The Socio-Economic Challenges of PDO/PGI Registration in Bulgaria

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Abstract

The food quality schemes such as protected designation of origin and protected geographic indication (PDO/PGI) were first introduced in 1992. By May 2016, there are 1480 entries in the EU DOOR register. The majority of them are from the Mediterranean countries and some from the new member-states which are also advancing quickly. The richness of Bulgarian traditional food is underrepresented by only six official registrations. At the same time, there are around 50 entries from Bulgaria in the Slow Food's Ark of Taste initiative for endangered quality food products.

The study objective is to explore the socio-economic challenges for registering products under the EU food quality schemes for Bulgarian agricultural producers based on the example of Kurtovo Konare area. It has two Ark of Taste products and is registering a PDO product. The methodology used is a combination of structured questionnaires to collect quantitative data for the key socio-economic characteristics of farmers and direct in-depth interviews for qualitative information about their motivation and expectations.

The results reveal that the producer group is comprised of small-scale registered farmers, who are not applying for CAP subsidies. More than half of their production is aimed for the market, mostly as fresh produce; but they also diversify into processing. The main challenges for registering a PDO product relate to the small scale of production; the strict registration procedure in terms of product and area studies and specification; the need for external expertise to support them; as well as the need for funding all the associated costs.

Key words: geographic indication, PDO/PGI, producer group

Социално-икономически предизвикателства на регистрацията за защитени географски наименования / произход в България

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Резюме

Схемите за качество на храната, като защитеното наименование за произход и защитеното географско указание (PDO/PGI), са въведени през 1992 г. До май 2016 г., има 1480 вписвания в регистъра на ЕС – DOOR. По-голямата част са за средиземноморските страни и някои нови страни – членки, които напредват бързо. Богатството на българската традиционна храна е представено само с шест официални регистрации. Същевременно има около 50 вписвания от България в инициативата Slow Food's Ark of Taste за опасни хранителни продукти по отношение на качеството им.

Целта на изследването е да анализира социално-икономическите предизвикателства за регистриране на продукти по схемите за качество на храната на ЕС за български земеделски производители на базата на примера от района на Куртово Конаре. Има две регистрации в Ark of Taste и един регистриран продукт в PDO. Използваната методология е комбинация от структурирани въпроси за събиране на количествени данни за ключови социално-икономически характеристики на фермери и преки задълбочени интервюта за качествена информация, относно тяхната мотивация и очаквания.

Резултатите показват, че групата от производители се състои от регистрирани малки фермери, некандидатствали за помощи по ОСП. Повече от половината им продукция е предназначена за пазара, главно за прясна консумация, но те също диверсифицират обработката. Главните предизвикателства при регистрация на PDO продукт се свързват с малкото по обем производство; стриктната регистрационна процедура по отношение на изследвания и спецификации на продуктите и района; нуждата те да бъдат подложени на външна експертиза за тяхното подпомагане; както и необходимостта да се финансират всички свързани разходи.

Ключови думи: географско указание, PDO/PGI, група от производители

Introduction

The EU food quality schemes were first introduced in 1992. They are an integral part of the MacSharry reform of 1992, which started the shift from product support to producer support and introduced direct payments and other accompanying measures nowadays part of the rural development policy. The food quality schemes comprise Protected Designation of Origin (PDO), Protected Geographic Indication (PGI), Traditional Specialty Guaranteed (TSG), and Mountain and Island products. Their main objective is to help producers to communicate the product characteristics and their farming attributes to buyers and consumers. For the 20 years since the first registration of quality food products in the EU, in May 2016 there are 1480 registrations in the EU official database DOOR[1]. Not surprisingly 69% of them are registered in the five Mediterranean countries – Italy (308 registrations), France (263), Spain (207), Portugal (138) and Greece (105). They are closely followed by Germany and the UK, with 97 and 76 registrations respectively. There are several new member-states, which are advancing quickly – Poland has 47 registrations, the Czech Republic – 36, Slovenia – 25, Slovakia – 22, and Croatia – 18.

