

Final Minutes of the Advisory Group meeting on “Quality of agriculture production” (13/06/2014)

❖ The meeting was chaired by Dr. BENVENUTI

1. Approval of the agenda and minutes of the meeting held on 18/02/2014

The agenda and the minutes of the last meeting were adopted without further comments. The Commission explained that the presentation on the new framework for civil dialogue was not going to be kept in the Agenda.

The chair opened the meeting by thanking everyone. During the last years, the Advisory group on quality of agriculture production was the opportunity to listen to everybody. He reminded the importance of maintaining the cooperation in the framework of the new structure.

2. Regulation No 1151/2012 on quality schemes for agricultural products and foodstuffs:

- Implementation of Regulation No 1151/2012: state of play of the draft Implementing and delegated act on the Implementation of the Regulation:

- The **COM Representative** explained that at the moment of the last meeting, the delegated act that the Commission presented had been submitted to the European Parliament and Council following the legal procedure of two months to revoke the act. At the level of the Council, it was asked an extension of other two months. Finally, neither European Parliament nor Council objected.

Following this approval, on the 6th May, the Commission organised a meeting of the Agricultural product quality policy with Member States when the Implementing Act was adopted. It was explained that both would be published in the European Journal on 19th June.

- The **chair** thanked the Commission and the floor was open for questions/comments:

- Representative from **CELCAA** reminded that the Advisory Group had not seen the text yet. Members of the Advisory group could not make comments on the draft. During the last meeting, it was stated that experts were not able to take a position on the draft as they did not know the content. It was stressed the lack of transparency.

- The **Commission** underlined that during the last meeting of the Advisory group the content was explained and everybody was aware on the content of the act.

- The **chair** reminded that the group did not have the possibility to get a copy.

- Concerns were also raised regarding the application of the symbol and the use of black and white for the packaging. Several experts raised their concerns because they did not have access to the texts and now they were going to be published.

- The **Commission** concluded that the texts to be published on 19th June would be put on CIRCABC.

- Information on the state of play of the Delegated act with regards to conditions of use of the OQT “Mountain product”:

- The **COM Representative** explained that during the last meeting of the group, the content of the document was presented. That version of the document was finally adopted by the Commission on 11th March. After this, it was submitted to the European Parliament and the Council to who have the possibility to revoke the act with a deadline of two months. As there were no comments submitted by the European Parliament or Council, the text will now be published. The text will finally be published together with the delegated act supplementing the Quality Regulation and the implementing act on the application of the Quality Regulation.

The delegated act with regards to the conditions of use of the OQT “Mountain product” will enter into force on the 7th day after the publication.

- The **chair** thanked the Commission and reminded that this text had been discussed several times in the group. The floor was open for questions/comments:

- Representative from **Copa-Cogeca** asked about the possibility of continuing to use some spread terms in some Member States such as “Prosciutto from the mountain”

- The **COM Representative** explained that the term reserved is “Mountain product”. If the questions of misleading to consumers arise general labelling rules should also apply. If the use of any name may cause damage, it will be evaluated in the framework of the general labelling rules. Indeed, it would be an issue to solve at the level of the Court. Registered trademarks or PDOs and PGIs that have the term mountain in the name can continue using the name because there are intellectual property rights.

- It was also asked the subsidiarity for Member States. If a product is labelled as mountain product in a country with their own derogation for processing derogations and then, it is exported to other country that does not have the same derogation, it was asked if the product could be put on the market. A question was also made regarding the possibility to have a register of “mountain products” as in the case of PDOs/PGIs.

- The **COM Representative** explained that if one Member State was applying one derogation, the product could also be sold in the market of other country. Regarding the register, it was explained that official register is not planned for the moment. Nevertheless, in practice it does not prevent that in the future there could be a website or national website. This is just a possibility but nothing was discussed.

