MINUTES OF THE 1ST VIRTUAL MEETING OF THE WORKING GROUP OF AREPO BOARD OF THE REGIONS ON

PUBLIC REGIONAL QUALITY SCHEMES

On February 8th, 2024, from 10:00 to 12:00, AREPO held on Zoom the first virtual meeting of the working group of the Board of the Regions on public regional quality schemes. Chaired by Euskadi, which expressed its interest towards the topic, and moderated by AREPO Secretary General, around 25 AREPO members participated in this meeting.

Its aim was to share experiences from regions, challenges as well as valorisation strategies in order to build upon some common elements a secure public legal framework around regional quality systems.

Interpretation in English, French, Italian and Spanish was provided to facilitate the exchange.

Introduction

AREPO Secretary General, Laurent Gomez, introduced the agenda of the meeting and set the scene for the exchange. Particularly, he reminded how those systems differ according to the region and particularly to the country, as some regions have more powers and can create regional public quality systems and others cannot.

Other elements to be taken into account are the origin of raw materials and the possibility to receive public funding and support, such as through CAP funds. The latter may be a reason of tension with GI productions.

He then gave the floor to representatives from Euskadi to explain the reason why they proposed this work theme to AREPO and the aim of this activity.

1. Euskadi experience: the system of regional brands of differentiated quality and its problems. Situation and assessment from the regional administration, and the need to make it compatible with the existing framework of protected brands

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Euskadi was represented by **Mr Raul Perez Iratxeta**, Director of Quality and Food Industries for the Basque Government, and **Mr Josu Garaialde Martinez,** Director of Sectoral Promotion at HAZI foundation.

Firstly, they thanked AREPO and all the colleagues from other regions participating in the working group, then they introduced HAZI foundation. HAZI is a foundation created by the Basque government to coordinate and catalyse strategic projects to boost the competitiveness and sustainability of the food and forestry value chain, as well as to revitalise the rural and coastal areas of the Basque Country. Among other things it deals with the "Euskolabel", the Euskadi label for the regional brand that includes several product families.

They reminded that they proposed the topic to AREPO presidency during the 2023 General Assembly in Caceres (Extremadura). Their interest stems from a difficulty they are experiencing since a Basque operator filed a lawsuit against the regional government over the regional brand. As a matter of fact, regional brands or quality schemes do not have a European legal framework like the one existing for PDOs/PGIs, creating uncertainty.

They considered AREPO the appropriate forum where to discuss the subject, collect experiences and try to develop suggestions to back this system with a specific legal framework, different from the regulation on EU quality products, but able to support quality products at a lower level.

The presentation of the Euskadi experience focused on a problem of compatibility between the Regulation (EU) No. 1151/2012 and regional quality brands (brands that combine origin and quality under public ownership) that do not fall under the scope of the EU Regulation.

Several regional quality systems exist across EU regions and they are usually not being communicated to the European Commission (as required by Directive 2015/1535). As a result, except in situations of indirect communication or complaints, the Commission is not aware of their existence.

Usually, **when a situation of incompatibility arises, the Commission argue that the territorial delimitation of products and foods, if they are not recognized as a PDO/PGI, is a measure with an effect equivalent to a quantitative restriction on the free circulation of goods** (art 34 TFEU).

Colleagues representing the Basque country stated that this may vary from case to case, especially in those referring to products with low production volume and/or products with territorially restricted marketing who are interested in regional quality systems because more economically viable than being registered as a PDO/PGI due to the costs and administrative burdens of registering and maintaining such a quality scheme. For example, the only Euskadi GI with a low number of operators, Gernikako Piperra PGI, is struggling to keep production alive due to its low volume, low economic capacity and the competition of substitute foreign products. On the contrary, products covered under the Eusko Label umbrella remain or grow little and their outlet continues to be the internal Basque market, not exceeding 10% of the consumption of the product category on the domestic market.

It should also be noted that in Basque Country (and given the extension of these regional quality schemes, probably also in other regions), these schemes are tools to promote the maintenance of agricultural and livestock activity, to prevent its disappearance, and often represent sustainable production models that respect the environment.

All this considered, **the Basque government believes that regional quality schemes should be able to be supported by a specific legal framework, creating a regulated subsystem parallel to the GIs, with no competition for them, and providing for specific criteria and limits to be recognised**. Below some proposals made by representatives from Euskadi for the following debate:

1. Firstly, it should establish conditions to create a regional quality scheme, preventing it from incurring incompatibility with art. 34, TFEU, **to not affect the free market or alter competition rules and not affect or limit the marketing and sale of other products with different origin;**
2. It should establish a **maximum number of individual operators;**
3. It should establish **a geographic limitation of the marketing**, focusing on the regional level;
4. It should establish a maximum share of production in the total consumption of its category in its natural geographic market.

