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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

on agricultural product quality policy

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1. INTRODUCTION

Buying food and drink produced in the EU means buying quality, chosen from a rich diversity of products reflecting the different traditions and regions in the Community. Consumers around the world know this: the EU's agri-food sector has a reputation for high quality thanks to decades or even centuries of hard work, investment, innovation and attention to excellence.

This tradition of high quality operates in several ways. At a basic level, all farmers in the EU are legally bound to respect some of the most stringent farming requirements in the world. Among other things, these relate to environmental protection, animal welfare and the use of pesticides and veterinary products. Beyond these 'baseline' requirements, farmers and food producers use their expertise and imagination to give their products other, individual qualities valued by consumers.

This quest for quality is a vital part of the EU agri-food sector's strategy in the global marketplace. The EU remains an important producer of basic commodities, but the lion's share (two thirds by value) of its annual agri-food exports worth around €70 billion a year are 'finished products', such as meat, dairy products, wine and vegetable oils.

The EU's agri-food sector will need to build on this approach in the years ahead to sustain its competitiveness and profitability. For farmers as for food producers, doing this means two things: first, offering products with the qualities that customers want; and second, informing customers clearly about the qualities of their products.

2. CURRENT AGRICULTURAL PRODUCT QUALITY MEASURES

An essential goal of agricultural quality policy is to inform buyers and consumers about product characteristics and farming attributes[1]. Unless buyers and consumers have accurate, useful and guaranteed information about these characteristics and attributes, they cannot be expected to pay a fair price.

Agricultural quality policy has evolved over time. However, this evolution has taken place on a piecemeal basis — instrument by instrument, sector by sector. Combining the various instruments into a more coherent whole and developing the overall policy would help it to deliver even stronger results. This further development must be sufficiently flexible, take account of the private and national schemes that dominate the market and ensure innovation. The full picture is shown in Figure 1.

Schemes can be either '**certification**-type' or '**labelling**-type'. Certification is best when the undertakings made are complex; these are usually laid down in a detailed specification and checked periodically (e.g. annually), for example by a certifying body. Labelling measures are best for relatively straightforward claims that are normally self-declared by producers and subject to official controls.

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[1] Agricultural product 'qualities' includes both 'product characteristics' (physical, chemical, microbiological and organoleptic features – size, appearance, taste, look, ingredients, etc.) and 'farming attributes' (production method, type of animal husbandry, use of processing techniques, place of farming and of production, etc.).

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.

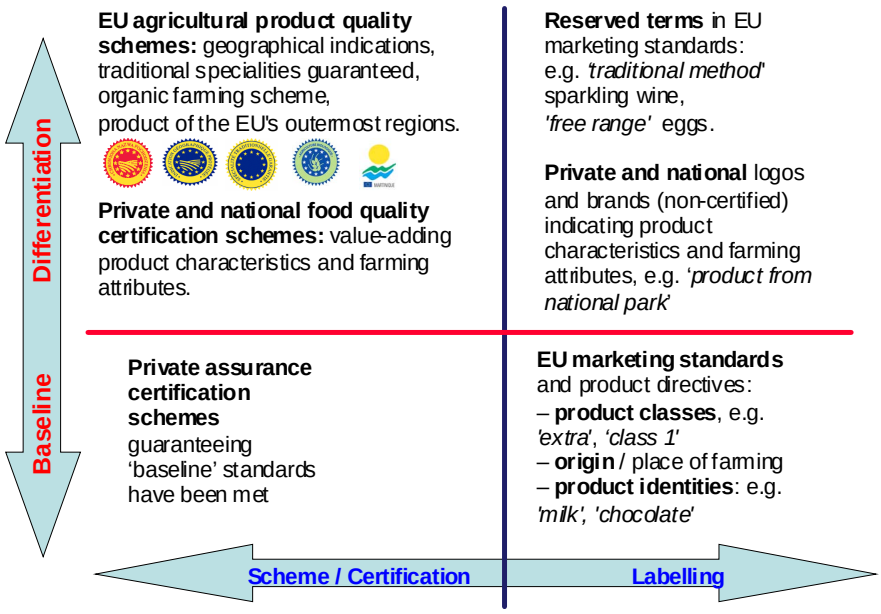

Figure 1. Quality and assurance certification schemes and marketing standards

3. POLICY DEVELOPMENT

Consultations on the development of agricultural product quality policy began in 2006 with a stakeholder hearing[2], followed by a conference in Brussels[3] on 5-6 February 2007. The Commission also launched policy reviews of the schemes for geographical indications for agricultural products and foodstuffs and for traditional specialities guaranteed. This work culminated in the Green Paper[4] consultation and the High Level Conference on Agricultural Product Quality held in Prague[5] on 12-13 March 2009.