- Representative from **CELCAA** thanked for the clarification on the use of products from one Member State with its derogation for processing in other markets. It was also explained that the criteria laid down in Art. 31 Regulation (EU) No. 1151/2012 have to be fulfilled only for products using the concrete term “mountain product”. Products that are labelled eg with the name of a specific region (Alps, Black Forest etc.) but not with the term “mountain product” do not have to fulfill the criteria laid down in Art. 31 Regulation (EU) No. 1151/2012. This is shown clearly by the wording as well as the preamble of the Regulation. The EU Parliament as well as the Council decided not to follow the approach which was taken in the case of the regulation on organic products where the wording in Art. 23 Regulation (EU) No. 834/2007 clearly indicates that similar terms such as “bio”

are also covered in the Regulation. The COM Representative confirmed that this is the only possible interpretation.

- Several representatives stressed the need to have some guidelines for the application of the OQT.

- Representative from **Copa-Cogeca** underlined the importance of having some guidelines for the cases where there is a reference to the mountain but the OQT is not used directly. Clarification was also asked regarding official controls on such products and possible sanctions. It was also asked if the Commission was planning some kind of communication or activities.

- The **chair** asked for clarification regarding possible provisions for products already labelled.

- The **COM Representative** explained that in the case of optional quality terms the rules for controls are different.

Whilst in the case of PDOs and PGIs there are official controls in line with Regulation 882/2004, this is not the case for OQTs. Controls are regulated in the article 44 of the Regulation No 1151/2012 on quality schemes. It is established there that Member states shall undertake checks based on a risk analyses. In case of infringement, MS shall apply administrative penalties. Definitively, it is up to Member States to organize this system of controls and it must be risk analysis based. Member states can apply sanctions.

Regarding informing or promoting the new OQT, the Commission will publish the Delegated act on their website. They will reflect whether some accompanying documents could also be added as the Commission is also planning to have some media activities the day of the publication of the Delegated Act.

With regards to the products already labelled, the term "mountain product" will not start applying with the entry into force of the delegated act because it is applicable since January last year when the main regulation (Regulation (EU) No 1151/2012) entered into force. The rules of the delegated act will enter into force to make derogations to the main regulation. From this perspective, the delegated act will not have any transitional period.

- Report on the case for a new local farming and direct sales labelling scheme: update on the discussion with European Parliament and Council

- The **COM Representative** reminded that the report had been published in December last year and presented during the last meeting of the Advisory Group on Quality. During the spring, the European Parliament and Council organized a discussion about it.

In March, there was a discussion in COM-AGRI at the European Parliament. There, some interest was shown and the Commission was invited to continue its reflection.

In the Council, two discussions took place. The Greek Presidency organised the debate asking Member States whether they would prefer the status quo, to have an Optional Quality Term or to create a new labelling scheme as explained in the report with their advantages and disadvantages.

The outcome of the discussion indicated that the majority of Member States did not favour the Commission action. The majority of Member States preferred the status quo.

- Representative from **Copa-Cogeca** requested clarification regarding the Commission's approach to this and future steps in the process, meaning possible new proposals. It was also stressed that even although it seemed that the preferred option was the status quo, it should not mean that any initiative is going to be proposed in favour of local farming. Labelling is only one aspect/option and other possibilities should be explored to develop it. Progress that was made in the Working group "from my farm" should also be used to continue with the reflection. When it comes to definitions, solutions should be found.

- Representative from **CELCAA** asked if at national level, Member States could perceive it as state aid.

- Representative from **Euromontana** underlined that perhaps Member States were not ready to tackle this issue; nevertheless, it is an issue that will come up again and again and the vision should be shown. It would be important to continue working on this and exploring different possibilities.

- Representative from **Copa-Cogeca** reminded that it was an initiative of the European Parliament to analyse direct sales and local agriculture and clarification was asked regarding the outcome of the discussion at the Parliament. In the case of the Council, it was also asked if they had had a sufficient debate on the Commission's report meaning if the discussion had been just focused on labelling or also on other questions. It was underlined to the Commission the importance of using all the work done during the last years on this issue.

- Several experts stressed their support to the discussion on local farming and direct sales and it was requested to continue working on this.

- The **chair** also stressed the importance of all the good work that had been done on local farming and direct sales and the working group "from my farm". He suggested the need to continue exploring it and to make sure that the results of this analysis are taking into account. It was raised that there was a basic error by giving this matter to specialise it in a niche approach when the approach should have covered a wider approach without barriers and maintaining the link between producers and producer organisations.

