

Cal-Med I Workshop

**Mediterranean Products in the WTO Trade Negotiations
and Trade Disputes and in Regional Trade Agreements**

Montpellier, 26-27 June 2006

**Conceptual issues raised by GI
protection for Mediterranean
products: the “domestic” side**

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the issues from a *conceptual* viewpoint

a protection for DOs (GIs), why ?

when ?

how ?

...and an *empirical* one

are (all) EU PDOs needed ?

are they effective ? (do they all work?)

most food products can be classified as
credence goods

(consumers do not know everything about what they buy, not even after eating it)

product: **origin**

safety

health/nutritional characteristics

GMO/GMO-free

process: organic

environmental impact

child labor not having been used

fair trade

animal welfare standards

in order for a market for products with credence quality characteristics to exist, *reputation, a voluntary third party certification or a regulation* are needed, providing consumers with a substitute for the trust they cannot develop

if the product possesses a valuable credence quality characteristic a (perfect) regulation is justified, as it corrects the market failure due to asymmetric information

Q.: is *origin* a credence quality characteristic (i.e. is it a quality characteristic which justifies protection)?

A.: **Yes**, because some consumers show willingness to pay for certain products with a certain origin, per se (some of these consumers are able to identify the difference between a Prosciutto di Parma and a “*Parma ham*”, some are not, but this is irrelevant as long as they are all willing to pay more for a Prosciutto made in Parma, although for different reasons)

...if protection is unjustified and not needed, because consumers are able to identify the difference between different products bearing the same name, why producers far away from Parma want to name their different product “*Parma ham*”? (or California Central Valley, or Calabria, producers want to name a wine “Napa Ridge”)

...why there is no apparent challenge for DOs for wines? What does make the issue for food products different from wines and other alcoholic beverages different ?

why a protection for DOs ?

made in Mexico!



("stolen" from a presentation by Sylvander) .pe



Asiago cheeses?



why a protection for DOs ?



“The World's Largest Selection of Wisconsin Cheese”



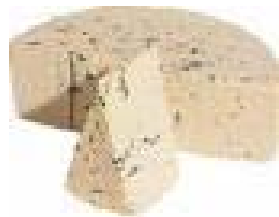
Asiago



Parmesan



Romano



Gorgonzola



Feta

globalization opens new opportunities for **differentiated** products which can be marketed globally

market reorientation in high production costs countries increases the need for marketing strategies based on product differentiation (as a way to keep a competitive wedge)

more and more consumers demand products which can be linked to a place (although for different reasons, from health risk to local development concerns)

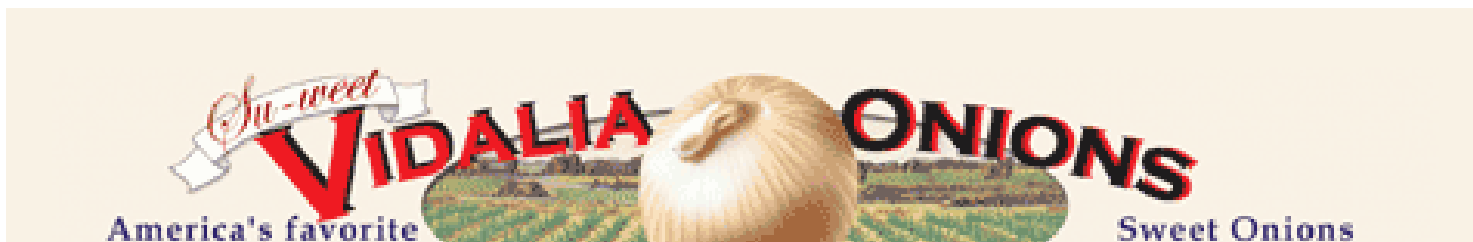
DOs as a tool to induce local development and strengthen local “institutions” and “social capital”

DOs as a **marketing** tool: consumers value DOs *per se*, as they see DOs as a quality signal (better, safer,...); the certification has a value in terms of both market share and price

*DO certifications as a **NTB** to protect the local/domestic market against imports and the use of imported products by the processing industry*

*obtaining protection for a DO is a cheap and relatively easy way to please a local **political market***

why a protection for Dos? a EU-only issue?