The main messages from stakeholders included strong support for the EU's main quality schemes (**geographical indications** and **organic farming**) and **marketing standards**, but also called for simplification and streamlining. Farmers, producers and consumers urged greater use of **place of farming** labelling. On the other hand, processors and retailers warned that it can be difficult to track the farming origins of ingredients in processed foodstuffs. For all schemes — EU, private and national — defence of the single market and simplification

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2 11-12.5.2006, Brussels. http://foodqualityschemes.jrc.ec.europa.eu/en/documents/ReportSTKHHearing_final.pdf

3 http://ec.europa.eu/agriculture/events/qualityconference/index_en.htm

4 Green Paper on agricultural product quality: product standards, farming requirements and quality schemes – COM(2008) 641, 15.10.2008.

5 Conference conclusions, see Council document, Brussels, 18 March 2009, No 7696/09, AGRI 114, http://register.consilium.europa.eu/pdf/en/09/st07/st07696.en09.pdf

were also strong messages. Some stakeholders, especially processors, warned against developing incoherent schemes that could cause confusion in the marketplace.

In the light of these consultations and examination of the current measures, the Commission has identified three main issues to be addressed in developing agricultural product quality policy, namely:

– **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 strategic orientations set out in this Communication will now form the focus of the Commission's debate on future policy. Agricultural product quality policy should contribute to achievement of the objectives of the CAP. In particular, sustainability of farming systems should be further enhanced through quality policy, and the farming attributes of products of such systems should be better known and communicated to citizens and consumers.

Against this background, it is proposed to develop agricultural product quality policy through a structured approach (see Figure 2), comprising:

– For certification-type schemes, the development of **guidelines** for good functioning of certification schemes, and ensuring coherence of any new EU schemes[6].

– For labelling-type measures, development of EU **marketing standards** within the single Common Market Organisation.

In addition, existing EU schemes and marketing standards should be simplified and clarified wherever possible.

[6] Stakeholder comments concerned notably the introduction of the *Ecolabel* and its potential overlap with the existing organic scheme. The Commission will undertake a study on this question. In addition, Commission is working on Communications on Fair Trade and Animal Welfare Labelling, and plans to introduce minimum criteria for voluntary sustainable fisheries labels.

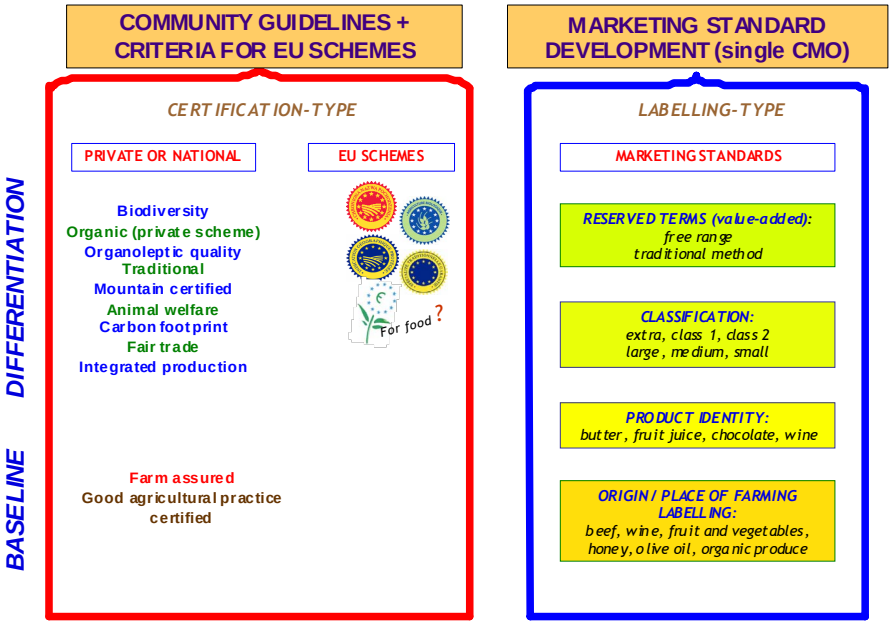

Figure 2. Structure for development of agricultural quality and assurance certification schemes and marketing standards

4. EU AGRICULTURAL QUALITY MEASURES

4.1. EU farming requirements

The Green Paper asked how farmers can best show that they have complied with basic EU requirements, such as environmental rules, animal welfare standards, and strict controls on use of pesticides and animal health products. Two possibilities were raised: an 'EU requirements' label or logo, or obligatory place-of-farming labelling.