- The **COM** Representative underlined that from the beginning, the report was focused on a new labelling scheme; however, the approach and the discussions were broader and also the Conference was organised. It was not only about the label and during the conference, discussions on Rural development and hygiene rules also took place.

The Commission will reflect whether they continue working or not. Until now, there was only the Commission's report. In the case of Rural Development there is a new measure on cooperation which includes support to short food supply chains and local markets, and also support for informing and promoting these two.

- Report on the case for a new term "product of island farming": update on the discussion with European Parliament and Council; exchange of views and next steps

- The **COM Representative** reminded that the report had been adopted in December last year. It was presented during the last meeting, followed by questions and comments from the group.

At the Council, the report has been discussed several times at the SCA. The Greek Presidency proposed draft Council Conclusions considering the value of a specific OQT for island products. Nevertheless, the issue is still being discussed because several delegations have some concerns about the draft text.

3. Presentation of the Study commissioned by DG AGRI on assessing the added value of PDO/PGI products

- The **COM Representative** explained that in 2012 a previous study¹ was done to obtain figures on the value of GIs. The Study showed that on average, the price of a GI product is 2.23 times the price of a comparable non-GI product.

Now, there was a new study done by an external contractor. The study checked whether there is a higher gross margin for GI producers taking into account possible additional costs for GI production. The Study was mainly focused on case studies to compare GI products with “standard products”.

Regarding the methodology, there were two ways to collect data: direct sourcing of primary data from relevant stakeholders including over 200 interviews with producers and collection of secondary data.

There was a total of 13 case studies and the contractor experienced some difficulties to obtain the data. A balance was ensured between GIs from different EU Member States and different sectors.

The results of the study showed that for 12 out of 13, the GI product had a higher price. Regarding the additional costs for GI production the main additional costs are often due to the need of additional phases or the administrative costs for GI production such as the certification. For the raw materials, the contractor saw the same type of additional costs compared to the final product taking into account that in some cases there are specific or minimum requirements for raw materials.

On the factors for obtaining a higher gross margin, the contractor identified as a key factor the intrinsic product differentiation, meaning, differences in quality parameters or organoleptic characters. There are also other factors identified such as shorter marketing channels or strong orientation towards exports.

Other elements of added value also identified include the protection of intellectual property rights, access to new markets, the better access to promotion funds and better support under rural development. GI protection is also a way to strengthen the organization of the supply chain and to achieve a closer focus on product quality.

- The **chair** thanked the Commission the floor was open for questions/comments:

- Representative from **CELCAA** asked for clarification regarding the margin in the case of some sectors were essentially the cost to produce something ends up affecting the better margin that they will receive. It was also asked if the study had taken into account the entire value chain and benefits for processors and final retailers. The differences between sectors were also requested.

- The **COM Representative** explained that the contractor also checked to some extent the allocation of value in the chain, although the study had in particular a focus on producers. It was explained that the result could vary depending on the marketing channel. In relative terms, the shares of retail value pertaining to the agricultural level are often similar in both the GI and standard supply chains but often higher in absolute terms.

. For some processed products, the contractor found a higher gross margin. Based on only 13 case studies covering different sectors, it was very difficult to draw general conclusions.

¹ See http://ec.europa.eu/agriculture/external-studies/value-gi_en.htm

- Representative from **Copa-Cogeca** welcomed the research and stressed that some of the conclusions were very interesting. Clarification was asked regarding possible actions to be taken.

- The **COM Representative** explained that in terms of follow-up there were not concrete plans.

- Representative from **Origin** suggested for future studies to take into account sustainability with the three pillars. Within the context of the TTIP and the discussions on Geographical Indications, it would be interesting to see the state of art in terms of sustainability.

- Representative from **Copa-Cogeca** stressed that initial results were very interesting. It would also be interesting to know more about the differences between the different markets and sectors. For instance, products that after processing get higher or lower gross margin.

- Representative from **Eurogroup for animals** stressed that when consumers buy a product they may have other expectations that go beyond PDO and PGI such as animal welfare. Therefore, it was suggested to analyse it for future studies.

