Proactive Producer and Processor Networks for

Troodos Mountains Agriculture

3PRO-TROODOS

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Contents

Abbreviations

CAP – Common Agricultural Policy

GI – Geographic Indications

EU – European Union

MS – Member States

PDO - Protected Designation of Origin

PGI - Protected geographical Indication

PO - Producer organisation

RDP – Rural Development Program

TSG - Traditional Specialities Guaranteed

UAA - Utilized agricultural area

WTP - Willingness to pay

Abstract

The current work provides a review of the most recent consumer research studies undertaken in Europe in the context of quality products as well as the closely related issue of origin-based labelling. The conclusions reached on the European wide research studies provide important insights into consumer perceptions and purchasing behaviors about the concept of quality labelled products. Consumer perceptions for the Cypriot market are based on market studies undertaken on a European basis, in which Cyprus was included with a representative sample. The analysis of these trends for quality products is a useful starting point in the process of identifying challenges and 'windows of opportunity' for Troodos mountain farming products. The report is completed with an overview of the few available studies on the market trends of quality products, with emphasis on the EU regulated Geographical indications and organic products.

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Executive Summary

European consumer studies point to quite diverse levels of awareness regarding existing quality labels. Especially for EU quality labels (based on a European regulatory framework), there is a marked difference in terms of awareness levels and per capita consumption between some of the old member states e.g. Italy, France, Spain and the newer member states (MS). In the old MS the existence of quality labels, based on geographical indication, has a long-standing history creating a favorable market environment for consumer awareness which turns into actual purchasing preference. The situation is different in all new member states, with awareness and consumption patterns remaining at quite low levels.

Market studies also run to the conclusion that quality labeled products, as highly differentiated products, are targeted at consumers with higher than average incomes and higher education levels, a fact that may partly explain the marked differentials between the affluent central European countries and the East European countries.

Overall, results from surveys show that consumers are aware of food labelling schemes, they wish to buy products affiliated to food labelling schemes, believe there are benefits to these products and to some extent are willing to pay a premium price for labelled products. But consumer trust in the information shown on scheme labels and the level of understanding of this information is not always high. The lack of knowledge about food labelling schemes is a key issue in formulating the purchasing decision so that consumers can link product attributes to their needs, expectations and consumption patterns.

The review of market studies becomes more complex when one looks at the trust levels on quality labels and the willingness to pay. Most studies conclude that there is no consistent relationship between the level of awareness on quality label logos and its importance as a reason to purchase food products. Consumers consistently place price and taste well above any other attributes while food safety, although not explicitly noted, is indirectly expressed in the 'best before' factor. The concepts of quality labels and origin are theoretically important for consumers but when the purchasing decisions need to be taken, other factors dictate 'why to buy a product'. This has given rise to the existence of a paradox where consumer replies to surveys do not often correspond to their real purchasing behavior. Studies also reveal 'that consumers are largely unwilling to pay more for origin-based quality labels despite declaring a strong interest.

Consumer research gives a clear indication that purchasing decisions are guided by a set of factors that must explicitly be identified in the product in order to become a purchase target. Such factors include taste, food safety, price and convenience (although all studies fail to refer to this last factor). As a new trend, purchasing decisions are also related to the eco-friendly production methods and the extent to which consumers are persuaded about such practices.

The Cypriot consumer shows a very low awareness of quality labels and origin, including the EU regulated logos, but gives an unexpected (given the immature market for these products) great importance of this factor in the purchasing decision. It remains unclear if this finding turns into a purchasing decision, as Cyprus has a very limited number of quality labelled products and there exists no data for the number of imported quality labeled products sold in the market.

Despite the above noted paradox, market trends over the past decade regarding GIs and quality labeled products point to a constant growth in the demand for these products. Available statistics for the organics market reveal that the total market for organics in the EU has more than doubled in absolute numbers over the last decade. Despite the limited availability of market data for GIs that can clearly identify the possible changes over a period of time, the studies undertaken reveal that the total number of GIs registered in the EU has grown by 30% over the past decade, an indicator that can be used to judge the possible trends in the market. However, there are great variations in GI consumption across various countries in the EU, with some of the old members that have created a culture around origin products exhibiting annual per capita consumption that greatly exceeds the EU average of €100 eg France, Italy, Spain. On the other hand, in most new member states per capita consumption is estimated at well below the €50 mark.

In terms of price premium and value added, studies seem to reach a consensus that GIs enjoy a greater premium in the market, although this varies with the type of the product, being significantly higher for wines and olive oils, and marginally higher for agricultural products. Indicators such as price premium and value added are useful in evaluating the success of quality and GI labelling, yet they cannot give the full picture across all regional products.

At a theoretical level, GIs could be seen as the solution to information asymmetry between producers and consumers, with regard to production practices and other intrinsic product quality attributes. The markets will therefore be willing to reward mountain GI products if they can justify their difference from other products and subsequently inform consumers for these differences by wrapping them up in a quality label.

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1. Introduction

1.1 Background information

Mountain quality products fall within the context of Geographical indications (GIs) products. In turn GIs refer to '*products with specific characteristics, qualities or reputations resulting from their geographical origin. This differentiates products based on unique local features, history or distinctive characteristics linked to natural and human factors, such as soil, climate, local know-how, and traditions. GIs are recognized as intellectual property rights (IPRs) and therefore offer both a helpful marketing tool and protection of the name*' (FAO/EBRD 2018).

Mountain products are usually cultivated using family structured, extensive farming practices with low inputs and a negligible environmental footprint but there are no means and communication channels to convey this message to the urban consumer. The concept of GI applied to mountain products provides the tools with which to '*reduce asymmetrical information between producers and consumers by providing information about the link to origin, and consequently to increase consumers' willingness to pay higher prices* (FAO/EBRD 2016).

By their name and geographic origins, mountain products possess the inherent characteristics of being pure and natural, attributes however that need to be structured around a set of value drivers which will shape them into origin-linked quality products based on consumer needs and requirements. At the macroeconomic policy level, mountain products, bundled around a GI label, are seen by several researchers as a valuable tool for sustainable rural economic development. This value stems from the organizational aspects underlying any GI product or bundle of products, that can lead to success. In short, these aspects are,

- ✓ the establishment of specific quality for differentiation and adding value which needs to be specific, exclusive and in line with market consumption patterns.
- ✓ the necessity of farmers to group around a collective organization, which strengthens the bargaining power in the marketplace
- ✓ the organized marketing strategies which can be supported through funding measures from the CAP

GIs can be drivers for rural transformation leading to more sustainable development because economic sustainability is an important step towards environmental and social sustainability and the specifications can directly influence environmental sustainability depending on the requirements that are considered (local species or breed, specific agricultural practices, etc.