Certification mark submitted to the
U.S. Patent and Trademark Office for
Iowa-80 Beef



The Best Apple Flavors On Earth.



“COOL” (2002 FSRIA)
www.origin-gi.com

when is a protection for a DO needed ?

for the protection to be needed **two** conditions need to be *jointly* satisfied:

- the existence of a “product” to be protected, i.e. a product (a) with a strong, evident link to a place, (b) available in adequate quantities, (c) with homogeneous characteristics, (d) which is *perceived* by (at least some) consumers as different and better with respect to similar products

when is a protection for a DO needed ?

for the protection to be needed **two** conditions need to be **jointly** satisfied:

- the existence of unfair competition, or a credible potential threat of unfair competition, i.e. the need to protect the product from attempts by others to sell using that name, or a similar one, a different product (i.e. a product having different characteristics or a different origin)

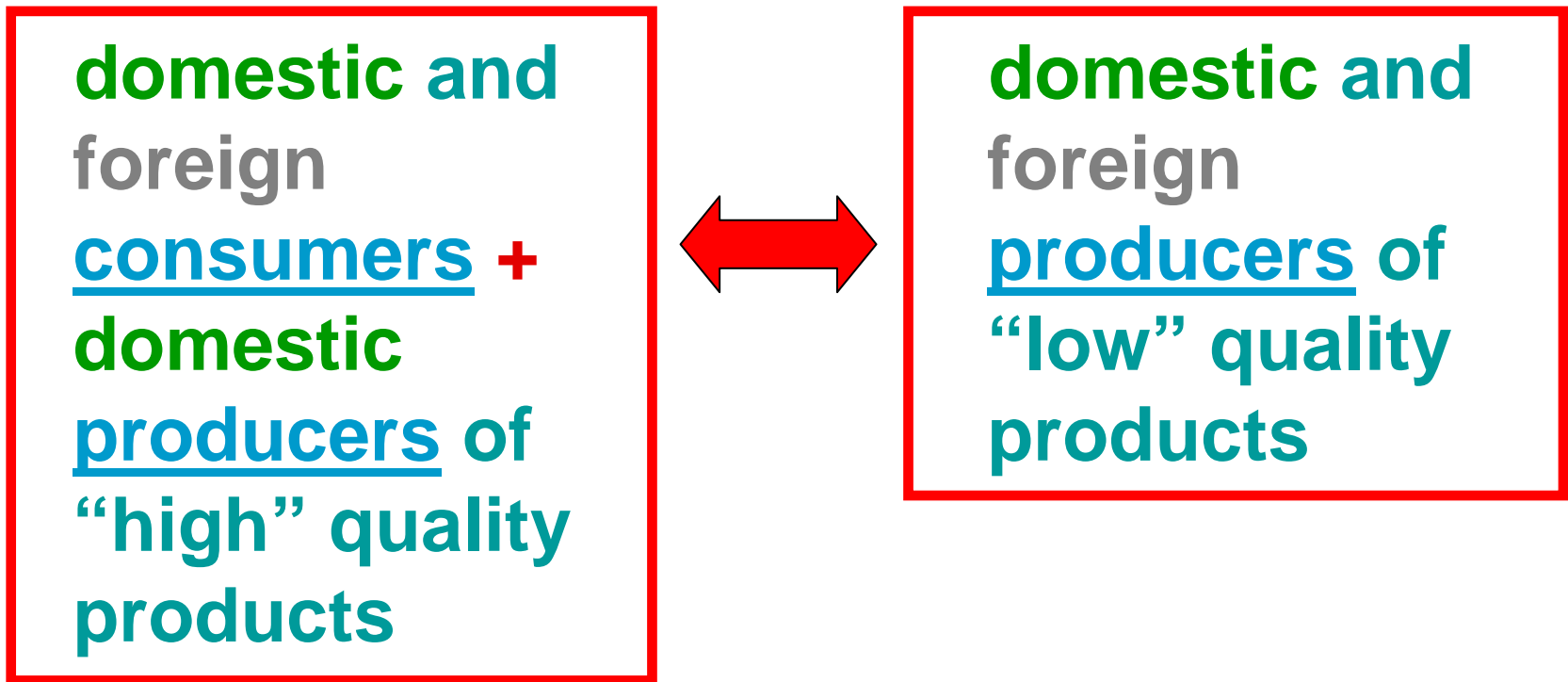
when is a protection for a DO needed ?

