

ROADMAP

Title of the initiative: **Agricultural Product Quality Package**
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Lead DG/contact person/details: DG AGRI
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Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

This quality package is a follow-up to the Communication on agricultural product quality policy [COM(2009)234] which set out strategic orientations for a comprehensive agricultural product quality policy. The Communication was based on contributions to the Commission's Green Paper on agricultural product quality [COM(2008) 641] and input from the High level conference organised by the Czech Presidency in March 2009.

In the Communication, the Commission stated its intention to:

- Recast the legislation on geographical indications.
- Examine the feasibility of laying down specific optional reserved terms, including 'product of mountain farming'
- Consider laying down a general basic marketing standard and consider appropriate labelling indicating place of farming within marketing standards for agricultural products.
- Develop guidelines for agricultural product quality certification schemes in consultation with stakeholders.

What are the main problems identified?

The Commission has identified three main issues to be addressed in developing agricultural product quality policy, namely:

- **Information:** to improve communication between farmers (including small farmers whose sales outlets are normally local to their production), buyers and consumers about agricultural product qualities and overcome the problem of information asymmetry;
- **Coherence:** to increase the coherence of EU agricultural product quality policy instruments;
- **Simplification:** to make it easier for farmers, producers and consumers to use and understand the various schemes and labelling terms.

More specifically the following main problems were identified for:

- Geographical indications:

The present legislation appears to be complex and divided into four legislative frameworks depending to the product it is addressed to: wines, aromatised wines, spirits and agricultural products and foodstuffs. In addition it covers two purposes: to ensure intellectual property rights to registered names under protected geographical indications, and serve as a marketing tool for communicating to the market the features of a product linked to its origin.

The existing legislation does not cover all the aspects the policy intends to address, as to impacts on rural economy and environmental sustainability and returns for the farmer and producer participating in a scheme.

Following several years of operation of the Geographical indication schemes, it appears that there is room for clarification of some rules governing intellectual property protection provided under the legislation, including streamlining of procedures;

Considering protected geographical indications as a marketing tool, the system has encountered problems on the visibility of the scheme. The European symbol and the associated mentions

("protected geographical indication" and "protected designation of origin"), created to be used on the packaging of products bearing the registered names have not been used significantly. Only 8% of European consumers are able to recognize or distinguish the European symbols.

Finally, the schemes are not always accessible for smaller producers. There is a need to account for the value added of smaller productions and producers, for which applying for a PDO/PGI scheme would be too cumbersome.

- Traditional Speciality Guaranteed:

The EU scheme for registration of 'traditional specialities guaranteed' was intended to identify and protect the names of traditional products. However, with only 25 registrations since 1992, it has clearly failed to reach its potential, especially for small farmers who are often engaged in artisanal or traditional types of production.

Producers, including small farmers, of value-added traditional product need to communicate the qualities of the product to buyers and consumers. Only if the product qualities can be guaranteed can buyers and consumers be expected to pay a fair price.

- Optional reserved terms:

Existing EU optional reserved terms are spread over different EU legislation. The lack of a coherent single EU framework leads to a confusing and unclear situation.

A procedure to lay down new optional reserved terms is missing.

- Product of mountain farming

Products of mountain farming appear not to be well identified in the marketplace.

Whilst the mountain image in the eyes of consumers carries an added value because of its association with pureness/freshness/etc, mountain producers often do not communicate effectively their products' provenance and thus get a fair return. Furthermore, mountain farmers face specific issues: higher production costs, markets are more distant, soil is less fertile, shorter growing season and climatic conditions are more severe.

- Marketing standards including place-of-farming:

- Marketing standards may be too detailed

- Inflexibility of rules that cannot be adapted quickly to changing market needs

- Burdens on farmers in complying with standards that may not be needed by buyers, and burden associated with controls

- Cost for farmers for complying with detailed conditions and requirements, and related administrative cost

- Consumers do not have all the information required to make an informed choice that would reward farmers for their commitment to quality, food safety and respect of all European standards of production

- Guidelines for Certification Schemes

Private and national food certification schemes have the potential to meet the information needs of consumers and buyers about agricultural product characteristics and farming attributes.

