerns currently spelt out in wine regulation to agricultural products . + Synergies in registration procedure and communication campaigns	– need for preserving some specificities of the 3 systems. – risk of complex legal framework

	Advantages	Drawbacks
Option 2.1.3: Streamlining procedures and create national protection systems for geographical names	+ reduce Commission burden of approving names at EU level + possible reduction of administrative burden for small businesses producing "micro GIs" + possible positive effect on local employment + possibility - within the EU framework - to address at national level specific concerns (e.g. environmental)	– could fragment the single market – current system was created to avoid recurrent problems related to non-harmonised national systems – definition of trade criteria would be difficult – risk of consumer confusion (proliferation of national logo) – may increase complexity as to the introduction of a new form of national intellectual property right – unequal treatment of producers of MS that would not put in place national protection systems. – solutions may increase control burdens.
<u>Option 2.2</u>: Abolish PDO/PGI and develop Community TM system (possible Community certification mark)	+ lower administrative burden for public authorities as to the preparation of applications and enforcement + shorter delays for registration procedure + clear identification of ownership	– limited level of protection – registration fee + periodical renewal fee – higher cost of market surveillance – enforcement only through private action – problematic transition to a purely TM system – if specific rules on a Community certification mark are to establish, need for amendment to trademarks Regulation – not supported by majority of MS – affects bilateral treaties with 3C – risk of regional uneven take-up
<u>Option 2.3</u>: clarifying PDO/PGI rules	+ resolve current ambiguities + in line with Commission declaration of 30.3.2006 + supported by majority of MS + better market transparency and consumer information + improvement quality of applications	– solutions not evident for some controversial issues: – certain solutions may increase administrative and control burdens – risk of complex legislation

5.5. Policy issue 3: traditional specialities

		Advantages	Drawbacks
Option 3.1: Status quo		+ option supported by Member States + no change for registered names and those applied for registration	– problems persist – few names continue to be registered – as a consequence the objectives would not be achieved
Option 3.2: Simplified certification scheme	**Sub-option 3.2.1:** *TSG registration without reservation of the name*	+ TSG scheme simplified, especially in regard to control arrangements and registration procedure	– products not corresponding to the specification could still be produced/marketed under registered name therefore ambiguity/confusion would not be eliminated – few names continue to be registered thus achievement of policy objectives questionable – problematic for registered names and those applied for registration with reservation of the name
	Sub-option 3.2.2: *TSG registration with reservation of the name*	+ scope for simplification of TSG scheme seems rather limited + only products that correspond to the specification could be produced/marketed under registered name so no more ambiguity/confusion for producers and consumers	– few names continue to be registered thus achievement of policy objectives questionable – problematic for registered names and those applied for registration without reservation of the name

	Advantages	Drawbacks
Option 3.3: Protecting the term 'traditional' as a reserved term under marketing standards	+ establishment of clear framework by defining optional term 'traditional'	– names not registered (and lacking EU recognised via. a logo etc.) at EU level
	+ authenticity of traditional product would be guaranteed to producers and consumers	– problematic for registered names and those applied for registration
	+ low administrative burdens (i.e. no certification)	– far from certain if definition of a term would be such to identify 'real' traditional products (plus question of proper implementation/control). In other words, not adequate term could result in more harm (e.g. not really traditional product bearing the denomination would certainly erode/jeopardise real traditional products being produced and marketed) than 'doing nothing'
		– not coherent approach if other voluntary terms like 'authentic' would not be regulated horizontally at the EU level .
Option 3.4: No EU action	+ scheme not successful, need for EU action not shown so traditional specialities would be managed only at Member States/regional/local level	– fragmentation of Single Market, consumer confusion possible
		– problematic for registered names and those applied for registration