if consumers already perceive the product as different and better, protection makes it impossible for unfair competition to develop and makes the demand for the product expand, as consumers can now be sure that what they are buying is what they want to buy and are willing to pay for

if consumers do not perceive yet the product as different and better, protection defends the returns from of marketing strategies (to follow...) aimed at inducing that perception

...DO protection makes product differentiation/market segmentation possible (it is a necessary, not a sufficient, condition!)

**the introduction and the enforcement of a PDO
involve a conflict among different domestic and
foreign interests**



*...but consumer interests usually play a
marginal role in the resolution of the conflict*

the existence of a conflict may **block** the introduction of a regulation

the existence of a conflict may induce a **weak** definition of the product specification (origin and quality standards) in the regulation

conflicts may reduce the effort exerted in the implementation of the regulation (enforcement of product specification, including origin and quality standards)

domestic conflicts (implementation)

- **Biraghi and Bellon vs. Ravil (Grana Padano)**
- **Consorzio Prosciutto di Parma vs. Asda and Hygrade**
- **Denmark, France and Germany vs. EU Commission (Feta)**
- **Italian producers of olive oil vs. bottlers**
- **Italy vs. Hungary (Tocaj/Tocai wine)**
- **NVVA vs. Bronco Wine Co. (Napa wine)**

international conflicts



Bud vs. Bud

Anheuser-Busch (Usa)

vs.

**Budejovicky Budvar
(Check Republic)**



how to protect a DO? here are my 10 rules...

1. a careful **a priori assessment** (a) of the current and potential capacity of the product, as well as its production chain/system, to effectively face the market (volumes, distinctive quality characteristics, homogeneity, pricing, distribution ...), (b) of the existence of a market demand for those quality characteristics, and (c) of the existence of (or the potential for) unfair competition, is needed
2. DOs are **a chain issue** (agriculture, processing, marketing..), non a agriculture-only one, and need (some) horizontal and vertical integration or coordination


3. consumers (in addition to producers, wholesalers, processors...) **must** be effectively involved in the design of the regulation
4. DOs cannot be (truly) **generic denominations** and cannot infringe on the rights of producers who have been (genuinely) using that denomination before the introduction of the protection
5. **controls** should be the responsibility of a (truly) independent third party
6. **supply control** actions and hidden **barriers to entry** should be avoided and effectively sanctioned

7. rules should be **enforced effectively** and non compliance penalties set high (...make penalties for cheating extremely costly and the probability of being caught high)
8. avoid **over**-regulating
9. avoid **under**-regulating
10. facilitate **quality** improvements, **quantity** expansion and **brand** development


Trademarks (“closed access”)
(very effective, a very costly option)
*Vidalia Onions, California Almonds,
Mozzarella di Bufala Campana*

Certification marks (“open access”)
(effective, a costly option)
*Jamaica Blue Mountain and Kona coffees,
Alaska Quality Seafood*

“educating” consumers
(difficult, potentially very effective, very
costly)




Monterey
Jack
From
Alaska?



Monterey
Jack
From
Alaska?

(from *The New Yorker*)



Monterey
Jack
From
Alaska?



