

# STUDY ON ASSESSING THE ADDED VALUE OF PDO/PGI PRODUCTS



## Executive Summary

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## **1 OBJECTIVES OF THE STUDY**

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The study aimed at assessing from an economic standpoint the added value of producing a GI product. The assessment looked at the whole supply chain<sup>1</sup> – but with a special focus on producers (especially farmers) – via a comparison with the corresponding “standard products”. The study also aimed at investigating elements of added value other than higher gross margins, and at identifying the promoting and hindering factors for the generation of higher gross margins for GI products (in comparison with the corresponding “standard” products).

The specific **objectives** of the study were as follows:

1. To select and compare GI products with their corresponding standard products (methods of production and characteristics), and provide an overview of the supply chain for each product
2. To obtain, analyse and compare the prices of the GI products with the corresponding standard products, at different stages of the supply chain
3. To examine whether there are additional costs for the production of a GI product compared to the production of its corresponding standard product; assessing whether and to what extent the producer of a GI product receives a higher gross margin in comparison with the producer of the standard product
4. To identify other possible elements of added value existing at the level of the producer of a GI product; and to study and describe the other incentives for producing a GI product
5. To make comparisons and draw conclusions on enabling and disabling factors for the generation of higher prices and higher gross margins at the level of producers of GI products (compared to standard products)

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<sup>1</sup> According to the Tender Specifications, “*supply chain*” should be understood as all intermediate steps taking place from the production stage until the product is sold to the final consumer.

## 2 STUDY METHODOLOGY

### 2.1 Overall approach

The overall approach to the study was centred on the following *essential elements*:

1. A data collection phase: given the situation of the available information sources, and considering the need to avoid data estimations as much as possible, *the data collection strategy for the study was based on a combination of*:
  - a. *Direct sourcing of primary data from relevant stakeholders* (especially national/local institutions dealing with GI products; GI producer organisations; individual producers of GI products and standard products)
  - b. *Collection of secondary data (where available) through desk research*
2. *The calculation of gross margins* for GI products and for the corresponding standard products, *applying a rigorous methodology* to ensure the highest possible reliability of the comparisons to be made
3. *The investigation of all the other elements of added value for GI producers*

### 2.2 Case studies

A final selection of 13 case studies (see table 1) was made as the result of a process which involved Areté and the Commission (DG AGRI) Steering Group. This final selection was defined in such a way that:

1. Each case study covered at least 1 GI product and the corresponding standard product
2. A balance was ensured between GIs from EU Member States with a long tradition (before 1992) in the use of GIs, and Member States with more recent experiences in GI production
3. There were GIs from at least 4 Member States, including at least one Member State that joined the EU after 01 May 2004
4. At least 5 of the following product sectors were covered: fresh meat; meat products; cheeses; honey; oils and fats; fruit, vegetables and cereals, fresh or processed; and wines
5. At least 5 GIs with raw materials coming from the delimited GI geographical area were included in the list

The corresponding standard products were identified as non-GI products from the same class which were the most direct competitor with the GI concerned and preferably produced in the same region. Identification of the standard products was based on a combination of elements from preliminary desk research and inputs from the GI producers. In five cases (Scotch Beef PGI, Jambon d'Ardenne PGI, Emmental de Savoie PGI, Pomme du Limousin PDO, Lammefjordsgulerod PGI) the corresponding standard products had to be identified with non-GI products from the same class produced in areas other than the GI area (bordering the latter or not, but anyway always within the boundaries of the concerned Member States). This solution was applied whenever non-GI production within the GI area was negligible and/or mostly constituted by products intended for the GI chain which did not meet the requirements for certification ("residual" nature of non-GI production within the GI area).

In the case of non-processed products (Pomme du Limousin PDO, Lammefjordsgulerod PGI), "*agricultural raw materials*" were identified as the harvested agricultural products (fresh apples / carrots) in the conditions required for forwarding to packing stations; "*final products*" were identified as the same products (fresh apples / carrots) after sorting, washing and packing, i.e. in the conditions required for marketing to final consumers.

