

STUDY ON THE SUSTAINABILITY OF SMALL AND MEDIUM GIS

EXECUTIVE SUMMARY

Content

Study on the sustainability of small and medium GIS	1
Structure of the study.....	2
Objectives of the study.....	2
Part one: introduction and context.....	3
Part two: data collection and analysis	4
Part three: the questionnaire for regions & results	5
Part Four: case studies & results	6
Part five: conclusion and policy recommendations.....	7

STRUCTURE OF THE STUDY

The study is divided into five main parts.

1. **The introduction** aims to **contextualise the concept of sustainability**, providing the most widely accepted definitions in the literature and by Institutions. The theme of sustainability is addressed under the economic, social and environmental dimensions.
In addition, the introduction explains the **relevant legislative context**, highlighting any European Union policies or strategies that take sustainability into account and involve GIs.
2. **The first part** shows the work of **data** collection and analysis carried out on 489 GIs belonging to some AREPO member regions. This phase serves to understand the size of GI systems and their economic-productive characteristics, confirming some conclusions of the studies carried out by EU and national bodies and Institutions.
3. **The second part** of the study presents **the questionnaire** submitted to AREPO member regions **and the analysis of the answers received**. The questionnaire served to understand the regions' perception of small and medium-sized GIs. In addition, it pointed out the virtuous strategies already in place in some regions to support GIs in difficulty.
4. **The third part** involves six small and medium-sized GIs at EU level. With the support of the regions, six GIs were selected and contacted to conduct **case studies** and to investigate in depth the challenges they face from the producers' point of view.
5. **Lastly, the conclusions** are the tool to condense the study's main findings and provide **policy and technical recommendations** addressed to EU Institutions, regions, and producer organisations. Laying stress on good practices and providing suggestions can be the first step in setting up an effective strategy to support small and medium-sized GIs in difficulty.

OBJECTIVES OF THE STUDY

The study stems from some AREPO member regions' requests to investigate the sustainability of small and medium GIs. Specifically, the question arises from the study commissioned by the European Commission (EC) entitled [study on the economic value of EU quality schemes, geographical indications \(GI\) and traditional specialities guaranteed \(TSG\)](#).

This study highlights the GI sector's great potential, confirming its positive impact as a tool for rural and territorial development.

The positive impact mainly concerns the increase in income for producers, the development of a labour-intensive sector, the encouragement of production diversification and support for promotion. There are also **positive externalities**, such as the preservation of traditions, cultural reinforcement, the structuring of an active social network, coordination between producers and other players in the chain, the creation of governance structures, the encouragement of tourism, territorial marketing, the protection of intellectual property rights, the encouragement of fair competition for producers, the preservation of landscapes, etc.

However, **negative elements** emerge from this study as well as literature, showing **substantial sector disparities**. The disparities are highlighted mainly at the economic production level and concern disparities between Member States (MS), regional disparities and also disparities within production categories and sectors.

Economic production data serve as indicators that there are gaps in some mechanisms that deserve to be highlighted for possible intervention.

Therefore, the study aims to investigate the **inhomogeneity of supply chain systems at different levels, to understand the reasons that undermine the sustainability of GI supply chains** (especially small and medium GIs) and investigate why some GIs become unproductive over time.

At the conclusion of the study, **AREPO's objective is to provide guidelines and policy recommendations** for possible strategies to be implemented and to support an all-around sustainability for small and medium-sized GIs.

PART ONE: INTRODUCTION AND CONTEXT

The concept of sustainability is one of the most up-to-date and finds application in many areas, not just agriculture and food.

The idea of sustainability is comprehensive and does not have a single definition. In the literature and for Institutions, reference is often made to a definition published in the report "[Our Common Future](#)" by the World Commission on environment and development of the United Nations Environment Programme. **Sustainable development** is defined as "*development that ensures that the needs of the present generation are met without compromising the ability of future generations to meet their own needs*".

On the other hand, the most recent definitions mainly concern publications by Institutions, but no precise definition exists at the EU level. Below, you will find an overview of the sustainability definitions from the consulted literature related to the food field.