1.2 Consumer perceptions - the four steps to decision making

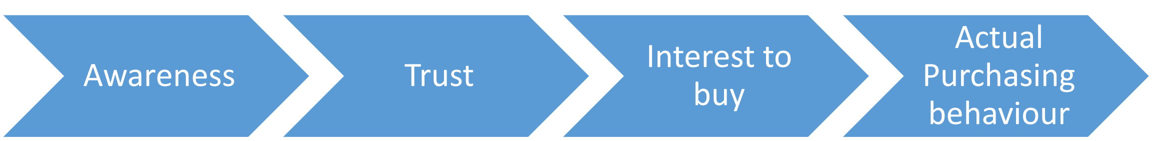
At the EU level, there are several research studies regarding consumer behavior on quality labels for agrofood products. The general finding is that awareness levels and consumption patterns vary greatly among the EU countries, but in a broader perspective the positive attitudes of consumers from the old member states (EU 12) is much higher than those from the new (EU15) member states (Ipsos et al 2013). This is a reasonable finding given the fact that quality labels are much higher in numbers and much longer in time of existence in the older EU member states than in the new ones.

The term quality labelled products as used in most research studies is often linked to the type of origin-based quality labels e.g. PDO/PGI or to the well-known organic logo. Although most studies use the term and include other voluntary schemes, one can presume that a quality label is backed by a quality scheme that is certified by a third-party attestation. The origin of a product forms part of the quality label in most occasions but need not necessarily be so, an issue not clearly separated in many studies.

Market reports for consumer perception on quality labelled agrofood products for Cyprus are quite limited and information is practically derived from European-wide market reports published periodically by the European Commission (Special Eurobarometers). Cyprus belongs to the new member states with a very small number of approved PDO/PGI products (negligible % of total Cyprus produced agrofood sales) and a limited supply of products under non-legislative voluntary certification schemes (e.g. GlobalGap). One could therefore rank Cyprus as an immature market to carry out conventional market studies on quality labeled products, leading to the suggestion for executing a customized methodological approach in order to reach useful conclusions.

The current report is based on literature reviews and conclusions from recent (past decade) market studies on a diverse range of quality labels and is structured around four sequential steps that guide consumer buying decisions.

Figure 1: Consumer buying behavior to quality labeled products – the 4 steps to decision making



These steps are examined, based on EU-wide market reports, but the findings may not be equally applicable to the Cypriot consumer. Although a separate chapter is reserved for reviewing market studies undertaken for Cyprus, it becomes apparent as noted above, that a customized market research is essential for Cyprus that may look into consumption needs and preferences for selecting a quality labelled product (i.e. at an early stage of launching quality labelled products) rather than a study on a mature market for quality labelled products.

2. Consumers' awareness about quality labelled products

There are several reasons why consumers might desire to be informed about specific characteristics and attributes of products that can be distinguished through a specific quality label. One could suggest the following reasons which have been acknowledged in the report of Work Package 3.2, although the list below may not be exhaustive. Quality label products could have a positive impact on consumer perceptions because they,

- contribute to sustainable development
- occur in less intensive agricultural patterns hence its products are probably healthier
- provide a key contribution to social aspects
- support the poorer farmers of the country who remain and protect the mountainous ecosystem

The origin of a product seems to play a key role in the establishment of a quality label and indeed, four out of the five EU quality labels (PDO, PGI, TSG, mountain) are origin-based schemes. Therefore, the question of origin is closely related to the issue of quality labelling although some research works have tried to separate the two (FCEC study 2013).

The most recent report on public opinion about agriculture, rural areas and the CAP (European Commission 2017- Eurobarometer 473) covered the EU28 with 28.031 respondents and included two certain topics that involved the agriculture sector, the findings of which are central to the current work:

- Factors that influence the purchase of food products, including the role of quality labels
- Attitudes towards organic farming

The following findings denote the awareness level of origin-based certifications for European consumers.

- More than three quarters (77%) say that they have respect for local tradition and the "know-how" associated with the products and this is an important factor in their decision to buy food products.
- 76% of the respondents claim having a specific label ensuring quality is important, while 75% say coming from a known geographic area is important in their decision to buy food products.
- Of the labels tested, the Fairtrade logo has the highest recognition (37%), followed by organic farming (27%), the PDO and PGI logos (both 18%) and the TSG logo (15%). The results follow closely those reported on the previous Eurobarometer report 440 (European Commission 2015).
- The presence of quality labels would be an important reason to buy food products for large proportions of the respondents who are aware of each logo: 77% say this about the PDO logo or

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the PGI. Almost three quarters (74%) declare the TSG would be important, while 66% claim the organic farming logo would be important.

- Nine in ten (90%) say organic food products are more expensive, 79% agree they are produced with a very restricted use of pesticides, fertilisers or antibiotics and 78% agree they are produced using better environmental practices than other food products. More than three quarters say food products from organic farming respect higher animal welfare standards than other food products (76%). More than seven in ten say food products from organic farming are of better quality (72%) and safer than other food products (70%).

In the study carried out by Ipsos et al (2013), which looked at all types of voluntary schemes, the general finding is that '*the types of food labelling schemes most commonly seen by all EU27 respondents are organic schemes (69%), health benefit schemes (67%) and allergen free schemes (61%). The types of labelling schemes with the lowest level of awareness are environmental schemes (24%), religious requirement schemes (23%) and schemes about the quality of taste or smell of a product (23%)*'. The same study has looked at origin based schemes and concludes that '*the highest number of schemes found (in terms of logo awareness) was origin based schemes (540) while awareness of local or regional labelling schemes and European PDO / PGI schemes is not particularly high (45% and 33% respectively)'.*

The Ipsos study has also reached to some interesting conclusions about the demographics of the people who are more aware about voluntary quality schemes across the EU.

- Compared to the other age groups the 18-34 years old have a particularly high level of awareness of health benefits schemes (72%), organic schemes (72%), allergen free schemes (66%),
- In terms of income, those 'finding it very difficult' are aware of fewer schemes on average (5.8) than 'those finding it difficult' (6.2), 'coping' (6.7) or 'living comfortably' (6.4).
- Level of education also plays a role in awareness of food labelling schemes. The more educated the respondents are, the more likely they are to be aware of the different types of schemes.
- Overall, there is no difference in levels of awareness between those living in rural and urban areas.
- The presence of children in the household has a positive impact on the level of awareness. On average, respondents with children recognize 6.7 schemes compared with 6.3 for those without children in their household.
- On average, respondents who buy their food in discount stores have seen fewer labelling schemes on food products than those buying food elsewhere.

The statistics on logo awareness taken from the Special Eurobarometer 473 (European Commission 2017) do not give a very positive picture at the EU level; roughly one in three are aware of the organic logo and one in five for the PDO/GI logos. Earlier, the FCEC 2014 study concluded that '*the overall level of awareness of voluntary food labelling schemes and awareness by type of scheme differ significantly amongst MS*'. Having examined an extensive number of market studies, the same report runs to the

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conclusion that '*despite the existence of a large number of voluntary labelling schemes, ……… consumer awareness of these schemes (including PDO/PGI/TSG) remains relatively low across the EU-28 and particularly low in some MS*'.