Champagne Not From Champagne?

No way!

Oh, sure, some sparkling wines may look the part, but if it's not from Champagne, it's simply not true Champagne. That's because Champagne is not merely a type of wine. It's a specific region 90 miles east of Paris with a long history of winemaking expertise.

Combine this unique northern location with a one-of-a-kind climate and chalky soil. Then add centuries of experience. The result? The only grapes that yield the Champagne of legend — a heavenly wine that can be imitated but never duplicated. If the grapes are not from this unique region where winemaking is a special art, then the wine is not authentic Champagne.

It does matter where wine comes from. A Napa wine is from Napa, a Willamette wine is from Willamette and a Red Mountain wine is from Red Mountain, Washington.

And, if it's not from Champagne, it's simply not true Champagne.



Champagne
It's Not Champagne
www.champagne.us

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...and, if the wine is not authentic
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Protected Denomination of Origin (PDO)

“the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff (*...other than a wine*):

- originating in that region, specific place or country;
- the quality or characteristics of which are **essentially or exclusively** due to a particular geographical environment with its inherent **natural and human factors**, and
- the **production, processing and preparation** of which take place in the defined geographical area”

Protected Geographical Indication (PGI)

“the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff” (*...other than a wine*):

- originating in that region, specific place or country, and
- which possesses a specific quality, **reputation or other characteristics** attributable to that geographical origin, and
- the **production and/or processing and/or the preparation** of which takes place in the defined geographical area”

for both, DOPs and PGIs the product specification shall include, among other things: a description of the agricultural product or foodstuff, including the raw materials, if appropriate, and principal physical, chemical, microbiological or organoleptic characteristics, the definition of the geographical area; a description of the method of obtaining the agricultural product or foodstuff and, if appropriate, the authentic and unvarying local methods; details bearing out the link between the quality or characteristics (*a specific quality, the reputation or other characteristics*) of the agricultural product or foodstuff and the “geographical environment”



*... a regulation providing consumers
with more information?*

710 registered PDOs and IGPs (at the end of May 2006) and **280** more in the pipeline

(at least) two types of denominations:

Asiago, Parmigiano Reggiano, Pecorino Romano, Grana Padano, Prosciutto di Parma, Prosciutto San Daniele, Culatello di Zibello, Cappero di Pantelleria, Limone di Sorrento, Olio Toscano, Olio Chianti Classico

Murazzano, Caciocavallo Silano, Bitto, La Bella della Daunia, Asparago bianco di Cimadolmo, Asparago verde di Altedo, Olio Lamezia, Kiwi di Latina

in 2000 **of the 111** Italian products which had obtained at that time a DO or GI protection only **62** were marketed using the certification