4. Regulation No 1169/2011 on the provision of food information to consumers:

- Report regarding the mandatory indication of country of origin or place of provenance for meat used as an ingredient – update on the discussion with European Parliament and Council and exchange of views

- The **COM Representative** reminded that the report had been published in December 2013. In the report the first conclusion was that there is a strong consumer interest (90% of consumer) but this is not translated in a really strong willingness to pay. Origin information is the fifth most important aspect influencing consumers' purchase and it comes after other elements such as price, taste or date marking.

The report analysed three different scenarios: 1) To maintain origin labelling on voluntary basis (status quo), 2) To introduce mandatory origin labelling based on EU/non-EU and 3) To introduce mandatory origin labelling indicating the Member State or third country.

The Commission explained that the status quo would not raise any additional challenge, nevertheless, it would not provide any satisfactory consumer answer. On the other hand, the scenarios 2 and 3 would pose some operational challenges. Comparing both, the second scenario is too generic and the operation cost could range from negligible up to 25%. In the case of the third scenario, it could range from 15% up to 50%

Regarding the impact on competitiveness and intra EU/international trade, it would be minimal under scenario 1 while in the second and third scenario it is likely to have an impact such as changes in the supply chain or changes intra-EU trade flows.

The Commission explained that the report was factual and it did not take any position. The idea was to have a constructive discussion with the European Parliament and Council. The first discussion took place in March and Member States were divided. Member States agreed to have another meeting at attaché level during the Greek Presidency. At the level of the European Parliament, until now they did not host any specific session to discuss the report.

- Representative from **Copa-Cogeca** asked for clarification regarding the different categories of meat products. It was stressed that the increase of the cost would vary depending on the product category and product characteristics.

- Representative from **BEUC** stressed that some Member States had welcomed further discussion on the report. Some Member States had called for more refined scenarios than those in the Commission's report, e.g. considering a minimum amount of meat in food products. It could vary depending on the product.

- Representative from **FoodDrinkEurope** stressed the importance of analysing all the details of the Commission Staff Working document, not only the report.

- Representative from **Copa-Cogeca** stressed that the demand from consumers was clear. It was less clear regarding prices. It stressed the importance of bearing in mind that there are different meat products with different characteristics. Products more or less processed cannot be analysed in the same way. It was also underlined the importance of taking into account the place of provenance of the raw material in the case of meat products when defining origin.

- Representative from **CELCAA** asked for more clarification regarding the impact on competitiveness and trade. The impact that new rules could have on free circulation.

- The **COM Representative** underlined that there was a Commission Staff Working document very detailed with further information. There, they have analysed three categories: meat preparations that are closer to fresh meat, meat products (i.e. a sausage) and multi-ingredient foods. Within the product categories there are also some explanations.

Regarding the Council, it was not possible to say more at that moment, the discussion was still on-going and they had to see which will be the discussion at the Council level.

Regarding impact on the internal market and international trade, the Commission explained that the report and the accompanying document examined those aspects as well.

On the basis of the report, there will a discussion to see whether there is a need to legislate and if this would be feasible or not.

- Representative from **BEUC** asked the Commission for the guidelines to implement the new origin rules for fresh meat. The Commission was planning to draft them to clarify the rearing state.

- Representative from **CELCAA** asked for the implementation of article 26.3 on voluntary origin labelling. It was requested clarification regarding the link between the FIC Regulation and the regulation 1151/2012.

- The **COM Representative** explained that regarding guidelines the Commission was looking at that. Regarding the link between article 26.3 of the FIC Regulation and the PDOs and PGIs, the Commission's opinion is that article 26 also applies to PDO and PGIs. The Commission is working on the Implementing act for this article.

5. State of play of the discussions on the European Commission's proposal on official controls (review of regulation (EC) N° 882/2004) and the link to quality certification schemes for agricultural products and foodstuffs

- The **COM Representative** explained that the proposal for a Regulation was currently under discussion at the level of the Council. Official controls carried out to verify compliance with PDOs and PGIs are included in the regulation's proposal.