Quality labeled products either based on EU legislation or have a non-legislative voluntary character are ranked as differentiated products with a higher price, often marketed as niche products. They are therefore targeted at specific consumers segments that (a) are mentally more open to products with value added characteristics (young people), (b) have additional reasons to be sensitive to specific quality attributes, especially relevant to health and food safety (families), (c) have a higher disposable income to pay the added cost of purchasing them. The findings by Ipsos et al (2013) confirm that quality labeled products are 'better known' to these target groups.

The awareness level is further examined regarding the understanding of labels and the context behind a quality label. According to the research work by Ipsos et al 2013 '*Four in ten respondents say they have difficulty understanding these labels and a third say they find logos and symbols on scheme labels confusing. Half of respondents think there is not enough information on scheme labels but about the same proportion think that the text on these labels is already too small to read which can look somewhat contradictory*'.

The Ipsos et al 2013 report notes that '*Most respondents would like to see more information on the scheme labels themselves and think adding information on the packaging of products is the best way of communicating information to them. This would help consumer understanding of schemes and reduce the proportion of those which think they are misleading. However, it is important to consider the size of the text/print on the scheme labels which appear to be an issue currently, especially for older respondents'.*

Consumer awareness on quality labels seems to be greatly influenced by historical and cultural reasons regarding the existence of quality labels in the marketplace. Yet, most studies come to a general conclusion that quality labels fail to provide a clear indication as to what is the content behind a quality scheme. In the absence of a clear differentiation message, consumers tend to prioritise their buying decisions on price, taste and (possibly) familiarity with the product. This is a major drawback that needs to be considered when designing for any type of quality scheme for agrofood products.

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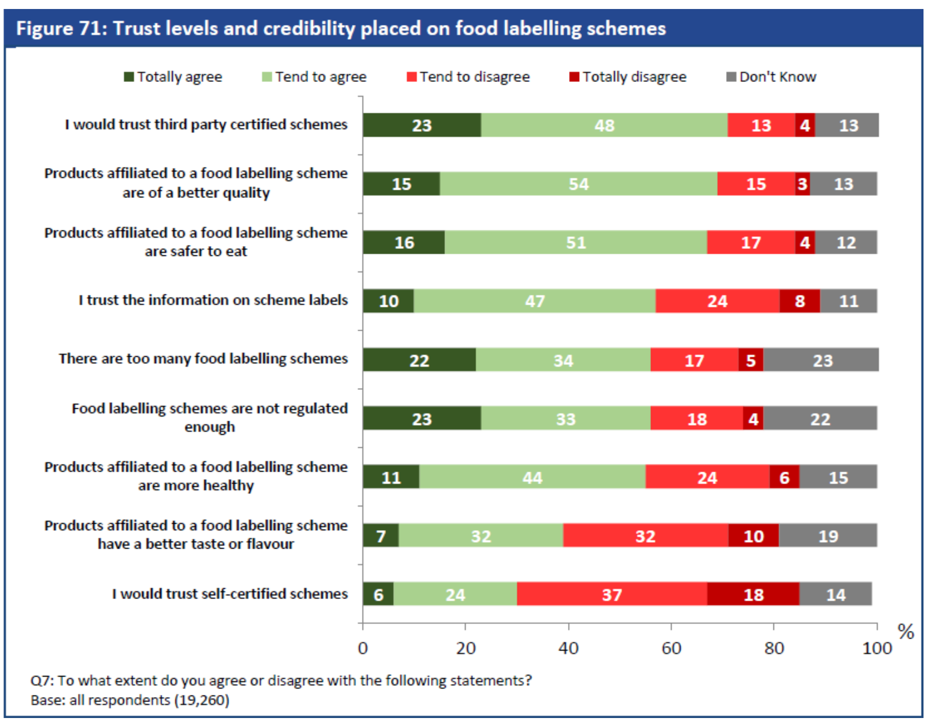
3. Trust for quality labels

In a logical sequence, trust should have to follow awareness in order to have a true interest for purchasing a quality labelled product. However, the issues of trust and interest are not exclusively handled in most research studies while some studies provide data through an indirect approach in their questionnaires. It is further noted here that 'interest' does not equal to 'willingness to buy', but it refers to the stage when aware consumers show particular interest to find out more about quality labelled products or play a significant role in their purchasing decisions.

A direct approach is taken by Ipsos et al (2013) with the results shown in the graph below (taken directly from the report) that leads us to conclude that,

- Third party certification schemes are much more trusted than self-declared (or self-certified) schemes
- Quality labelled products are seen as of better quality (69%) but do not necessarily have a better taste or flavour (39% have a positive view).
- A high proportion (66%) think that labelled schemes are safer to eat but consumers are split in terms of the healthier aspect of these foods.

Figure 2: Trust levels and credibility placed on food labelling schemes



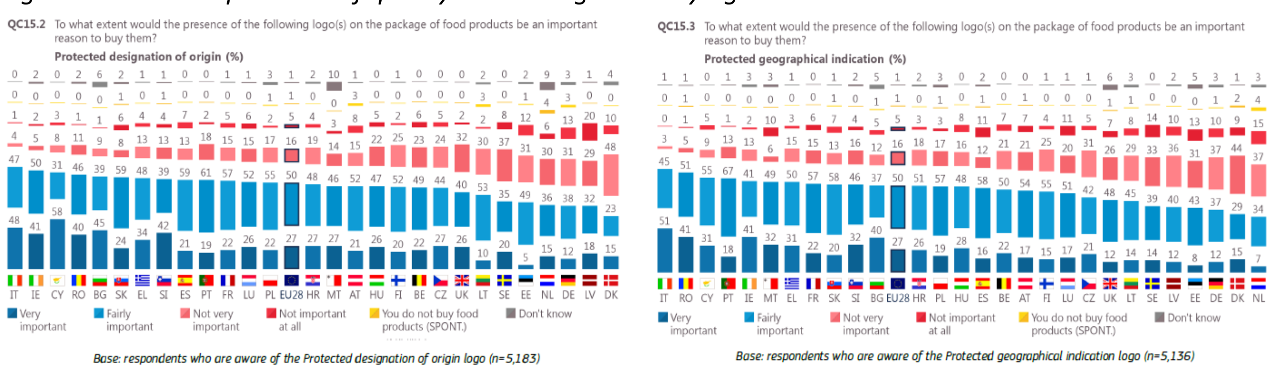
Source: Ipsos et al (2013)

Given that 71% of the respondents indicate that they trust schemes certified by a third party (compared with only 30% for self-certified schemes), it seems that independent monitoring (which implies that there exist a set of measurable criteria) is the best way to increase trust. It is however important to note the negative views and the high "don't know" figure in the answers to the question 'food labelling schemes are not regulated enough'. Whilst 56% of respondents agree that the schemes are not regulated enough, another 22% say they don't know. This finding is central in terms of the value added to the product and could negatively affect the willingness to pay attitudes towards quality labelled products.

Another way to look into the issue of trust is to take a more indirect path, as this is approached through the question of the Special Eurobarometer 473 report (European Commission 2017) which asked, 'to what extent would the presence of the following logos on the package of food products be an important reason to buy them?'