**Table 1 - Final selection of case studies<sup>2</sup>**

Product	Short description	Member State	Status	Product class	Definition of corresponding standard product
Montepulciano d'Abruzzo	Wine	Italy	PDO	Wines	Red table wine produced in Abruzzo region mostly from grapes of the Montepulciano variety
La Mancha	Wine	Spain	PDO	Wines	Varietal and table wine produced in La Mancha region from the same grape varieties of GI product
Scotch Beef	Fresh beef meat	United Kingdom	PGI	Fresh meat (and offal)	Non-GI beef produced according to the UK-wide Red Tractor quality assurance scheme
Jambon d'Ardenne	Ham	Belgium	PGI	Meat products (cooked, salted, smoked, etc.)	Jambon de Cobourg (non-GI Belgian ham similar to GI product)
Soprèssa Vicentina	Salami	Italy	PDO	Meat products (cooked, salted, smoked, etc.)	Non-GI Soprèssa from Vicenza province (GI area) - can be produced also from different pig cuts than the ones for GI production
Emmental de Savoie	Cow's milk mountain cheese	France	PGI	Cheeses	Non-GI Emmental produced in Brittany (region of France different from the GI area)
Pecorino Sardo	Semi-cooked sheep cheese	Italy	PDO	Cheeses	Non-GI semi-cooked sheep cheese produced in Sardinia region (GI area) from raw materials similar to the ones for GI production
Vorarlberger Bergkäse	Cow's milk mountain cheese	Austria	PDO	Cheeses	Non-GI Bergkäse produced in Vorarlberg region (GI area)
Dauno	Extra-virgin olive oil	Italy	PDO	Oils and fats (butter, margarine, oil, etc.)	Non-GI extra-virgin olive oil produced in Foggia province (GI area) from the same olive varieties used in GI production, but in different mixes
Ekstra deviško oljčno olje Slovenske Istre	Extra-virgin olive oil	Slovenia	PDO	Oils and fats (butter, margarine, oil, etc.)	Non-GI extra-virgin olive oil produced in Istria region (GI area) from the same olive varieties used in GI production, but in different mixes
Pomme du Limousin	Fresh apples	France	PDO	Fruit, vegetables and cereals fresh or processed	Non-GI Golden apples produced in Limousin area (GI area) and in Tarn-et-Garonne (region of France different from the GI area)
Lammefjordsgulerod	Fresh carrots	Denmark	PGI	Fruit, vegetables and cereals fresh or processed	Non-GI fresh carrots produced in Denmark regions different from the GI area
Pimiento Asado del Bierzo	Roasted pepper	Spain	PGI	Fruit, vegetables and cereals fresh or processed	Non-GI roasted pepper (pimiento asado) produced in the GI area, not necessarily from fresh pepper of El Bierzo ecotype

### **2.3 Calculation of the unit gross margin**

A core aspect of the methodology was the calculation of the *unit gross margins for final products and raw materials in the GI and in the standard supply chains*, which were calculated as follows:

$$\text{Gross margin} = \text{selling price} - \text{production cost}$$

Primary data on prices and costs sourced from the survey of GI and standard producers carried out for the study were used and unit gross margins were calculated as *weighted averages of figures for individual producers* in each sample, assuming production volumes as weights.

*Selling prices* were considered at ex-factory level (for final products) and at farm gate level (for agricultural raw materials).

<sup>2</sup> For agricultural products and foodstuffs the product classes refer to annex II of Regulation (EC) No 1898/2006.

*Unit production cost for GI final products / raw materials* included only specific expenses for GI production, according to the following formula: *cost of inputs + cost of labour + administrative costs for GI production + indirect costs specific to GI production<sup>3</sup> + depreciation of fixed assets specific to GI production* (i.e. excluding depreciation of non-specific fixed assets and general expenses).

*Unit production cost for standard final products / raw materials* included only direct expenses, i.e. *cost of inputs + cost of labour*; depreciation of fixed assets and general expenses were not included.

## **2.4 Marketing channels**

Wherever permitted by the information available on prices and costs, the calculation of unit gross margins was carried out for each relevant marketing channel, in order to take into account possible differences in selling prices and/or in production costs (e.g. for sales of bottled wines or oils versus sales in bulk). The *marketing channels* which were considered *for final products* were the following:

1. Direct sale on the spot market (which refers to spot sales made at list prices, irrespective of the type of customer, with no additional conditions such as discounts, continuative supply over a certain period, etc.)
2. Direct sale to retailers (including discount stores) via supply contracts / other marketing agreements
3. Direct sale to downstream food processors (including packers, bottling companies etc.) via supply contracts / other marketing agreements
4. Sale to wholesalers / other intermediaries
5. Direct sale to final consumers
6. Any other channel not falling under definitions 1 to 5 above

The marketing channels which were considered for agricultural raw materials were the following:

1. Direct sale on the spot market (see above for definition)
2. Sale on the spot market via intermediaries (see above for definition)
3. Direct sale to processors via supply contracts / other marketing agreements
4. Sale to processors via intermediaries (supply contracts / other marketing agreements)
5. Any other channel not falling under definitions 1 to 4 above

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<sup>3</sup> Due to – among others - lower yields for certain varieties, lower planting density (for vineyards, olive groves etc.), lower milk production for certain breeds etc.