An 'EU requirements' label would be shown on all products (EU or imported) that had been farmed in line with EU minimum requirements. In the Green Paper responses, the overwhelming view from consumers, farmers, processors and retailers and others, was opposed to such a label.

On the other hand, many respondents supported greater use of place-of-farming labelling as giving useful basic information about agricultural products. This is taken up in the next section on marketing standards.

4.2. Marketing standards

Marketing standards and product directives contain technical descriptions of agricultural products, their composition, characteristics and the production methods used. Fisheries products are also covered by a specific marketing regime. They have been adopted not only

by the EU, but also by multilateral bodies[7]. There are four types of information contained in marketing standards (see Box 1).

1. RESERVED TERMS:	Examples: ‘free range’ eggs; ‘barn’ eggs, 'first cold pressed' extra virgin and virgin olive oil, ‘traditional method’ sparkling wine
2. PRODUCT CLASSIFICATION:	Examples: fruit: extra, class 1, class 2 eggs: large, medium, small
3. PRODUCT IDENTITY:	Examples: definitions of butter, fruit juice, chocolate, wine, extra virgin olive oil
4. ORIGIN or PLACE OF FARMING LABELLING:	Examples: fruit and vegetables: place of harvest olive oil: place of harvest and of pressing

Box 1: Types of marketing standard

In their responses to the Green Paper, farmers and producers, processors, traders and retailers supported marketing standards, saying they are needed for sellers to demonstrate the quality of product they offer, and for purchasers to know what they are buying. However, there were also calls for simplification. EU marketing standards were criticised for being too detailed, too prescriptive — relying on compulsory rules when voluntary rules would suffice — and for being too cumbersome to adapt quickly to changing market circumstances.

Many respondents to the Green Paper also wanted ‘optional reserved terms’[8] to be developed, for example to define what can be called ‘mountain product’ and ‘low carbon’. In addition, consumers and farmers called for greater use of ‘place of farming’ labelling (see Box 2).

The Commission intends to address the following aspects of marketing standards:

– need for **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 within marketing standards for agricultural products, while taking into account the specificities of some sectors, in particular concerning processed agricultural products.

[7] e.g. *Codex Alimentarius Commission* and the UN Economic Commission for Europe (UN/ECE).

[8] ‘Optional’ reserved terms do not have to be used to describe product in commerce or on labels, but if they are used, the product must correspond to the definition laid down.

Place of farming labelling

A high proportion of consumers (over 60%) consider that it is important to receive origin or place-of-farming labelling, when specifically asked. Processors, traders and retailers are more sceptical, and point to considerable obstacles for multi-ingredient and other processed products, for example dairy products.[9]

Obligatory country of origin labelling and/or place of farming labelling has been introduced in Australia (all agricultural products and foodstuffs) and the US (selected agricultural product sectors), among other countries. In the EU, obligatory place of farming labelling applies to beef and veal, fruit and vegetables, eggs, poultry meat, wine, honey, olive oil (from 2009) and EU organic products (from 2010). Origin labelling also applies to aquaculture products.

Box 2: Demand for place of farming labelling

– **optional reserved terms**:

Optional reserved terms should be used 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' (see also section 4.5 below).

One way of setting more appropriate marketing standards could be to ask stakeholders to develop the rules themselves. This is already done for the development of industrial standards under CEN (see Box 3).

The European Committee for Standardisation (CEN)

CEN is a private entity with 30 national members, from EU Member States, and EFTA countries. CEN activities are the result of collective activities of stakeholders, manufacturers, users, research organizations, government departments, and consumers. CEN develops voluntary European Standards (ENs). These become the single common standard in all 30 countries. ENs help build a European Internal Market for goods and services and assist international trade.

Box 3: CEN

– **international standards**:

The Commission will continue to refer to and contribute actively to the development of international standards.