5.6. Policy issue 4: Private, national and new EU certification schemes

	Advantages	Drawbacks
Option 4.1: Status Quo	+ Allows further research to fill information and data gaps before further action is taken + Preferred by many stakeholders + Relies on ongoing initiatives in the private sector to develop in a positive way + Builds on existing measures without the need to define new ones	– Not all problems are likely to be addressed by private sector initiatives (transparency, clarity of claims …) – Lack of coherent policy – fails to address issues of threats to single market, anti-competitive situations, and consumer confusion
	Expected net impact: negative (situation will deteriorate with respect to consumer confusion, functioning of the internal market and burden on farmers)	
	Focus on process	
Option 4.2: Voluntary guidelines for certification schemes (private, national, EU)	+ option preferred by many stakeholders + may achieve an outcome if combined with incentives for adoption, such as linkage under rural development quality measures and promotion funding; + will enable 'best practice' schemes to be identified. + EU shows it is engaged in key issue affecting farmers. + in line with Commission objectives for better regulation, simplification and reduced administrative burdens The definition of common criteria for the operation of certification schemes will have a positive impact on: + the functioning of the internal market and competition + mutual recognition and harmonisation of schemes, thereby reducing the burden on farmers + transparency and consumers' ability to understand and trust the claims made by schemes + stakeholder involvement (incl. from developing countries) in scheme development	– less legally binding than regulation, therefore possibly less effective; – guidelines perceived as 'weak' response, compared with regulation; – scheme owners may resent / suspect EU involvement; – owners and participants of non-compliant schemes may face adjustment costs
	Expected net impact: positive (situation will improve with respect to consumer confusion, functioning of the internal market and burden on farmers)	

	Advantages	Drawbacks
Option 4.4: Develop policy criteria for new EU schemes	+ consolidate coherent approach and avoid ad-hoc development of inconsistent schemes; contribute to good administration principles + diminish risk of developing confusing schemes in marketplace. + explicit inclusion of compatibility check with WTO rules + explicit inclusion of sustainability criteria	– reduce flexibility and opportunity for ad-hoc scheme development
	Expected net impact: positive (situation will improve with respect to consumer confusion and functioning of the internal market; it will remain unchanged with respect to farmers' burden)	
	Focus on content	
Option 4.3: New stand-alone EU schemes	+ harmonised concepts and terms in the policy area covered by the new scheme (prevent incoherent developments and improves functioning of the internal market) + current reality: new schemes requested by various interest groups; 2 new EU schemes in process of creation.	– risk of administrative burden at EU level; compatibility with WTO rules needed; – uncertain impact on consumers' choice and confusion and on competition (depends on the model followed); – unclear impact on existing schemes; – risk of policy incoherence.
	Expected net impact: unclear, depending on the particular new EU scheme to be introduced. Can only be judged on a case-by-case basis.	
Option 4.5: Develop protected reserved terms **(see option 1.4 above)**	+ Its optional or voluntary character, as farmers can pick and choose from the 'reserved terms' menu; they will have more flexibility in their operations. It provides a tool to farmers to obtain a reward for adding value to a product. + light administrative burden; + effective to protect single-concepts	– Reserved terms are laid down by the legislator, which is a process that may take some time. – Operators will not communicate on negative aspects. – only useful where the term is simple to define; – legislation can be slow to develop new terms
	Expected net impact: positive (situation will improve with respect to consumer confusion and functioning of the internal market; it will remain unchanged as regards farmers' burden)	

6. COMPARING THE OPTIONS

Symbols used in comparative assessment	=	–	**0**	+	++
	Strong disadvantage compared with status quo	Moderate disadvantage compared with status quo	Status quo or no benefit/ disadvantage compared with status quo	Moderate benefit compared with status quo	Strong benefit compared with status quo

6.1. Policy issue 1: Marketing standards

Option 1.1.	*Status quo plus: EU marketing standards – simplification.*
Option 1.2.	*Replacement of specific EU marketing standards, by a general base standard.*
Option 1.3.	*Combined approach.*
Option 1.4.	*Develop use of reserved terms*
Option 1.5.	*Develop place of farming labelling*

Comparison with objectives (see Annex A(ii), § A(ii).6 and Annex A(i), § A(i).6)

Options / *Objectives*	**Option 1.1** *Status quo plus: simplification*	**Option 1.2** *Replace by general base standard*	**Option 1.3** *Combined approach*	**Option 1.4** *Develop use of reserved terms*	**Option 1.5** *Develop obligatory place of farming*
General objective (quality policy) ***POLICY ISSUE 1: MARKETING STANDARDS***	**0**	–	++	++	+
Enable farmers to meet consumer expectations for product characteristics and farming attributes		The absence of detailed marketing standards will not prevent the process of satisfying consumer expectations, provided other mechanisms are used. Otherwise, consumers may not be able to identify product qualities they seek.	Using a standards-setting-body (composed of stakeholders) to develop detailed marketing standards will provide opportunity for terms and labels needed in the market to be adopted.	Adoption of reserved terms where needed can facilitate meeting consumer expectations for product qualities.	Extending place-of-farming to more product sectors will reduce scope for failing to meet consumer expectations.

