



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Acting Chair

04 OCT. 2010

Brussels,
SG-C2/AK/sq

**NOTE FOR THE ATTENTION OF MR DEMARTY
DIRECTOR GENERAL, DG AGRI**

Subject: Opinion of the Impact Assessment Board on the resubmitted impact assessment report on legislative initiatives included in the Agricultural Product Quality Package:

- Geographical Indications
- Traditional Specialities Guaranteed
- Mountain Products in Agriculture

Please find in annex the opinion of the Impact Assessment Board on the draft impact assessment report (resubmission) on the above mentioned subject. I hope you find the recommendations useful, and suggest that you include a paragraph in the final version of the impact assessment report referring to the Board's examination and briefly explaining if and how the Board's recommendations have led to changes compared with the two earlier drafts. Such a cross-reference will contribute to the coherence of the file as it goes into the inter-service consultation and is presented to the College.

Given the critical findings of the Board, I am drawing the attention of the SG and the President's cabinet to the conclusions that "*the evidence base underpinning the need for and value added of the EU measures considered remains extremely weak, and that this is especially the case for Traditional Specialities Guaranteed and Mountain Products*".

Let me recall that it is the responsibility of your service to ensure that this second Board's opinion is uploaded in CIS-Net alongside the first opinion, and that they are submitted to the Registry together with the corresponding initiative, the impact assessment and the executive summary when they are introduced for adoption by the College. More detailed instructions are available on the SG Manual of Operating Procedures.

Please note that once the College has adopted the corresponding initiative, the Board's opinion will be published on the Europa website, unless you inform us of the reasons - in accordance with Regulation 2001/1049 - why this should not be done in this particular case prior to the date of adoption. Please send (a copy of) such a request to the Impact Assessment Board to the Ares address ve_sg.IAB or in case you are not using Ares yet, to mailbox: IMPACT ASSESSMENT BOARD.

Marianne Klingbeil

Encl. Opinion of the Impact Assessment Board
Copies A. Vannini (President's cabinet), C. Day, M. Servoz, F. Genisson,
J. Watson, L. Tholoniati (SG), Board members and alternates



EUROPEAN COMMISSION
IMPACT ASSESSMENT BOARD

Brussels,
D(2010)

13 SEP. 2010

Opinion

Title

DG AGRI – Impact Assessments on legislative initiatives included in the Agricultural Product Quality Package:

- **Geographical Indications (draft version 22 July 2010)**
- **Traditional Specialities Guaranteed (22 July 2010)**
- **Mountain Products in Agriculture (26 July 2010)**

(A) Context

Extensive stakeholder consultation in the field of quality policy has been carried out since 2006, including the Green Paper (COM(2008) 641) on Agricultural Product Quality. In 2009 the Commission adopted a Communication on Agricultural Product Quality Policy (COM(2009)234) which set out strategic orientations for future policy review. The Council conclusions and the resolution of the European Parliament followed in June 2009 and May 2010 respectively. As follow up, the Commission now intends to adopt the Agricultural Product Quality Package, which includes *inter alia* proposals to:

- review the Geographical Indicators¹ (GI) scheme
- review the Traditional Specialities Guaranteed² (TSG) scheme and
- introduce the EU level optional reserved term³ for 'mountain products' (MP).

The three impact assessment reports aim to identify the best way forward for each of these measures.

(B) Overall assessment

The reports need significant further work on several important points, and all three reports need to strengthen considerably the arguments to show that the EU action is necessary. As they stand, the reports for the Geographical Indicators and Traditional Specialities Guaranteed schemes do not provide sufficient evidence and analysis to underpin the proposed changes to the schemes. The report on Mountain Products does not support the conclusion that the introduction of a reserved term is necessary and that such a definition can be established in a way which will be useful for consumers as well as producers.

Given the fundamental nature of this assessment, the Board requests DG AGRI to submit revised versions of the reports on which it will issue a second opinion.

(C) Main recommendations for improvements

(1) Demonstrate more clearly the necessity for and added value of EU action. First, given that the information currently provided in the reports shows that there is only limited producer interest in the TSG scheme, and limited consumer and retailer interest in both the GI and TSG schemes, the reports should address more fully whether this situation is the result of problems with the schemes that can be addressed by the changes proposed, or whether it simply reflects the limited demand for this sort of scheme. Secondly, the three reports should demonstrate more clearly the share of cross-border trade for the respective products and provide evidence to support the argument that the schemes are necessary to avoid distortions in competition that result from false quality claims. Thirdly, given that the TSG and MP reports show that the products concerned are often produced on a small scale, are most appreciated in the local markets and can consequently be dealt with effectively by measures at national level (e.g. traditional schemes in Italy and Romania, mounting scheme in France), the value added of EU action needs to be explained further.