### 3 RESULTS AND CONCLUSIONS

*Disclaimer: For each of the five study questions, conclusions derived from the results of the investigations and calculations made in the framework of the 13 case studies in the final selection.*

*Due to the very high number and the great variety of GIs registered in the EU, the conclusions drawn in the assessment cannot be generalised to the entire universe of GI products.*

#### 3.1 To what extent have GI products a higher price in comparison with their corresponding standard products?

→ ***In most cases GI products achieve a price premium over the corresponding standard products*** even if ***extreme variability in the extent of the price premium for GI products*** was observed.

The results of the comparative analysis carried out for ***final products*** showed that in most cases (also considering the different marketing channels and practices used) GI products achieve a price premium over the corresponding standard products: exceptions are relatively few, and the extent of the disadvantage versus standard production is, in any case, limited.

This said, ***extreme variability in the extent of the price premium for GI products*** was observed: in a number of cases, prices of GI products were only marginally higher than the prices of corresponding standard products (+2/3%), whereas at the upper limit of the range, prices of GI products can be close to double the price of the corresponding standard products<sup>4</sup>.

Price premiums achieved by the two unprocessed GI products (fresh fruit and vegetables) were lower than the ones achieved by some processed products (especially wines and oils), but comparable to or higher than the ones achieved by other processed products.

The remarkable variability in the extent of the price premium *within* the various product classes covered by the selection of case studies, and the limited number of cases per class (which made the calculation of “class average values” pointless), did not allow to identify clear differences in the extent of price premiums *across* the different classes. Analogous considerations apply for the PDO versus PGI comparison.

As for ***agricultural raw materials, price premiums for raw materials for GI production were very limited or absent in the majority of cases***. Significant price premiums for GI production over standard production were observed in less than one third of the cases. This might be explained either by the fact that no particular requirements applied to the raw material or by the fact that for the GI concerned there was no geographical limitation to the sourcing of raw material.

Similarly to what was observed for final products, the remarkable intra-class variations did not allow to identify clear inter-class differences in the extent of price premiums; as for the PDO versus PGI comparison, besides the absence of clear differences between the two groups, it is worth observing that raw materials for production of PDOs achieve remarkably different price premiums, whereas differences in price premiums for raw materials for production of PGIs are less substantial or negligible. This might be explained by the fact that geographical limitations concerning the sourcing of raw materials and requirements concerning technical parameters of the raw materials themselves – which can determine price differentials versus standard production - are more common for PDOs than for PGIs.

<sup>4</sup> Especially in the case of top-quality bottled GI wines and oils, the ex-factory price can even be several times higher than the ex-factory price of standard products; however, the “outlier” prices of these top-quality bottles, usually targeted at an “élite” of consumers, were not considered in the elaborations made for the assessment.



The study also investigated the **allocation of retail value of the final product** (i.e. its final retail consumer price<sup>5</sup>) **among the different levels of the supply chain**, reasoning both in terms of absolute value and in relative terms (shares of retail price pertaining to each supply chain level). If the reasoning was made in terms of absolute value rather than in relative terms, the equivalent value of raw materials<sup>6</sup> (pertaining to farmers) and/or the ex-factory price of the final product (pertaining to processors) were often higher in the GI supply chain than in the standard supply chain. As the retail price of GI products was usually higher (and often much higher) than the retail price of the corresponding standard products, the shares of retail value pertaining to farmers and/or processors could be smaller in the GI supply chain than in the standard supply chain. The available evidence revealed that:

- suppliers of agricultural raw materials generally receive up to 25%, and in some cases up to 40%, of the retail value of products;
- only in a few cases producers of final products went beyond a 70% share of the retail value of the same (producers' share includes also the remuneration of agricultural raw materials used in production).

The above considerations would apply to both GI and standard products.

### **3.2 Does a potential higher price for a GI product compared with a 'standard' product, translate into a higher gross margin for the producers (and farmers in particular)?**

→ As far as **producers of final products** are concerned, **in most cases the gross margin for final GI products was higher than that for standard products.**

→ As for **farmers supplying agricultural raw materials**, the **situation was less conclusive.**

**In relation to producers of final products**, the few exceptions (lower gross margin for GI production than for standard production) derived from situations where the price premium for GI products was more than offset by the additional costs for GI production, or where lower prices for the GI product were combined with significant additional costs for GI production.