Argüelles et al. (undated) argue that geographic indication products from Mediterranean countries are with a “reduced industrial transformation” aiming to promote economically less-developed regions and to protect their cultural tradition. They place Nordic counties on the other side with products that have “undergone larger industrial transformation”, where quality is understood as a compliance with health regulations and nutritional values. Marescotti (2003) states that it is not the “product origin in itself” that provides the conditions for development but the process applied and the promotion strategies implemented. Thus, the registration of geographic indications is rather a result than the cause for the development of rural areas. From this perspective, it is important to consider the baseline conditions in the given territory when assessing potential registrations (Marescotti, 2003).

In an effort to identify success factors for the products with geographic indications, Barjolle and Sylvander (2006) report that in the 21 PDO/PGI products they studied neither the country of origin nor the nature of the product or the size of the producer group are of great importance. They argue that successful products require “a conjunction of factors” such as carefully designed product specification; relevant market positioning; and good formal and informal coordination between the members in the producer groups. In terms of public support for the initiatives, Barjolle and Sylvander (2006) consider it as more important for setting up supporting framework and in the early phases.

A study evaluating the CAP policy on PDO and PGI (London Economics, ADAS and Ecologic, 2008) reports that in general, the main reasons for producers’ participation in the schemes are economic and marketing – “gaining or securing market share to keep businesses viable or profitable through the protection of the use of names, or sending quality assurance signals to consumers”. At the same time, there are variations according to the size of production: for smaller producers, the benefits are related to the stability of

[1] http://ec.europa.eu/agriculture/quality/door/list.html

their business, while larger producers see more reputational benefits.

Within this framework, the richness of Bulgarian traditional and regional food products is severely underrepresented by official registrations in the food quality schemes. There are only two products registered as PGIs – the Bulgarian rose oil and Gornooryahovski sudzhuk, and four other meat products, registered as traditional specialty guaranteed (TSG), which provides the lowest level of protection. There is one proposed registration as PDO- Strandjanski manov med, still at the level of national review (at November 2016).

At the same time, there are more than 50 entries from eight product groups from Bulgaria in the Slow Food's Ark of Taste initiative, which enlists endangered quality food products from around the world (Dimitrova, 2014). The Ark of Taste was created to point out their existence and to draw the attention to the risk of their extinction. Dimitrova (personal communication, 2016) argues that not all of these 50 products have the potential for registration in the EU food quality scheme due to loss of production experience and tradition, very small areas or quantities produced mostly for home consumption as well as lack of interest among producers to start producing larger volumes or officially selling at the local or national market.

Objectives

The objective of this study is to explore the socio-economic challenges for registering products under the EU food quality schemes for Bulgarian agricultural producers based on the example of Kurtovo konare area; as well as to develop recommendations for future initiatives and policy implementation at national level.

Methods and research questions

The main research questions in this study are:

• What motivates agricultural producers from Kurtovo Konare to become the first group of small-scale producers to register product with the strongest geographic indication protection?

• What are the expected and/or already existing benefits of such registration?

• What are the expected and/or already existing challenges of such registration?

• What are the key socio-economic characteristics of the members of the producer group?

• To what extent is their experience applicable to other areas and/or products in Bulgaria?

• What conclusions and recommendations can be taken from their experience?

The methodology used is a combination of desk-based review of official information sources and structured questionnaires to collect quantitative information for the key socio-economic characteristics of the agricultural producers, members in the producer group. The land use data is extracted from the official publications on the Land Parcel Identification System for 2016. This data is combined with direct in-depth interviews to obtain qualitative information about producers' motivation and expectations and to gain a deep understanding of human behavior and the governing forces behind it (Taylor et al., 2016). The results are compared to similar studies in other EU member states.

Results and discussion

Kurtovo Konare Pink Tomato producer group

Kurtovo Konare area is famous for its Pink tomato, Kurtovska peppers, Kurtovka apple, etc. The ljutenitsa produced from Pink tomatoes and Kurtovska peppers has a very distinct sweet taste. The initial discussions considered whether the PDO product should by the processed ljutenitsa or the Pink tomato (Dimitrova, personal communication, 2016). Since ljutenitsa includes ingredients from outside the production area, the decision seems to be that the PDO registration would be for Kurtovo Pink tomato.

