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

22 October 2015, Budapest

Worldwide Symposium on Geographical Indications - WIPO

Tanguy CHEVER – AND International

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 addititon to the EU one in some **Member States** (France…)

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

AND International

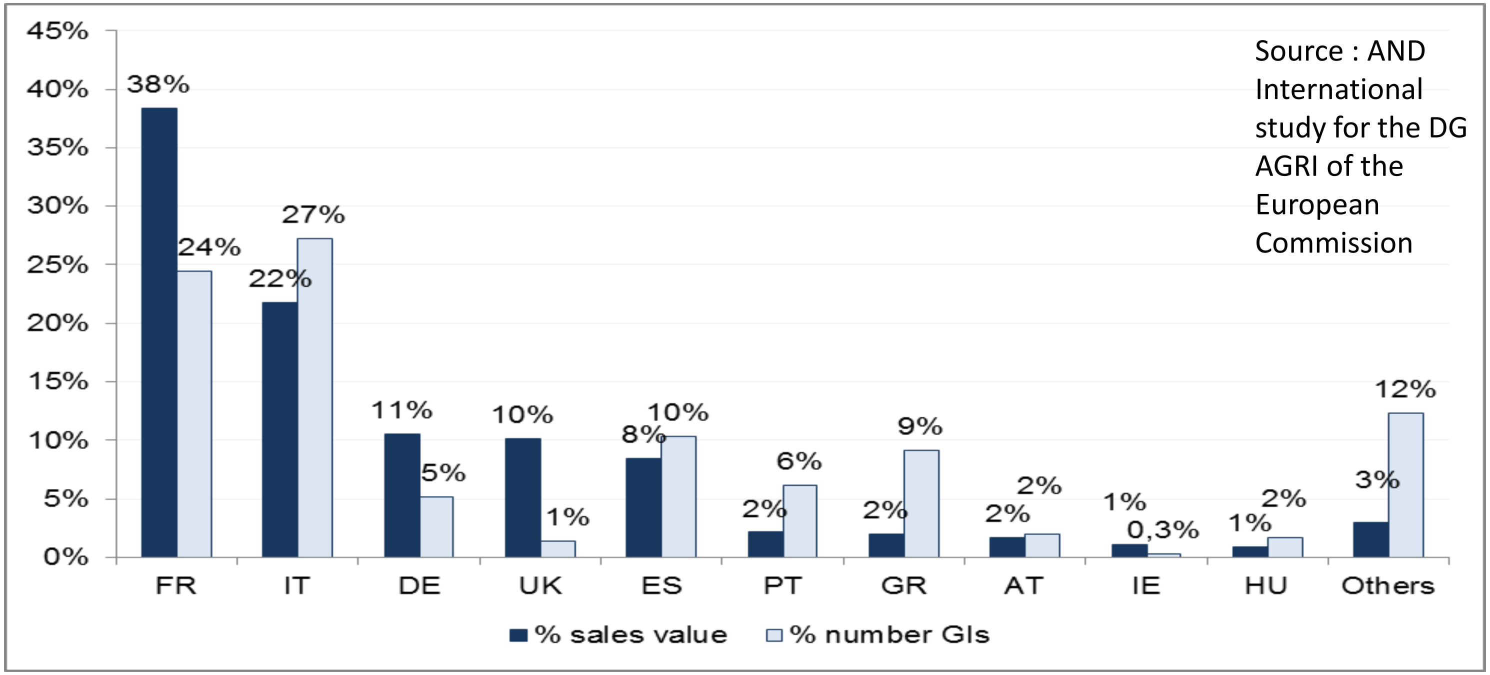
Importance of sales under each GI (2010)

- **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

AND International

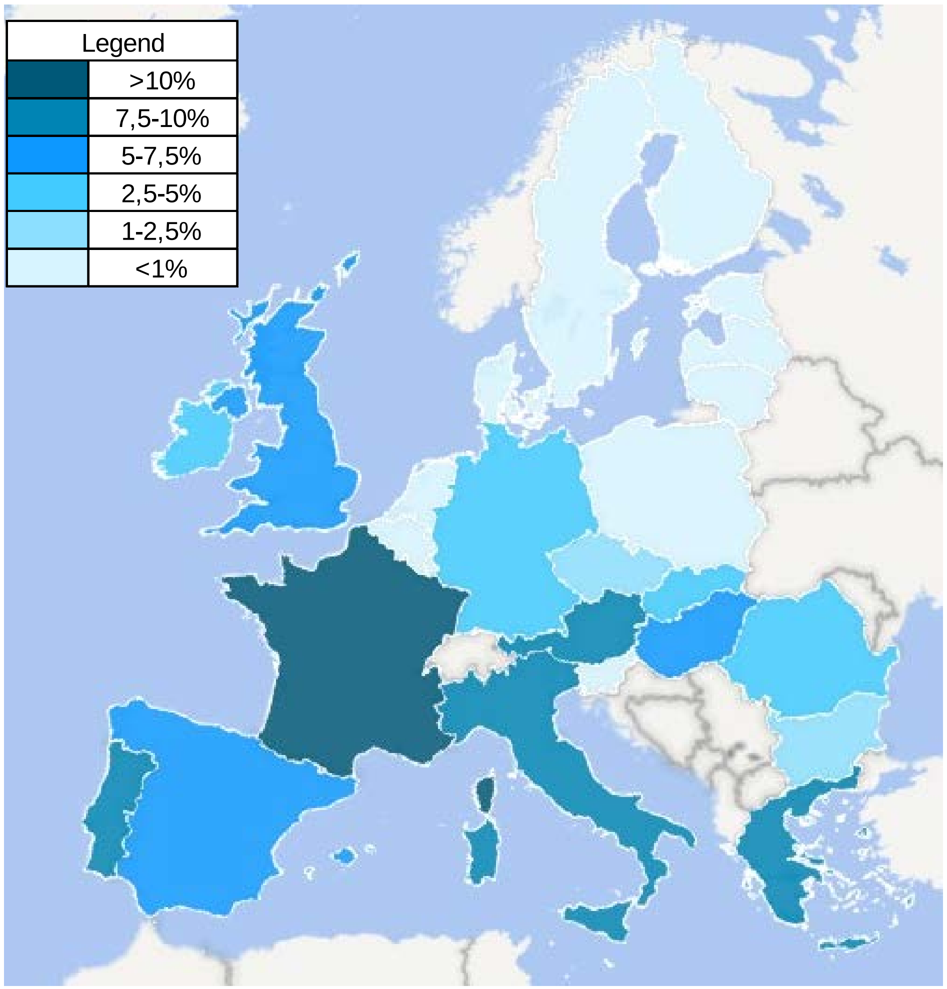
Sales value and number of GIs by Member state (2010)