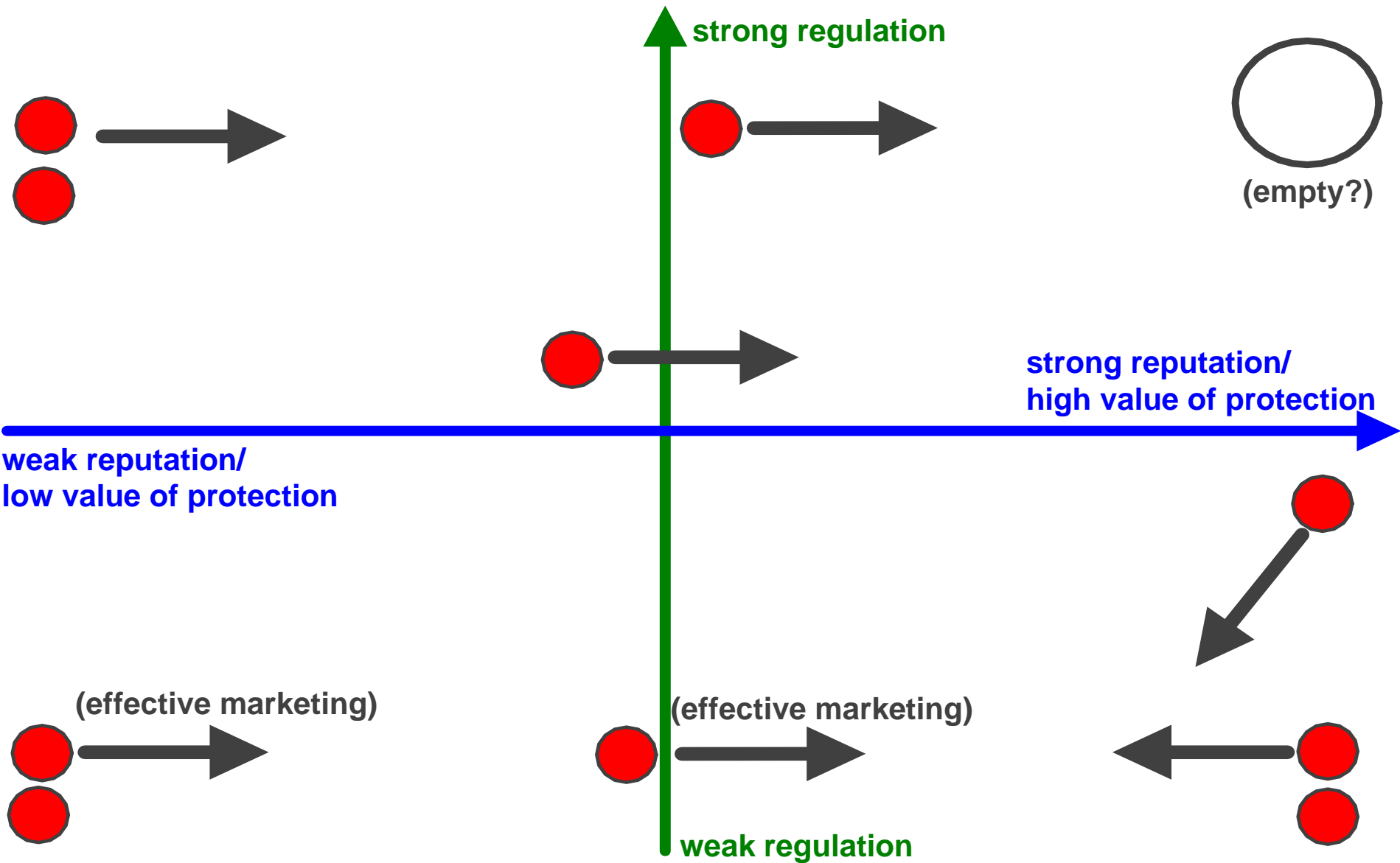
in 2003 the **top 10** Italian PDO and PGI products represented **90%** of total market value of these products

the top 4 – **Prosciutto di Parma, Grana Padano, Parmigiano Reggiano and Prosciutto San Daniele** – alone covered **70%** of the Italian market for PDO and PGI products

