Consortium for Common Food Names

Assessing the Potential Impact of Geographical Indications for Common Cheeses on the U.S. Dairy Sector

A study by Informa Economics IEG commissioned by the Consortium for Common Food Names to evaluate the impact on the U.S. dairy sector, consumers and economy of the European Union's seizure of common cheese names.

Imposing unjustified European Union policies regarding Geographical Indications on the United States could cost the U.S. dairy industry billions of dollars, slash domestic cheese consumption, close family farms and eliminate thousands of rural jobs. On the backs of U.S. companies that built this market, Europe would prosper at the expense of American manufacturing jobs and farmers. These policies will also increase prices for consumers and hurt the overall U.S. economy.

Report's Key Impact Findings

In 10 years, these policies could:

- **Reduce** U.S. cheese consumption up to 21 percent, or 2.3 billion pounds. At today's prices, this consumption decline would equal up to **$5.2 billion in lost cheese sales**.
- **Push** U.S. dairy farm margins below the break-even point in up to six out of 10 years, **costing farmers a cumulative $59 billion in revenues**.
- **Reduce** the size of the national dairy herd up to 9 percent, or 852,000 cows, **putting many farms out of business**.
- **Close numerous cheese plants**, especially specialty cheese manufacturing plants.
- **Create** havoc in the supermarket dairy case, limiting choices and **forcing consumers to pay more** for cheese varieties with familiar names.

The report found that these impacts would take a significant toll on the U.S. economy, including cutting up to 175,000 rural jobs.

Background

Geographical Indications, or GIs, recognize the unique nature of specialty foods products identified with a specific geographic area. They restrict the use of the names of these products only to those that originate in the designated area. By allowing consumers to easily recognize these unique food products, GIs serve a necessary and useful purpose. In the United States, for example, both Washington State Apples and Idaho Potatoes are appropriately protected by geographical indications.

The European Union (EU), however, wants to misuse GIs to eliminate competition from producers in other countries. It advocates extending GI protections beyond a small number of specialty foods to cover many food names that have no geographic identity. GIs were never intended to protect these types of generic names, which have long been used and recognized by consumers worldwide.

Common cheese names like parmesan, gorgonzola, asiago and feta are a key target of Europe's GI agenda. Others such as mozzarella and provolone have faced threats in various global markets and could be at risk of future restrictions by EU GI policies. These are hardly products solely associated with areas of Europe. They are made in numerous countries and many have globally recognized food standards. Also, international competitions have recognized many non-European cheeses with these names as superior to the European varieties.

Europe's GI policies could ultimately ban the use of hundreds of common names in the United States and around the world, thereby impacting not only the companies producing those products but also their workers and supplying farmers. It would force award-winning U.S. cheese makers out of markets they have worked for generations to create. U.S. manufacturers would face a choice of simply abandoning these markets or selling their products under unfamiliar names like "crumbly white cheese" or "hard grated cheese."

Europe's restrictive policies also include limits on the use of food terms such as black forest ham and valencia oranges as well as common words important to winemakers such as vintage or cream. So, the implications of wholesale U.S. adoption of the EU's approach to restrictive food labeling would be felt severely nationwide.

The Consortium for Common Food Names commissioned Informa Economics to examine the impacts on the United States if the European Union succeeds in confiscating common cheese names for exclusive use by European manufacturers. Informa used case studies and multiple economic models to gauge the impact of European GI policies on domestic cheese consumption, farm-gate milk prices, dairy farm revenues and other factors.

Informa Report Findings

Instituting Europe's GI policies in this country means only Europeans could market cheeses with familiar names like parmesan and feta. Faced with a choice of purchasing an imported product with a familiar name or a domestic product with an unfamiliar one, consumers will purchase less of the domestic product and pay more for the imported one. Shoppers will face confusion in the supermarket, higher prices and fewer choices as only Europeans could market cheeses with the names they are accustomed to.

Europe's policies on GIs would trigger a major contraction in consumption of U.S. cheeses while at the same time driving up costs for U.S. consumers to keep buying the same staple product purchases. As American families shift to single-sourced imported cheese, shoppers will see their costs to purchase familiar products rise while U.S. cheese makers will see their markets dwindle. Consumption of domestic cheese could fall up to 21 percent, or 2.3 billion pounds, over 10 years. A consumption decline of that magnitude would equal up to $5.2 billion in lost in cheese sales.

This declining demand for domestic cheese will force U.S. cheese manufacturers out of business, impacting U.S. jobs, investment and the economy. Numerous cheese plants, especially specialty cheese manufacturing plants, would be expected to shutter with small and medium-sized firms being particularly pressured by the reduced returns for their cheeses.

Family dairy farmers will also be severely damaged by Europe's policies with the revenue impact ranging up to a cumulative $59 billion. Farm margins could be driven below the break-even point for up to six out of 10 years, as dairy farmers lose up to 15 percent of their revenue. These losses would trigger a reduction in the U.S. dairy herd of up to 9 percent, or 852,000 cows, forcing many dairy farmers to quit.

Nor will the damage be limited just to the dairy industry. As the impacts on dairy ripple through industries like grain farming, transportation and veterinary services, the U.S. economy could lose up to 175,000 jobs and $23 billion in Gross Domestic Product in the short run. While this analysis just looked at the dairy industry, Europe's policies would likely have similar impacts on other food sectors.

CCFN Conclusions and Recommendations

Nowhere in the U.S. value chain is there a benefit to the United States from acceding to Europe's demands on GIs. From farmers to consumers, all would be hurt by not allowing competition for cheeses with common or generic names to continue.

If Europeans want U.S. consumers to buy their cheese, the answer is not to eliminate competition but to produce a quality product at a competitive price, just like U.S. cheese makers do both at home and abroad. Some countries have had difficulty in resisting European pressure on GIs and as a result, these countries have been forced to accept trade terms that are unfair and against the best interests of their own producers and consumers in trade agreements with the EU. Others have had the capacity to do the right thing but instead have chosen to disregard the integrity of their intellectual property system for breadcrumbs of access. But the U.S. government and Congress have been setting a strong counter example by standing up forcefully to the European GI agenda.

The U.S. must continue not only to stand firm in opposing the carving up of markets and refusing to bestow monopolies to a few privileged European suppliers, but also to insist that our trading partners do the same when negotiating with the European Union. Competition is the life blood of the U.S. economy; the EU's decision to actively work to outlaw it in so many areas is not a path America should follow down.

Already, trade barriers created by EU-driven GI policies are piling up in numerous countries in ways that limit the options for U.S. exports around the world. This trend that so clearly flouts international trade commitments must be arrested.

As a leading advocate for open competition and enforcing trade obligations, the U.S. is best poised to provide a firm counter-weight to the EU's goal of walling off more and more product areas for the exclusive use of European companies. The use of common names by the U.S. dairy industry – and indeed all other sectors relying on typical food terms – should be aggressively preserved, both for domestic and international use. Such a result will help assure the continued success and viability of the U.S. food manufacturing and farming sectors and the broader U.S. economy.