Performance in the market is likely to continue to be the main determinant of success or failure of private schemes, which will evolve according to how well they meet consumer demand, how much consumers are willing to pay for certified goods, and how expensive scheme participation is for farmers and producers.

Some private schemes can have drawbacks: threats to the single market, questions as to the transparency of schemes (and credibility of the claims), potential for misleading consumers, tendency for schemes to be mistaken for official standards, burdens on farmers (particularly where they have to join several schemes) and impacts on international trade, especially with developing countries.

The Commission notes that the issue of consumer confusion arising from different schemes with similar objectives is being taken up by several private initiatives.

In the light of these developments and stakeholder comments in response to the Green Paper, the Commission is considering elaborating guidelines for private and national certification schemes.

Who is affected?

-producers (farmers and producers of first-stage processed products, including small/micro-businesses)

-consumers

- retailers
- processors and distribution
- traders

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

Measures within the CAP are exclusive EU competence. In each of the thematic areas an EU action is only considered where private and national solutions are shown to be inadequate.

B. Objectives of EU initiative

What are the main policy objectives?

- Geographical indications:

(1) Provide clearer information regarding the products specific characteristics linked to geographical origin, including product of small farmers, enabling consumers making more informed purchase choices.

(2) Provide a simpler approach at EU level for a system of protection of names for products with specific qualities linked to geographical origin.

(3) Ensure uniform respect - throughout the EU - of the intellectual property rights for names included in the EU register of geographical indications.

(4) Improve incomes of farmers (especially small farmers) and ensure that the system contributes to rural economy.

- Traditional Speciality Guaranteed:

To identify and promote traditional agri-food products and thus

(1) To support rural areas by diversification of the agriculture production (encouraging production and marketing of traditional products thus improving the income of farmers).

(2) To ensure proper functioning of the internal market in foodstuffs (by protecting consumers against improper practices and guaranteeing fair trade).

(3) To ensure adequate take up and applicability to small farmers.

- Optional reserved terms:

-To establish a coherent, EU consolidated framework for existing optional reserved terms and to lay down in the future under delegated power (if need be) new optional reserved terms as quality instruments to better identify specific qualities of products and ensure the smooth functioning of the single market.

- Product of mountain farming:

- To enable farmers in mountain areas to better identify mountain product to consumer;

- To provide clearer information regarding the mountain products, enabling consumers making more informed purchase choices.

- Marketing standards including place-of-farming:

(1) Simplify rules.

(2) To improve farmers' revenue and consumers' choice.

(3) To reduce administrative burdens for farmers and unnecessary efforts for the Member States on controls.

- Guidelines for certification schemes:

(1) To identify best practice in the implementation of certification schemes.

(2) To issue guidelines communicating this best practice, thereby offering guidance to scheme operators on how to: avoid consumer confusion and misleading claims, reduce the burden on farmers and producers, including those in developing countries, ensure the proper functioning of the internal market.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

No

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

- Geographical indications:

The status-quo option has been dismissed during the impact assessment on the "Quality of agricultural products communication". The three options considered in the present impact assessment are:

Option A "Status quo ameliorated", by the introduction of clarifications on PDO/PGI legislation(s), including streamlining of procedures.

Option B: Create a single legislation for protection of geographical indications by merging legal texts as well as existing system for wines, aromatised wines, spirits and agricultural product.

Option C, creation of a unique register for protected geographical indications that would be feed by each of the existing legislations.

- Traditional Speciality Guaranteed

The options considered are: status quo+ (a simplified, but strengthened scheme), a possible introduction of reserved term 'traditional product' and abolishing the current scheme.

- Optional reserved terms:

The option considered is to foresee in a procedure to lay down in the future under delegated power (if need be) new optional reserved terms for better identifying specific qualities of products. In addition, the existing reserved terms could be consolidated into a coherent single framework.

