



# Policy Notes

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## EUOzCEC Policy Brief 2: Labelling Food: Organics and Geographical Names

### Introduction: Increasing economic cooperation between Australia and the EU

EU–Australia economic cooperation is entering an ambitious new phase. Policymakers and key stakeholders hope that the proposed economic cooperation agreement currently being negotiated will have a transformational impact on political and economic cooperation. Historically Australia and the EU have not always seen eye-to-eye on agriculture, but there has been movement towards an improved relationship even on this front. Indeed, as this Policy Note suggests, there may be areas where Australia can learn from European approaches to agriculture, particularly regarding organic foods, and others, such as naming regulations, where we may continue to follow different paths.

### The demand for organic and local food

Over the last two decades, we have witnessed a growth in labelled food with special credence attributes. It is believed that there are increasing segments of consumers who demand food with special process attributes and that they are willing to pay a premium price for these.

European experiences suggest there is a growing market for organic food and that governments may have a role to play in developing the sector. In terms of organic retail sales, there is a group of five front-running countries including Austria, Denmark, Luxembourg, Switzerland and Sweden. In these countries, the organic share of food retail sales amounts to more than 8 per cent with Denmark topping the list with 9.7 per cent and Luxembourg second with 8.6 per cent.<sup>1</sup> Including online shopping, the organic share of the total food sales in Denmark exceeded 13 per cent in 2017 (information provided by the Danish Veterinary and Food Administration 2018).

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It is somewhat harder to identify the European demand for foods labelled with their Geographic Indication (GI). The latest available data from the European Commission (EC) show that, in 2010, just under 6 per cent of food and drink industry products carried GI labels. There is substantial variation between Member States, with 14.5 per cent of French production carrying GI labels and between 8 and 10 per cent in each of Italy, Greece and Portugal. But in 15 of the then 27 Member States GI production was less than 4 per cent.<sup>2</sup>

One issue, for both organic and GI-labelled foods is the willingness of consumers to pay a price premium. In their systematic review of available evidence Török and Moir (2018) found 111 studies about willingness to pay (WTP) a premium. Unfortunately many of these were not quantitative and few estimated either the proportion of consumers willing to pay a premium or the premium they were prepared to pay. With respect to GI food products Török and Moir concluded that the most robust finding was a general willingness to support local producers.<sup>3</sup>

1 Willer, Helga. and Julia Lernoud (2018). 'Current statistic on organic agriculture worldwide: areas operators and markets', in Helga Willer and Julia Lernoud, eds., *The World of Organic Agriculture: Statistics and Emerging Trends 2018*, Frick and Bonn: Research Institute of Organic Agriculture (FiBL) and IFOAM – Organics International, 34–125

2 AND-International, 2012, *Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication*, Commissioned by the European Commission, [http://ec.europa.eu/agriculture/external-studies/2012/value-gi/final-report\\_en.pdf](http://ec.europa.eu/agriculture/external-studies/2012/value-gi/final-report_en.pdf).

3 Török, Á. and H.V.J. Moir, 2018, *Understanding the real-world impact of GIs: A critical review of the empirical economic literature*, Canberra: ANU Centre for European Studies Briefing Paper Series Vol.9 No.3.

### Best practice policy in promoting organics: Europe

Within the European Union, Denmark is forerunner in developing the organic food sector. By banning the use of mineral fertilisers and synthetic pesticides, organic farming is considered an environmentally friendly agricultural production mode. This has been the general driving force behind organic policies in most countries actively intervening in the farming sector to facilitate growth of the organic sector. While this has also been an increasingly important concern in Denmark, the organic farm sector was originally, and is still, based on a more market-orientated approach. A mantra running thorough the policy formulation over the years is that growth of the organic farming sector had to be 'market driven'. This meant that demand for organic food was considered an important driver of growth in the sector.

This resulted in a government policy model which put emphasis on stimulating both demand for and supply of organic food. A number of policy instruments aimed at creating conditions for farmers to convert to organic farming have been applied over the years, such as: farm conversion subsidies; to varying extent organic farm subsidies aimed at maintaining organic production; government support for research and development; and organic extension services. A variety of policy instruments have been applied to grow demand for organic food. These include support for export promotion activities, marketing and information campaigns, and organic food product innovation. Not least, the introduction of a government organic certification and labelling scheme already in 1989 proved vital for increasing organic sales.

Only a few countries have opted for a government certification and labelling scheme. In a country with a relative high level of citizen trust in government institutions, the government certification and labelling scheme has generated a high level of consumer trust in the labelling scheme.

The simultaneous use of demand- and supply-side policy instruments has resulted in a comparatively high level of organic consumption.<sup>4</sup> There has been continued emphasis on facilitating growth in the demand for organic food and creating conditions for more farmers to convert the production. The policy instruments applied generally have been innovative. The government scheme introduced in 2012 to support the conversion of food services in the public sector was a novel policy initiative. It was estimated that if 60 per cent of the meals served in the public sector were organic, it would require an additional 20,000–30,000 hectares of land farmed organically. Kitchens in regional and local institutions would be eligible to government subsidised training of kitchen staff and various advisory services for how to convert to serving organic food. The condition for receiving this support was certification under the government organic cuisine label and, as a minimum, 60 per cent of the food ingredients used had to

be organic. The scheme turned out to be very successful. At the time of writing, 2,923 kitchens are certified; the majority in the public sector.<sup>5</sup>