Specific objectives (quality policy) ***POLICY ISSUE 1: MARKETING STANDARDS***

Options / *Objectives*	**Option 1.1** *Status quo plus: simplification*	**Option 1.2** *Replace by general base standard*	**Option 1.3** *Combined approach*	**Option 1.4** *Develop use of reserved terms*	**Option 1.5** *Develop obligatory place of farming*
Reduce information asymmetry	**0**	–	++	++	+
		By removing detailed prescriptive labelling terms and product classes, there is wide scope for information to not be successfully conveyed in the marketplace. However, assuming other mechanisms are used, the information asymmetry may not deteriorate.	Provided the standards-setting-body is able to develop the terms needed in the marketplace, information asymmetry should be reduced. Furthermore stakeholders should ensure that detailed standards are developed where they are needed.	Adoption of reserved terms where needed can facilitate the flow of information about product characteristics and farming attributes.	For some consumers and in some product sectors (especially meat), place-of-farming is a key element of information. By extending compulsory indications, the information will have to be conveyed to the buyers and consumers.
Improve coherence of EU measures	**0**	+	–	+	+
		Adoption of basic standards and abolition of detailed standards will allow for considerable increase in coherence between marketing standards.	By reflecting wide stakeholder views, the standards-setting-body is likely to adopt disparate standards in different sectors.	Development of sector-specific reserved terms will follow the same level of coherence as today. However, some opportunity for improved coherence in developing horizontal terms applicable to several sectors.	Moderate improvement in coherence of EU measures possible by reducing current inconsistencies of place-of-farming requirement across different but linked sectors (such as meats).
Reduce complexity	**0**	+	–	**0**	–
		Abolition of detailed standards will allow for considerable increase in coherence.	Complexity could increase given the wide stakeholder (and therefore divergent interests) participation. However, simplification could be an aim of some market		For operators dealing with multi-ingredient products place of farming would increase complexity.

				operators who will seek to ensure reductions in complexity.	

Option 1.4 (develop use of reserved terms) is expected to show the best results vis-à-vis the objectives, especially as to the general objective of the quality policy and reduction of asymmetry of information issue.

Option 1.2 (replace by a general standard) also shows good results, specially against coherence and complexity reduction objectives, as well as operational objectives like administrative burden reduction. Nevertheless, it fails in addressing the objective of reduce asymmetry of information. Option 1.3 (combined approach) does not address coherence and reduction of complexity objectives.

Option 1.5 (develop obligatory place of farming) addresses the key objective of reducing information asymmetry, but increases complexity for processors of multi-ingredient products.

POLICY ISSUE 1: MARKETING STANDARDS — Comparison with effectiveness, efficiency and consistency (see Annex A(ii).6 and Annex A(i).6)

Options / *Objectives*	**Option 1.1** *Status quo plus: simplification*	**Option 1.2** *Replace by general base standard*	**Option 1.3** *Combined approach*	**Option 1.4** *Develop use of reserved terms*	**Option 1.5** *Develop obligatory place of farming*
Effectiveness	**0**	+	+	+	+
(how well will it solve the problems (information asymmetry; coherence; complexity)?)		Gains from simplification; reduces burden to farmers, operators and national authorities considerably. Benefit to information flow dependent on other avenues being used by stakeholders	A stakeholder-driven standards-setting body should be able to deliver on the problems.	simplification provides flexibility to farmers and operators with regard to the employment of marketing standards and creates tools for obtaining a fair return on added value products	As consumers will have place-of-farming indicated on more products, gains are present for information flow and coherence; some risk of increased complexity for operators.
Efficiency	**0**	**0**	**0**	+	+
(is this the most we can get for the money?)			The cost of operating a standards-setting body would need to be investigated in detail	As the option is capable of scoring positively on most of the objectives it represents an efficient option.	Place-of-farming for basic agricultural product, especially crop-derived product, is a simple mechanism.
Consistency	**0**	+	+	+	**0**
(is it in line with other Commission objectives and		The option is very consistent with the other Commission objectives, in particular the	Recourse to a standards-setting body is in line with better	coherent with better regulation and simplification objectives, as well as with the increased	May increase consumer information; obligatory regulation is not in line with

strategies?)	objectives of better regulation and simplification.	regulation policy	market orientation, which was a substantial element of the 2003 CAP Reform.	simplification if applied to products for which the traceability is complex.

Option 1.4 (develop use of reserved terms) score the highest on effectiveness, efficiency and consistency. Option 1.2 and 1.3 also present high effectiveness and consistency, while option 1.5 scores well in effectiveness and efficiency especially for basic agricultural products.