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9 'Place of farming' in the context of marketing standards refers to the place of harvest of crop products, birth and raising of livestock, the place of milking for dairy cows, and so on. 'Origin' may refer, in the case of a processed product, to the place of last substantial transformation, and therefore not necessarily to the 'place of farming' of the agricultural product. The horizontal regulation of labelling of origin and of provenance covering all food products is included within the Commission Proposal for a Regulation of the European Parliament and of the Council on the provision of food information to consumers – COM(2008) 40. This proposal is under consideration in the European Parliament and the Council.

4.3. Geographical indications

Geographical indications are names that identify products[10] as originating in a territory where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin[11]. The geographical indications schemes provide protection of intellectual property rights for products described by registered geographical indications; and marketing assistance, primarily by conveying information as to compliance with the geographical indication system. The schemes enhance the credibility of products in the eyes of consumers and enable fair competition between producers

There are three schemes (for wines, for spirit drinks, and for agricultural products and foodstuffs) and two instruments, the PDO (protected designation of origin) and the PGI (protected geographical indication).

Replies to the Green Paper and earlier stakeholder consultations showed widespread support for the EU geographical indications system and interest in better protection of EU geographical indications in non-EU countries. However, the geographical indication systems need to be looked at and simplified. Stakeholders pointed out the need to retain the reputation of products and ensure use of sustainable farming methods as well as a range of issues and possible improvements in the operation of current schemes. Greater clarity is needed in the relation between the different types of intellectual property and in the use of generic terms. Registration procedures are too long.

Representatives of producers of geographical indication products have called for greater rights and control over their use — for example, to control production (using quotas)[12], and to control the use of geographical indication names on the packaging of processed products.

In the Commission's view, while the EU geographical indications system is essentially sound and delivers benefits to consumers and producers, the need for simplification, greater clarity and streamlining warrant a legislative reform. It is also true that not all the registered geographical indications have a reputation and a commercial potential that transcend national borders. The Commission will therefore prepare the ground for a possible **recast of the geographical indications legislation** on the following lines:

– Simplification: further consideration should be given to bringing together the three systems for wines, spirits, and agricultural products and foodstuffs into a single regulatory structure, while preserving the specificities of each system. Further simplification options should be examined: maybe merging the existing PDO and PGI instruments and providing for different levels of EU protection. Any new system should preserve the link with the area of production, the collective nature of the geographical indication, and guarantee EU recognition. It should keep aiming at improving consumer recognition of geographical indications and ensuring efficient enforcement and promotion of a credible system of geographical indications.

– Clarification of intellectual property rights, and particularly the relation between different types of intellectual property;

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10 The geographical indication system covers also fisheries products.

11 As defined in WTO TRIPS Agreement Article 22(1).

12 The Commission will prepare a report of the impact of ending milk quotas on production and marketing of cheese covered by geographical indications.

– Generic terms (i.e. names that have become the common name for an agricultural product or foodstuff): the Commission will consider whether any clarifications are needed, in particular in identifying generic terms and the scope of protection of registered geographical indications on some generic terms;

– Information where necessary on the place of farming of raw materials where this is different from the place indicated by the geographical indication;

– Possible extension of certification requirements to different operators in the supply chain (such as importers and distributors) as is the case for organic products.

On several issues, the Commission concludes that **guidelines** need to be developed on:

– using geographical indications as advertised ingredients on the labels of processed products;

– encouraging producer groups to include sustainability criteria in product specifications.

In the **international** context, the geographical indications system is well established in the EU and in many non-EU countries. However, in some trading partners, specific legislation does not exist or EU names are not widely protected within the non-EU-country systems. The Commission proposes:

– to seek enhanced protection in non-EU countries through improvements to the WTO agreement, and through bilateral agreements with trading partners;

– to include geographical indications in the scope of the 'Anti-counterfeiting trade agreement' as well as the forthcoming 'European observatory on counterfeiting and piracy';

– that non-EU geographical indications protected in the EU from bilateral agreements are protected in principle in official EU register(s).

Finally, the Commission wants to shorten processes by **streamlining administrative procedures**: although registration periods have improved considerably since 2006, the Commission intends to reduce delays by completing its analysis and reaching the final decision more quickly, partly by early rejection of clearly insufficient submissions, whilst fully observing the regulations in force.