Economic sustainability: guaranteeing economic efficiency and income for businesses. The system must produce income and **long-term work**, benefiting producers throughout the production chain, from producer to consumer. On an economic level, sustainability and sustainable development refer to **smart business growth**, with long-term planning, action on cost-cutting and **investment in research and development**.

Social sustainability: ensuring citizens' quality of life, security, safety and services. Social sustainability is achieved by **strengthening social cohesion** and enabling all citizens to participate, creating connections and networks between and among producers and consumers. **Creating networks** between the various stakeholders strengthens the social net and consumer awareness of being part of a quality system. The GI system also impacts the **educational field** by attracting young people to production and encouraging generational change. In addition, social sustainability also cares about fair opportunities, considers ethics and promotes community development. The concept of social sustainability also includes the **nutritional aspect** and appropriate communication to the consumer.

Environmental sustainability: ensuring the availability and quality of natural resources, respecting the environment in all its forms, and implementing a kind of **renewable resilience to new climate challenges**, now exacerbated by human action. The pillars of environmental sustainability in food concern the reduced use of land and resources such as water and energy, **reducing food waste, preserving landscapes, and maintaining biodiversity** and environmental protection.

The intersection of concepts leads to an even different point of view:

- **Economic and Social Sustainability:** The intersection of the two visions of sustainability emphasises fair taxation, business ethics, trade, workers' rights and sustainable governance (i.e., everything related to management groups at multiple levels, from institutions to producer organisations).
- **Social and Environmental sustainability:** the intersection leads to the enhancement of respect for the environment and the places we live in, public involvement in positive environmental actions, reporting & publishing.
- **Environmental and Economic sustainability:** the intersection of these two concepts leads to the enhancement of energy efficiency in production, the development and use of specific subsidies and all actions, including carbon credits, to promote emissions reduction.

At the EU legislative level, numerous strategies and policies are already in place to foster the sustainability of agri-food production systems.

Mention is made of the actions defined by the **Common Agricultural Policy, the Farm to Fork strategy, the food labelling policy, the organic farming policy, the long-term vision for rural areas, the carbon farming policies, the food safety policies, the European Beating Cancer Plan, the promotion policy, the plan on intellectual property action, and the trade policy.**

PART TWO: DATA COLLECTION AND ANALYSIS

The second part analyses the data presented by the study mentioned above and commissioned by the EC.

At the production and economic level, it is shown that in 2017 nine products, corresponding to 0.3% of the total number of GIs registered in the EU, accounted for 27% of the total sales value.

Therefore, twenty-four agri-food products account for 42% of the total sales value. 90% of agri-food GIs represent 40% of the sales value.

The dominant sectors are **dairy** (considering that most of the turnover is related to cheese), **meat products** and **beer**.

The term small and medium GI refers to the economic size and production area. Considering the agri-food sector exclusively, small scale GIs/TSGs cover the value chains with less than 1 million euros in sales value. In 2017, they accounted for 48% of the total number of EU GIs (about 1,600), only 0.5% of total sales value under GI (for an economic value of 418 million euros).

The study then collected data updated to 2019-2020 on 489 GIs belonging to twenty-two different European regions from four MS. The data collected **concern geographical and descriptive data** (geography, product, GI, category, governance, area), **production data** (area/number of producers, quantity produced, regional quantity, certified production, exported quantity) and **economic data** (turnover, export revenues, prices of origin and final price, regional value).

According to the data collected, **disparities are confirmed.** In the different regions, the dominant sectors are cheese, meat, and beer, but there are disparities among GIs and among regions and MS.

Figures showed that the current system is very effective for GIs involving a large number of producers and having a high rate of chain coordination. However, it has shortcomings where GI chains are "small". **The disparities between the various GI sectors then lead to difficulties in evaluation.**

At the MS level, based on 2017 data, France and Italy have a GI-related economic value of more than 10 billion, Germany and Spain have a value between 5 and 10 billion, while the remaining 19 MS with a GI-related economic value of less than 1 billion.