(2) Clarify the problems to be addressed and underpin the analysis with supporting evidence. The reports on GI and TSG identify a wide range of problems with the schemes— such as proliferation of labels, lack of visibility, limited access, variations in enforcement, and complexity of design and implementation – which are not all subsequently addressed. The reports should therefore specify upfront which of these problems they intend to deal with and which not. The analysis in all three reports should be more factual and supported by evidence, including a thorough presentation of the different views expressed by stakeholders.

(3) Discuss the options at a more detailed level. The reports on GI and TSG should express the objectives and options in more operational terms. For instance, while addressing the issue of complexity and unnecessary costs, the reports should provide an overview of the existing procedures, identify the main types of implementation and enforcement costs, discuss where the main burdens lie, and on this basis demonstrate explicitly how the situation can be improved. The consistency (possible synergies and/or contradictions/redundancies) between the three schemes should also be analysed.

(4) Clarify the criteria for the definition of 'mountain product' at EU level. Beyond establishing the need for a definition of this kind (see recommendation 1), the MP report should analyse how the definition could be established so that the situation in terms of product valorisation and consumer information would improve. The report should therefore develop (sub)options with different criteria and assess the impacts of these. For example, while a definition which is limited to a simple geographical criterion without any requirements on production methods might keep administration light and facilitate access to the label for small scale producers, it would have no quality guarantees. Consequently it could limit the value of the information, mislead consumers and undermine the value attached to the other quality schemes. Finally, the report should discuss the impact a harmonised EU definition could have on existing national schemes, which in some cases may apply stricter criteria.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment reports.

(D) Procedure and presentation

The reports follow the structure provided by the IA Guidelines. However, to enable the reports to be read as stand alone documents, the GI and TSG reports should make clear that they build on the conclusions of the IA which accompanied the 2009 Communication on strategic orientations. All abbreviations should be explained when first used and each cited study should be referenced. The accessibility and readability of the GI report can be improved by presenting information in a more succinct and better structured form.

(E) IAB scrutiny process

Reference number	DG/2010/010 (CWP 2010, Annex II)
External expertise used	No
Date of Board Meeting	

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- ¹ *GI* is used to demonstrate a link between the geographical origin of the product and a given quality, reputation or other characteristics derived from that origin; it also provides intellectual property protection to the names.
 - ² *TSG* scheme includes registered names of agricultural products of foodstuffs that are produced using traditional raw material or methods of production. TSG names can be registered with or without the reservation of the name
 - ³ *Optional reserved term* is used to communicate special characteristics of the product. Its use is not mandatory, but if applied, it must comply with the definition or criteria laid down by EU legislation.



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04 OCT. 2010

Brussels,
D(2010)

Opinion

Title

DG AGRI – Impact Assessments on legislative initiatives included in the Agricultural Product Quality Package:

- **Geographical Indications**
- **Traditional Specialities Guaranteed**
- **Mountain Products in Agriculture**

(Resubmitted drafts: versions of 20 September 2010)

(A) Context

Extensive stakeholder consultation in the field of quality policy has been carried out since 2006, including the Green Paper (COM(2008) 641) on Agricultural Product Quality. In 2009 the Commission adopted a Communication on Agricultural Product Quality Policy (COM(2009)234) which set out *strategic orientations for future policy review*. The Council conclusions and the resolution of the European Parliament followed in June 2009 and May 2010 respectively. As follow up, the Commission now intends to adopt the Agricultural Product Quality Package, which includes *inter alia* proposals to:

- review the Geographical Indications¹ scheme
- review the Traditional Specialities Guaranteed² scheme and
- introduce the EU level optional reserved term³ for 'mountain products'.

The three impact assessment reports aim to identify the best way forward for each of these measures.

(B) Overall assessment

While the conclusions of the revised reports are now more cautious, the Board notes that the evidence base underpinning the need for and value added of the EU measures considered remains extremely weak, and that this is especially the case for Traditional Specialities Guaranteed and Mountain Products. The revised reports make clear that not enough information and appropriate methodology has been available to assess the economic impacts of these measures.

The Board recommends that further efforts be made to clarify the need for EU action in the case of Traditional Specialities Guaranteed and Mountain Products and to discuss in more detail the impacts that the introduction of a generic European-level 'mountain product' definition might have on national schemes and the quality of information provided to consumers. Finally the report should address some further analytical shortcomings and inconsistencies.

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(C) Main recommendations for improvements

(1) Clarify whether there is a need for EU action for Traditional Specialities Guaranteed and Mountain Products. The case for EU action in the case of Geographical Indications has been strengthened by indicating the scale of cross-border sales (about 20%) and providing data on demand and value added of the EU scheme.