The producer group for Kurtovo PDO initiative was registered as an association in 2016 with 16 members, comprising producers of tomatoes and peppers, processors of ljutenitsa, and supporters. It is based on Kurtovo Konare Pink Tomato Presidium, which was set up in 2014 and has 11 members – producers of Pink tomato. The Presidia is a global Slow Food initiative aimed at sustaining quality production at risk of extinction, protecting unique regions and ecosystems, recovering traditional processing methods, and safeguarding native breeds and local plant varieties. There are 513 Presidia worldwide. Kurtovo Konare Presidium was set up in recognition of local women efforts to promote the local varieties and to sustain the agricultural traditions and food products, celebrating them in an annual festival since 2009.

The objectives of Kurtovo Pink Tomato Presidium (Shusharova, 2016) relate to:

(1) Nature conservation: protecting the diversity of local varieties and the sustainability of food production;

(2) Economic: increasing the number of producers, and stimulating employment and development at local level;

(3) Social: increasing producers' social role and strengthening their organisational capacity and self-esteem; and

(4) Cultural: promoting the territory and the cultural identity of producers.

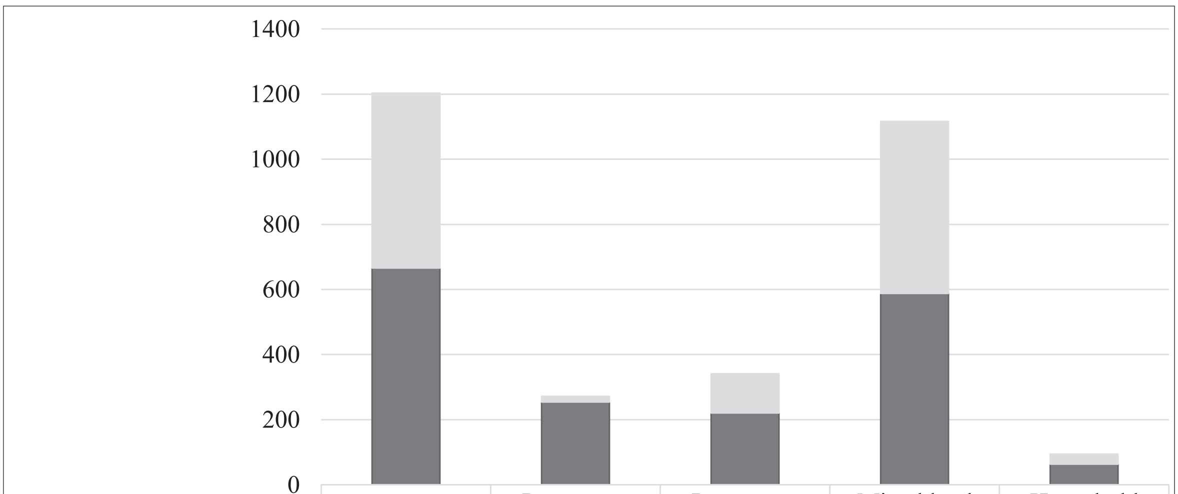
Land use characteristics of the production area

The village of Kurtovo Konare is located in Stamboliiski municipality, Plovdiv district. The distance to the city of Plovdiv is approximately 20 km, which allows local residents commuting on a daily basis and provides easy access to the village for Plovdiv consumers. The village of Kurtovo Konare is the core production area of Kurovo Pink tomato and Kutrovska pepper nowadays. Historically, their production was also in the surrounding villages of Stamboliiski municipality – Joakim Gruevo, Novo selo and Trivodici.

The total Utilised Agricultural Area (UAA) in the core production territory is 1235 ha, and in the extended territory – 1791 ha. Currently, the production of Kurtovo Pink tomato is carried out in the household gardens (Figure 1). The expected increase of the production land is most likely to happen on the mixed land use category, which is used for growing vegetables and fruits. Arable land is dedicated to cereals and technical crops, and this is unlikely to change. Thus, the potentially available land is some 528 ha in Kurtovo Konare, and additional 588 ha in the extended production area.

Characteristics of the members in the producer group

The 11 producers from the village are all women. During the first festival in 2009, there was only one of them processing the tomatoes



	Arable land	Permanent grasslands	Permanent crops	Mixed land use	Household gardens
Core area (Kurtovo konare)	537	18	121	528	31
Extended area (3 villages)	666	254	220	588	63

Fig. 1. Land use in the production area of Kurtovo PDO initiative (hectares, 2016)

and peppers to ljutentisa. In 2015, there were 14 producers and processors from the village.