In the light of analysed of the options in comparison with the defined objectives, as well as against consistency, efficiency and effectiveness for the preferred option aiming at **developing use of reserved terms (option 1.4)**, particular attention should be paid to reduce complexity and maintain coherence with other EU measures.

Although option 1.2 (replace by a general standard) shows good results, it presents a drawback by not addressing the objective of reduction of information asymmetry. **Option 1.3 (combined approach)** shows a weakness when trying to seek improvement of coherence of EU measures, as well as assessing efficiency, which is related to the need to investigate in detail the operation of using a standard setting body (CEN). It is however fully consistent with general objective of the quality policy as well as reduction of the asymmetry of information.

Option 1.5 (develop obligatory place of farming labelling) presents gains for information flow and coherence. Although there are some difficulties for multi-ingredient products, it is an efficient option to reduce information asymmetry, especially for basic agricultural products.

The preferred options are thus option 1.4 (development of use of reserved terms); subject to future investigation, option 1.3 (combined approach); and, especially for basic agricultural products, option 1.5 (develop obligatory place of farming labelling).

6.2. Policy issue 2: Geographical indications

Option 2.1.	*Status quo plus: Simplification of PDO/PGI schemes and streamlining existing procedures:*
	1) Merging PDO and PGI definitions;
	2) Creation of a single register for wines, spirits, and agricultural product and foodstuffs systems
	3) Creation of national systems to protect geographical names.
Option 2.2.	*Abolish current sui generis PDO/PGI system at EU level and replace with current Community trademark system*
Option 2.3.	*Clarifying PDO/PGI rules*

Comparison with objectives.

Options / *Objectives*	**Option 2.1.0** status quo	**Option 2.1** status quo plus (streamlining) **Sub-option 2.1.1.** merger PDO/PGI definitions	**Sub-option 2.1.2.** merger wine, spirits, agricultural products	**Sub-option 2.1.3.** creation of national systems	**Option 2.2** Replace geographical indications with trademark system	**Option 2.3** Clarification PDO/PGI rules
General objective (quality policy)	**0**	**-**	**0**	**-**	**-**	**+**
		As it would decrease the information on product characteristics of PDO.		As it would increase the number of (national/regional) schemes and subsequently increase confusion among consumers	As the TM system is a general instrument; less specificity in the communication of farming attributes	Labelling of place of farming for PGI would enhance communication
POLICY ISSUE 2: GEOGRAPHICAL INDICATIONS						
Enable farmers to meet consumer expectations for product characteristics and farming attributes and communicate them effectively						

Specific objective (quality policy) ***POLICY ISSUE 2: GEOGRAPHICAL INDICATIONS***

Options / *Objectives*	**Option 2.1.0** status quo	**Option 2.1** status quo plus (streamlining)			**Option 2.2** Replace geographical indications with trademark system	**Option 2.3** Clarification PDO/PGI rules
		Sub-option 2.1.1. merger PDO/PGI definitions	**Sub-option 2.1.2.** merger wine, spirits, agricultural products	**Sub-option 2.1.3.** creation of national systems		
Reduce information asymmetry	**0**	– as the information transmitted on quality of the product would decrease	+ As the information would be uniform for all the registered PDO and PGI	– As it would create a new figure using geographical names that may confuse information concerning registered PDO/PGI's.	– As it would not be possible to use a common logo for registered PDO/PGI	+ As for the agricultural product, GI's information on origin of raw materials would be available.
Improve coherence of EU measures	**0**	– As it would be contrary to recent decision to create PDO and PGI concepts figure in wine; it would be contrary to differentiation of PDO logo**.**	+ + As the coherence between different sectors would be fully achieved	– No check of new national criteria with EU principles on intellectual property rights and geographical indications	– Fully coherent with existing trademark provisions. Nevertheless the scope of protection would decrease, and this risk to be incoherent with bilateral agreements	+ Will clarify other EU provisions applying to the PDO/PGI (rights of other users of names, as trademark holders, harmonisation enforcement)
Reduce complexity	**0**	– On one hand only one definition would exist in EU legislation. On the other, national figures corresponding to PDO would continue to exist in some MS, du the long tradition in use.	+ As it would reduce from 3 to 1 the existing systems of GI's	– Complexity would increase as rights existing in internal market (EU) and national level might conflict	+ As the sole instrument to grant protection to GI's would be the existing trademark system	+ Complexity of rules could be reduced with further clarification in the present GI system**.**

As to general and specific objectives, option 2.3 (clarification of rules) and 2.1.3 (merge wines, spirits and agricultural products) show to better reach the objectives.

