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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on information provision and promotion measures for agricultural products on the
internal market and in third countries

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Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on information provision and promotion measures for agricultural products on the internal market and in third countries

The Common Agricultural Policy (CAP) supports information and promotion actions for agricultural products on the internal market and in third countries. Since 1999, this support has been through a horizontal information and promotion regime for a wide range of products. It was last revised in 2008 with a view to simplification.

The on-going CAP reform¹ covers such issues as better targeting of support, improved convergence of support levels between and within Member States, and sustainability through greening measures. It is therefore now appropriate to review the information and promotion measures given their links to the CAP reform. This reform will also address various shortcomings, improve policy effectiveness and efficiency and help to provide better information to citizens of the added value of the CAP. Its expected impact on the competitiveness, value added and sustainability of EU agriculture would also enhance the CAP's contribution to the Europe 2020 strategy.

The reform process was initiated during 2011 on the basis of an external evaluation of current policy and a green paper on promotion measures and information provisions for agricultural products.² This led in March 2012 to the Commission's Communication setting out guidelines for the reform.³

The European Parliament welcomed the initiative. It considered that reform of the promotion policy is a first step towards enhancing the value Europeans and others attach to European agricultural production and so would have positive impacts on its profitability.

1. PROBLEM DEFINITION AND EU ADDED VALUE

1.1. Increased pressure on agricultural sector competitiveness

The major issue to address is the increased pressure on the competitiveness of the agricultural sector, resulting from three different sources:

- *Fierce competition against European agricultural products*

While the EU has significantly reduced public support for exports (50% of CAP expenditure in 1980 to less than 0.5% today) and continues on that path, most of its

¹ See the impact assessment on CAP towards 2020 (SEC(2011) 1154 final/2).

² COM(2011) 436 final.

³ Communication on promotion measures and information provision for agricultural products: a reinforced value-added European strategy for promoting the tastes of Europe (COM(2012) 148).

competitors have policies to finance promotion measures or grant export support to increase their competitiveness. This is particularly the case for the United States, the world's number one exporter of agricultural products (together with the European Union in 2011). In 2012 at federal level alone, the US spent \$280 million of public funds to promote its agricultural exports.

Initiatives to counteract EU policy on geographical indications are also occurring more and more frequently.⁴ In response to Europe's success in protecting its geographical indications (GIs) internationally, there have emerged a number of associations seeking to defend the principle of generic names for agricultural products, so creating a platform for third countries to challenge the protection of GIs.

Additionally, European agriculture is today facing a much more competitive environment brought about by increasing globalisation of the world economy and increasing liberalisation of trade. Consequently, European agricultural exports to the rest of the world are on a declining trend, in favour of emerging economies that have significant potential to increase their agricultural production. For instance, over the past 10 years, Brazil almost doubled from 5% to nearly 10% its share of world exports in value. This fierce competition occurs not only in third countries but also on the internal market, where European agricultural products have to compete with imported products.

- *Increased cost pressures on EU farming*

During the 2000-2012 period, world agricultural prices increased by 82% while energy and fertiliser prices jumped by 261% and 286% respectively, experiencing the highest degree of volatility of the past 30 years. The upward trend in energy and feed costs is expected to continue leading to inevitably higher costs for the production process.

Farmers also have to respect stricter production standards to ensure safe, high-quality and sustainable production. This is to comply with CAP, animal health and welfare, and phytosanitary requirements, and these will all be further strengthened in the CAP reform by specific requirements on environment and climate change.

- *Lack of awareness of the quality of EU agricultural products, in particular on the internal market*

Product quality can boost competitiveness as long as this quality is known and recognised. The majority of European citizens already believe that the European Union, through the CAP, should ensure that agricultural products are of good quality, healthy and safe. However, statistics show that consumers are not sufficiently informed about the actual quality of European agricultural products, with only 14% of consumers able to recognise the PDO/PGI⁵ logos, the leading European quality systems established by the CAP.

1.2. The EU added value of the information and promotion policy within the CAP

Unlike other economic sectors, agriculture is the only sector governed by a common EU policy with common rules, including those concerning promotion, provided for in the Treaty.