In some cases GI production took place even in absence of an additional gross margin over standard production for various reasons, among which the most important were (see also § 3.4) the importance of GI status for accessing specific market outlets, the function of “promotional tool” for standard production performed by the GI product and the fact that whereas production mostly takes place according to GI specifications, only a limited share of it is actually marketed under the GI name with the GI logo.

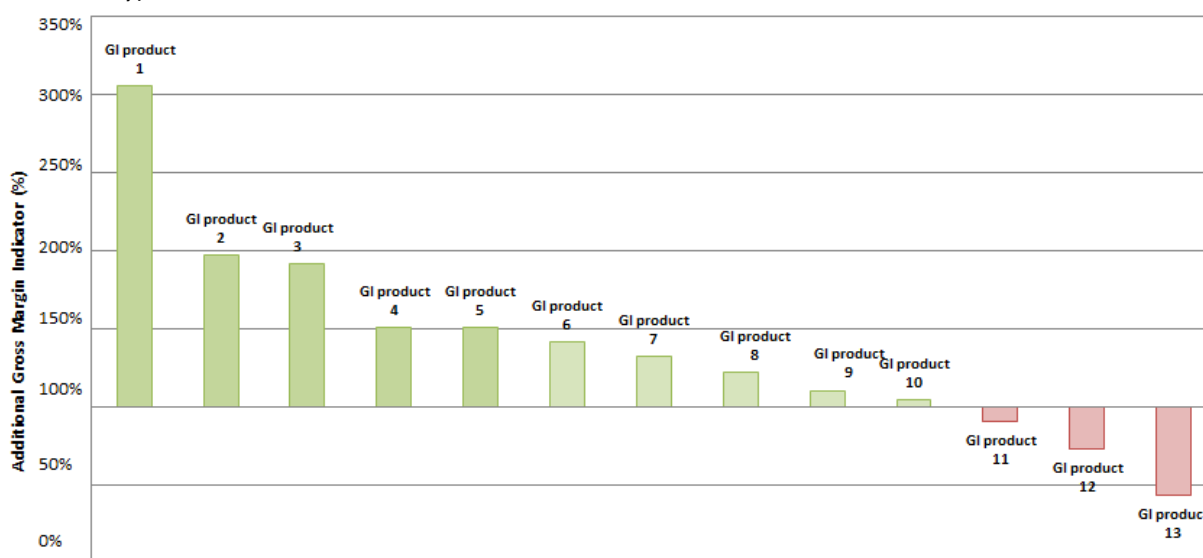
**The extent of the additional gross margin for GI production varied remarkably across the different case studies**, from three times the gross margin for standard production to just a slight advantage (+3-4%) over it. It must anyway be underlined that some of the highest additional margins for GI production were linked with rather low margins for standard production; at the other extreme, the absence of an additional margin for GI production in some cases involves nevertheless substantial margins in both GI and standard production.

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<sup>5</sup> Final retail consumer prices were retrieved via desk research (usually through the websites of both large-scale retailers and specialized retailers) or via direct checks at point of sale (for the same two typologies of retailers).

<sup>6</sup> Defined as the value at farm price of the raw material needed to obtain one unit (kg or l) of the final product.

Figure 1 - Additional gross margin indicator\* for the studied GI products: final products (main marketing channel only)



\* Additional gross margin indicator = (gross margin GI product / gross margin standard product)

Source: case study reports – not publicly released due to confidential data

Only one of the two unprocessed GI products (fresh fruit and vegetables) covered by the study achieved an additional margin: this was lower than the ones achieved by some processed products (especially wines and oils), but comparable to or higher than the ones achieved by other processed products.

Similarly to what was concluded for prices, the extreme variability (which can also be observed within the same product class) did not allow to identify clear differences in the extent of additional margin across the different product classes.

The extent of differential gross margins (and in the case of PDOs, also the very presence of an additional gross margin over standard production) was, in any case, extremely variable across both PDOs and PGIs.

As for **farmers supplying agricultural raw materials**, the **situation appeared to be more mixed and less clear than for final producers**. Whereas in some cases a very clear advantage in gross margin for production of agricultural raw materials for the GI supply chain (up to nearly three times the gross margin for standard production) was observed, in other cases there were no significant differences in gross margins between GI and standard production, and in one case it emerged that – due to a rather peculiar situation<sup>7</sup> – production of raw materials for the standard supply chain allowed to achieve better margins than production of raw materials for the GI supply chain (see figure 2).

