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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
THE COUNCIL**

**on the case for an optional quality term ‘product of island farming’**

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### 1. INTRODUCTION

Article 32 of Regulation (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs<sup>1</sup> requires the Commission to present a report to the European Parliament and to the Council, no later than 4 January 2014 and accompanied if necessary by appropriate legislative proposals, on the case for a new term ‘product of island farming’.

Article 32 states that the term can be used only for products:

- intended for human consumption and listed in Annex I to the Treaty; and
- the raw materials of which come from islands; and
- in the case of processed products, processing must take place on islands where this substantially affects the particular characteristics of the final product.

The Commission has taken a range of steps to gain a better understanding of island farming across the Union, consulting Member States and stakeholders<sup>2</sup> and holding discussions in the relevant fora<sup>3</sup>. In June 2013, it organised a two-day workshop on the Products of Island Farming and Food Industries<sup>4</sup>. These activities and the JRC scientific and policy report<sup>5</sup> drawn up after the workshop have provided essential input to this report.

This report examines the socio-economics and specificities of island farming, reviews existing labelling schemes and reflects on the merits of establishing an optional quality term (OQT) for ‘product of island farming’.

### 2. SITUATION WITH REGARD TO ISLAND FARMING

For the purpose of this report:

- ‘product of island farming’ OQT is a generic/horizontal term to appear on the label of a product with no reference to the name of a specific island nor figurative content such as a logo.

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<sup>1</sup> Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs (OJ L 343, 14.12.2012, p. 1).

<sup>2</sup> Questionnaires to Member States and stakeholders (28 January 2013 and 6 June 2013).

<sup>3</sup> Advisory group on quality policy and expert group for sustainability and quality of agriculture and rural development.

<sup>4</sup> Seville, 13-14 June 2013.

<sup>5</sup> Santini F., Guri, F., *et al.* (2013), *EU island farming and the labelling of its products*, JRC Scientific and Policy Reports, JRC84949

The term may be used only to describe products:

- (1) intended for human consumption;
- (2) listed in Annex I to the Treaty; and
- (3) the raw materials of which come from islands.

For processed products, processing must take place on islands in cases where this substantially affects the particular characteristics of the final product<sup>6</sup>.

- ‘island farming’ means the production of agricultural products and foodstuffs on islands;
- ‘island product’ means an agricultural product or foodstuff produced on an island.

Unlike some other geographical concepts, ‘island’ seems easy to define: it is a piece of land surrounded by water. However, more precise definitions have often been used for specific purposes, taking into account additional criteria such as:

- size (in terms of area or population);
- the existence of fixed links or distance to the mainland; or
- the existence of a regional administrative authority.

For **statistical purposes**, Eurostat has laid down the following criteria to define an island:

- (i) minimum surface area of 1 km<sup>2</sup>;
- (ii) minimum distance of 1 km between the island and the mainland;
- (iii) resident population of over 50;
- (iv) no fixed link to the mainland (e.g. bridge, tunnel, dyke); and
- (v) not the site of an EU capital.

Applying such criteria in the context of agriculture product labelling would give rise to some difficulties. For example, islands that are permanently connected to the mainland, but economically not really integrated, would be excluded, as would many islands with small populations. An archipelago with over 50 inhabitants but made up of several islands which each have fewer (this applies to many Finnish and Swedish islands) would not be covered although facing similar difficulties.

For the **Structural and Cohesion Funds**<sup>7</sup>, islands are ‘island Member States eligible under the Cohesion Fund, and other islands except those on which the capital of a Member State is situated or which have a fixed link to the mainland’. Unlike the Eurostat definition, this

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<sup>6</sup> Article 32 of Regulation (EU) No 1151/2012.

<sup>7</sup> Article 52 of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (OJ L 210, 31.7.2006, p. 25).

includes all small and coastal islands and two island Member States (Malta and Cyprus), though not Ireland or the United Kingdom, nor many small islands with a fixed link to the mainland.

Given the varying definitions, it is difficult to say exactly how many islands there are in the EU. Estimates range from about 300 using the most restrictive definitions (no fixed link, minimum size, etc.) to over 300 000 (mostly in Finland and Sweden) if purely geomorphological criteria are applied<sup>8</sup>.

While these islands are very diverse in geomorphological, natural, demographic, cultural and administrative terms, some broad common features can be identified:

- many islands are mountainous;
- their climate is often naturally maritime;
- their location entails ‘peripherality’ and poor accessibility;
- their natural capital is unique and fragile;
- their demography is usually dynamic (except for smaller islands, which tend to be affected by depopulation);
- they benefit from a strong cultural identity; and
- in many cases, they have an autonomous administration.

How one defines an ‘island’ depends on the purpose for which the definition is required. As regards labelling of island farm products, we need to identify precisely what the label is to convey in order to decide on the definition to apply.