The main results can therefore be summarised as follows:

- Economic-productive **inequality within the same region**;
- Economic-productive **inequality among sectors** (both within the same region and among different regions);
- **Uneven distribution of GIs among the Member States**;
- **Low export levels**: most GIs only market the product in one area, within the region and at most on the national market;
- Several producers produce according to product specifications but do not certify;
- Several GIs have a deficient production and economic volumes;
- Some GIs are in decline or have been unproductive for years.

PART THREE: THE QUESTIONNAIRE FOR REGIONS & RESULTS

The questionnaire was constructed to understand the regions' perceptions of small and medium-sized GIs.

The questionnaire is divided into three main parts with different objectives:

- **"ECONOMIC STATUS - SMALL GIs AT RISK OF DISAPPEARANCE"**. After a brief introduction to economic and production data, the representatives of the regions were invited to answer questions related to the perception of small GIs. In some cases, some GIs have disappeared by ceasing production or by deciding to no longer certify the product.
- **PROTECTION AND STRATEGY**. The representatives of the regions were called to indicate what they consider the priorities in protecting GIs and which are the most relevant fields of intervention.
- **SUGGESTIONS**. The representatives of the regions were requested to express their opinions, suggest solutions, and provide information on current good practices.

The questionnaire is structured into 39 questions: closed, semi-closed and open questions. **20** AREPO member regions from Greece, France, Italy, Spain, and Germany provided very detailed answers.

The regions have indicated **more than fifty geographical indications that have disappeared or are in extreme difficulty**.

According to the regions, the three main reasons for small and medium-sized geographical indications disappearance are:

- 1) **The lack of economic sustainability.**
- 2) **The lack of a common promotion strategy.**
- 3) **The certification cost is too high in relation to revenue.**

To complete the overview, another perceived problem is the **lack of generational change**.

In addition, the survey reveals points of view that have not yet been considered, such as **producers' lack of confidence** in GIs system and the **lack of flexibility in the bureaucratic system**. This concerns, in particular, the lack of flexibility in the bureaucratic procedures for requests for amendments to product specifications.

Most regions think that **GIs at risk of disappearing should receive more institutional support**, although in some cases, it is indicated that they already receive subsidies from the regional authorities. Several strategies, mainly economic support, are already in place.

The regions think it is necessary to **implement a strategy dedicated to this sector**, but they do not all agree on an EU strategy. **Actions are mainly seen as local, tailor-made for the territory and the production sector under consideration.**

Some regions stress that **climate change is not a factor to underestimate**. Often producers, especially those dealing with agriculture and fruit growing products, face climatic disasters that cause them to lose a large part of their production.

Finally, the regions suggested the following:

- To give more support to small and medium-sized GIs;
- To **accompany small and medium-sized GIs through sustainable development;**
- To **invest in education and training** (both for producers and consumers);
- To **make more significant investments in communication and promotion;**
- To **support a reduction of bureaucracy;**
- To **stimulate the collection of more data** to gain a deeper understanding of GI supply chains;
- To **promote the exchange of good practices.**

PART FOUR: CASE STUDIES & RESULTS

Six case studies were selected to obtain the producers' point of view. The selection was made in collaboration with regional ministries.

The choice of the production chains for case studies respected the following criteria: **homogeneity of size** (micro, small and medium productions), **homogeneity of denomination** (DOP/IGP), **nature of the product** (processed/semi-processed/fresh), and **homogeneity of origin** (among AREPO member regions). The aim was to **have a balance within the case studies and to understand if some issues were only specific to some types of products.**

The interviews lasted, on average, one hour and were structured according to precise logic.

Product presentation:

In the first part, **general questions were asked to understand the product and the supply chain**. Questions concerned the production chain structure, notably the economic and production data for the last year (turnover, production volume, sales price, shelf price, differences with non-certified products, trends in recent years, etc.). The intention was to explore the governance structure and the dynamics between actors.

Economic sustainability:

From an economic perspective, the aim was to understand costs and issues on the production side.