Although option 2.2 (replace with a trademark system) addresses the objective of reduction of complexity, it would not come to a reduction of information asymmetry, neither improve coherence with some international commitments.

The options to create a national registration system (option 2.1.3) as well as merging the definitions of protected designation of origin and protected geographical indication (2.1.1) do not address the general objective of quality policy and present drawbacks as to the objectives to reduce asymmetry and complexity and maintain coherence.

POLICY ISSUE 2: GEOGRAPHICAL INDICATIONS — Comparison with effectiveness, efficiency and consistency (see Annex B, § B.6)

Options / *Objectives*	**Option 2.1.0** status quo	**Option 2.1** status quo plus (streamlining)			**Option 2.2** Replace geographical indications with trademark system	**Option 2.3** Clarification PDO/PGI rules
		Sub-option 2.1.1. merger PDO/PGI definitions	**Sub-option 2.1.2.** merger wine, spirits, agricultural products	**Sub-option 2.1.3.** creation of national systems		
Effectiveness (how well will it solve the problems (information asymmetry; coherence; complexity)?)	**0**	+ A single identity will improve coherence and reduce complexity, but information will be reduced by deleting the 'PDO' category	+ A higher coherence between the 3 systems; further simplification	– Complexity will be increased	**0**	+ Better information to consumer; reduce complexity
Efficiency (is this the most we can get for the money?)	**0**	**0**	+ As cost advantages would be created of merging the 3 systems	**0**	**0**	**0**
Consistency (is it in line with other Commission objectives and strategies?)	**0**	– Incoherent with recent creation of PDO/PGI in wine system	+ In line with simplification strategy	– Against EU harmonised framework.	**0**	+ Consistency with current legal frameworks

Sub-option 2.1.2 (streamlining procedures and merger wine, spirits and agri-products into a single system and register) and option 2.3 (clarification PDO/PGI rules) score the highest on effectiveness, efficiency and consistency.

The analysis shows that **option 2.3 (clarification of PDO/PGI rules)**, and **option 2.1.2 (merging of wine, spirits and agricultural products systems)** will address the objectives proportionately, and at the same time present high effectiveness and consistency. Nevertheless analysis would be needed to further address efficiency in option 2.3.

6.3. Policy issue 3: Traditional Specialities

Option 3.1:	*Status Quo*
Option 3.2:	*Simplified certification scheme*
Sub-option 3.2.1:	*TSG registration without reservation of the name*
Sub-option 3.2.2:	*TSG registration with reservation of the name*
Option 3.3:	*Protecting the term 'traditional' as a reserved term under marketing standards*
Option 3.4:	*No EU action*

Comparison with objectives

Options / *Objectives*	**Option 3.1** *status quo*	**Option 3.2** *Simplified certification scheme*	**Option 3.3** *Protecting the term 'traditional' as a reserved term under marketing standards*	**Option 3.4** *No EU action*
General objective (quality policy)	**0**	+	+	**0**
POLICY ISSUE 3: TRADITIONAL SPECIALITIES *Enable farmers to meet consumer expectations for product characteristics and farming attributes and communicate them effectively*		While impacts depend on how the scheme would be simplified, assuming a larger take-up than the status quo will better met the general objective.	Option would enable consumers to identify such products and to not be misled by unwarranted uses of the 'traditional' indication.	

Specific objective (quality policy) ***Policy issue 3: Traditional Specialities***

Options / *Objectives*	**Option 3.1** *status quo*	**Option 3.2** *Simplified certification scheme*	**Option 3.3** *Protecting the term 'traditional' as a reserved term under marketing standards*	**Option 3.4** *No EU action*
Reduce information asymmetry	**0**	+ Depending on a number of the registrations and the economic importance of the products with registered names in the future.	+ The achievement of this specific objective would depend on the extent the term is used on the labels of traditional products.	**0**
Improve coherence of EU measures	**0**	**0**	+ Establishing a coherent framework for reserved terms would achieve this objective.	**0**
Reduce complexity	**0**	+ A simplified scheme would, by definition, be less complex	+ Replacing certification scheme by simple labelling device, easily understood and applied, would reduce the complexity.	+ Abolishment of the scheme would reduce the complexity.

Option 3.3 addresses the general objective of quality policy as well as the specific objectives of asymmetry of information, reduction of complexity and coherence. Option 3.2 also tackles those objectives, although only to a limited extend as to the coherence objective. This could nevertheless be balanced following the choice of options to be developed in the 4th policy issue of this paper (see 6.4).