The replies given with regard to the importance of the PDO/PGI logos as a reason to buy packaged food products, provide a mixed result and surprisingly Cyprus ranks third on both logos (PDO and PGI) in terms of the importance of these logos on the purchasing decisions (the result is derived from respondents who declared as being aware of the logos, a very low proportion for Cyprus which may not provide a representative sample).

Figures 3 and 4: Importance of quality labeled logos on buying decisions



Source: Eurobarometer 473, European Commission 2017

The report further notes that '*there is no consistent relationship between the level of awareness of this logo and its importance as a reason to purchase food products. For example, France has the largest proportion of respondents who are aware of the protected designation of origin logo, but these respondents are less likely to say this logo is important when making purchasing decisions compared to those in a number of other countries. Respondents in Romania, on the other hand, have the lowest level of awareness of this logo. However, for almost nine in ten who are aware of the logo, it is an important factor in purchasing decisions*'.

Quality label products are most often linked to the place of origin. '*The available evidence suggests that origin labelling is more generally connected to consumer attitudes to trust and confidence in the food industry*' (FCEC 2014). This is a key issue in designing a quality label since trust and confidence are bound to increase the levels of willingness to pay and therefore turn awareness and interest into firm buying decisions.

4. Consumers' interest in buying quality labelled products

In providing a consensus conclusion from various previous studies, the FCEC 2014 study notes that '*consumer interest in origin labelling is strong and that consumer understanding of origin requires significant detail in terms of the geographical level provided, generally referring to the country of farming and the country of processing'.* The study has carried out an extensive review of previous research studies about consumer interest in the geographical origin, coming up with the following conclusions:

- consumer interest in origin labels differs significantly by product while a greater consensus appears for the use by/ best before date, price and brand as factors considered more often than origin,
- amongst the various food groups covered by the survey, interest in origin labelling has scored the highest for pre-packed fresh cut salads, bread, fruit juices, frozen vegetables and vegetable oils,
- overall, consumers appear more interested to know the origin of unprocessed/fresh produce than that of processed products.

In terms of importance, the origin ranks fourth while quality labels and other aspects that are closely relevant to quality labels e.g. organic and free from, rank as the least important aspects influencing food purchases. As in most studies undertaken around the subject, taste, best before and price are key prerequisites for guiding food purchasing decisions.

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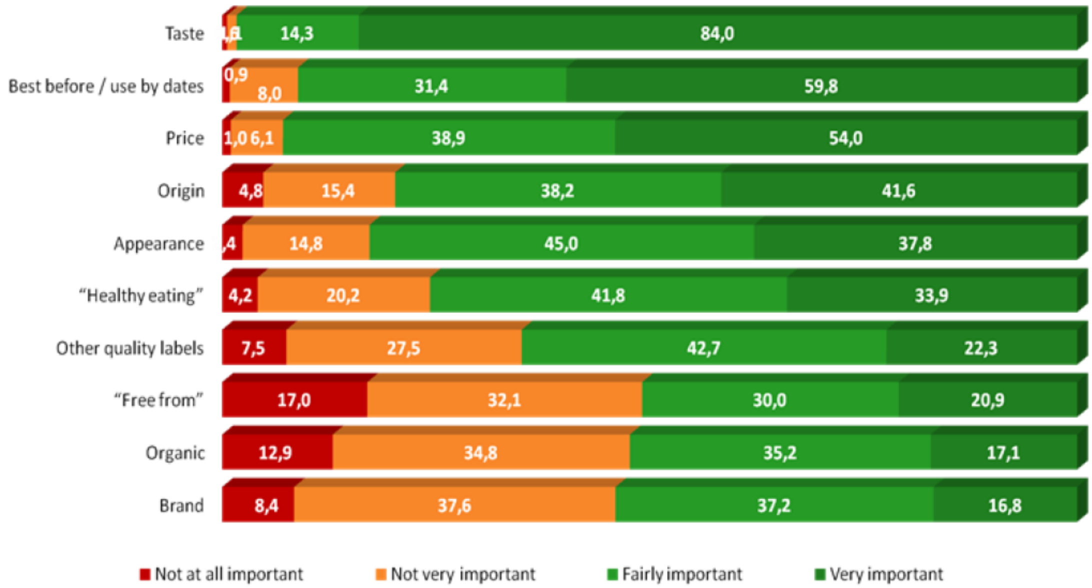
Figure 5: Importance attached to different aspects influencing food product purchases (average weighted data for the EU; in %)