## **2.1. Socio-economic importance of island farming**

Agriculture and food industries are important sectors for the EU’s island economies. Agriculture, forestry and fishing represent 2.7% of their gross value added (GVA), as compared with 1.6% of total EU-27 GVA. Their food industry is also more important than that on the mainland, representing 19% of industrial employment as against 13% at EU level.

The national prominence of islands in agriculture is greatest in Greece and Italy, in particular because of their three large islands (Sicily, Sardinia and Crete). Sicily and Sardinia account for over half of the EU’s island farming production in terms of value; Crete, the Azores and Réunion for 5-10%.

On the basis of the Farm Structural Survey figure of 572 000 farms on NUTS 2 island regions in the EU in 2011, the total number of island farms can be put at around 600 000. Their total farm output has been estimated at €11.4 billion a year.

Island farming faces the following **structural challenges**:

- agricultural area per holding is less than the EU average;
- island farms are less labour intensive than those on the mainland;
- isolation entails higher transport costs (inputs can cost two to three times more than on the mainland);

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<sup>8</sup> [http://www.scb.se/Pages/PressRelease\\_275646.aspx](http://www.scb.se/Pages/PressRelease_275646.aspx).

- the limited number of inhabitants limits the diversity of production and thus the degree of local competition;
- depopulation can result in the loss of specific know-how;
- production is often specialised and thus more sensitive to shocks in the international economy;
- water and energy supply and waste management can have an adverse effect on the island agriculture.

Stakeholders have argued that these challenges actually have a positive impact on the qualities/characteristics of island products and local production methods. Agricultural production on islands exploits local characteristics which favour quality and there are close links between primary production, processing and marketing, which are carried out to a very high standard based on traditional know-how. In addition, the particular isolation of some islands has contributed to improving local processing techniques.

## **2.2. Agricultural production on islands**

Two major **product groups** predominate: fruit and vegetables, and specialised crops like olives and wine. The total production value of these two groups represents 4.7% and 3.6% of the EU total in the respective sectors and close to 60% of the total value of EU islands' agricultural production, as against only 30% in the EU as a whole.

Island farms mostly specialise in horticulture. With some exceptions (e.g. cereals in Sicily and sugar cane on some tropical islands), cereals and arable crops are under-represented as compared with the EU generally.

Animal production on islands is characterised by the importance of sheep and goat specialised farms. The production of sheep and goat meat in terms of value is three times more important on islands than on average in the EU.

Member States' and stakeholders' opinions are divided, however, when it comes to the **specificity of island products' characteristics**.

Some believe that island products have specific characteristics due to:

- traditional know-how;
- particular climatic conditions that influence maturation, processing and transport; and
- the nature of locally sourced raw materials.

These specific characteristics are seen as directly linked to traditions, expertise and recipes passed down from generation to generation and unique conditions applying to local cultivation and the rearing of indigenous breeds.

Others argue that it is difficult to demonstrate the specificity of island products as compared with products from coastal areas on the mainland, arguing that they have no particular characteristics that depend on being processed on an island apart from origin *per se*. There are no examples of processing which must necessarily take place on the island and it may even be mistaken to regard certain production steps, such as smoking or drying, as unique by virtue of

the island climate, since this may be no different from that on the coast of the nearby mainland.

To conclude on the findings indicated above:

- Island agriculture has some common features, but these relate mainly to **structural challenges** rather than specificities reflected in the products. These challenges are already subject to various measures such as the Structural Funds, rural development programmes, direct aid schemes under the common agricultural policy, transport policy, research programmes, local development strategies, etc.
- The structural challenges can be regarded as having a positive impact on the **qualities/characteristics** of island products and on production methods (e.g. by maintaining quality, know-how and raw materials, and improving local processing techniques).
- While combinations of natural and human factors can result in particular characteristics in island products, these are normally specific to a **given island**. As islands are very diverse, it seems unrealistic to identify specific characteristics common to all their products, or at least to Annex I products for human consumption.

### 3. EXISTING LABELLING SCHEMES ACROSS THE MEMBER STATES

There is currently no legal instrument at EU or national level specifically devoted to protect products originating from island products or island farming as such.

The following indirectly cover the marketing of island farming products and protect them against misuse and misleading or unfair practices:

- EU quality schemes, in particular:
  - protected designations of origin (PDOs) and protected geographical indications (PGIs); and
  - the POSEI Regulations on agriculture in the outermost regions<sup>9</sup>, which cover mainly island territories and provide for an official EU quality scheme (hereafter designated as ‘RUP logo’<sup>10</sup>);
- ‘common right’ rules, i.e. EU and Member State trademark systems, unfair competition and general consumer protection rules as well as the food information for consumers Regulations at EU and Member States' level;
- a combination of instruments such as regional collective or certification trademark systems with EU quality schemes (RUP logo, PDO/PGIs or organic farming).

