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GIs and producer prosperity and regional development: the evidence and the gaps

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Outline of presentation

Producer prosperity

- EU GI/Local
- WTP results

Regional development

- How to measure?
- General overview of the papers



Our study: chasing the empirical evidence

Systematic review of GI publications

- JSTOR, ProQuest, Science Direct, Scopus, Web of Science – 1,854 articles
 - Limit to English
 - Limit to original empirical studies
- 55 empirical studies
 - Plus 111 specifically on price premiums

Why is producer prosperity important?

- Major GI policy goal:
 - **increase net producer income**
- Key is a price premium from the higher quality – **but how much?**
- What evidence is there on consumer willingness to pay (WTP) a premium?

General overview of willingness to pay papers

- Concentrated territorial focus
(Italy, USA, Spain)
- Usually positive WTPs are reported

BUT

- Few paper gave numerical;
- Some value premiums available for EU GIs (2010)
- Huge heterogeneity

EU GI labels

- Diverse results - many positive
 - **but methodological limitations**
 - Consumers value trademarks more than PDO labels
 - No difference in WTP between GI and not GI
 - Only a small segment of consumers will pay premium
- **Contradictions**
 - Who pays more, local or more distant consumers?
 - For very top quality products, consumers rely on other quality signals, not GI labels

“Local” origin

- What is local? (Italian island ↔ US state)
- Overall positive attitude towards local
- Freshness, better taste, higher quality, guaranteed origin
- Positive attitudes generally found
 - but very few give numerical WTP estimates
 - 3% in Dominica
 - 27% in South-Carolina

Methodological concerns

- The methodology strongly influences the results
- Different techniques bring (very) different estimates and conclusions
(South-African lamb)
- WTP using stated preferences was 40-65%
 - using revealed preferences only 20-30%
(Spanish fresh tomato)



Overview of WTP results

- It is difficult to determine...

- **what type** of product
- **what kind** of origin
receive a price premium

wines, coffee (?)

Mediterranean EU (?)

- **what kind** of consumer
- **what proportion** of consumers
- **how much**
pay a price premium

socioeconomic, awareness

only a segment

high variation



Summary

- All results generally positive, but few numbers
- Challenging to estimate WTP
 - Methodological issues
- Variability and contradictions in findings
 - In terms of types of products
 - Between countries for similar products
- The heterogeneity of GI products makes generalisations almost

Producer income effects

- Where in supply chain?
- If there is any premium
 - Do the farmers also benefit?
 - What is received by the processor?
 - What is about the retail sector?
 - Does it remain inside, or go outside of the region?



How to measure?

- For producer income effect:
 - data to calculate producer income net of costs
 - for GI vs non-GI producers
 - variation between products and regions?
 - Actors in the supply chain
 - Where does increased net income end up?
 - Do other factors affect using GI policy to increase net income?
 - Second-order implementation issues (design of production rules etc).



General overview of the papers

- Only a few studies with empirical approach
- Only case studies – no general conclusion could be made
- Negative impacts can also be identified

GIs & Regional development: why is it important?

- Regional prosperity high political priority
- Most EU GI products from regional/rural areas
- Successful GIs can help to achieve:
 - higher income for producers
 - and local processors



How to measure?

- For regional development impacts:
 - No clear indicators – some mix of income, employment, social capital?
 - Any minimum number of GI producers / GI products?
 - Importance of traditional breeds, varieties?
 - Proportion of supply chain in the local area?
 - Local events related to the GI product?

Local employment

- GI production usually requires higher level of employment
 - high quality standards
 - often accompanied with extensive production (mountain area)
 - traditional and labor intensive production methods
- Indirect impact on regional prosperity

Part of an extended strategy

- no single tool is adequate for sound regional development policy
- in the EU – other initiatives also used
- role of GIs is unclear, due to limited evidence-based studies. But single GI unlikely to have enough impact.
- “basket of goods” approach, connecting the GI producers with others
 - powerful food, wine, hospitality nexus
 - also handicrafts

Pitfalls to avoid

- Including territories without any tradition
 - The link between place a product erodes
- Industrialization, concentration, standardization
 - Loosing traditional/artisanal producing methods
 - Good (export) market performance often results in poor effects on rural development
- Unequal distribution of the premiums
 - Local: only the local elite benefits
 - Extra-local: stronger player of the value chain (retail)

Summary

- Almost no hard data on GI and either net farmer income or regional prosperity
- Mainly indirect effects
- Some studies focus on a good Code of Practice as crucial
- Some conflict between regional prosperity and market performance outcomes for the GI



Thank you for your kind attention!

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