Consumer protection in the EU policies on traditional and quality products

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OUTLINE

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2. The perception of the consumers on quality labels: the results of a survey on PDO’s and PGI’s
3. Quality labels: the theoretical background and the empirical evidence
4. Quality and EU policies:
   a. the evolution of the CAP over 50 years
   b. the Green Paper on agricultural product quality
   c. an overview on the compulsory side
5. Conclusions
THE AIM

To present some evidences on EU policies on traditional and quality products aimed at increasing consumer information and protection.
Interviews to 200 consumers in retailers’ point of sales in Milan and Naples, 2008.

- EU quality labels remembered without prompting

**CONSUMER PERCEPTION ON PDO’S (2)**

Select the three correct attributes used by the EU to define the PDO label

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>place of production</td>
</tr>
<tr>
<td>2</td>
<td>quality</td>
</tr>
<tr>
<td>3</td>
<td>origin of ingredients</td>
</tr>
<tr>
<td>4</td>
<td>taste</td>
</tr>
<tr>
<td>5</td>
<td>compliance with hygienic rules</td>
</tr>
<tr>
<td>6</td>
<td>traditional method of production</td>
</tr>
<tr>
<td>7</td>
<td>the production and/or processing and/or preparation of take place in the defined geographical area.</td>
</tr>
<tr>
<td>8</td>
<td>Animal welfare friendly</td>
</tr>
<tr>
<td>9</td>
<td>Origin of one ingredient, at least</td>
</tr>
<tr>
<td>10</td>
<td>Quality of life of the local communities</td>
</tr>
<tr>
<td>11</td>
<td>It is only a promotional strategy</td>
</tr>
<tr>
<td>12</td>
<td>Other</td>
</tr>
</tbody>
</table>

No of correct attributes guessed by the respondents (%)

1; 55.50%


[FOCUS

FOOD CONSUMER SCIENCE IN THE BALKANS]
## Consumer Perception on PGI’s (3)

Select the three correct attributes used by the EU to define the PGI label

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality</td>
<td>23.18</td>
</tr>
<tr>
<td>2</td>
<td>origin of all ingredients</td>
<td>11.88</td>
</tr>
<tr>
<td>3</td>
<td>Origin of one ingredient, at least</td>
<td>11.68</td>
</tr>
<tr>
<td>4</td>
<td>compliance with hygienic rules</td>
<td>11.35</td>
</tr>
<tr>
<td>5</td>
<td>Taste</td>
<td>10.76</td>
</tr>
<tr>
<td>6</td>
<td>traditional method of production</td>
<td>8.88</td>
</tr>
<tr>
<td>7</td>
<td>the production or processing or preparation of take place in the defined geographical area.</td>
<td>8.00</td>
</tr>
<tr>
<td>8</td>
<td>healthiness</td>
<td>5.84</td>
</tr>
<tr>
<td>9</td>
<td>Quality of life of the local communities</td>
<td>3.84</td>
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<tr>
<td>10</td>
<td>Animal welfare friendly</td>
<td>3.03</td>
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<tr>
<td>11</td>
<td>Other</td>
<td>1.48</td>
</tr>
<tr>
<td>12</td>
<td>It is only a promotional strategy</td>
<td>0.46</td>
</tr>
</tbody>
</table>

THE UE LOGOS

ARE THE EU LOGOS AN EFFICIENT TOOL TO INFORM THE CONSUMER?
THE ECONOMIC THEORY

UE logos are supposed to reduce the asymmetric information.

- Asymmetric info leads to opportunism, whereby informed person benefits at expense of those with less info.
- Types of opportunistic behavior: moral hazard and adverse selection.
- Adverse selection reduces size of a market and global welfare and, possibly, eliminate the market (Akerlof, 1970).

HIGH QUALITY PRODUCTS ARE OUT OF THE MARKET.
THE EMPIRICAL EVIDENCE

- Food crises.
- The raising of life standards.
- An increasing awareness of consumers' rights.

New consumers’ expectations require effective answers.
THE EVOLUTION OF THE CAP OVER 50 YEARS

<table>
<thead>
<tr>
<th>Productivity</th>
<th>Competitiveness</th>
<th>Sustainability</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food security</td>
<td>Over production</td>
<td>Reduced surpluses</td>
<td>Deepening the reform process</td>
</tr>
<tr>
<td>Improving productivity</td>
<td>Exploding expenditure</td>
<td>Environment</td>
<td>Competitiveness</td>
</tr>
<tr>
<td>Market-stabilisation</td>
<td>International friction</td>
<td>Income stabilisation</td>
<td>Rural development</td>
</tr>
<tr>
<td>Income support</td>
<td>Structural measures</td>
<td>Budget stabilisation</td>
<td>Environment</td>
</tr>
</tbody>
</table>

Source: adapted from European Commission – Agriculture and Rural Development
CAP - WINE CMO REFORM, 2008

Source: European Commission – Agriculture and Rural Development
... “Quality is about meeting consumer expectations”...

The aim of the Green Paper
The Commission has decided to launch a reflection on how to ensure the most suitable policy and regulatory framework to protect and promote quality of agricultural products, without creating additional costs or burdens. As a first step, it launched a wide consultation on whether the existing instruments are adequate, or how they could be improved and what new initiatives could be considered.