At the end of the presentation, the moderator asked for more information about the Spanish GI sector position on this topic, since the association of Spanish GI producers, Origen ES, raised some concerns and opposed to regional quality schemes. Representatives from Euskadi replied that it is important to understand that regional quality schemes do not have less quality requirements than PDOs/PGIs and that the recognition of a PDO/PGI doesn't establish a priority over other products, they shouldn't become a tool for monopolies and market domination, thus limiting the circulation of other goods. However, it is important that there is no confusion between the systems (geographical name, logo, etc.).

2. Bavaria experience: The necessary conditions expected by the EU Commission for public aids regarding regional quality schemes. What are the success factors and the market relevance of the regional strategies and programmes?

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Prof. Dr. Richard Balling Bavarian State Ministry of Food, Agriculture, Forestry and Tourism, presented the regional quality schemes for Bavaria, reminding that in this case the regional scheme was created way before than the EU schemes (1985).

Bavaria, as other German regions, has a label for conventional (GQ – Bayern) and organic (Bayerisches Biosiegel) sector and these regional quality schemes have been notified to the EU. As a matter of fact, Member States are obliged to notify state aid to the Commission for a compatibility assessment before granting it. The European Commission has developed regulations (block exemption regulations, framework regulations and guidelines) to examine the compatibility of state aid with the common market.

The Bayern regional quality scheme intend to communicate a **higher level of quality** in combination with a **secondary message concerning origin**. Quality is the main focus and origin a subordinate and interchangeable component where applicable.

As a first requirement, the quality scheme has to be open to everybody, without limiting the origin of products. The information concerning origin came in addition to the quality scheme 10-15 years after its first implementation.

It has been possible to introduce information concerning the origin of the products following strict rules, namely:

1. The origin information is **smaller** on the label than the message concerning higher quality;
2. It is **exchangeable.** In theory, the origin indicated on the label could be different from the Region who created the quality scheme;
3. The label can be used also **without the information concerning the origin**.

As concerns their characteristics, it should be noted that **neutral and independent controls on quality and origin of the raw material cover the entire value chain.** The **control system consists of three stages**: monitoring by farm; third body and higher level of control. Furthermore, **specific mandatory quality requirements** have to be respected (e.g. length of animal transport time; regional provenance of feedstuff). In case of processed products, 100% of raw material must come from the region of interest.

Regional Agricultural Ministries are owners of the labels, deciding their content and development as well as to whom granting the licence. It exists variants of the logo for all German Federal States as well as for all EU member states. Information on the logo is available, also in English, on the internet.

Regional quality schemes coexist with PDOs and PGIs, because Bavaria differentiated between two strategies. On the one hand, the background for PDO/PGI is specificity and they are seen as protection and marketing tools outside the region. On the other hand, regional quality schemes refer to the internal regional market also in order **to promote and enhance short and regional supply chains and sustainability**, by making regional origin more recognizable. All this considered, regional quality schemes play a role in the **preservation and generation of added value in rural areas.**

Prof. Dr. Balling also explained the factors for success of this schemes:

- Early involvement of relevant stakeholders;
- Steering committee (incl. NGOs) to build trust;
- Administrative efficiency: compatibility of the label with sector-specific quality labels and certifications (one-stop control for producers);
- Critical mass in the shopping basket: a wide range of products and corresponding quantities are attractive for retailers;
- Consumers have easy access in supermarkets;
- Money for promotion: broad-based image campaign;
- Adapt to new requirements.

Concerning the promotion, AREPO Secretary General asked whether this regional quality schemes were compatible with EU funds for promotion. However, this schemes being already supported through public money from Bavarian government, EU funds are not compatible with regional funds.

4. Key outcomes of the 2018 AREPO survey on Territorial Brands & Geographical Indications – Giulia Scaglioni, Policy Officer of AREPO

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AREPO Policy Officer, Ms Giulia Scaglioni, presented the key findings of a study that AREPO carried out in 2013 and updated in 2018 on regional brands, including public regional quality systems. The analysis, based on a qualitative questionnaire submitted to AREPO regions, has revealed, among other things, that **the objective of regional brands is not to replace geographical indications, but to coexist and interact with them**. From this perspective, GIs represent a fundamental element of the regional strategy and at the same time are part of regional brands.

Furthermore, the presentation's conclusions suggested some areas for future work. As a matter of fact, considering the diversity of regional brands, it would be important **to start working on a common definition and criteria.** The focus of AREPO's work should be on **public regional quality schemes**. It is important to note that in the case of France, there is none.

It would be interesting to **update the AREPO study** to understand the recent developments, but especially taking into account:

- The need to better diversify between public regional quality schemes and private territorial/regional brands;
- An analysis of national policy and regulations on regional quality schemes;
- Whether these schemes have been notified to the EC;
- And whether these schemes receive public funding through the CAP rural development measures.