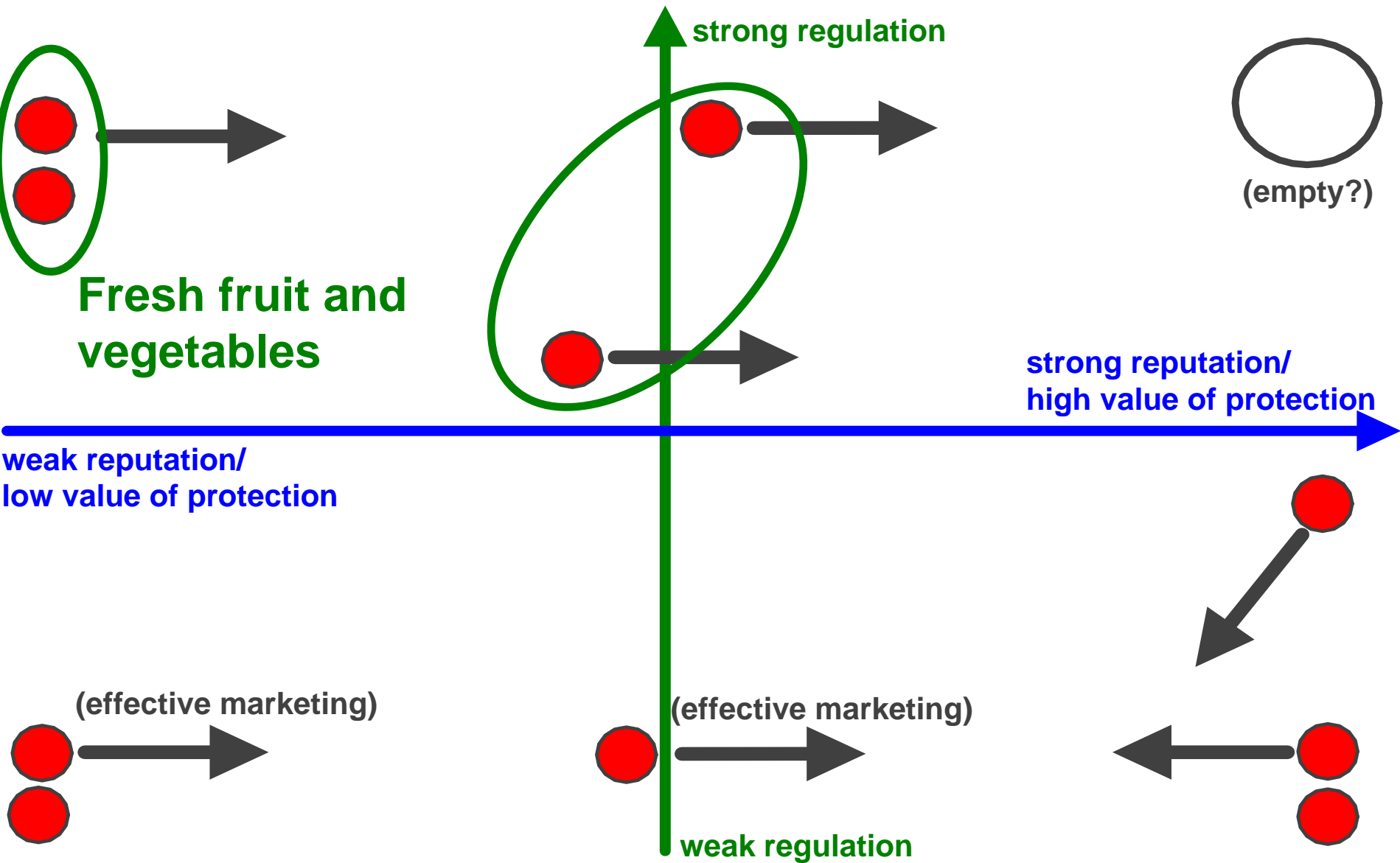
PDOs in practice: sales of the top 10 Italian PDOs and PGI in 2003

	Value (mill €)	%	Cumul. %
Prosciutto di Parma	2,089	24.6	24.6
Grana Padano	1,569	18.5	43.1
Parmigiano Reggiano	1,453	17.1	60.2
Prosciutto San Daniele	814	9.6	69.8
Gorgonzola	406	4.8	74.6
Mortadella di Bologna	314	3.7	78.3
Mozzarella Bufala Camp.	282	3.3	81.6
Pecorino Romano	281	3.3	84.9
Bresaola della Valtellina	220	2.6	87.5
Speck dell'Alto Adige	181	2.1	89.6
Total top 10	7,609	89.6	
Remaining 114 products	882	10.4	
Total DOP e IGP	8,491	100.0	