Beside the laying down of the reserved term 'product of mountain farming' within the CAP, other options e.g. 'status quo' (no EU action), and guidelines for 'self-regulation by stakeholders', will be considered

- Marketing standards including place of farming:

The only policy option considered at this point is insertion of the General Marketing Standard, as foreseen in the Communication, to be analysed in conjunction with the Lisbon alignment of the single CMO.

- Guidelines for certification schemes:

The only policy option considered at this point is the adoption of voluntary guidelines by Commission Communication.

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

- Geographical indications, Traditional Speciality Guaranteed, Optional reserved terms (including 'product of mountain farming'): Yes – other DGs involved or potentially interested include: DG ENTR, DG DEV, DG TRADE, DG MARKT, DG SANCO, DG MARE, DG REGIO, DG COMP, DG RTD, Legal Service, DG ENV, Sec-Gen

- Marketing standards including place of farming: Yes – other DGs involved or potentially interested include: DG ENTR, DG DEV, DG TRADE, DG MARKT, DG SANCO, DG MARE, DG REGIO, DG COMP, DG RTD, Legal Service, DG ENV, Sec-Gen.

- Guidelines certification schemes: Yes – other DGs involved or potentially interested include: DG SANCO, DG ENV, DG DEV, DG TRADE, DG MARE, DG MARKT, DG COMP, DG ECFIN, DG ENTR and Sec-Gen.

Explain how the options respect the proportionality principle

- Geographical indications: The only option to be considered is the recast of present legislation(s). It will be screened from a point of view of the proportionality principle.

- Traditional Speciality Guaranteed: All options will be screened from a point of view of the proportionality principle.

- Optional reserved terms: Only an alignment of legislative procedures and possibly a consolidation of existing EU optional reserved terms are planned, so the proportionality principle is respected.

- Product of mountain farming: All options will be screened from a point of view of the proportionality principle.

- Marketing standards including place of farming:
At this stage the only option to be considered is the definition of the general marketing standard. Further follow up actions will be screened from a point of view of the proportionality principle.

- Guidelines certification schemes: Since the only option considered is the development of voluntary guidelines, proportionality is respected.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

- Geographical indications:

Significant impacts expected (as described in the impact assessment for the Communication on agricultural product quality) include:

- The potential impact on farmers (including small farmers), producers and consumers through simplification, improving and clarification of the system.
- The potential impact on farmers (including small farmers) and producers (including those from developing countries) through better returns and greater participation in the scheme.
- The potential impact on the functioning of the internal market.
- The potential impact on consumers through better communication on features of the products.

- Traditional Speciality Guaranteed:

Significant impacts expected (as described in the impact assessment for the Communication on agricultural product quality) include:

- The potential impact on farmers (including small farmers) and producers through better returns and greater participation in the scheme.
- The potential impact on the functioning of the internal market.
- The potential impact on consumers through better communication on features of the products.

- Optional reserved terms:

The only policy option to be considered is the establishment of an EU legislative procedure and possibly a consolidation of existing EU optional reserved terms. Under delegated acts, if need be, additional optional reserved terms could be established.

Taking into account that the use of optional reserved terms is voluntary, potential impacts include:

- A reduction of consumer confusion.
- A level playing field for the producers, thereby leading to a better functioning of Internal Market.

- Product of mountain farming:

An EU-wide optional reserved term for product of mountain farming could help mountain producers valorising their potential marketing advantage. By providing reliable information on mountain provenance, it may contribute addressing problems of consumer confusion in the marketplace.

- Marketing standards including place of farming:

Impacts expected (as described in the impact assessment for the Communication on agricultural product quality) include:

- The potential impact on farmers, producers and consumers through simplification and clarification of the marketing standards and the labelling system.
- The potential impact on farmers' revenue deriving from the added value of products respecting the stricter EU requirements.
- The potential impact on consumers that will have a wider choice and will be able to do an informed choice.
- Impacts on functioning of the internal market: A positive impact is expected, as a result of the general harmonisation approach resulting from the General marketing standard.