4.4. Organic farming

Since 1991, the EU organic farming regulation has protected the identity and the added value of the '*organic*', '*biological*', '*ecological*', '*eco*' and '*bio*' labels. Organic farming is defined in EU legislation and at international level in a *Codex Alimentarius* guideline. This means consumers can be confident of the quality of organic products and it facilitates trade in the single market and with non-EU countries.

EU organic legislation was revised[13] in 2007 as part of the 2004 Organic Action Plan. But the level of market segmentation along national lines is a persistent problem in the EU, partly due

[13] Inter alia, the regulation now covers aquaculture.

to the lack of mutual acceptance between private organic labelling schemes and a proliferation of organic logos.

The Commission plans the following developments for organic farming policy:

– a new EU organic logo is under development. It will apply obligatorily to all EU farmed products from 2010, and should help to break down barriers to trade in organic products in the single market;

– 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.

4.5. Traditional specialities

The EU scheme for registration of 'traditional specialities guaranteed' was intended to identify and protect the names of traditional products. However, with only 20 registrations since 1992, it has clearly failed to reach its potential. Despite the low take-up, responses from stakeholders to consultations have revealed support for the current scheme.

The Commission proposes to investigate the feasibility of introducing the term 'traditional product' as a reserved term defined within marketing standards (see section 4.2 above) and abolishing the current scheme.

5. DEVELOPMENT OF EU FRAMEWORK FOR QUALITY POLICY

5.1. Coherence of new EU schemes

In addition to the existing EU quality schemes, the Commission is considering the possibility to develop a framework for animal welfare labelling and, subject to a feasibility study, will 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 Commission intends to ensure coherence of future EU agricultural product quality schemes and initiatives by proactively assessing the value added and advisability of any new schemes such as those mentioned above in collaboration with all services concerned.

5.2. Guidelines for private and national food 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 stakeholders have argued that private schemes can have drawbacks: threats to the single market, questions as to the transparency of schemes (and credibility of the claims) particularly for schemes that certify to baseline requirements, 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[14], especially with developing countries (see Box 4).

Developing countries

Private certification schemes can act as catalysts for developing country access to the EU market. Viewed positively, private schemes present an opportunity that developing countries can use to their advantage by providing a common language within the supply chain and gaining the confidence of EU consumers in food product quality. The need to comply with standards can act as an incentive for the modernisation of developing countries' export supply chains. It is also argued that increased attention to the adoption of 'good practices' in agriculture and food manufacture could also benefit the domestic population, producers, and the environment.

On the other hand, private scheme requirements can be difficult to meet for some producers in certain developing countries. In the light of compliance costs, international donor assistance plays an important role in securing participation of small and medium-sized businesses, and smallholder farmers in developing countries.

Box 4. Food quality certification schemes in the international context

On the positive side, the Commission notes that the issue of consumer confusion arising from different schemes with similar objectives is being taken up by initiatives such as the ISEAL Code of Good Practice[15], which claims to be the international reference for setting credible voluntary social and environmental standards. Moreover, proponents of existing schemes claim they have already taken major steps to harmonise.

In the light of these developments and stakeholder comments in response to the Green Paper, the Commission does not support legislation for private and national certification schemes at this stage. While recognising the private status of schemes, the Commission plans to develop good practice guidelines for the operation of schemes relating to agricultural product quality. The guidelines will be drawn up in consultation with stakeholders.

6. CONCLUSION

The strategic orientations set out in this Communication offer a logical framework for the future policy on agricultural product quality. Comments from the other Institutions but also from stakeholders will help to further refine and clarify these suggestions.

Taking into account comments on this Communication, and in the light of any further analysis where necessary, the Commission will:

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14 Discussions on private standards are ongoing in the WTO SPS (sanitary and phytosanitary) Committee.

15 The ISEAL Alliance defines and codifies best practice at international level for the design and implementation of social and environmental standards.

- develop guidelines for agricultural product quality certification schemes in consultation with the Advisory Group on Quality;
- prepare the ground for possible legislative initiatives on geographical indications, traditional specialities guaranteed, and marketing standards, including optional reserved terms;
- investigate the potential for using the CEN standard setting body;
- improve recognition of EU quality schemes in non-EU countries.

This overall approach and practical steps should, in the medium term, improve communication between farmers, buyers and consumers on the quality of agricultural products, unify EU rules on agricultural product quality, and simplify schemes and labels.