A number of examples of agricultural or food products labelled with a reference to insularity have been collected in a non-exhaustive **inventory** of cases based on

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<sup>9</sup> Regulation (EU) No 228/2013 of the European Parliament and the Council and Commission Regulation (EC) No 793/2006.

<sup>10</sup> From the French *régions ultra-périphériques*.

- practices identified from OHMI and WIPO trademark databases;
- labels found on the market;
- EU quality schemes; and
- collective regional brands and initiatives.

Only a small share contains and refers to the generic/horizontal term ‘island’ and/or its translations. Of the 8400 trade marks collected concerning agrifood and beverage product, most of the cases include the name of a specific island and only around 1360 include the term “island” as such or its translation, 16% of all the collected trade marks. Some of these, usually accompanied by a more precise geographical term identifying a specific island territory, are genuinely for island farming products, but 80% (fancy names, trademarks, etc.) are not.

85+% of the labels inventoried refer to a specific island territory, as well as to the origin of the product from this specific island territory or archipelago, for example Sardinia, Azores, Madeira or Martinique. Trademark holders are more interested in conveying narrow, well-defined origin than making a generic reference to their products coming from an island.

Many **territorial brands** have been registered for EU island products<sup>11</sup>. Many islands and/or archipelagos have one or several collective brands which, at the same time, make the understanding for the consumer difficult. These brands are based on collective or certification trademarks owned by groups of private stakeholders, local authorities or public-private partnerships and all of them are semi-figurative trademarks (i.e. with a name and a symbol).

The **RUP logo** is used to promote very specific quality products from the outermost regions in the EU. These products are subject to requirements as to quality, cultivation, production or manufacturing techniques, or presentation and packaging. The logo is most commonly used for bananas from Guadeloupe, Martinique, the Canary Islands and Madeira, but also for other fruit (e.g. pineapples and melons) and vegetables, flowers and wine from these regions.

Insular **PDOs/PGIs** represent around 10% of all agrifood geographical indications registered in the EU: on 1 October 2013, 118 of 1158 PDO/PGI products were produced on islands. 50 island wine names are also protected under EU quality schemes. A total of 168 registered PDO/PGI products thus originate from EU islands. PDO/PGI products account for around 5% of the total value of EU islands’ agricultural production (JRC report).

Geographical names primarily refer to the name of the island in question (52% of the cases, mostly Greek, plus Sardinia, Corsica and the Canary or Balearic Islands), sometimes with additional names (particularly in the case of designations from Crete, which generally give further details on the part of the island the product is from). In other cases (32%), the designation refers to a locality on an island. This is the case for most of the Sicilian designations, but also for others such as Stornoway in the Outer Hebrides, etc. In a few cases (8%), the reference is to the name of an archipelago (e.g. the Azores, Shetlands, Orkneys and the Canary Islands).

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<sup>11</sup> Many islands and/or archipelagos have one or several collective brands, which can be confusing for consumers.

The collected opinions of Member States/stakeholders and the survey of PDO/PGI logos show that:

- producer groups do not systematically communicate the island origin in their logos. Logos are normally not focused on the respective island. Most of the time, fanciful logos are used;
- PDO/PGI schemes are the preferred means of conveying the specificity, particular characteristics and quality of island products. Reference is usually made to the name of the specific island in question, the locality or region of origin;
- there are few examples of the use of the generic term ‘island products’ as such:
  - Denmark (honey from Læsø Island brown bees, apples from Fejø Island in the South Sea);
  - Finland (‘Åland sheep’ or ‘archipelago product’); and
  - the Netherlands (‘*Waddengoud*’);or of the collective regional logos created by the regional authorities in Madeira (‘product of Madeira’) and the Canary Islands (‘*Tenerife Rural*’, ‘*Gran Canaria Calidad*’, ‘*Alimentos del Hierro*’).

Stakeholders also provided evidence of misleading labelling practices or ‘fraudulent’ island agricultural products (cheap imitations offered to tourists) and stressed the need to protect the authenticity of EU islands’ farming products.

To summarise, there are many registered PDOs/PGIs for products from EU islands but these do not cover a significantly higher proportion of products than on average in the EU. There are also a high number of private labels which refers to an island origin with the majority referring to the specific island territory.

#### **4. THE CASE FOR AN OPTIONAL QUALITY TERM**

OQTs are established under Regulation (EU) No 1151/2012 to help producers communicate the value added characteristics or attributes of their agricultural products. They are defined in Article 29(1) of the Regulation as:

- relating to the ‘horizontal’ characteristics of one or more categories of products or to farming or processing attribute which applies in a specific area;
- adding value to a product as compared with similar ones; and
- having a European dimension.