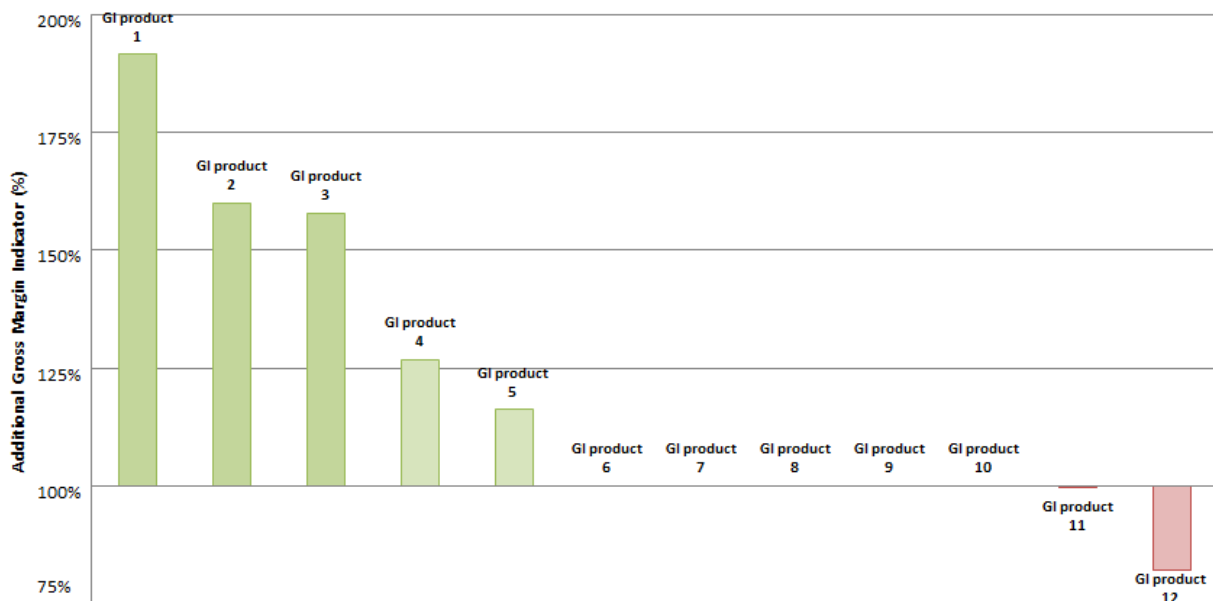
Similarly to what was already observed for final products, some of the highest additional margins for GI raw materials were linked with rather low margins for standard raw materials; at the other extreme, the only case of margin disadvantage for GI production involved rather significant margins in both GI and standard production.

Once more, the extreme variability within most product classes did not allow to identify clear inter-class differences in the extent of the additional gross margin.

<sup>7</sup> In this specific case, production of raw materials for the standard supply chain also granted access to the market for fresh products, where higher prices could be obtained. This option was not available for raw materials for the GI supply chain.

It was interesting to observe that **producing raw materials for PGIs resulted in no additional margins over standard production in most of the cases** (as previously highlighted, in one case the gross margin was even better for standard production), whereas **production of raw materials for PDOs allowed farmers to achieve significant or substantial additional gross margins in half of the studied cases**. This might be explained by the fact that geographical limitations in the sourcing of raw materials and requirements concerning technical parameters of raw materials themselves are usually more restrictive for PDOs than for PGIs; this implies that one of the conditions for achieving additional margins, i.e. the presence of price premiums, is more likely to apply for production of raw materials for PDOs than for PGIs.

Figure 2 - Additional gross margin indicator\* for the studied GI products<sup>8</sup>: agricultural raw materials\*\*



\* Additional gross margin indicator = (gross margin GI raw material / gross margin standard raw material)

\*\* The products appear in order of decreasing Additional Gross Margin Indicator; this means that “GI product 1, 2...” in the above figure may not be the same GI products appearing as “GI product 1, 2...” in figure 1

Source: case study reports – not publicly released due to confidential data

### 3.3 What are the key factors for obtaining a gross margin that is higher/lower?

- ➔ Intrinsic product differentiation was identified as a key factor for obtaining a positive differential margin compared to standard production.
- ➔ Higher gross margin for GI products was also the result of effective marketing strategies and tools, including the use of short market chains and export-oriented strategies.
- ➔ Other factors like support to promotion and consumers' awareness played a role.