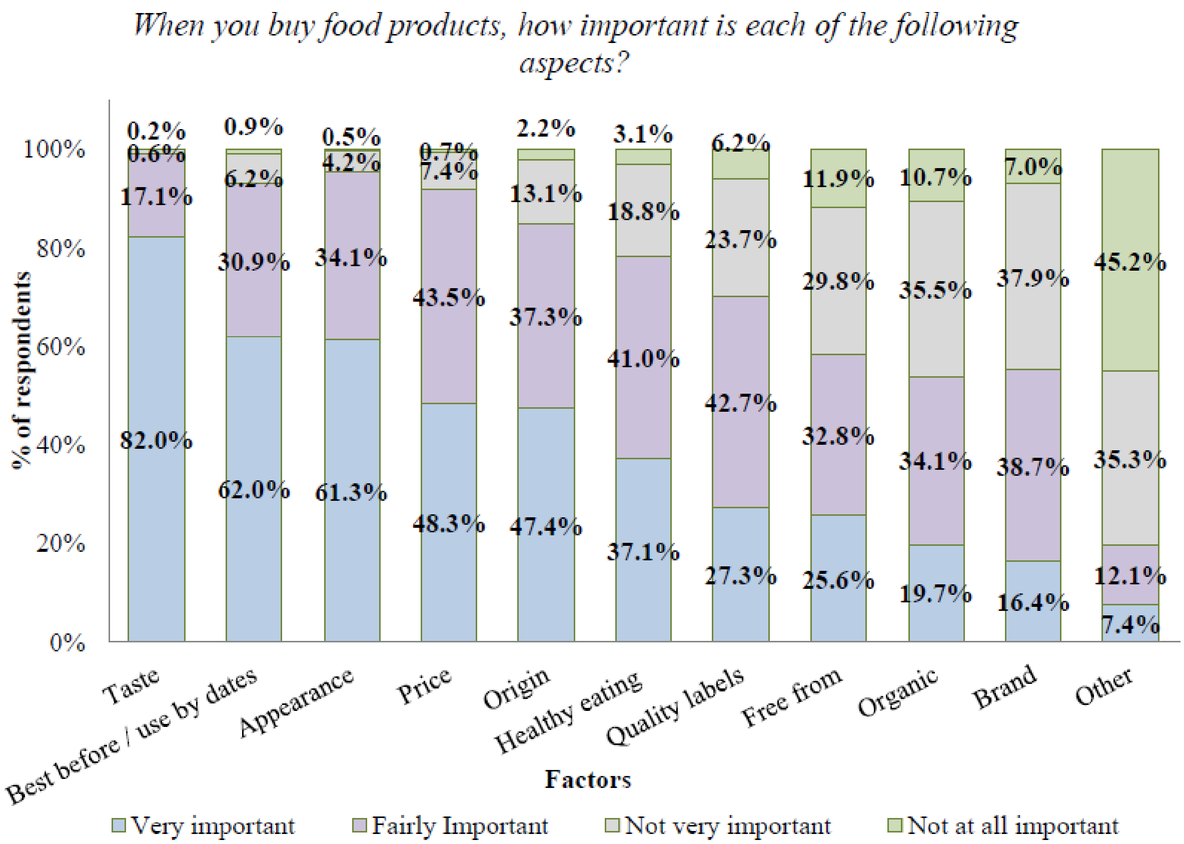


Source: FCEC 2014 consumer survey

The report (FCEC 2014) indicates that *'existing studies indicate price and quality/sensory aspects to be the most important factors affecting consumer choice, well ahead of the origin of food: according to the evidence base, origin of food products is the fourth or fifth (depending on the study) most important aspect influencing food purchase decisions, generally listed after taste, best-before/use-by dates, appearance, and price'*.

The Eurobarometer survey 91.3 (European Commission 2019) has placed the origin factor as the fourth key parameter for the purchasing decision at European level. This finding is not far from the findings of the earlier study (FCEC 2014) while the FCEC 2013 study concluded that "*In common with other studies, the results of the FCEC consumer survey indicate that, at EU level, the origin of food products comes fifth in terms of influencing consumers' purchase decisions (behind taste, best-before/use-by dates, appearance, and price)"*. Furthermore, quality labelling comes seventh in the graph below, indicating its weak position in the purchasing decision of consumers. Figure 6 parameters are the same as those of Figure 5 and were undertaken with a difference of one year. The hierarchy of importance is closely repeated in both figures, a finding that confirms the validity of the observations.

Figure 6: Importance of buying decisions for food products



Source: FCEC report (2013)

In terms of the origin issue, the FCEC 2014 consumer survey provides data on the motivations for origin labelling to understand why some consumers deem it important. The analysis of the most important reasons indicates that consumers would like to have origin labelling so that they can base their purchase decision on this information. According to the report, this conclusion practically means that '*for a large proportion (42.8%) of EU consumers, origin labelling would be used to favour national or local production over other food origins*'. The report goes on to make the following interesting point, '*Luxemburg, Cyprus and Estonia are exceptions in this regard, as data/responses provided suggest that the highest consumer interest would be to know EU/non EU origin of a food over the national origin (Luxemburg) or that a 'EU/non EU' origin indication would be sufficient, i.e. EU/non EU consumer interest is equal to the national level (Cyprus, Estonia)*'.

Looking at the Cypriot consumer, this finding poses a great concern as to the validity of data for Cyprus as this seems contradictory to other results that seem to place origin-based quality labels such as PDO/PGI very high in the interests of Cypriots for their purchasing decisions. As noted elsewhere in this report, Cyprus is an immature market for investigated such terms in conventional studies that cover the EU27. A customised approach seems more appropriate for reaching more valid results as regards consumer perceptions on quality schemes and origin-based labels.

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5. Consumer purchasing behavior - The paradox

The report of Ipsos et al 2013 concluded that '*across all products, respondents are generally willing to pay a higher premium for products associated with a food labelling scheme than without'*.

A common criticism cited by several studies is that existing consumer research studies fail to provide adequate evidence on consumer willingness to pay (WTP) but rather focus on a generalized approach regarding the interest to buy, an approach that fails to capture actual purchasing decisions. Indeed, the fact that most studies conclude that sensory aspects and price are significantly more decisive factors than geographical origin in the purchasing decisions, questions the importance of findings that are based on the 'interest to buy' rather than on 'the willingness to buy'.

The (FCEC 2013) study concludes that despite the findings of several surveys which place the importance of geographic origin high in the purchasing decisions, this is "*not necessarily reflected in their willingness to pay for this information*". The report concludes that there is strong evidence to support the existence of a paradox where "*consumers' replies to surveys do not often correspond to their real purchasing behavior; as shown by existing research there is a gap between consumer intentions and behavior"*. The FCEC 2013 consumer survey results on willingness to pay (WTP) reveals '*that consumers are largely unwilling to pay more for origin information although declaring a strong interest in this information'*.

It could be concluded that quality products that place their value on the geographic origin of the product as identified through the logo on the package, do not provide the value demanded by consumers when making the decision to buy. The quality product must bear and communicate additional information probably on traceability, food safety, environmental concerns which are important for the consumer. Additional research is essential to evaluate which are these additional parameters and measure their relative importance for the Cypriot consumer. However, one aspect seems quite clear from the literature review as summed up in the study by FCEC 2013, "*price and quality are more important factors for the consumer when purchasing food products ranking at a higher order than geographical origin as such*". It remains unclear as to what are the quality attributes demanded by consumers that can clearly define the value drivers that lead to the purchasing decision. Could it be taste, appearance, cleanliness or shape/ type of package of the product?

To some extent, Cecchini et al (2018) could be giving an answer to the previous question. In an extensive work that tried to systematize all the available and relevant findings from experimental economics studies concerning consumer preferences for sustainable agri-food products, they came up with the conclusion that '*the results obtained show a certain preference for attributes linked to compliance with environmental requirements, such as eco-friendly or organic certifications, to which consumers have a high degree of familiarity and awareness as they are in use from many years. Consumers' WTP a price premium for products with animal welfare, 'local' production or social certification is lower and in some cases absent.*

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However, where these extrinsic attributes are not accompanied by intrinsic attributes that ensure an adequate sensory level of satisfaction to consumer expectations, they have no influence on WTP'.

Consumers may therefore be unwilling to spend on food that simply originates from a particular place or claim to possess specific attributes if the consumer cannot see, touch, smell or taste these unique attributes. The only possible exception to this statement is when this food is produced with specific eco-friendly methods which on the one hand fulfill the need to consume safe food and on the other fulfill the consumers' anxiety about a fragile future for our planet and the our lives. To close up this statement we refer back to a previous discussion that clearly stated that consumers would trust products that are produced with environmentally friendly methods if they can be assured that an independent and reliable third party is monitoring that the specific practices are in place.

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6. Consumers' perceptions about mountain products

Consumers associate mountain products with positive attributes of purity, authenticity, support for rural development and are willing to pay a premium (Scholl *et al*. 2012). On the opposite side, mountain farmers need to develop quality-based strategies that bring added value to mountain food products. This is a strategy of utmost necessity since many factors render their competitive advantage on price and scale economies an almost impossible task. Quality based strategies require a well-documented and properly communicated linkage between the territorial quality attributes of mountain foods and the product attributes consumers wish to put on their plates.