⁴ See for example in April 2012 the initiative with the creation of a new association in the US: CCFN — Consortium for Common Food Names — an international initiative to preserve the right to use generic food names.

⁵ PDO - protected designation of origin; PGI - protected geographical indication.

The CAP enables farmers not only to supply safe, high-quality food through sustainable agricultural methods but also to provide public goods. The CAP, therefore, is of interest not only to farmers or agricultural communities but also to society at large. Consequently, it is important to raise awareness amongst citizens of the objectives and added value of the CAP in order to increase the general public's understanding and support for it. For third country markets, it is important to address increased competitiveness challenges by promoting the advantages of European production methods, in particular when trade barriers are gradually being dismantled, and the quality of European products. Action at EU level will ensure coherent information and promotion activities are carried out, in line with what is normally to be expected from a common EU policy such as the CAP. In short, the promotion policy contributes to raising consumer awareness of the intrinsic qualities of European agricultural products and the way they are produced, facilitates trading of such products and reinforces the exchange of good practices among Member States. Nevertheless, considering the upcoming changes the reform of the CAP, the European promotion policy needs to be updated too.

In light of the above and given the lack of resources in national budgets in the wake of the economic crisis — so Member States or producer organisations implement very few promotion campaigns — an EU scheme has an important leverage effect on generic information programmes and also for the implementation of multi-country programmes, generating exchange of experience among Member States and achieving economies of scales.

2. THE CURRENT EUROPEAN INFORMATION AND PROMOTION POLICY FOR AGRICULTURAL PRODUCTS

The European Commission supports generic promotion programmes under the information and promotion policy for agricultural products and their method of production. It excludes actions based on commercial brands and those that encourage the consumption of a product because of its specific origin. The programmes are submitted by sectoral professional organisations and are co-financed by the EU up to a maximum contribution of 50%. The professional organisation must make a minimum contribution of 20% and the balance is borne by the Member State in which the organisation has submitted its programme. In addition, the Commission carries out specific initiatives in third countries, such as exhibiting at international fairs or carrying out high-level trade missions involving the Commissioner for Agriculture and Rural Development.

The annual budget for the agriculture information and promotion policy amounts to EUR 50 million.

The information and promotion policy has shown positive results in raising awareness on quality products and on the image of the European Union, both on the internal market and in third countries. It has also promoted consumption of European agricultural products. Nevertheless, lessons can be learned from the experience gained from implementing this policy, and from stakeholder contributions to the green paper and external evaluations of the scheme. They reveal difficulties and bottlenecks in implementation: the perception of generic promotion as inappropriate in third countries; the absence of a strategy with clear priorities; the limited attractiveness of multi-country programmes; the complex management of the scheme; and the absence of common indicators to measure the effectiveness of the promotion policy. These problems need to be addressed.

3. OBJECTIVES

European agriculture is facing many challenges of various natures: economic (price volatility, slow-down in factor productivity growth, declining share of agriculture in the food chain);

environmental and climate-related (maintenance and promotion of sustainable agriculture, reduction of greenhouse gas emissions); and social (participation in rural economy and territorial balance). The reform of the CAP will take a comprehensive approach to address all these challenges.

As an instrument of the CAP, the promotion policy for agricultural products must also pursue the objectives of ‘The CAP towards 2020’, and specifically the objective of increasing the sector’s competitiveness, both on the internal market and in third countries. This is to be achieved by:

- Developing and opening up new markets for European agricultural products on the internal market and in third countries;
- Increasing consumer awareness of the quality of European agricultural products;
- Improving the efficiency and effectiveness of the promotion policy.

4. POLICY SCENARIOS

Three policy scenarios have been developed as alternatives to the existing policy. These arise from distinctive features that emerged from the public debate and the positions taken by various stakeholders: the targeted market(s); the existence or not of a European strategy for promotion; and rules regarding the visibility of private brands and the mention of product origins.