### Australian approaches to promoting organics

Amongst the OECD countries, Australia is one of the least interventionist in the agricultural sector. This approach is reflected in the government's approach to promoting the organic farming and food sector. Thus, in comparison with the Danish organic food policy, Australia is at the other end of the scale of intervention. The main government intervention in the Australian organic sector relates to certification. It is required that organic products for exports are certified by a certifier accredited by the Australian government. In contrast, certification is voluntary in the domestic market. In October 2009, Standards Australia published a set of organic standards (AS 6000) which were agreed with the organic industry. However, these have not formed the basis for certification in the domestic market. Rather, export certification schemes have become the pathway for domestic certification. Discussions on regulatory reform are taking place, including harmonisation of export and domestic certification.<sup>6</sup>

### EU policy practice on Geographical Indications

The European Union (EU) introduced regulations on GIs in 1992, in the midst of the Uruguay Round trade negotiations. There are two main types of registered GIs: Protected Designations of Origin (PDOs) and Protected Geographical Indications (PGIs). The former is very similar to the Appellations d'Origine Contrôlée system and in general requires that the product come entirely from the designated region. PGIs, in contrast, are derived from history and the reputation of the producer, and there are no general requirements as to where production takes place.<sup>7</sup> There has been a substantial increase in the number of registered GI products over time, with 1,383 names registered by the end of 2018 (Table 1). Funding is available from the EU to assist registered GI producer groups to promote their product.

The EU has sought to gain recognition for EU registered GI names in its Global Europe treaties. For example, in the 2010 treaty with Korea, the EU gained recognition for 60 GI names. This increased to 171 in the treaty with Canada, though for 8 of these names existing and future Canadian producers still have identical naming rights. In the 2019 Japan treaty, 205 EU GI names are recognised.

### Australian approaches to regional specialties and branding

The Australian approach to recognising and regulating regional food specialties contrasts sharply with that in the EU. In effect there is no regulatory system for geographic names for

4 Daugbjerg, Carsten and Kim Sønderskov (2012). 'Environmental Policy Performance Revisited: Designing Effective Policies for Green Markets', *Political Studies*, 60/2: 399-418.

5 See <https://www.oekologisk-spisemaerke.dk/horeca-en>, accessed 2 July 2019.

6 Lawson, Andrew et al. (2019), 'Australia' in Helga Willer and Julia Lernoud, eds., *The World of Organic Agriculture: Statistics and Emerging Trends 2019*, Frick og Bonn: Research Institute of Organic Agriculture (FiBL) and IFOAM – Organics International, 294-301.

7 Zappalaglio, A., 2018, "Linking Product and Place: a focus on PGI," presentation at the Understanding Geographical Indications Workshop, 4 September, Berlin, ANUCES.

foods—normal consumer protection law can be used in the event of misleading labelling, though there is no evidence of this having to be used. Despite the absence of any regulatory or promotional system, many regions in Australia are well-known for the quality of specific foods. In some cases this reputation extends to demanding overseas markets, such as China and Japan.

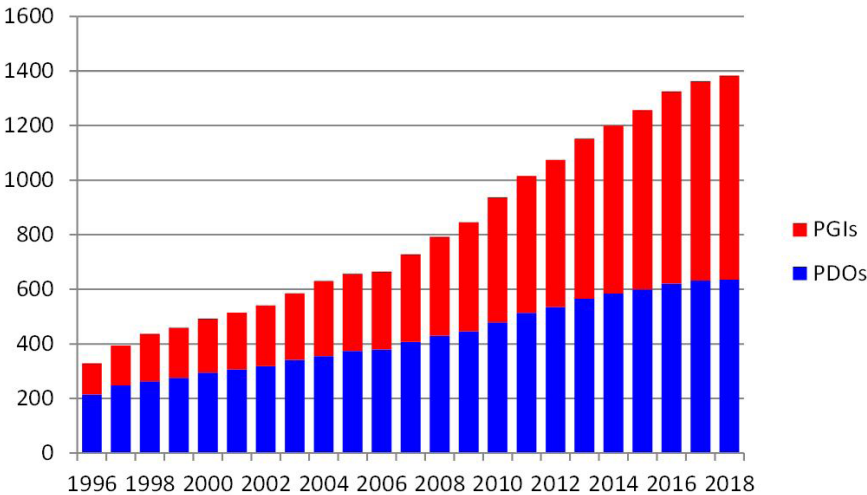
Australia does have a system to register geographic names, in keeping with Article 22 of the Agreement on Trade Related Intellectual property (TRIPS). Such certification marks have, as yet, been of little interest to Australian food producers, though recently two regions have registered such marks (Mornington Peninsula and Northern Rivers). The rules for such certification marks are vetted by the Australian Competition and Consumer Commission (ACCC) to ensure that they are “not to the detriment of the public”. In fact, the certification mark system has more foreign than domestic users, with the country with most such marks being Italy. In effect there seems to be little demand by Australian food producers for a more regulated system. The major problem for them is counterfeits in certain overseas markets (not Europe), and assistance with improved technological traceability systems would likely be of better value to them.

In 1994 Australia concluded a wine agreement with the EU. In exchange for better access to the European wine market, Australian wine producers agreed to move to the higher TRIPS Article 23 standard as to the use of geographic names. In effect this means a switch from European place names to plant variety names. Such an agreement seems less likely for foods. A very large share of the international trade in GI labelled foods is for cheeses and meat products. There is almost no importation of cheese into the EU and the EU beef market is also heavily protected.

Looking forward

It seems that Australia has much to learn from at least some EU Member States in regard to the promotion of organic foodstuffs. When it comes to geographic names, however, the two continents seem to have radically different approaches, each suited to their sepcific histories and cultures. It seems unlikely that Australian producers will be interested in adopting a more regulated system.

Table 1. EU registered GIs: PDOs and PGIs by year of registration



Source: Own calculations from data downloaded from DOOR, 20 June 2019 (<http://ec.europa.eu/agriculture/quality/door/list.html>)



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