Although option 3.4 (abolition of the scheme) addresses the complexity question (through the abolition of the scheme) no instrument would be available to fill the general objective of the quality policy and to reduce information asymmetry and address coherence with other EU measures (i.e. option 4.2 develop guidelines for the operation of certification schemes).

Comparison with effectiveness, efficiency and consistency (see Annex C, § C.6)

Options / *Objectives*	**Option 3.1** *status quo*	**Option 3.2** *Simplified certification scheme*	**Option 3.3** *Protecting the term 'traditional' as a reserved term under marketing standards*	**Option 3.4** *No EU action*
Effectiveness (how well will it solve the problems (information asymmetry; coherence; complexity)?)	**0**	+ Simplification of the existing scheme will improve coherence and consistency and, assuming a far greater up-take, increase information flow.	+ As a reserved term, applicable to all agricultural product, the concept would be coherent and simple, and given a greater take up than the current scheme would increase information to consumers.	**0**
Efficiency (is this the most we can get for the money?)	**0**	+ Certification scheme would be more efficient than current excessively complex scheme. However, certification continues to be a burdensome process.	+ This labelling option is not demanding therefore could bring positive effects.	**0**
Consistency (is it in line with other Commission objectives and strategies?)	**0**	+ Simplification is coherent with the Better Regulation objective.	+ coherent with Better Regulation. Positive for Improving farmers' incomes, and objectives of CAP.	+ Abolition of the scheme could be considered to be coherent with the better regulation objective.

Option 3.3 (protecting the term "traditional" as a reserved term under marketing standards) scores high effectiveness, efficiency and consistency. Option 3.2 (Simplification of the certification scheme) also shows effectiveness and consistency (both related to the simplification aspects of the option) although efficiency would depend on the type of implementation of the certification scheme.

In the light of the analysis carried out, the **preferred options are option 3.3 (protecting the term "traditional" as a reserved term under marketing standards), followed by option 3.2 (simplification of the certification scheme)**.

6.4. Policy issue 4: Private, national and new EU certification schemes

Option 4.1:	*No EU action = status quo (plus further research)*
Option 4.2:	*Develop guidelines for the operation of certification schemes (equivalent to a voluntary standard)*
Option 4.3:	*Developing new stand-alone EU schemes*
Option 4.4:	*Developing criteria for new EU quality schemes for specific policy areas*
Option 4.5:	*Developing protected reserved terms*

Comparison with objectives (see Annex D, § D.6 Table 5)

Options / *Objectives*	**Option 4.1** *no EU action = pure status quo*	**Option 4.2** *Develop guidelines for the operation of certification schemes*	**Option 4.3** *Develop new stand-alone EU schemes*	**Option 4.4** *Develop criteria for new EU quality schemes for specific policy areas*	**Option 4.5** *Develop protected reserved terms*
General objective (quality policy) **PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES** *Enable farmers to meet consumer expectations for product characteristics and farming attributes and communicate them effectively*	**0** (baseline scenario)	++ Significant improvements expected in addressing the general objective through guidelines developed and agreed by stakeholders, addressing issues of transparency, participation, independence, etc.	+ Improvements expected in addressing the general objective, but dependent on the particular scheme at hand	++ Significant improvements expected in addressing the general objective through agreed criteria for new EU schemes, taking explicit account of issues related to policy priority, subsidiarity, sustainability, and reduction of burdens	++ Significant improvements expected in addressing the general objective through common definition of terms and concepts, in particular for simple single-issue claims (e.g. 'farmhouse', 'free range').

Specific objectives (quality policy) POLICY OPTION 4: PRIVATE, NATIONAL AND NEW EU CERTIFICATION SCHEMES					
Options / *Objectives*	**Option 4.1** *no EU action = pure status quo*	**Option 4.2** *Develop guidelines for the operation of certification schemes*	**Option 4.3** *Develop new stand-alone EU schemes*	**Option 4.4** *Develop criteria for new EU quality schemes for specific policy areas*	**Option 4.5** *Develop protected reserved terms*
Reduce information asymmetry	**0** (baseline scenario)	+ Guidelines are aimed at reducing information asymmetry between farmers and consumers in certification schemes	+ New EU schemes are new tools for communicating product and process attributes to consumers	+ Criteria for new EU schemes are aimed at reducing information asymmetry in policy fields addressed by EU schemes	++ Greater clarity and consistency in the use of terms on product labels and in certification schemes
Improve coherence of EU measures	**0** (baseline scenario)	+ Guidelines provide a coherent EU approach to certification schemes	- Without criteria, new EU schemes are likely to develop in an ad-hoc manner	++ Criteria will bring a coherent approach to the development of new EU schemes	++ By providing common definitions of concepts and terms, reserved terms will contribute to coherence of EU measures
Reduce complexity	**0** (baseline scenario)	++ Guidelines reduce complexity of currently existing schemes in the market place	– Without criteria, new EU schemes can increase complexity; however, if they replace existing schemes, they can also reduce complexity	++ By being developed in a coherent policy framework, new EU schemes will reduce complexity of existing measures	++ By providing common definitions of concepts and terms, reserved terms will reduce complexity of existing measures