The following scenarios have been formulated for the purpose of the impact assessment and to feed into the decision-making process:

- The **‘enhanced status quo’ scenario** is a limited adaptation of the current promotion policy. It recognises the value of the promotion policy and addresses shortcomings to make the policy simpler and more accessible, to enable more beneficiaries to participate (notably producer organisations) and to help them with adequate technical support.
- The **‘targeted’ scenario** goes beyond the ‘enhanced status quo’ scenario. It would implement targeted promotional activities on the internal market and in third countries. The strategy would be based on close monitoring of market trends and negotiations of free trade agreements, and allow for targeting promotion programmes to specific markets, populations, products or sectors. This scenario also aims to increase collaboration between operators from different Member States thereby facilitating the management of multi-country programmes directly by the Commission. The list of eligible products and themes will be more extensive in this scenario. Finally, this scenario, under specific conditions, proposes to allow references to the origin of products and to private brands as part of illustrating a generic message.
- The **‘exclusive third countries’ scenario** shares the same level of ambition as the ‘targeted’ scenario but restricts it to third country markets only. Management in this scenario will be centralised in the Commission and actions will be implemented in accordance with a selection strategy. The changes set out under the ‘enhanced status quo’ scenario will be included in this scenario. In addition, beyond generic promotion, commercial activities for individual private brands will also be eligible under the promotion policy and may feature an extended list of eligible products and themes.

5. ASSESSING THE IMPACTS OF THE POLICY SCENARIOS

5.1. ‘No policy’ scenario

Studies and evaluation reports, including a 2009 report of the Court of Auditors, show that the European promotion policy plays a positive role, although difficult to measure, and ultimately rewards European farmers for their efforts to produce in accordance with the high standards of the CAP. Abandoning this policy would diminish the prospects for increased value of European agricultural products and therefore to a loss of added value for the EU, both in terms of market share and image. It could also lead to a concentration or intensification of production, and homogenisation of agricultural products.

5.2. ‘Enhanced status quo’ scenario

From an economic point of view, widening access to the scheme to producer organisations should allow producers to make better use of the information and promotion programmes. As a consequence, this scenario encourages an efficient operation of the agricultural sector, boosts competitiveness, and achieves both economies of scale and growth.

The increasing number of initiatives will raise the profile of the Commission at international fairs, which will mainly benefit the small and medium-sized enterprises (SMEs) taking part in them. Technical support should improve the design of promotion programmes, including multi-country, which should make the internal market more dynamic.

From a social point of view, encouraging the setting up of producer organisations should strengthen the agricultural sector and improve social conditions in rural areas.

5.3. ‘Targeted’ scenario

From an economic point of view, the European strategy for promotion will make it possible to target actions on specific products, themes and markets, thereby maximising the return on investment of the information and promotion policy. Communication activities accompanying any promotional action will increase the visibility of the European Union and should encourage demand for European agricultural products because of their high standards and production methods. The visibility of private brands, an important asset to trigger the actual purchase, should improve the competitiveness of European agricultural products and benefit SMEs, especially as these will benefit from a prioritised access to the scheme. Competitiveness gains will also be facilitated by widening the list of eligible products. This scenario's activities would boost EU exports of agricultural products. Changes in the management of multi-country programmes should increase their number and lead to significant economies of scale and sharing of experiences.

From a social point of view, this scenario will contribute to maintaining — or even increasing — employment in the agri-food sector, in response to the expected growth in exports resulting from the strategy. In addition, the strategy will facilitate the promotion of products recognised by European quality systems and related to regions of origin and European traditions, thereby contributing to the advertising and preservation of Europe’s cultural heritage. Promoting the origin of products should have a positive effect not only for the regions or Member States concerned, but also for the European Union as a whole, as it will bring its image and traditions to the campaigns. Finally, themes related to the well-being of consumers and a healthy diet could be promoted through the strategy.

From an environmental point of view, the sustainable production characteristics of the CAP will be highlighted by the strategy, and this will enhance the value of efforts made by European producers and encourage the development of agriculture that respects the environment.

5.4. 'Exclusive third countries' scenario

Considering the potential for exports growth, priority is given in this scenario to increased competitiveness of the agricultural sector. The visibility of commercial brands and the origin of products will promote exports. However, in order to limit the risk of windfall profits for private companies and any substitution of private initiative and investment, specific eligibility criteria should be applied. On the other hand, the absence of information and promotion actions targeting the internal market will affect European consumers: any generic information on agricultural products, production methods or healthy eating will be left to the initiative of Member States or professional organisations, for whom this is not necessarily the first priority.

