GEOGRAPHICAL INDICATIONS (GIs) IN THE EUROPEAN UNION: ECONOMIC ASPECTS

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Short history of the implementation of GIs in the European Union (EU)

- Implementation of intellectual property tools at international level since the 19th century (Paris Convention, 1883)

- Treaty of Rome to set up the European Economic Community (EEC) in 1957

- First implementation of GI scheme by the EEC in 1962 with the gradual implementation of the common market organisation (CMO) in the wine sector

- Expansion of the coverage to:
  - 1989: spirits
  - 1991: aromatised wines
  - 1992: Agricultural products and foodstuffs

- Development of national frameworks in addition to the EU one in some Member States (France...)

International
Economic features of GIs in the EU (2010)

• At least one GI in each Member State of the EU

• 2 768 GIs registered and 54.3 billion euros sales
  – Wines: 56% of sales value (1 560 GIs)
  – Agro-food products: 20% of sales value (867 GIs in January 2010 and 1 229 in May 2015)
  – Spirits: 15% of sales value (337 GIs)
  – Aromatised wines: 0.1% of the sales value (4 GIs)

• Sales by destination:
  – 60% of sales on national market
  – 20% on intra-EU markets
  – 20% on extra-EU markets

Source: AND International study for the DG AGRI of the European Commission
Importance of sales under each GI (2010)

• Size of individual GIs:
  – Average sales value: 19.6 million euros / GI
  – The 7 largest GIs accounted for 27% of the total sales value
  – 50% of the GIs with less than 1 million euros sales
  – 14% of the GIs with no production

• Sales under GI depend on:
  • The scale of the local supply chain
  • The share of the production sold under GI (ranges from 0% to 100%)

Source: AND International study for the DG AGRI of the European Commission
Sales value and number of GIs by Member state (2010)

- Low correlation between the number of GIs and the total sales value:
  - FR and IT: 60% of sales / 52% of GIs
  - DE and UK: 21% of sales / 7% of GIs
  - ES and PT: 13% of sales / 26% of GIs
- Main sectors under GI: French wine, Italian agro-food prod., Italian wines, UK spirits, Spanish wines

Source: AND International study for the DG AGRI of the European Commission
GIs in the food and drink sector (2010)

Share of GIs in the national food and drink sector

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GIs accounted for:
- 5.7% of EU food and drink sector (14.5% in France, 9.5% in Greece and Italy)
- 15% of EU trade for food and drinks (87% for EU wine trade)

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

Source: AND International study for the DG AGRI of the European Commission
From protection to promotion: motivations for the support of GIs (Sylvander et al., 2005)

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

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

• **Rural development** (since the 1990s):
  – Reaction to globalisation and crisis
  – Market differentiation strategy and promotion (logos)
  – Different level of awareness of logos: 30% of Italian consumer recognise PDO logo and 2% in the Netherlands (source: Eurobarometer)
  – Positive presuppositions for the development of GIs (market development, consumer perception, price)
  – Link with the 14% of GIs with no production?

• **Heritage value & management of the resources** (since the 2000s):
  – Depends on the content of the specification: local breed, environment...
  – No connection with economic objectives
Profitability of GI products

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

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

- **Gross margin** tends to be higher for GI products than for non-GI products, notably at the final product stage
Conclusion

• Extreme diversity of GIs in terms of:
  – Objectives pursued by stakeholders
  – Economic features: from a few thousands to a few bilions euros sales
  – Sectoral coverage: all agricultural, food and drinks sectors covered

• Registration of a GI is not an end in itself, it is the beginning of a new project and there is no guarantee of development

• GIs are a framework, a tool, which stakeholders may use to implement their strategy, other tools are available (trademarks, associations, interbranch organisations, cooperatives...)
Conclusion

• **Potential positive results of GIs:**
  – Intellectual property
  – Quality management (specifications, controls...)
  – Market regulation (wine, ham, cheese)
  – Cooperation between stakeholders (definition of the specifications and, in some cases, of a strategy)
  – Evolution in the relationship between upstream and downstream stakeholders (depending on the content of the specifications)
  – Market segmentation (between different GI categories and non-GI products)
  – Communication (use of the logo)
  – Practices mitigating the impacts on the environment
  – Preservation of biodiversity
GI Supply chain Stakeholders, product, area, specifications, governance

Institutional framework

Territory

Depends on specifications and governance

Economic development (volume and/or value)

Sharing of added value among stages of supply chain

Employment

Environmental externalities

Depends on specifications

Markets

Potential impacts
Thanks for your attention

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