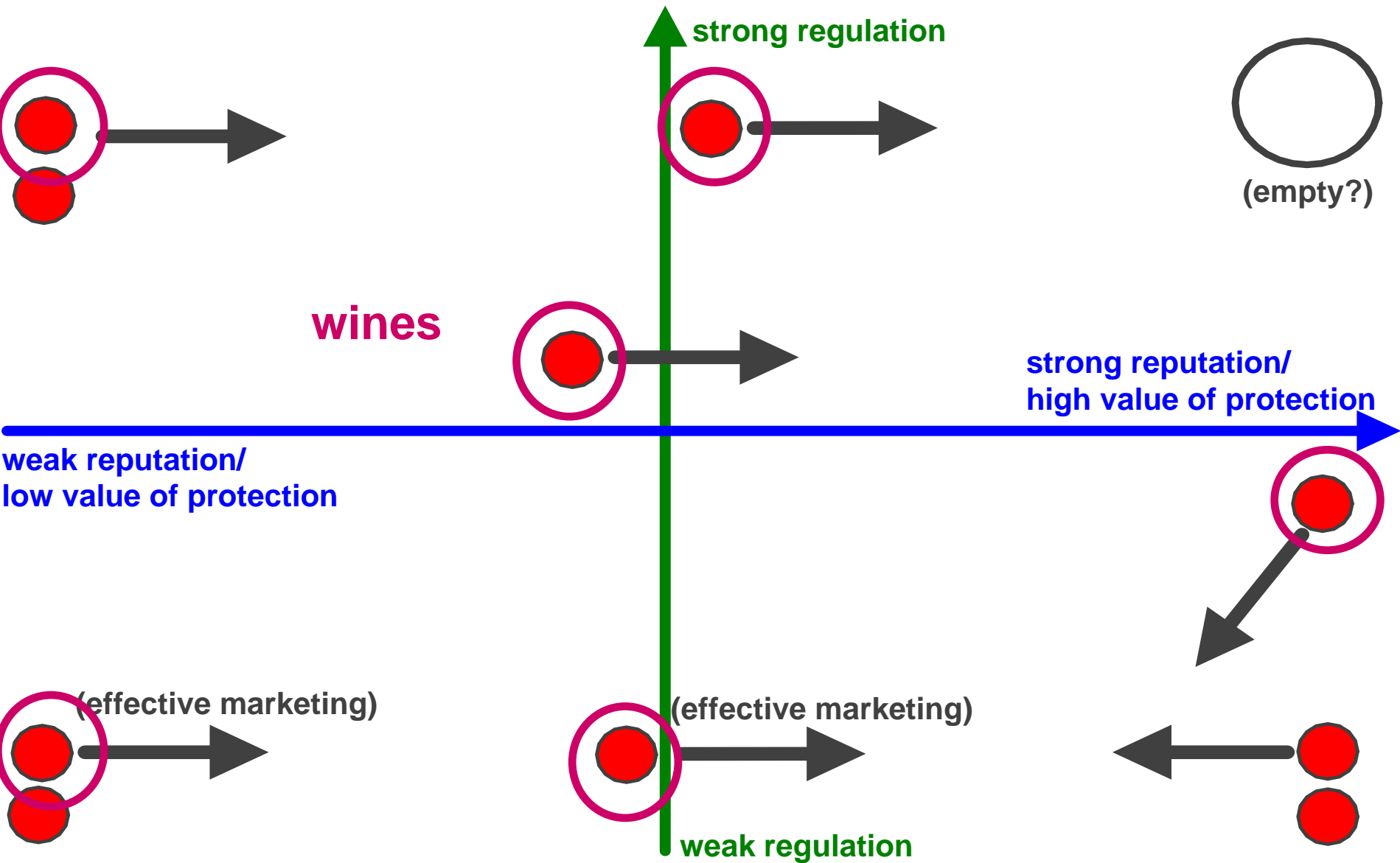
PDOs in practice: a taxonomy of EU PDOs and PGIs



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PDOs in practice: a taxonomy of EU PDOs and PGIs



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