All interviewed members of the producer group are farming as physical persons. There is no legal entity behind them which means less paperwork, but also lack of experience in dealing with it. This is a very important aspect and probably one of the key challenge they will have to deal with in the coming years, as the PDO registration would demand them to maintain strict documentation.

All of them are registered agricultural producers but none receives agricultural subsidies, which means they lack or have minimal experience for interacting with public administration. In fact, only three of them reported that they had contacts with representatives of the public administration.

The total land that they own is 6.5 ha (2016), and more than 75% of it is top quality land (Ist to IVth category), while the rest is less productive (Vth–VIIth category). Some of them rent additional land to meet their production needs. Thus, although land currently used for production of Kurtovo Pink tomato is minimal, the producers see no problems with enlarging it when necessary.

The producers' economic status is assessed based on their family income, having in mind that they farm as physical persons. Only 11% state they have an average family income of 801–1200 BGN/month. Half of the other respondents assess their average family income as low (400–800 BGN). The other half assess it as very low – up to 400 BGN. Having in mind, that the poverty line for Plovdiv district in 2015 is estimated at 336 BGN/person/month, it means that nearly 45% of the members in the producer group live in poverty and other 45% are just above it. It is unrealistic to expect that they will be able to invest to meet the requirements of the production specification and the hygiene conditions of an individual processing premise.

Questioned about their willingness to expand the activity, 33% of the members are positive, while 44% say they do not want to expand and 23% are still neutral.

The implications for the operations of the producer group comprise: (1) a need to consider collective premises for the processes enlisted in the production specification such as collection, cooling and storage, packaging, processing, etc.; (2) potential withdrawal of producers once the PDO is registered, as they will be unable to keep up with the new requirements. Such exit process needs to be well planned to reduce any possible negative emotions and influences on the group.

Marketing strategies of Kurtovo producers

Despite the small production scale of the producer group, more than 50% of all produce is aimed for the market. Only one member sells less than 50% of her produce. They sell both fresh produce – tomatoes, peppers, apples, etc.; and processed products – ljutenitsa, kyopoolu, jams, other preserves. Each member offers on average 7–8 different processed products.

In terms of territorial coverage, 33% of the producers sell only in the local territory, 33% sell also in Plovdiv (25 km away), and other 33% sell also in Sofia (140 km away).

The majority of the fresh produce is sold to intermediaries, but some 40% of the members sell fresh produce directly to consumers as a main marketing strategy. At the same time, direct sales are a supplementary marketing strategy to all of them: 55% use organized farmers markets, 33% on-farm sales, 11% own a stand, 11% online sales, and 22% use other festivals.

The interest for diversification to processing is increasing since the Festival was first organized in 2009. The benefits and the added value received during the 3 festival days turned it into a main market for the processed vegetables and fruits. Participation in other events such as "Green days", "Bio mania", "Terra Madre" contribute to the direct sales of processed products to final consumers.

The other marketing channels are the online shop, developed specifically for Kurtovo Konare producers (http://www.kurtovokonare.com/shop/); consumer-producer agreements for deliveries of specified products and quantities after the Festival as well as pre-agreements (Figure 2).

At the same time, only 22% of the producers consider processing as a main strategy. These producers sell a lower share of their processed products during the Festival days (Figure 3) and aim to use the other forms more actively.

Motivations and expectations of the producers

The producers' motivation for participating in the producer group and diversifying their production is dominated by the need for additional money – 50% of all (Figure 4). It is considered a family business by only 25% of all producers, while for the other 25% it is a semi-subsistence activity. This relates to the economic status of producers – 89% are with low and very low family income.

Nevertheless, 73% of them consider that their products have better taste compared to conventional products (Figure 5). The other two important product characteristics, according to 55% and 45% of the producers, are the guaranteed origin and better quality. The freshness and health aspects are less recognized characteristics.