It was reminded that rules on official controls to verify compliance with PDOs/PGIs/TSGs rules are currently in two sets of legislation: in Regulation No 882/2004 on official controls

and in Regulation No 1151/2012 (cross-references to general principles and rules of Regulation No 882/2004 and specific rules for PDOs, PGIs and TSGs).

The Council was currently discussing a first compromise proposal in more or less half of the articles. Discussions are not finished and they will continue in the coming months during the Italian Presidency.

The Parliament already adopted its position at first reading. Regarding the scope, there are not consequences for the Advisory Group.

Regarding the staff performing official controls, the Parliament proposed that official controls can be delegated bodies that can be certification bodies. The Parliament is also proposing the obligation to publish all the outcomes/reports and this is not in line with the Commission's proposal.

Concerning fees, the Commission proposed general obligation for Member States to resource adequately control Authorities. Nevertheless, the European Parliament gives the possibility to Member States to carry out fees or not.

- The **chair** thanked the presentation and the floor was open for questions/comments.

- Representative from **Copa-Cogeca** stressed that there was a point that had not been tackled regarding the recognition between official and private certification schemes. It is important to take into account private certification schemes and to avoid double checks. It was also asked clarification regarding the position of the European Parliament on transparency and publication of results of Official controls.

- Representative from **CELCAA** stressed the importance of avoiding discrimination. It was underlined the need for a harmonised system. It was also asked clarification regarding transparency and publication of information about the outcome of official controls.

- The **COM Representative** explained that the amendment 69 was introducing the obligation to competent Authorities to take into account private certification schemes if they were recognised. Nevertheless, the Commission considers that this is already covered in the article 8.1 c) of the proposal. Regarding the question on publication, it was clarified that the Commission's proposal stipulates that it is not mandatory to publish information about the outcome of official controls nevertheless, the Parliament considers this should be mandatory.

It was reminded that at the level of the Council, MS are still discussing the proposal. Several Member States do not agree with the empowerment in Article 23 (specific rules on official controls for PDOs, PGIs and TSG).

6. Geographical indication protection for non-agricultural products at EU level: state of play and next steps

- The **COM Representative** reminded the Study that was carried out in 2012 on Geographical indication protection for non-agricultural products. Authors of the study considered that there was a case for GI protection of non-agricultural products.

The Authors suggested options for a new system in this area including one and only GI definition, procedure and Register managed at EU level by an EU body and a registration fee.

After publishing the results of the study, the Commission drafted a Green Paper to consult more deeply and to further discuss options. It could be published around Summer and the

Commission will decide on a follow-up and a Conference will be organised, probably at the end of October. The idea is to consult on the expected economic, social and cultural benefits.

- Representative from **CELCAA** asked for clarification regarding the scope. Know-how is understood as one of the most important things in the non-agricultural sector.

- Representative from **Copa-Cogeca** stressed that know-how is more linked to TSG. It was also underlined the importance of taking into account systems already in place in some Member States. Regarding origin, it is important to analyse the importance of the provenance of the raw material and to take into account the specificities of the system for agricultural products if a new one is defined for non-agricultural products. It was also asked if biodiversity was also part of the discussion.

- Representative from **AREPO** asked for clarification regarding the Conference mentioned by the Commission in its presentation. It was described the situation of the French system and the discussion on the possibility of creating some kind of specific programme for quality. They noticed that people are aware of specific traditional products in their area.

- Representative from **Euromontana** asked for clarification regarding the scope and the nomination of industrial products.

- The **COM Representative** explained that the consultation was a 1st step only, enquiring about possible options. If a new EU legislative tool was to be created, they will also look at existing legislations, the evolution of which they already followed. It was explained that for example, stone is very linked to the land but there are others that are less linked like ceramics. Regarding the Conference to be organised, they still do not know the content of that meeting.

- To close the meeting, **DG AGRI** thanked all the participants and all the chairs of the Advisory Group on Quality of agriculture production. It was explained that DG AGRI was working to create the new system for civil society dialogue. Quality will be linked to promotion to create some synergies. The Committee in the future will also be covering wine and spirit drinks as well.

- The chair thanked the Commission and the members of the Advisory Group for their work and contributions during the last years and the meeting was closed.

Disclaimer

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