- Guidelines certification schemes:

The only policy option to be considered is the development of voluntary guidelines. Impacts will depend on the extent of uptake of the guidelines by scheme operators and on the extent to which compliance with the guidelines becomes a marketing instrument (i.e., the extent to which this is communicated to and appreciated by consumers). Since uptake is likely to increase over time, impacts (especially negative impacts on participants of non-complying schemes) are likely to increase as well.

Significant impacts expected (as described in the impact assessment for the Communication on agricultural product quality) include:

- The potential positive impact on farmers and producers (including those from developing countries) through improved benchmarking and mutual recognition of schemes (thereby reducing the need for multiple certification and control).

- The potential positive impact on farmers and producers (including those from developing countries) through greater participation in scheme development and oversight.
- The potential positive impact on the functioning of the internal market.
- The potential positive impact on consumers through greater transparency of claims made by certification schemes.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

No

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

- Geographical indications: As long as the options will retain the creation of a single register or legislative structure for the four systems (under status quo ameliorated option), significant impacts will be achieved on simplification.

Clarify and simplify the system will also have an impact on relation with third countries (under negotiation of bilateral agreements) and for operators from third countries willing to adhere the system.

- Traditional Speciality Guaranteed: Positive impacts on simplification/administrative burden can be expected if the current scheme (Regulation (EC) No 509/2006) is improved (especially for small farmers).

- Optional reserved terms: Consolidation of EU optional reserved terms would lead to a simplification in the legislation. The optional reserved terms would continue to be open to qualifying products from third countries, with having the possibility to use labelling terms on those products.

- Product of mountain farming: The scheme would be open to qualifying products from third countries, with having the possibility to use the label on those products

- Marketing standards including place-of-farming:

Simplification of rules will reduce burden on operators.

An impact on third country operators is to be expected insofar as marketing standards are applicable thereto.

- Guidelines certification schemes: As long as only voluntary guidelines are considered, simplification may or may not happen at the levels of farmers/producers, to the extent that scheme owners are starting to harmonise their requirements.

As long as the guidelines are not used to assess individual schemes (which could be judged to be in conformity or not with the guidelines), relations with third countries are not likely to be affected.

E. Planning of further impact assessment work

When will the impact assessment work start?

- For legislative proposals on Geographical indications, Traditional Speciality Guaranteed and product of mountain farming: IA work was started in October 2009.

- No IA is foreseen for the new procedure for laying down EU optional reserved terms; this action aims at establishing appropriate legislative procedures and at consolidating existing EU optional reserved terms now spread over different EU legislation.

- Marketing standards including place-of-farming:

A modification of the single CMO (Council Regulation 1234/07) will provide a "General basic marketing standard", and a legal framework to delegate to the Commission the power of defining specific marketing standards.

The impact assessment work will be associated to the proposals on the content of the specific

standards, in the context of delegated powers.

-For non-legislative proposal Guidelines Certification Schemes, no IA but work on guidelines started in September 2009.

(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when? (v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

- Geographical indications: Information already available stems from the evaluation on regulation (EC) No 510/2006, the pilot project on "food quality assurance and certification managed within an integrated supply chain", from the research project SynerGI, from the consultation of the Green Paper on "agricultural product quality", and from secondary sources. All of this has been reviewed during the impact assessment for the Communication on "agricultural product quality policy".

Additional information has been gathered from the study on economic value on geographical indications, which estimates the economic value and volume of the registered geographical indications (for agricultural products and foodstuffs).

All the information, including relevant evaluation related info, will be used to feed in the IA.

- Traditional Speciality Guaranteed: Information already available stems from the consultation of the Green Paper on agricultural product quality, studies, and from secondary sources. All of this has been reviewed during the impact assessment for the Communication on agricultural product quality policy.

All the information, including relevant evaluation related info, will be used to feed in the IA.

- Optional reserved terms:

Information already available stems from the consultation of the Green Paper on agricultural product quality. This has been reviewed during the impact assessment for the Communication on agricultural product quality policy.