5. Open discussion with other participants to identify shared features in the regional quality schemes and the challenges to be addressed through the work of the AREPO working group

Some of the participants in the working group commented on representatives from Euskadi's presentation and proposals for work, sharing the idea that public regional quality schemes might create a space for valorisation of local productions. The attempt to describe the characteristics those systems should have, should be made at European level and then adapted to the contexts of each Member states to resolve conflicts between regional quality schemes and PDO/PGI.

Furthermore, some Italian colleagues informed that also oriGIn IT has met the Italian Ministry for Agriculture to report increased conflicts with regional quality systems and raise their concerns.

The representative from Puglia region seize the opportunity to present its own regional quality schemes. It was born and registered in 2009 and it was called "Prodotti di Puglia". However, European Commission raised some issue of compatibility with art. 34 TFEU leading the region of Puglia to firstly establish a system of food quality in 2012 and then establish a regional quality system in 2014, called "Prodotti di qualità" removing the reference to Puglia to prefer a message related to the quality and not the territory. The main issue was the coexistence with collective marks and PDOs/PGIs. The "Prodotti di qualità" logo can be requested for products that follow a specific technical product specification and whose quality is certified on the basis of a control system. It is a mark that can be used by anyone who wishes to apply for it.

The representative from Tuscany region pointed out the difficulties small producers encounter when engaging in the control system for GIs, leading in the end some productions to become unsustainable and not viable.

As far as public labels are concerned, they must provide a double guarantee, i.e. truthfulness and support for the producer, but also a guarantee for the consumer and the local community, because if there are no control systems in place, problems can also arise in terms of hygiene and health, harming the reputation of the whole system not only of a specific product. As a result, when it comes to the valorisation of territorial brands, it must be taken into account the weight of controls and costs. Imagining a territorial brand and a related regional quality scheme without thorough controls, means creating something which is weak in front of citizens and consumers.

In Italy the example is the PAT (Prodotti Agroalimentari Tradizionali), created with a regulation that wanted to safeguard local production processes that were at risk due to hygiene/health regulations introduced. Those productions are based on a narrative about them rather than on specific controls and they can also be used by producers who do not belong to the area of production. They have no guarantees concerning the origin nor control over how and where they are produced. However, producers often ask for the possibility of enhancing these products with some brand. PAT also have a logo very close to that of TSG with the same colours.

In a jungle of labels and logos, which safeguards are guaranteed for consumers? Do they understand the specific message and guarantees that all these labels should convey?

Representatives from Euskadi reiterated the main message of its proposal. They agree that so far public administrations placed on the market products that did not have the necessary requirements to bear these quality systems. As a consequence, their idea is to demand that **regional quality schemes have to be legally recognised and have to undergo the same level of controls PDOs/PGIs do**. For example, Eusko label that has existed for more than 20 years, is a brand that has been accredited by HAZI, a public foundation, and follows the same control and certification system as the GIs. Since in Spain GIs are competence of regional administrations, they are always subject to the control of the regions, so they would like to have the same kind of controls for regional quality systems.

To sum up, they would like to study the possibility to have a legal regional public system without having to register at a European level, but guaranteeing the same kind of certification and traceability as GIs. Furthermore, there is a problem of volumes of productions, because products registered with Eusko label do not produce enough to be competitive on external markets. The administration wants to group the producers and give them a structure and market outlets. If they succeed in growing, these small productions can maybe aspire to become a PDO/PGI at a later stage.

Conclusions - Definition of priorities for activity and next steps for including the college of producers in the discussion.

AREPO Secretary General wrapped up the main themes discussed during the exchange, adding that a report of the first meeting of the working group will be elaborated and shared firstly with Euskadi, as chair of the group, and then with the rest of participants.

The first meeting dealt with **regional quality schemes as public schemes** that the working group would like to define within **a specific legal framework to be notified to Brussels** and which have to **respect the free circulation of goods**.

This system should be another level of protection for products with a smaller market outlet than other which might be better placed and structured to be registered as PDOs/PGIs. As shown in the experience brought about by Bavaria region, **the support from professional organisations and producers** is important to help solve conflicts. For this reason, **the working group will have to include producers in the discussion. In any case, no decision can be taken at AREPO without discussion and agreement between the two main colleges, the one of the Regions and the one of the Producers.**

Particularly, these regional quality schemes **might represent an added tool for the valorisation of regional productions and might contribute to some objectives of the Farm to Fork strategy** considering their role in promoting and enhancing short and regional supply chains.

This work should be complemented with a specific attention to the **promotion of PDOs/PGIs**. As a matter of fact, the fear PDOs and PGIs producers have concerning the competition from products under regional quality schemes, might rather result from the little understanding and recognition consumers have of PDOs/PGIs logos.