Within the constraints related to the relatively limited number of case studies carried out, some conclusions on the key factors behind achievement of higher or lower gross margins in GI production versus standard production could be drawn from the results achieved by the study. Further elaborations on the results of case study work (by building a series of “investigation patterns” like the one represented in figure 3) were also

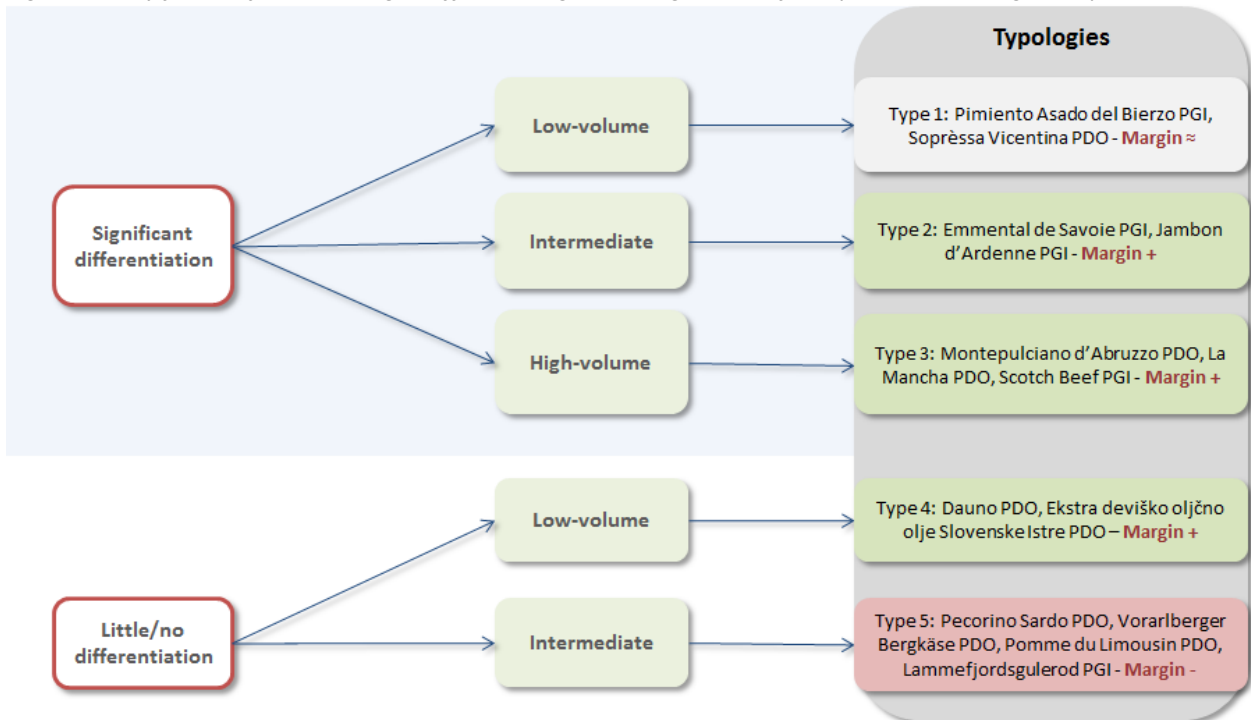
<sup>8</sup> The analysis was not performed in one case study, as the sale of agricultural raw materials for processing into (GI or standard) final products was virtually non-existent in the GI area (due to widespread presence of vertical integration between farming and processing).

made, in order to assess whether and to what extent certain combinations of factors and/or characteristics identifying the different GI products studied could be linked to certain results in terms of additional gross margin versus the corresponding standard products. It is essential to consider that figure 3 “masks” some important differences between individual products grouped in the same typology, and among different marketing channels for each individual product.

**Intrinsic product differentiation** (i.e. presence of significant differences in the intrinsic features – quality parameters, organoleptic characters, etc. – of a GI product versus the corresponding standard product) can be identified as a **key factor for obtaining a positive differential margin in GI production**. In general, **GI products with only slight differences in intrinsic features from the corresponding standard products achieve relatively limited advantages in gross margins, or even no advantage at all**, whereas **GI products which are significantly different from the corresponding standard products tend to achieve more important advantages**; only few exceptions to these trends emerged from case-study work.

Intrinsic product differentiation can be obtained through the combination of geographical specificities with significant differences in production methods, concerning use of different raw materials, application of limitations in productivity (to achieve superior product quality) and use of production techniques featuring additional / specific operations. It must also be recalled that for a PGI, according to EU legislation, any geographical limitations concerning the sourcing of raw materials should be justified.

Figure 3 - Key factors for obtaining a differential gross margin: one of the possible investigation patterns



Source: case study reports – not publicly released due to confidential data.

**Other factors also appeared to play a role in achieving additional gross margins, even if they proved less decisive** in particular because they also have an effect on gross margins of standard products.