##### **4.1. ‘Horizontal’ characteristics of products or farming practices**

The diverse geography of the EU’s islands gives rise to significant and diverse production of agricultural and food products, in particular specialised crops (fruit, vegetables, potatoes, olive oil and wine), but also animal products (sheep and goat meat and, to a lesser extent, dairy products and cattle).

The agrifood sector plays a significantly greater role in EU island economies than in the EU on average and often remains closely related to the main economic activity: tourism. Many

islands have development strategies involving ‘smart specialisation’ to exploit synergies between tourism and the local agrifood sector.

Local *savoir faire*, traditions, the wealth of the natural capital and local biodiversity in terms of specific plant varieties and indigenous animal breeds all place the agrifood sector among the drivers of growth for EU islands, particularly by developing high-value-added ‘niche’ products.

While common to farming practices in islands in general, however, these elements manifest themselves differently in products specific to each island and thus do not necessarily translate into ‘horizontal’ characteristics common to all island products as a category.

#### **4.2. Adding value**

Although all EU islands share characteristics which could potentially be conveyed by a generic labelling term such as ‘product of island farming’, feelings about the added value of such labelling seem to be mixed.

When marketing their food products, the vast majority of producers convey the concept of insularity by referring to a **specific island** or archipelago. No example has been found of a brand or quality scheme covering all islands regardless of their precise location. ‘Horizontal’ labels are used for groups of small islands like several small Danish islands or for ‘archipelago products’ (Finland), but this is still far from a horizontal generic island farming labelling scheme.

Moreover, in some cases islands are in competition with each other and the reference to a specific island is key for producers wishing to stand out on the market.

#### **4.3. European dimension**

EU islands share common features in terms of geography, natural, human and social capital, and economic and political dependency on the mainland.

According to the trade patterns in the JRC-IPTS’ regional ‘social accounting matrices’ for 2005<sup>12</sup>, an average of around 60% of EU islands’ agricultural output in value terms and 35% of their food industries’ output is ‘exported’, mostly to the mainland of the respective Member State. Only 7% (Madeira) to 18% (Canary Islands) of their agrifood output goes to other Member States or third countries, but these products already benefit from an EU scheme (RUP logo).

### **5. CONCLUSION**

Most of the difficulties faced by EU islands and their farming sectors are **structural** and require primarily structural solutions and policy responses, already partly in place through

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<sup>12</sup> Mueller, M. and Ferrari, E. (2012), *Social Accounting Matrices and Satellite Accounts for EU-27 on NUTS 2 Level (SAMNUTS2)*, JRC Scientific and Policy Reports, EUR 25687 EN.

regional policy and rural development measures on the one hand and subsidies to compensate for specific handicaps on the other.

Not all island agrifood products benefit from existing schemes and public or private initiatives to improve quality and add value on the market. For example, only around 5% (in value terms) are covered by PDOs/PGIs and the RUP logo, while used, targets specific outermost region products that satisfy certain requirements. On the other hand, many private standards have been put in place referring often to specific geographical origin. However, the situation seems uneven between islands across the EU.

Arguments in favour of a ‘product of island farming’ OQT are that:

- as a **voluntary instrument** imposing a relatively light administrative, control and budgetary burden, an OQT might suit **some small-scale producers**, in particular on small islands not benefitting from a sufficient scale to engage in other marketing tools (such as collective, certification and territorial brands, PDOs/PGIs and the RUP logo). This would only be relevant for a small part of island products.
- besides functioning as a **communication and marketing tool**, an OQT could add value to some island farming products, in particular if Member States were to ensure that it is integrated with or linked to other measures; and

On the other hand:

- a ‘product of island farming’ OQT could **penalise producers** already engaged in quality schemes by placing them in competition. There is a risk of **diluting existing initiatives** (territorial marks, PDO/PGIs, etc.) which are subject to stricter control and/or certification and therefore extra costs;
- the fact that there are currently no generic labels for island products (labelling and promotion refer to **specific islands**) is an indication that the ‘island’ concept is not considered sufficiently strong or appropriate to convey particular messages to consumers. The only example that comes close to sending such a message, the RUP logo, has a limited scope of application. An OQT could negatively impact these existing scheme;
- as most island products are not exported but sold locally or on the mainland of the Member State in question, it can be argued that regulation of labelling claims could be **better addressed at Member State level**;
- the **range** of potentially eligible OQT products is **likely to be severely limited** by the obligations foreseen in Regulation (EU) No 1151/2012 in terms of sourcing of raw materials, processing requirements and limitation to Annex I products.
- the **structural problems** faced by islands might be addressed by the existing structural instruments.

This report aims to provide factual analysis to enable a debate on whether reserving a new ‘product of island farming’ OQT is the right way to help island producers better communicate the characteristics that add value to their products.

The Commission invites the European Parliament and the Council to discuss this report and welcomes their feedback.