From an environmental point of view, actions will encourage purchase and consumption in third countries of European agricultural products whose production methods meet environmentally ambitious CAP requirements. This encourages sustainable agricultural production. However, European consumers, who would no longer be targeted by these actions, will be less informed about the environmental requirements European farmers have to respect, which could in turn weaken the link between agriculture and the environment.

5.5. Administrative burden

The greater number of potential beneficiaries in all scenarios will increase the workload when selecting information and promotion programmes. Implementation of technical support and development of initiatives will also increase direct management tasks for the Commission. However, improving the selection procedure will lead to savings compared with the current administrative burden.

In addition, in the '*targeted*' and '*exclusive third countries*' scenarios, the greater attractiveness of the scheme and building on the results of the promotion policy could increase the workload for both national authorities and Commission services. The Commission could also face a great increase in the number of actions centrally managed, especially for multi-country programmes. An on-going study is examining whether some of those tasks could be delegated to an executive agency.

Finally, improved management of multi-country programmes, as projected in the '*targeted*' scenario and the '*exclusive third countries*' scenarios, will lead to a significant decrease in administrative burden for professional organisations compared with the current situation.

5.6. International dimension

The European promotion policy promotes the image and quality of European agricultural products within the EU and in third countries. It is consistent with the WTO Agreement on Agriculture and compatible with WTO rules. None of the provisions proposed in the different scenarios affect the classification of promotion measures in notifications to the WTO of European agricultural expenditure.

5.7. Evaluation of the potential for simplification

The different scenarios provide for greater simplification in managing the policy; the '*exclusive third countries*' scenario achieves the most in this respect. It includes one-step selection that will occur only once a year (common to all scenarios) and simplified management of multi-country programmes because entities will deal directly with the Commission (also in the '*targeted*' scenario). Because this scenario will focus only on third countries, it will avoid potential difficulties in the scheme's interpretation and implementation that might otherwise arise if there were different rules for the internal market and for third countries.

6. COMPARISON OF SCENARIOS AGAINST OBJECTIVES AND THEIR IMPACTS

All three scenarios aim at a more competitive agriculture sector in Europe. To this end it will be essential to raise awareness of the quality of European agricultural products. Their expected economic, social and environmental impacts are summarised in the table below.

		<i>'Enhanced status quo'</i> scenario	<i>'Targeted'</i> scenario	<i>'Exclusive third countries'</i> scenario
Economic	Competitiveness of the agricultural sector	+	+++	++
	SMEs	+	++	+++
	European consumers	0	++	--
	Regions	+	+++	++
	Functioning of the internal market	0	++	+
Social	Employment	+	++	++
	Culture, Heritage	+	+++	++
	Well-being of European consumers	0	+	-
Environmental	Sustainable production	0	++	+
Simplification		+	++	+++

Better management under the *'enhanced status quo'* scenario should lead overall to a small but noticeable positive impact in all areas. Maintaining the current trend, each individual programme would continue to have valuable outcomes. However, the absence of a global approach will undermine the coherence of the whole policy, and run the risk of neglecting opportunities offered in specific sectors or markets, especially in third countries. The new technical support could boost relations between beneficiaries and help them to find partners to implement multi-country programmes. Nevertheless, this scenario does not address management issues raised by multi-country programmes, which will remain under shared management of the Commission and Member States.

At the other end of the spectrum, the *'exclusive third countries'* scenario pursues a more forceful and commercial approach by limiting promotion measures to third country markets and making more ambitious use of private brands and origin. This scenario would lead to significant economic impacts, especially for SMEs allowed to mention their own brands in promotion actions. Nevertheless, it does not respond to the European consumer's need for information. This absence of promotion actions on the internal market will ultimately affect the purchasing behaviour of European consumers.

The *'targeted'* scenario takes into account the needs of both internal and external markets. A global agricultural promotion strategy would be efficient and it would address both economic opportunities in third countries and information needs on the internal market. Generic promotion would not primarily be to the economic advantage of agri-businesses. However, publicity material for consumers offered by this scenario would give visibility to private brands and the origin of products so this should be partially offset.