The report on Traditional Specialities Guaranteed still provides very limited evidence on demand for and value added of the scheme. The report now concludes that there is no justification for continuing the scheme *without reservation* of the name, but suggests maintaining the part of the scheme *with reservation* of the name. It justifies this on the grounds that national schemes cannot provide protection throughout the EU. The report still needs to demonstrate, however, that there is a demand of appropriate level for such a measure, given that since 1992 only 11 names with reservation have been registered, with 9 applications currently being processed. The analysis also shows that the administration of this part of the scheme would remain costly and complex, and that future demand to register names is likely to remain limited (p. 28).

The Mountain Products report states that no evidence is available to demonstrate the need or demand for and value-added of the EU measure, but mentions the 'intrinsic cross-border and trans-national dimension of upland regions'. Given that the report also shows that the characteristics of mountain farming vary across Member States and that certain Member States already have effective national schemes in place (France and Italy), it should justify further 'the need for a common meaning throughout the single market for product of mountain farming' (p. 22).

(2) Assess in more detail the impacts of the EU optional reserved term 'mountain product' on national schemes and on consumer information. The revised Mountain Products report has developed sub-options with different criteria for how to define a 'mountain product'. The analysis of these sub-options reveals that there are inevitable trade-offs between making the definition sufficiently simple and accessible to small scale producers, and being sufficiently complete to provide appropriate information to consumers. Given that the evidence for the need for EU action is ambivalent, but that there is stakeholder demand for action, the report concludes that a light instrument, such as an optional reserved term, could be a solution. The report should consider in more detail, however, the possible negative impacts of such a light and generic EU 'mountain product' definition on existing (or future) national schemes, which are more stringent, in particular from the view-point of the quality of information for consumers. This potential impact of the sub-options on producers and consumers who currently benefit from national measures should be made more visible in the comparison of options and in the executive summary of the Mountain Products report. Finally, given that the Traditional Specialities Guaranteed report dismissed the option of using an optional reserved term 'traditional' because of difficulties of establishing such a definition without eroding the value of 'real traditional products' (p.28), and also mentioned that industry is opposed to the idea of legislating optional reserved terms (p.14), the report on Mountain Products needs to explain whether the same concerns apply to the 'mountain product' definition.

(3) The report should address some further analytical shortcomings and inconsistencies. In order to improve the analysis, the reports should consider the following:

- The Geographical Indications and Traditional Specialities Guaranteed reports mention high certification costs, but this issue has not been followed up in the subsequent analysis. The reports should explicitly state whether the initiatives aim to improve this situation given that these costs are considered to affect take-up of the schemes in particular by small producers.
- The Geographical Indications report needs to explain whether the initiative aims to reduce the variation in application procedures at Member State level, which is identified as a problem with current implementation.
- The Traditional Specialities Guaranteed report should be more concrete about the expected adjustment costs for the registered names under Option 2 (abolishing the whole scheme) and Option 3 (abolishing the part covering registration without the name reservation), given the small number of registrations (27). It should indicate concretely what alternatives (e.g. other EU schemes) would be available to them.
- The Mountain Products report should discuss in more detail the derogations that might be needed under sub-option B1 (processing and raw materials – both in mountain areas), and the specific impact these would have, for example, on complexity and uptake of the label. It should also elaborate the comparison of sub-options, as currently it is unclear why the sub-options with completely different effectiveness scores (p.39) are considered to lead to the same improvements in terms of the specific objectives (p.38).
- Clarify why the executive summary of the Mountain Products report concludes that the other measures in the Quality Package 'would not likely address mountain specificities', while the Mountain Products report states that the research project 2002-2004 identified that 26 of 122 mountain products studied did benefit from other EU schemes (p.32). There is also evidence that many Italian (p.16) and French (p.21) producers located in mountain areas benefit from the Geographical Indications and Traditional Specialities Guaranteed schemes.

The more technical comments which were transmitted directly to the author DG prior to the Board's first opinion are expected to be incorporated in the final version of the impact assessment reports.

(D) Procedure and presentation

The overview paper on Agricultural Product Quality Package provides useful background and context to the three impact assessments. The executive summaries of all three reports should include presentation of any quantified benefits and costs of the options. Those for Geographical Indications and Mountain Products should include the subsidiarity analysis. The sections on analysis of impacts in the executive summaries should reflect more comprehensively the results of the analysis in the reports (e.g. the executive summary on Traditional Specialities Guaranteed report should mention that even after the revision of the scheme its take-up is expected to be low). All three reports would benefit from final proof-reading. Serious efforts should be made to bring the Geographical Indications report closer to the 30 page limit laid down in the Impact Assessment Guidelines.

(E) IAB scrutiny process	
Reference number	DG/2010/010 (CWP 2010, Annex II)
External expertise used	No
Date of Board Meeting	Written procedure The present opinion concerns a resubmitted draft IA reports. The first opinion was issued on 13/9/2010.

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- ¹ *GI* is used to demonstrate a link between the geographical origin of the product and a given quality, reputation or other characteristics derived from that origin; it also provides intellectual property protection to the names.
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