**Recourse to shorter, more direct marketing channels** (i.e. absence of intermediaries), **sale of bottled products versus sales in bulk** (for GI wines and oils), and **strong orientation towards exports**, have actually helped GI producers to achieve positive differential margins versus standard producers in a number of cases, but the evidence in this respect from case-study work is somewhat mixed: this suggests that **prudence should**

**be used in considering the above elements as “key factors” for achieving higher gross margins through GI production.** The fact that these factors can be relevant also in standard production implies that the actors in the GI supply chain first need to implement adequate production and marketing solutions (which have proved their effectiveness in a wide variety of business environments) in order to be able to pursue additional gross margins through GI production. In other terms, it seems unlikely that GI production alone can overturn the disappointing results which usually come from inadequate production and/or marketing solutions.

The role of other potential key factors studied appeared rather unclear, in particular the time-length since the date of protection of the GI or the type of registration (PDO or PGI).

As for the **marketed volumes**, all high-volume GI products included in the selection achieve remarkable or significant differential gross margins over the corresponding standard products, but also some low- or intermediate volume GI products achieve similar results. Evidence from the case studies and inputs from the interviewed experts suggest that large marketed volumes for a GI are usually the result of a development process which is fuelled by good profitability (and hence that establishing a link between high volumes and substantial additional gross margins makes sense), and also that large marketed volumes help to keep production costs down (by allowing economies of scale and also by “spreading” fixed administrative costs for GI production over a wider production base). On the other hand, some wine experts noted that expansion of production volumes beyond actual market demand can lead to oversupply, and hence to a decline in prices and profitability.

As far as a possible impact of the **support for promotion** is concerned, the situations was definitely mixed: participation in fairs appeared to be a widespread practice which usually received public support (via measure 133 of Rural Development Programs and/or other public funding), but it did not systematically lead to satisfactory results in terms of additional gross margins.

The possible role played by the **level of awareness of, trust in and willingness to pay for GI products among consumers** in the achievement of additional gross margins for GI production was also considered. To this end, the degree of recognition of EU GI logos by consumers in different Member States (as measured by a 2012 Eurobarometer survey<sup>9</sup>) was put in relation with the extent of differential margins for GI production. The investigation revealed no link between the two variables; however, evidence from case-study work suggested that if a favourable attitude of consumers towards GIs constitutes an important condition for better valorisation of GI products, such an outcome is not automatic, and very much depends on the reputation of individual GI products among consumers (rather than on the reputation of GI products in general).

### **3.4 What other added value is there for producers of GI products?**

**→ A number of elements of added value other than higher gross margins was identified in the case studies: protection of intellectual property rights; improved visibility; access to new markets; better access to promotion funds and investment aid; better support under rural development; positive impacts on the GI area as a whole.**

The elements which emerged most often were the following:

1. **Protection of intellectual property rights.** The function of GI protection in this respect was found to be twofold: a) providing the legal framework for reacting effectively against attempts of imitation, misuse, use of “GI-sounding” terms, etc.; b) acting as a tool to prevent the aforementioned issues. Evidence from the case studies, as well as input from the interviewed experts, actually suggested that in some cases the protection of intellectual property rights, and in general of “immaterial” elements (e.g. know-how of producers, cultural values, traditions, etc.) which have helped to build the

<sup>9</sup> European Commission (2012), “Special Eurobarometer 389, Europeans’ Attitudes Towards Food Security, Food Quality And The Countryside”.

reputation of a particular production area is the main reason behind the creation of a GI (rather than the implementation of a product-differentiation strategy based on intrinsic differences versus a standard product).

2. **Improved visibility**, often deriving from **better access from participation in fairs** (sometimes participation was funded through measure 133 “Supporting producer groups for information and promotion activities for products under food quality schemes” of the Rural Development Programmes concerned).
3. **Access to new markets**. The GI status was found to have promoted access to new domestic and/or export markets in most cases, whereas it appears to have played a less significant role in promoting increased market penetration.
4. **Better access to promotion funds and investment aid**. Case-study work highlighted some situations concerning better access to support for promotion and investments in the framework of the single CMO (for GI wines and oils), better access to support from co-financed EU programmes (as far as promotion is concerned), and better access to support for promotion and/or investments funded by national or regional governments.
5. The GI status was found to grant **better support under rural development** in over half of the cases. The measures concerned are usually No. 132 “Supporting farmers who participate in food quality schemes” and No. 133 “Supporting producer groups for information and promotion activities for products under food quality schemes”; in some cases, GI producers are also granted priority access to investment aids conveyed via measures 121 “Modernisation of agricultural holdings” and 123 “Adding value to agricultural and forestry products”.