- 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

GIs in the food and drink sector (2010)

Share of GIs in the national food and drink sector



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

International

Profitability of GI products

- **Price premium** (based on statistical analyisis 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

International

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**

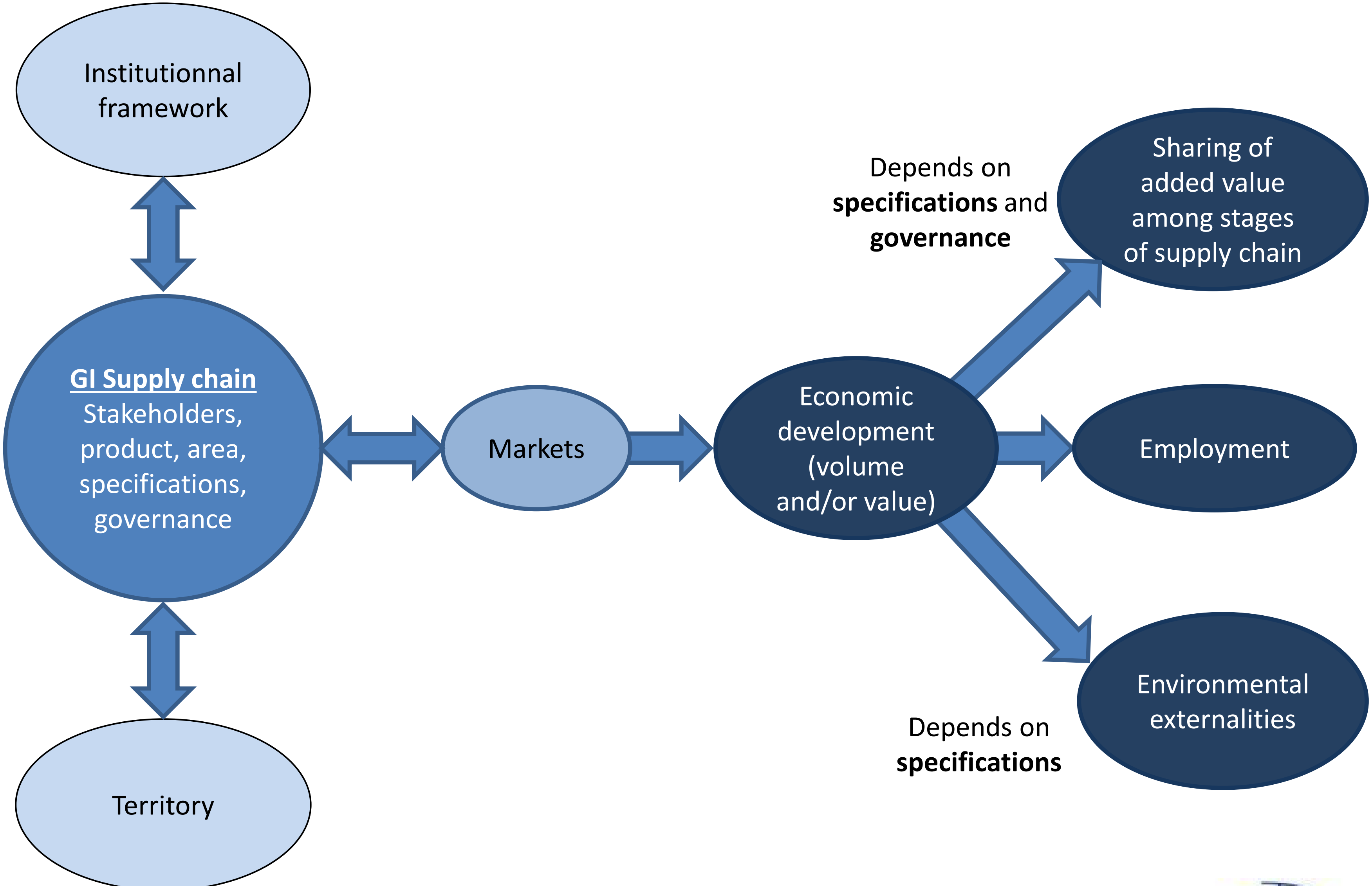
- GIs are a **framework, a tool,** which stakeholders may use to implement their stategy, other tools are available (trademarks, associations, interbranch organisations, cooperatives…)

AND International

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

Potential impacts



Thanks for your attention

Tanguy CHEVER
AND International
10 Bd Bonne Nouvelle - 75010 Paris - France
Phone : 00 33 (0)1 45 23 18 81
tanguy.chever@and-international.com

International

www.and-international.com