12 categories of respondent

560 contributions received from 31 countries
THE MAIN MESSAGES FROM STAKEHOLDERS

- strong support for the EU’s main quality schemes (geographical indications and organic farming) and marketing standards;
- simplification and streamlining;
- urge greater use of place of farming labelling.
THE MAIN ISSUES AND THE COMMISSION APPROACH

Information: to improve communication between farmers, buyers and consumers about agricultural product qualities.

Coherence: to increase the coherence of EU agricultural product quality policy instruments.

Complexity: to make it easier for farmers, producers and consumers to use and understand the various schemes and labelling terms.

THE COMMISSION APPROACH

- For certification-type schemes, the development of guidelines for good functioning of certification schemes, and ensuring coherence of any new EU schemes.

- For labelling-type measures, development of EU marketing standards within the single Common Market Organisation.
Both certification and labelling can show that a product meets baseline standards. They can also both be used to indicate value-adding qualities beyond baseline standards — either product characteristics or farming attributes.
QUALITY AND ASSURANCE CERTIFICATION SCHEMES AND MARKETING STANDARDS

- **EU agricultural product quality schemes**: geographical indications, traditional specialities guaranteed, organic farming scheme, product of the EU’s outermost regions.
- **Private and national food quality certification schemes**: value-adding product characteristics and farming attributes.

<table>
<thead>
<tr>
<th>EU marketing standards and product directives:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- <strong>product classes</strong>, e.g. 'extra', 'class 1'</td>
</tr>
<tr>
<td>- <strong>origin</strong> / place of farming</td>
</tr>
<tr>
<td>- <strong>product identities</strong>, e.g. 'milk', 'chocolate'</td>
</tr>
</tbody>
</table>

- **Reserved terms** in EU marketing standards:
  - e.g. 'traditional method' sparkling wine,
  - 'free range' eggs.

- **Private and national logos** and brands (non-certified) indicating product characteristics and farming attributes, e.g. 'product from national park'.

Scheme / Certification — Labelling

Differentiation — Baseline
MARKETING STANDARDS DEVELOPMENT (1)

GENERAL BASIC STANDARD
Compulsory rules could be laid out in a **general basic marketing standard**. This would cover those matters where a voluntary approach might distort the single market or compulsory labelling is necessary to provide consumers with basic information about products.

PLACE-OF-FARMING LABELLING
To respond to many consumers’ and farmers’ preferences for labelling that identifies the place where agricultural product was farmed, the Commission will consider appropriate labelling, while taking into account the specificities of some sectors, in particular concerning processed agricultural products.
MARKETING STANDARDS DEVELOPMENT (2)

OPTIONAL RESERVED TERMS
Where it is necessary to define information about product qualities for consumers (e.g. ‘first cold pressed’ extra virgin and virgin olive oil). As a possible alternative to EU legislation, the Commission will investigate further the option of using CEN, the European Committee for Standardisation, for detailed rules of this type.
In addition, the Commission will examine the feasibility of laying down specific optional reserved terms for ‘product of mountain farming’ and ‘traditional product’
One way of setting more appropriate marketing standards could be to ask stakeholders to develop the rules themselves.

INTERNATIONAL STANDARDS
The Commission will continue to refer to and contribute actively to the development of international standards.
EU organic legislation was revised in 2007.

- A new EU organic logo applied obligatorily to all EU farmed products this year.
- A report on the application of the new regulation will be presented to Council and Parliament in 2011.
- In order to foster trade in organic products, the Commission will seek mutual recognition of organic standards with non-EU countries and will contribute to the development of the Codex Alimentarius organic guideline.
ANIMAL WELFARE LABELLING AND ECOLABEL

The Commission is considering the possibility to develop a framework for animal welfare labelling and to extend the Ecolabel to food and feed. Council has asked the Commission to look at labelling options in the complex area of carbon footprint. Stakeholders have proposed further EU schemes particularly in the environmental sphere, such as product of high-nature value farming.
THE CONSUMER PROTECTION: THE COMPULSORY SIDE

The General Food Law
Reg. EC n°178/2002

The Hygiene Package
Reg. EC 2073/05 - 2074/05: “Microbiological standards and traditional productions”

Regulation (EC) 1829/2003 on genetically modified food and feed

Food Labelling
DIRECTIVE 2000/13/EC

Nutritional claims
Regulation (EC) 1924/2006
CONCLUSIONS

The consultation has shown that some proposals of the Green Paper are controversial (in particular, the obligatory indication of the place of origin of primary products).

The Green Paper doesn’t mention the need of planning of production for quality (PDO/PGI’s) products, which is a critical tool to guarantee the adequate income to producers and to avoid the “adverse selection”.

The Green Paper raises some questions:

- are the instruments proposed a way to improve quality or to increase information?
- who is going to support the financial burden of the new policy (consumers versus citizens)?
- will the new policy provide efficient tools to the European agri-food system in competing with third countries products?
- will this strategy affect the structure of the European agri-food chains?
Thank you for your attention

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