**Other additional elements of value added were also identified**, namely:

- a. Positive impacts that the GI had on the concerned area as a whole (highlighted in more than one third of the cases): these impacts were deemed to improve the socio-economic environment where GI producers operated, and hence constituted an additional element of value added for them.
- b. GI as a key factor to maintain certain production activities (at farming and/or processing stage) within the GI area.
- c. Important role of GI production in strengthening the organisation and resiliency of the supply chain.
- d. GI production as an effective way for producers to achieve a closer focus on product quality, mainly thanks to the drawing up and application of product specifications.

The elements in points b, c, and d were detected in few case studies, and were mostly related to specific conditions applying in those cases.

### **3.5 What are the enabling and disabling factors for the generation of added value?**

→ Due to the great variety of GIs, **a variety of factors plays a role in generating added value for GI producers: intrinsic product differentiation; use of shorter, more direct marketing channels; achievement of greater production volumes and/or stronger orientation towards exports; adequate levels of awareness of, trust in and willingness to pay for GI products among consumers; strong supply-chain organisation; attention to GI production from policy makers and competent institutions**

In light of the findings of the case studies, the factors behind the generation of added value for the actors concerned (producers of final products and farmers supplying agricultural raw materials) through GI production appear to be extremely diversified. In some cases, these factors are strictly linked to specific conditions concerning that particular area, production and consumption system, etc., and are hence difficult or outright impossible to “replicate” outside that peculiar context.

This said, some factors were found to be more frequently linked with certain outcomes, especially as far as the generation of higher gross margins versus standard production is concerned (see § 3.3 in this respect); on

the contrary, the presence of the same element of added value *other than differential gross margins* (see § 3.4) appears to derive from very different combinations of factors.

As seen in § 3.3, ***intrinsic product differentiation*** can be identified as an enabling factor for the ***generation of added value for GI producers through higher gross margins***; in the case of ***farmers supplying agricultural raw materials, operating in the supply chain of a PDO*** (rather than in the supply chain of a PGI) emerged as an enabling factor for the same outcome.

As highlighted in § 3.3, the use of ***shorter, more direct marketing channels*** could be another enabling factor for the creation of valued added through higher gross margins, as well as the achievement of ***greater production volumes***<sup>10</sup> and/or of a ***stronger orientation towards exports***; however, the linkage between such factors and the achievement of higher gross margins appears to be ***less clear and straightforward than the link with intrinsic product differentiation***. To pursue additional gross margins through GI production, the concerned actors need to apply adequate production and marketing solutions (which are as important as in standard production). In other terms, GI production alone cannot shelter producers from disappointing results, if inadequate production and/or marketing solutions are applied.

An ***essential “context factor” for obtaining better prices for GI production*** (which is a pre-condition for achieving higher margins) is the presence of an ***adequate level of awareness of, trust in and willingness to pay for GI products among consumers***. Even if no link could be detected between the degree of recognition of EU GI logos by consumers in different Member States (as measured by a 2012 Eurobarometer survey) and the extent of differential margins for GI production, some evidence from case studies suggests that GI products tend to struggle especially where consumers know little about GI protection, and attach limited value to origin when making purchasing decisions. These conditions are likely to be found in Member States where a “critical mass”<sup>11</sup> of supply of GI products (in terms of volumes, and even more so of variety and depth of assortment) has not been reached yet. This said, if a favourable attitude of consumers towards GI products is important for their valorisation, this is mainly related to the reputation of individual GI products among consumers, rather than to the reputation of GI products in general (see also § 3.3).

Finally, a ***strong supply-chain organisation*** (vertical and horizontal integration/co-ordination within the supply chain; dynamic organisations of GI producers; etc.), if combined with ***attention to GI production from policy makers and competent institutions***, could be an ***enabling factor for the creation of added value in terms of improved visibility*** (also thanks to better access to promotional activities) and ***better access to funding***, even if evidence in this respect from case study work is – once more - somewhat mixed.

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<sup>10</sup> The relation between additional gross margins and high marketed volumes appears to be mutual, as the presence of additional gross margins often promotes the growth of marketed volumes, which in turn can help in increasing additional gross margins via economies of scale in GI production. However, as already noted, expansion of production volumes beyond actual market demand can result in oversupply, and hence in a decline in prices and profitability.

<sup>11</sup> The concept of “critical mass” of supply of GI products is a qualitative one: Member States with a high number of long-standing registered GI products in all or most product categories (including a significant number of high-volume products), with most GI products featuring a wide assortment within an ample range of retail prices, can be deemed to have reached a “critical mass” of supply of GI products.