Social sustainability:

The objective was to understand the production structure, the links, the relationships with consumers, the activities to promote tourism and the involvement of young people to promote generational change.

Environmental sustainability:

The questions' purpose was to understand the extent of the effects of climate change, the impact of pesticide and fertiliser use and the relationship with organic production.

Governance sustainability:

Finally, the objective was to understand the functioning of producer organisations and the link with local and regional bodies and authorities. The final aim was to understand the type of support they receive and the degree of involvement of these organisations.

The case studies analysed are: **Gata-Hurdes PDO** (Extra Virgin Olive Oil) and **Patatas de Prades PGI** (Potatoes) for Spain, **Höri Bülle PGI** (Onion) for Germany, **Marrone di Caprese Michelangelo PDO** (Chestnut) for Italy, **Pefkothymaromelo Kritis PDO** (Honey) for Greece and **Valençay PDO** (Goat Cheese) for France.

The results are partly discordant with the views of the regions. This simply denotes different priorities, and it is not a sign of discordance or information asymmetry.

Producers, laid stress on the lack of **governance sustainability**. This is brought about by producers' low level of involvement in the GI chain and system and a low level of coordination among them. Where governance is weak or non-existent, the whole chain suffers.

In addition, there are problems related to economic sustainability due to the cost of certification and the **difficulty of investing in the promotion**.

In some cases, the lack of generational change, bureaucracy's complexity and the associated burdens are highlighted.

Some producers observe changes in the impact of environment and climate on their production. However, from the point of view of environmental sustainability, there is a low perception of the problem. More support and accompanying measures are needed from the regions, to raise awareness and make people understand the potential of this aspect.

PART FIVE: CONCLUSION AND POLICY RECOMMENDATIONS

In the light of the results delivered by this research, **AREPO proposed the following recommendations:**

- **To strengthen producer groups:** In order to reduce the polarisation of bargaining power, producer groups must be strengthened and encouraged to invest in the supply chain. This process must also be addressed by improving producers' sense of trust in the GI system. Furthermore, education and training can be powerful tools to create robust producer groups with good market positioning and the ability to convey a territorial image.
- **To streamline the bureaucratic procedures.**
- **To implement a definition of sustainability to be referred to in EU legislation.**
- **To increase the availability of administrative and statistical data on the PDO/PGI scheme at the EU and the Member States levels:** data analysis is the first step towards clear monitoring of the development of the GI and consequently of the territory. It is advisable to encourage data collection and sharing, especially among regions, research bodies and institutions.
- **To invest in research on GIs.**

- **To support the potential of GIs in other related sectors:** introducing GIs into the policies of other sectors strongly linked with this type of production, e.g., tourism, public food procurement, promotion and conservation of biodiversity, ensures that the system's potential is fully developed and encourages small and medium-sized GIs to diversify their potential.
- **To continue to support the promotion policy for GI products:** maintaining and increasing an adequate budget for GI products, funding the implementation of small projects in order to reach more producers, increasing the EU co-financing rate, and simplifying participation and application procedures.
- **To create a forum of exchange on GIs:** it is advisable to create a table/committee/council/forum that meets throughout the year to support producers and management systems on local and topical issues.
- **To provide adequate support for digitalisation:** Encouraging the digital transition by instructing management systems and producers to digitise files, data, and practices to develop a streamlined bureaucratic process and reduce the information asymmetry between the production world and regional government bodies.
- **More education and raising awareness on the GI system.**
- **To stimulate the publication of tailor-made regional and local guides as supportive material for training targeting different actors in the supply chain:** the most relevant issues are coordination between producers, governance, access to public funds and the transition to sustainability.
- **To strengthen the exchange of good practice and information among the different actors in the system.**
- **Active communication campaigns:** enhancing communication on all product features, including through promotion and education.
- **To strengthen governance at all levels.**
- **To support the integration of voluntary measures concerning environmental sustainability:** supporting producers towards a transition in line with the Green Deal and the Farm to Fork Strategy, helping them in understanding the concept of environmental sustainability and how to apply it.