Options 4.2 (guidelines) is expected to have a positive impact on all problem areas identified. In particular, they reduce the complexity of existing schemes in the market place by providing a framework for benchmarking and mutual recognition.

Option 4.4 (criteria for new EU schemes) also scores well, particularly in relation to improving the coherence of EU measures and reducing complexity.

Option 4.5 (reserved terms) is particularly suitable for reducing information asymmetry, improving the coherence of EU measures and reducing complexity for simple single-issue claims (e.g. 'farmhouse', 'free range')

Options 4.3 (new EU schemes) without establishment of criteria to ensure coherence fails to adequately address the objectives of improving coherence of EU measures and reducing complexity.

Comparison with effectiveness, efficiency and consistency (see Annex D, § D.6 Table 6)

Options / *Objectives*	**Option 4.1** *no EU action = status quo*	**Option 4.2** *Develop guidelines for the operation of certification schemes*	**Option 4.3** *Develop new stand-alone EU schemes*	**Option 4.4** *Develop criteria for new EU quality schemes for specific policy areas*	**Option 4.5** *Develop protected reserved terms*
Effectiveness (how well will it solve the problem?)	**0** (baseline scenario)	**+** Guidelines coupled with an incentive mechanism (financial and/or publicity) can be effective in addressing the problems.	**0** Assist in reducing consumer confusion and improving functioning of the internal market but are not likely to reduce farmers' burden	**+** Common criteria for EU schemes would improve transparency and coherence, thereby reducing consumer confusion.	**+** Addresses consumer confusion through greater clarity and consistency, and improve the free movement of goods in internal market
Efficiency (is this the most we can get for the money?)	**0** (baseline scenario)	**+** Voluntary guidelines don't require a costly register and control mechanism.	**0** EU scheme can be very costly. On the other hand, private certification bodies can be used to limit costs.	**+** Criteria would not be costly or time-consuming to establish. Coupled with a high effectiveness, efficiency will also be high.	**+** Reserved terms do not require a certification mechanism. Controls can be combined with other official controls.

Consistency (is it in line with other Commission objectives and strategies?)	**0** (baseline scenario)	**+** Voluntary guidelines are in line with Commission objectives for better regulation, simplification and reduced administrative burden.	**0** Every new EU scheme would have to be assessed on a case-by-case basis. Common criteria for their development are needed.	**+** Establishing common criteria for EU schemes is clearly in line with objectives of coherence, consistency and simplification.	**+** This option is in line with Commission objectives for simplification and reduced administrative burden.

Option 4.2 (guidelines), Option 4.4 (criteria for new schemes) and Option 4.5 (reserved terms) show efficiency, effectiveness as well as consistency, compared to the present situation.

Following the analysis, the **recommended options are 4.2 (guidelines) and 4.4 (criteria for new schemes), which are combinable**. They address the general objective of the quality policy, as well as the specific and operational objectives defined. For option 4.4 the question of reduction of burdens for farmers shall be seen in the light of a voluntary adhesion of the schemes. Option 4.5 (develop of use of reserved terms), which scored very high in all criteria, is dealt with in the marketing standards policy issue (see under 6.1, option 1.4 develop use of reserved terms).

6.5. Overall policy coherence and synergies between preferred options

In section 2.1 under "scope of impact assessment" one aim of the current exercise was to bring together the different policy instruments and measures that make up quality policy under a coherent framework. The table below (Preferred options) shows how the preferred options from Section 6 above contribute to the **overall policy approach**, the **synergies** created between different instruments, and legal and procedural **clarifications** identified.