Considering that the PDO production specification needs to describe specific production techniques, we asked the producers about their willingness to change the intensity of production (Figure 6). Before that, they had to self-define their production intensity: 46% reported a production system with minimum inputs, 36% reported a conventional intensive system, and 18% did not specify any (and were not considered in the willingness to change statement). The responses to

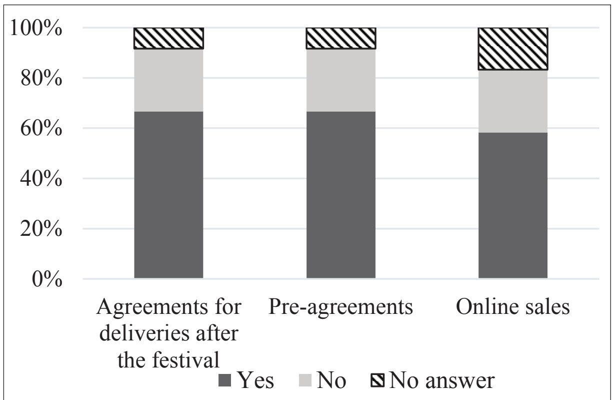


Fig. 2. Other forms of marketing the produce

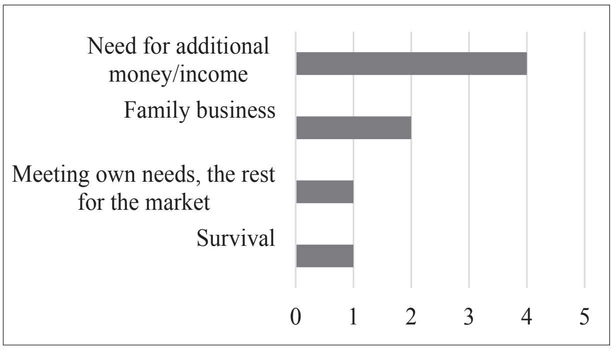


Fig. 4. Producers' motivation to do what they do

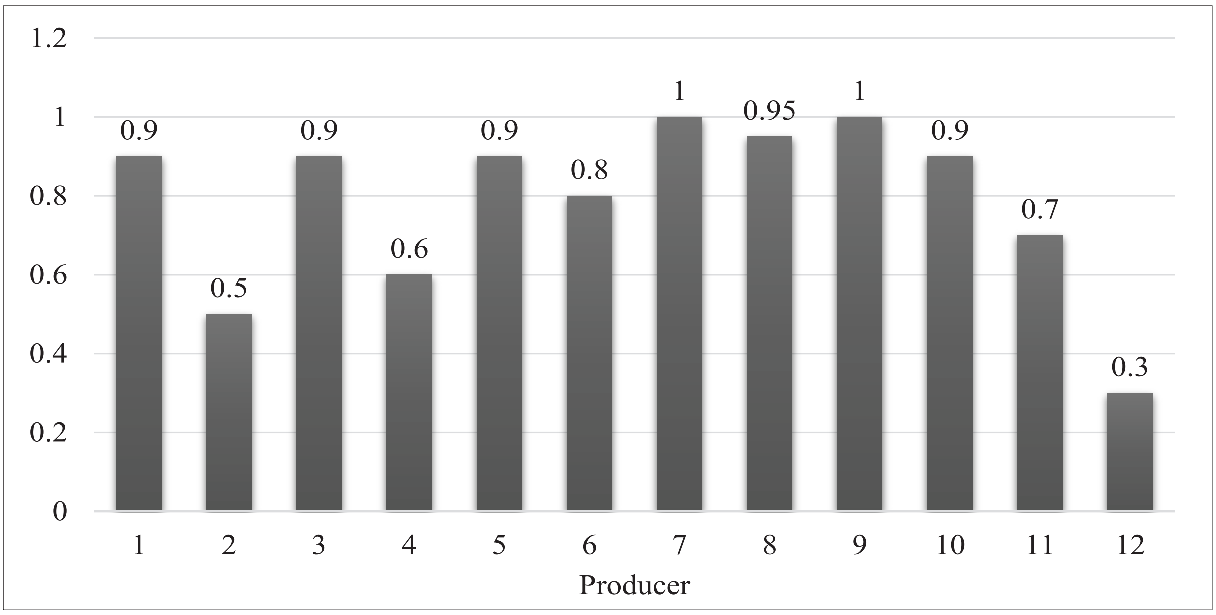


Fig. 3. Share of processed produce sold during the Festival days by producer

the willingness to change are diverging: 33% are not willing to change; 11% are willing to intensify from minimum inputs to conventional intensive systems. Willingness to "green" their practices is reported by 56%, of which 22% is from conventional intensive to minimum inputs, and 34% from minimum inputs to certified organic production. This is likely to have some implications on enforcing and controlling the specified production techniques, especially if they are not discussed in details prior to adoption.