- Product of mountain farming:

Information already available stems from the consultation of the Green Paper on agricultural product quality, from studies, existing publications on mountain LFAs, the results of the recent EUROMARC project on mountain agro food products in Europe and from secondary sources.

- Marketing standards including place-of-farming:

Information already available stems from the consultation of the Green Paper on agricultural product quality and from secondary sources. Where necessary further information will be gathered through update of studies and contributions. All the information, including relevant evaluation related information, will be used to feed in the IA.

- Guidelines certification schemes: Information already available stems from the pilot project on "food quality assurance and certification managed within an integrated supply chain", from the conference on "food quality certification – adding value to farm produce", from the consultation of the Green Paper on "agricultural product quality" and from secondary sources. All of this has been reviewed during the impact assessment for the Communication on "agricultural product quality policy".

Additional information will be gathered during the study on the inventory of certification schemes, which aims to revise and update the existing inventory and to gather additional information for schemes currently operating in the EU market. This will be done by an external contractor (see under F. below)

Which stakeholders & experts have been/will be consulted, how and at what stage?

- Geographical indications: Stakeholders have been consulted in the context of the Green Paper on agricultural product quality.

Stakeholders are consulted on a regular basis during the Advisory Group on Quality, the advisory group on wine and the advisory group on spirit drinks. In particular stakeholders were consulted at different stages throughout the development of the proposal:

- During the meeting of the Advisory Group on 6 July 2009, input has been sought on the different options retained during the impact assessment for the communication on Agricultural product quality policy.
- During an extended meeting of the Advisory Group that took place 9 October 2009 with a special session on geographical indications.
- During the meetings of advisory groups taken place the 9.2.2010 (wines), 3.3.2010 (spirit drinks) and 10.3.2010 (quality)

- Traditional Speciality Guaranteed: Consultations with stakeholders through the Advisory Group on Quality will be held at different stages throughout the development of the policy options.

- Optional reserved terms: Stakeholders have been consulted in the context of the Green Paper on agricultural product quality.

- Product of mountain farming: Consultations with stakeholders will take place in the context of the 'Advisory Group on Quality's meetings' at different stages throughout the development of the policy options.

- Marketing standards including place-of-farming:

Stakeholders have been consulted in the context of the Green Paper on agricultural product quality.

Moreover stakeholders are consulted on a regular basis during the Advisory Group on Quality and specialised Advisory groups. In particular Advisory Group on Quality (6.7.2009 and 2.10.2009), the advisory group on wine (9.2.2010), the management committee on cereals, the advisory group on poultrymeat and eggs (19.3.2010), the advisory group on Fruit & Vegetables (29.1.2010), the "forecast working group on potatoes" (30.11.2009).

Stakeholders have also been consulted on bilateral meeting, especially European associations like Copa-Cogeca and CIAA, and sectoral associations like EDA. Further consultations with stakeholders i.e. the Advisory Group on Quality will be held at different stages throughout the development of the policy options.

- Guidelines certification schemes: On the issue of certification schemes, stakeholders have been consulted on various occasions including the pilot project on "Food quality assurance and certification managed within an integrated supply chain" involved extensive stakeholder workshops and hearings and the conference on Food Quality Certification in 2007.

On the issue of guidelines and their potential content, stakeholders have been consulted in the context of the Green Paper on agricultural product quality.

Consultations with stakeholders, in particular with the Advisory Group on Quality, have taken place and will continue at different stages throughout the development of the guidelines:

- During the meetings of the Advisory Group on 6 July 2009 and 9 October 2009, input was sought on the items to be covered in the guidelines and first ideas on the actual content under each heading.
- Consultations with experts (certifiers; scheme managers; etc.) took place in the 2nd half of

2009 and beginning of 2010. More consultations with experts will follow in 2010.

- Based on the stakeholder consultations above, a first draft of the guidelines was produced and distributed to the Advisory Group of 10 March 2010, asking for further comments.

The final version of the guidelines will again be presented to the Advisory Group.