To make mountain food systems more resilient, local actors developed quality-based strategies to bring added value to mountain food products (Dos Santos 2017). Generated from a wide range of farming practices across Europe, with a wealth of tradition and know-how, mountain products have been positively acknowledged by consumers (European Commission, 2011). This market report undertaken within the context of the Eurobarometer[1] is one of a limited number of sources for consumer perceptions on mountain products. Its key findings are noted below:

- Two thirds of all EU respondents (65%) agree (i.e. totally agree or tend to agree) that there are benefits to buying mountain products, with a quarter of people (25%) totally agreeing that this is the case and 40% tending to agree.
- Only around one third of all EU respondents (37%) agree that agricultural products originating in mountain areas are easy to identify
- Around 65% of the respondents agree that mountain products are beneficial while agreement is exceptionally high in Bulgaria and Cyprus, where overall 95% and 93% of people agree respectively.
- On the question of whether mountain products are beneficial, data show very few variations among different demographic groups, with gender, age, education and rural-urban distinctions having almost no impact on overall levels of agreement or disagreement.
- In only four EU countries – Italy, Cyprus, Austria and Portugal – do a majority of people agree that mountain products are easy to identify. For Cyprus around one in two people believe that mountain products are easy to identify.

On the issue of mountain products, this report briefly concludes that '*while most people recognize the benefits of mountain products, only one respondent in three finds them easy to identify*'. Taking the findings for the Cypriot consumer, one can draw the conclusion that almost all people recognize the benefits of mountain products and one in two find them easy to identify. This finding seems however out of line with reality since mountain products do not possess a quality label and do not possess a stronghold

[1] 26,713 European citizens aged 15 and above were interviewed about CAP by the TNS Opinion & Social network between 6 and 26 May 2011 in all 27 European Union Member States

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in the Cypriot market. It seems that the willingness to pay issue has not been taken into consideration and hence further research, is necessary to support or decline this finding.

In trying to clarify the reasons that might be related to consumers and retailers preferences for mountain products, a study was undertaken in six countries (Scholl et al, 2010) that came up with the conclusion that '*the cultural/local dimension seems to be the clearest component behind both consumers and retailers perceptions. Both support for local production, interest in traditional food or local origin were central reasons in consumers and retailers' attitudes*'. This conclusion seems to give a vague reasoning which, based on the previous discussion, cannot define the value drivers behind the purchasing decision.

Another conclusion reached by Scholl et al (2010) adds a new dimension into the discussion of mountain products. They argue that (based on their study) 'the term mountain food is seldom used, and is not well-known, for the majority of consumers and retailers. On the one hand, most respondents do not know the European definition, and on the other hand, they define the type of product through their own answers, emphasizing the importance of locality, tradition, health and technical standards for mountain food products'. This conclusion implies that giving a product an origin destination using the term 'mountain' creates a weak linkage to the place of origin. Instead speaking about the particular (mountainous) region e.g. Troodos mountains, Alpine product, is the critical aspect for linking the product to its place of origin.

7. Consumer behaviour in Cyprus

Cyprus is covered in all the recent Special Eurobarometer reports on Agriculture and the CAP. These are the only sources for gathering information on consumer behavior regarding quality labels.

Logo awareness

One common question in the Special Eurobarometer reports on Agriculture and the CAP helps to create a time series regarding the awareness of Cypriots on European well-known logos. Cyprus scores much lower than the EU28 average on all logos with no clear sign of improvement over the years 2013-2017. The higher score attained on the organic logo is an outcome expected due to a steady growth in the organics market and a stronger promotion activity but the high scores on the TSG logo are difficult to explain since Cyprus has no TSG labelled products and no promotion on the TSG quality label takes place in the market. PDO and PGI logos have very low awareness levels with the results not giving an adequate tendency of improvement over the four-year period.

Which of the logos are you aware of? (MULTIPLE ANSWERS POSSIBLE) (%)										
	Fairtrade		organic		PDO		PGI		TSG	
	CY	EU28	CY	EU28	CY	EU28	CY	EU28	CY	EU28
2017	10	37	19	28	7	18	9	18	21	15
2015	10	37	21	23	15	20	16	17	28	15
2013	9	37	19	21	5	13	4	14	12	12

Source: Special Eurobarometer reports 440 & 473 consolidated by the author

Importance of logos in the purchase decision: Data presented in figures 3 and 4 suggest that Cypriots, by 58% state that it is a very important reason for the quality logos to be included on the packaging, even though they also state that they do not sufficiently recognize these logos. Cyprus also scores high (52%) on the “Traditionally Specialty Guarantee product”, a logo that is not registered by any product in Cyprus. This might imply that Cypriots are interested to know if the product has been produced using traditional methods. It does seem that respondents have falsely placed importance on an unknown logo, possibly because they wish to express the importance of traditionality on their purchasing decisions.

Cypriots also score high on the importance of the organic logo, although the market for organics in Cyprus is less than 5% of the food market.

The EU survey on quality products is a clear indication that Cypriots (as well as Europeans in general) place a great value on the existence of a logo on the package of food and could form a key parameter in their

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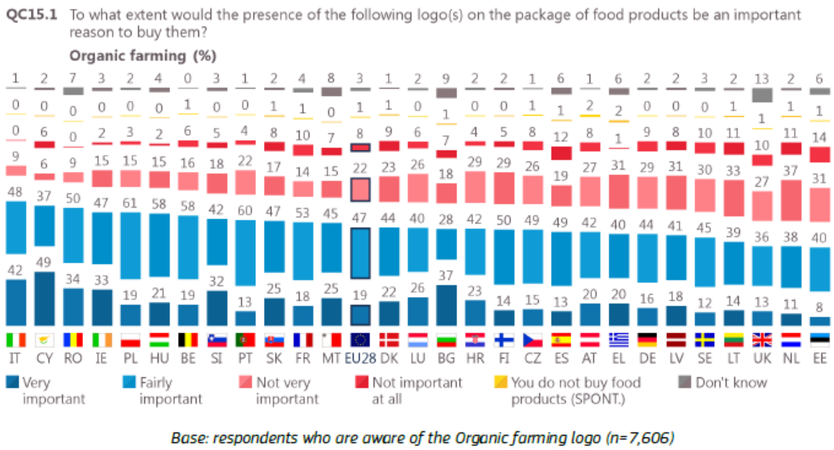
purchasing decisions. However, it is also concluded that European quality logos are not adequately promoted/ marketed, resulting to a much greater awareness for the Fairtrade logo.