	Policy	Preferred options
Overall policy approach	towards private and national certification and schemes	Option 4.2: guidelines for operation of certification schemes
	to ensure coherence in development of new EU schemes	Option 4.4: criteria for new EU schemes
	coherent development of EU marketing standards	Option 1.3: combined approach (replacing marketing standards by a general standard and developing detailed rules in a CEN)
	greater use of 'reserved terms' (from marketing standards)	Option 1.4: Develop reserved terms for horizontal quality labels (such as 'low carbon') Option 3.3: Protect 'traditional' as a reserved term (as replacement for traditional specialities scheme)
Synergies	common use of certification systems for similar schemes	Option 2.1.1: streamlining procedures for geographical indications scheme and merging wine, spirits and agricultural products and foodstuff registers into one system Option 2.3 : Clarification of PDO-PGI rules
	coherent implementation of obligatory place-of-farming labelling	Option 1.5: place of farming labelling on sector-by-sector approach

Table: Preferred options

All the selected options are combinable and together represent a complete package for the development of agricultural product quality policy.

Linkages of the selected options across the four policy domains are shown in the table (Linkages) below. The main synergies concern the greater use of 'reserved terms' (a marketing standards mechanism) in particular as a possible replacement of the traditional speciality scheme; and the adoption of guidelines for private and national schemes that can also apply good practice for scheme operation to the EU schemes. The criteria for new EU schemes should have the effect of preventing inconsistencies for existing marketing standards and EU schemes. Within the thematic areas, it is worth also underlining the linkages arising from the proposed common certification systems for similar schemes in the geographical indications area; and proposed coherent implementation of obligatory place-of-farming labelling across marketing standard sectors.

Options	*Marketing standards*	*Geographical indications*	*Traditional specialities*	*Private, national and new EU schemes*

Option 1.3: combined approach	X			
Option 1.4: reserved terms for horizontal quality labels	X		**Linkage: protect "traditional" as reserved term in marketing standards**	**Linkage: proposals for new schemes could include reserved terms**
Option 1.5: place of farming labelling	X	**Linkage: will apply to PGIs if raw material from different place than PGI**		
Option 2.1.1: streamlining geographical indications scheme and merging		X		
Option 2.3 : Clarification of PDO-PGI rules		X		
Option 3.3: Protect 'traditional' as a reserved term	**Linkage: use of marketing standard mechanism**		X	
Option 4.2: guidelines for operation of certification schemes		**Linkage: guidelines also to apply to EU scheme**	**Linkage: guidelines also to apply to EU scheme**	X
Option 4.4: criteria for new EU schemes	**Linkage: will avoid inconsistent labelling initiatives from new schemes**	**Linkage: will minimise inconsistency with existing scheme**	**Linkage: will minimise inconsistency with existing scheme**	X

Table: Linkages

The preferred options for each policy issue have been selected based on their contribution to the specific objectives of reducing information asymmetry, increasing coherence of EU measures and reducing complexities for farmers and producers, and consumers. They were evaluated according to their effectiveness, efficiency and coherence with other EU policies. Common principles applied to all options relate to simplification, reduction of administrative burdens and transparency. It is therefore expected that the overall package of options presented above presents the most effective and coherent approach to agricultural product quality policy across the various policy issues.

7. MONITORING AND EVALUATION

This impact assessment is in the context of setting out strategic orientations in a Communication, so in the immediate future, the test of progress will be whether or not these orientations are developed and adopted.

For the progress of policy itself the following core progress indicators are proposed provisionally and will be developed during preparation of each initiative.

Policy area	Possible progress indicators	Data gathering Monitoring and evaluation arrangements
	The number or percentage of farmers participating in more than one certification scheme and the magnitude of the associated cost and burden	External study
Certification and quality schemes in general	An updated inventory and classification of certification schemes operating in the EU market	External study, requested for 2009-2010
	Degree of uptake of the guidelines for private and national schemes	Periodic assessment (2-yrs) based on sample of schemes listed on Commission database of schemes
	Degree of uptake of the guidelines for EU quality schemes	Annual assessment
Marketing standards , including horizontal reserved terms	Study of marketing of produce covered by general standard	External study , periodic. e.g. each 5 years
	Number of cross-sectoral reserved terms approved in marketing standards	Monitoring of legislation
	Use of reserved terms in the market; use of 'traditional'	Periodic survey (external)
Place of farming or production method	Sectors applied to and estimated value of output sold at retail	Annual data monitoring; (data available internally in Agri).
Geographical indications	Study of economic value of GIs in the marketplace	External study
	Length of time for processing registration applications	Data recorded by Commission
Traditional specialities	Marketing of traditional agricultural products	External study