Another potential factor for success of the PDO product is the good formal and informal cooperation and coordination between the members of the group (Barjolle and Sylvander, 2006). In the case of Kurtovo Konare producers, 89% are willing to cooperate and collaborate with other producers (Figure 7). When prompted if this is dependent on the production practices, 56% stated willingness to cooperate irrespective of the production practice, 22% preferred similar practices and 11% specified nature-friendly practices. The positive willingness to cooperate could be beneficial when the changes in the production practices are discussed. This is one of the strongest characteristics of the producer group, which is promoted and nurtured by the coordinator of the group. All members are friendly to each other and respectful to the coordinator, who is the driver behind this initiative.

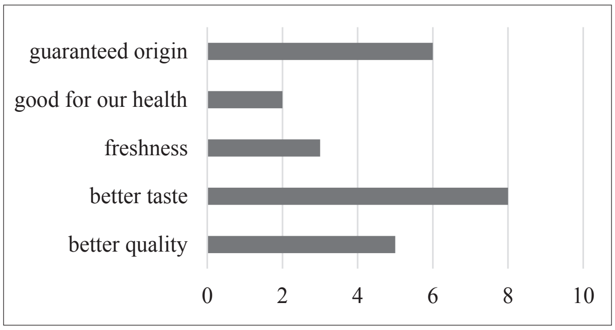


Fig. 5. Top characteristics of their products

Key socio-economic challenges to registering PDO

1. Which product to register – fresh or processed?

Starting from the perspective of registering a product with protected designation of origin, one challenge is which product should be registered – Kurtovo Pink tomatoes, Kurtovo peppers, or Kurtovska Lyutenitsa. At the time of the study, the decision seems to be in favour of Kurtovo Pink tomato due to the clear production territory and clear territorial connection of this local variety. The issues with registering fresh produce – a tomato, is that it brings low added value to its producers, while they still have to incur the associated costs of registration and ongoing control.

The processed product "lyutenitsa" brings higher added value and is already well recognised by consumers. A significant obstacle, however, is that Kurtovo peppers are a result of scien-