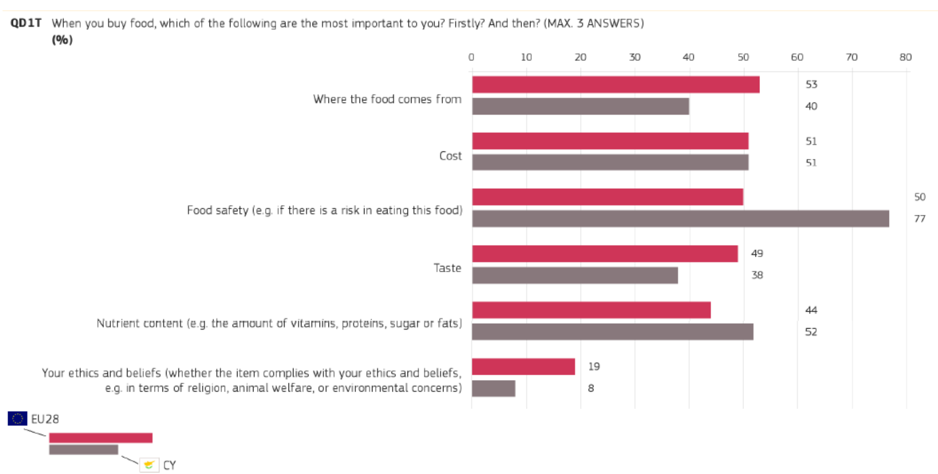
Figure 7: Importance of organic farming for purchasing decisions



Source: Eurobarometer 473, European Commission 2017

The importance of origin on the purchasing decision is also denoted from the results of another recently completed European Survey (European Commission 2019, Eurobarometer 91.3). The importance of origin, although it does not rate as the most important decision, it still receives a percentage of 40% of the respondents as a decisive factor in their purchasing decisions.

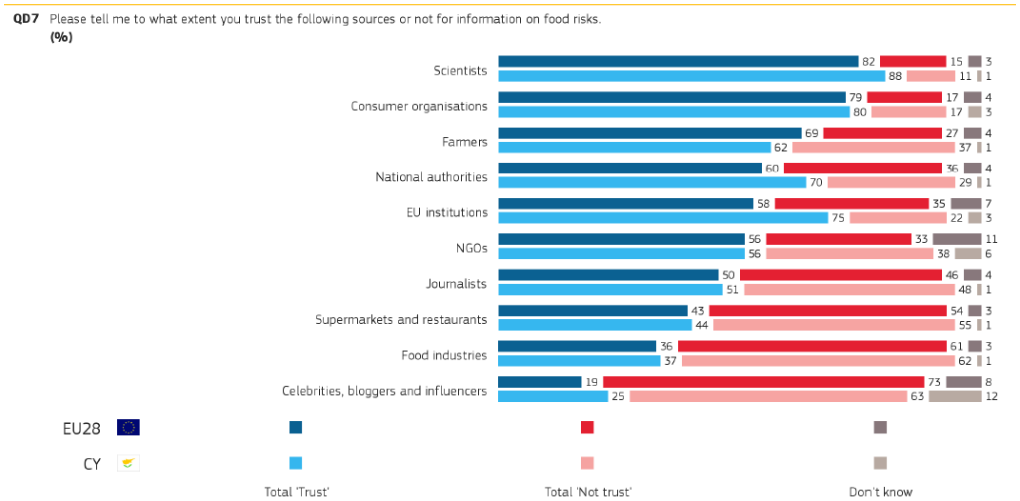
Figure 8: Important factors for purchasing decisions



Source: Eurobarometer 91.3, Cyprus

In the same survey, respondents have also indicated pesticide residues (66% score) and antibiotics (47% score) as their biggest concerns on food safety and do believe (66% score) that nowadays food products are full of harmful substances. A quite important finding is also depicted in the graph below, where respondents were asked to indicate the trusted sources of information on food safety. Consumers, both in the EU and in Cyprus, rate farmers as a much more trusted source than supermarkets and food industries i.e. other players in the supply chain.

Figure 9: Trusted sources for information on food risks



Source: Eurobarometer 91.3, Cyprus

One may however conclude that an origin-based quality logo must be able to convey messages of food safety and offer a value for money combination of taste and cost.

Although the existing literature for Cyprus is quite limited and possibly not representative of the actual consumer perceptions on quality labelled products, the need to link territorial product attributes with consumer expectations remains a strong factor for successfully marketing a quality product in the Cypriot market. Since mountain products are bound to be produced at a higher cost and sold at a higher price, the differentiation attribute (or the intrinsic value added offered) must be clearly defined and communicated by the producers.

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8. Trends and facts about the EU retail market for quality products

Earlier, this report has referred to the so called 'consumer paradox' where consumers seem unwilling to pay for origin information although declaring a strong interest. This paradox has further led to the conclusion by researchers that quality products based largely on their geographic origin, do not provide the value demanded by consumers when making the decision to buy.

Despite these findings, trends for the overall market growth of quality products, especially those that are based on EU regulation with a pan European acknowledgment, show a marked growth over the past twenty years. Certainly the market data are not meant to reject the literature behind consumer perceptions and purchasing behaviours as other factors enter the discussion that affect market statistics such as the enlargement of the EU, the growing affluence in certain member states, the growing population etc.

The task of reviewing the market trends for quality products seems a difficult task as recently noted by Jantyik and Török 2020, since 'd*espite the importance of GIs being highlighted by the European Commission in several forums, the quantity and quality of data related to and available in the field is rather limited and the lack of comprehensive data is a major problem, impeding our understanding of the economic and social importance of geographical indications'*. Studies are scarce, mostly funded by the European Union but they are limited in terms of presenting time series analyses which can give meaningful conclusions regarding the market trends.

8.1 Trends in the market for organic products

Contrary to the availability of time series data for quality products with geographic origin, the availability of market data for organic products is plentiful, as well as reliable, especially the more 'mature' markets in the E.U.. The graphs below are indicative of the market growth in key European countries.