The ‘*targeted*’ and ‘*exclusive third countries*’ scenarios would generate more multi-country programmes, with high added value for Europe. The analysis however shows that a greater administrative burden — to a certain extent — cannot be avoided.

In terms of budget, the financial resources of the new policy will be defined within the limits of the new multiannual financial framework for 2014-2020. Without prejudice to the availability of such resources, the ‘*targeted*’ scenario would place the highest demand on the EU budget. This follows from the desire to remain ambitious in developing activities in third country markets and from a significant increase of multi-country programmes.

The budget for the ‘*exclusive third countries*’ scenario would be half that of the ‘*targeted*’ scenario, assuming that expenditure of the latter is evenly shared between the internal market and third country markets. Even if the ‘*exclusive third countries*’ scenario is less expensive, the two scenarios are equivalent in terms of cost-effectiveness. Clearly, the ‘*exclusive third countries*’ scenario cannot adequately address the expectations of European consumers; on the other hand, the ‘*targeted*’ scenario would raise awareness about the quality of European agricultural products on the internal market, so increasing demand and encouraging sustainable production.

The ‘*targeted*’ scenario would maximise EU added value by better promotion of the quality of European agricultural products and raising consumer awareness throughout the EU, by addressing important cross-border issues related to the management of multi-country programmes, and by reinforcing exchange of good practices among Member States.

The following table assesses the potential of each of the three scenarios to meet the specific objectives of the reform:

	‘ <i>Enhanced status quo</i> ’ scenario	‘ <i>Targeted</i> ’ scenario	‘ <i>Exclusive third countries</i> ’ scenario
Awareness of the quality of European agricultural products	++	+++	+
Develop and open new markets on the internal market and in third countries	+	+++	++
Effectiveness and efficiency	+	++	++
EU added value	+	+++	++

The ‘*enhanced status quo*’ scenario appears insufficiently focused on activities with high added value for the European Union while the ‘*exclusive third countries*’ scenario seems too risky considering the low level of knowledge on agricultural products in Europe. The ‘*targeted*’ scenario provides the right balance to progressively turn the agricultural promotion policy into a policy more targeted to the needs of the agricultural sector and markets while also improving the level of consumer awareness vis-à-vis a wider range of agricultural products.

The ‘*targeted*’ scenario will allow the agricultural sector to respond better to the pressures on its competitiveness; targeted measures in third countries will address the fierce competition from other countries. The lack of awareness of the quality of EU products will be addressed by a comprehensive strategy to improve information activities on the internal market, including close monitoring of market trends. Last but not least, on both the internal and the external markets, this scenario will address the increased cost pressures on the EU farming

economy and will help to preserve the diversity of EU agricultural production, environment and rural world⁶.

7. MONITORING AND EVALUATION

Today, an assessment of the impacts of each individual information and promotion programme is systematically made, using indicators and objectives established by the proposing organisation and assessed by the Commission services when approving the programme. However, in the absence of an overall strategy, the results of these evaluations are difficult to aggregate at the wider level of the promotion policy.

In the future, it will be important to reinforce monitoring and evaluation of the European promotion policy for agricultural products. The future monitoring and evaluation system should also better reflect the reinforced strategic approach. Therefore, common indicators based on objectives and priorities should be implemented to facilitate the use of evaluation in the selection process for programmes.

The monitoring and evaluation system for the agricultural promotion policy should be linked with the common monitoring and evaluation framework for the CAP, as proposed in the reform proposal on financing, management and monitoring of the CAP⁷. To this end, the following set of indicators is proposed:

- Impact indicators linked to the general objective
 - Agricultural trade balance
 - Agricultural factor income
- Result indicators linked to specific objectives
 - EU agricultural exports
 - Value of production under EU quality schemes
 - Level of awareness of the quality of European agricultural products
- Output indicators linked to the different measures of the promotion policy
 - Number of programmes on the internal market and in third country markets
 - Number of new beneficiaries
 - Number of multi-country programmes

⁶ See study Scenar 2020 which shows the negative impacts of a scenario with no CAP http://ec.europa.eu/agriculture/agrista/2006/scenar2020/final_report/scenar2020final.pdf.

⁷ See Article 110 of COM(2011) 628 final/2.