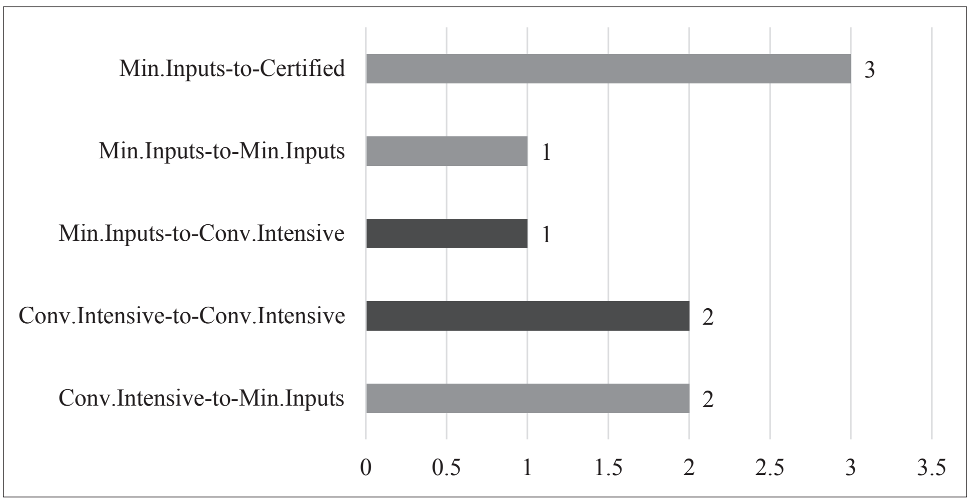


Fig. 6. Willingness to change the intensity of production

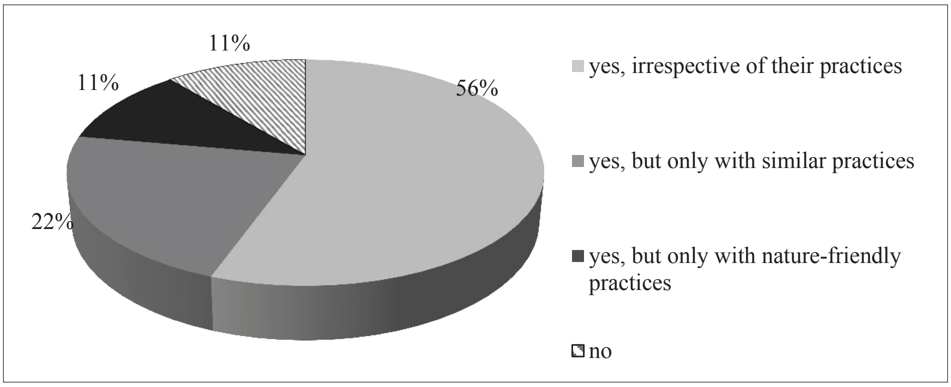


Fig. 7. Willingness for cooperation and collaboration between producers

tific work by Sadovo institute, which is not situated in the production territory.

2. Which territory to designate?

Another challenge for the registration is related to the proper designation of the production territory. The current initiative comes from the village of Kurtovo Konare and there are no members from outside the village. The name of the tomato and pepper coincides with the name of the village, which makes the connection stronger. However, this production territory is really limited – only 528 ha. There is limited potential to enlarge it to other areas.

If the historical production areas are included, the potential for enlargement doubles. However, this may not be acceptable to local producers as they may see it as expropriation of their identity. Furthermore, the current members are all part of the same community, which reduces the need for external control. This may not be so in the extended production territory and the costs for control may increase disproportionately.

3. Small-scale production both in terms of territory and volumes.

A key challenge is the small-scale of production – some producers have only 0.1 ha of land and low incomes. This brings two major concerns: would they be able to expand to meet the demand, and would they be able to cover the costs for registering and then running the PDO group? During the interviews, the producers recommended that small farmers should be taken care of by the public administration. At the same time, none of them makes the effort to submit applications for support. Even more, they seem proud that they still manage without public subsidies. The members, who consider it a family business, insist that the regulations for direct sales of processed agricultural products need improvements to become flexible and adapted to the needs of small farmers.

4. Strict procedure for PDO registration.

The procedure for the registration requires studies of the product qualities; prove of existence on the market; and development of the product specification. All of them are challenging for the producer group, having in mind that individually few of them deal with paperwork or have experience in interacting with national administration. They recognize they have a strong need for external expertise and funding to help them in this process.

Marescotti (2003) argues that PDO/PGI registration is probably not the best tool to support traditional farming systems, which already benefit from short marketing channels, but have limited quantities produced by non-professional farmers irrespective of their unique native characteristics. Similar conclusions are made by Rodrigo et al. (2015) on Portuguese experiences and Gomez Ramos et al. (2006) on Spanish case studies. In such circumstances often the existing private label is usually preferred by the local producers.

Conclusions and recommendations

The final decision for the PDO registration is still a work in progress. Research from other EU regions with similar characteristics reveal that obtaining the PDO label may not be the best option for the Kurtovo producers due to the complexity of the administration and the costs for running and control.

The strengths of Kurtovo producers are their interest and willingness to work collaboratively. They have proven they can work together to continuously develop this initiative for more than eight years already, and newcomers are joining in successfully. They have an extremely motivated and motivating innovative local leader that is able to engage supporters, to work towards solutions and implement ideas in practice, including raising funding for them. In the initial scoping process, Kurtovo producers cooperate with Slow Food Bulgaria and receive technical and financial support via their partnerships with large retail chain and other initiatives. There is also good collaboration with the Sadovo Institute as well as the unit in the Ministry of Agriculture responsible for geographic indications. Whether these strengths would overcome the small-scale production and the economic limitations of producers remains to be observed.

Recommendations for future initiatives

1) Cost-benefit assessment of the potential of traditional Bulgarian agricultural and food products, which can make the transition from home-made semi-subsistence activity to market-oriented business, should be made before discussions on PDO/PGI registration begin.

2) Targeted work, comprised of facilitation, technical and legal support is needed for the producers of traditional food that have potential to become an effective and efficient PDO/PGI producer group. This support should be directed to developing the product specification, including designation of the territory; going through the entire registration process, from the producer group to national and EU registration requirements; developing an appropriate marketing strategy and positioning of the product.

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