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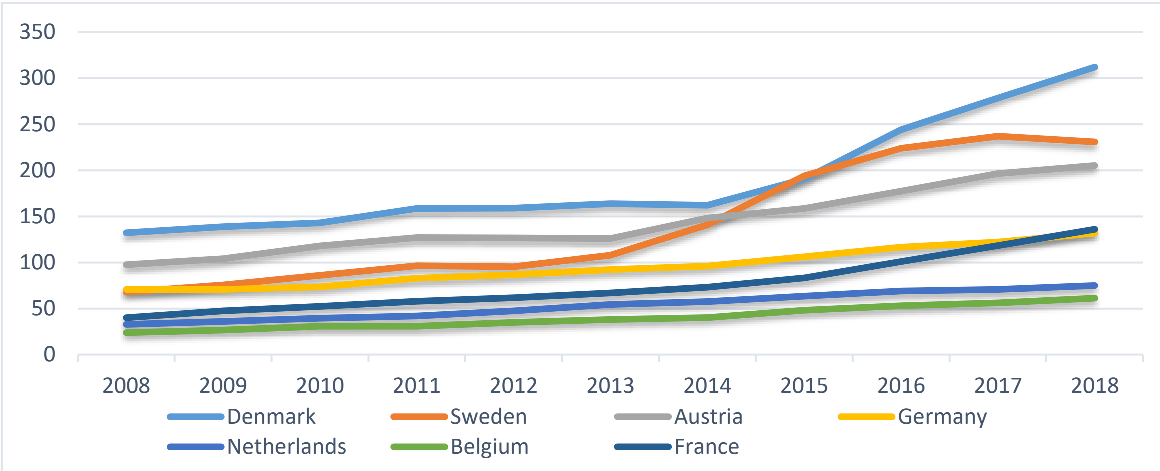
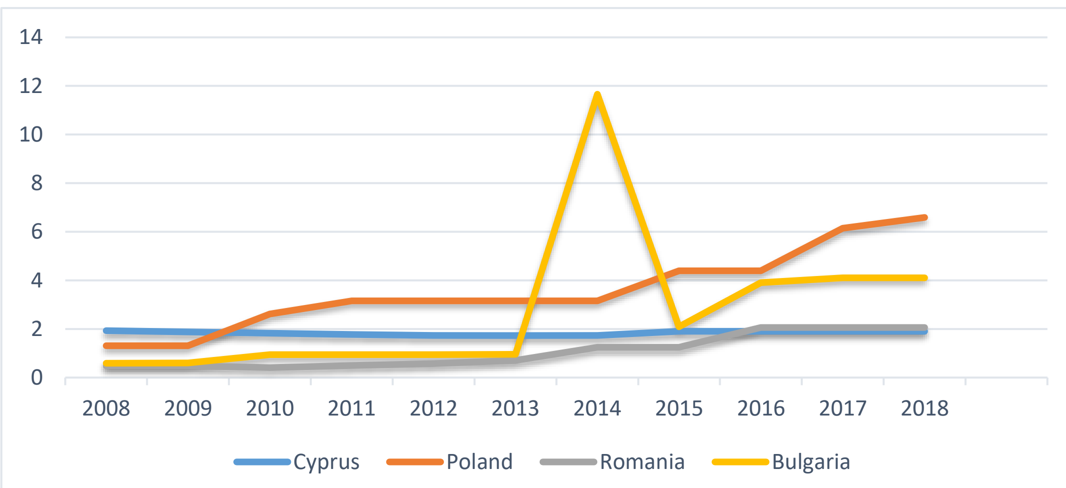
Figure 10a: Organic per capita consumption [€/person] in sample of old member states



Source: Research Institute for Organic Agriculture (https://statistics.fibl.org/)

Figure 10b: Organic per capita consumption [€/person] in sample of new member states

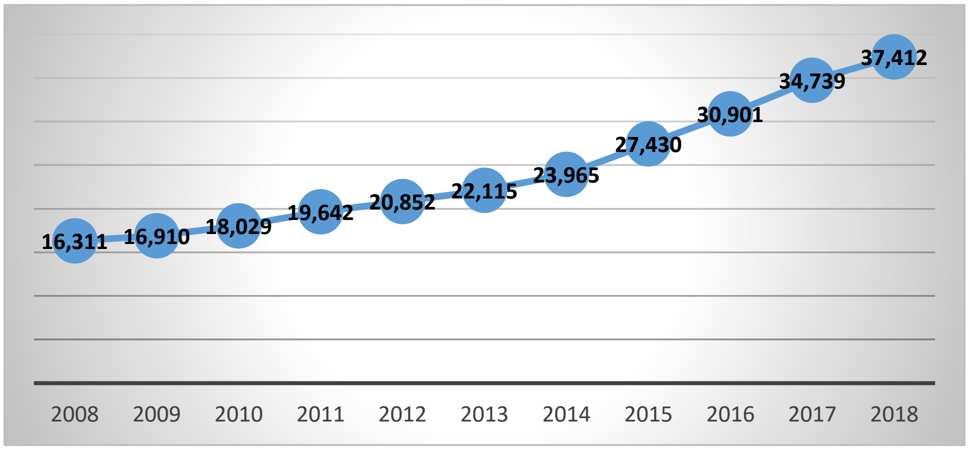


Source: Research Institute for Organic Agriculture (https://statistics.fibl.org/)

Figures 10 and Figure 11 show the marked differences in some of the old and new member states. The selection has been randomly picked from the organics database but shows the extreme variation in overall per capita consumption and the 10-year trend. The old member states show a steady year-on-year increase in the consumption ranging from €50-€300/ capita in the year 2018. On the other hand, new member states present a mixed picture in terms of annual growth, with consumption ranging from €2-€6 capita in the year 2018.

The overall EU average per capita consumption is estimated at around €56[2] while the total market for organics in the EU has more than doubled in absolute numbers over the last decade and is currently estimated at €37.4billion (figure 11).

Figure 11: Retail sales value of organic products in the EU (€billion)



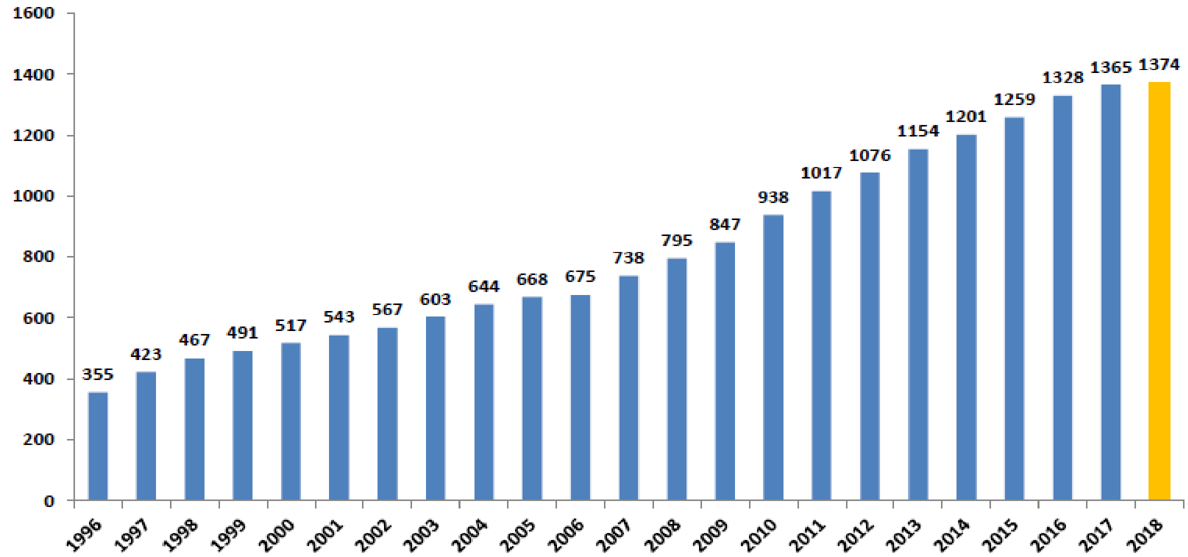
Source: Research Institute for Organic Agriculture (https://statistics.fibl.org/)

8.2 Trends for Geographic Indication (GI) quality products

As noted above, market statistics are very few for GI products, especially in terms of representative time series data. The graph below that is based on the number of registered EU origin-based quality products shows that these products are growing in numbers on a year-on-year pattern, with the rate of growth being stepped up since 2012.

[2] https://www.statista.com/topics/3446/organic-food-market-in-europe/

Figure 12: Evolution of PDO/PGI food registrations as at August 2018



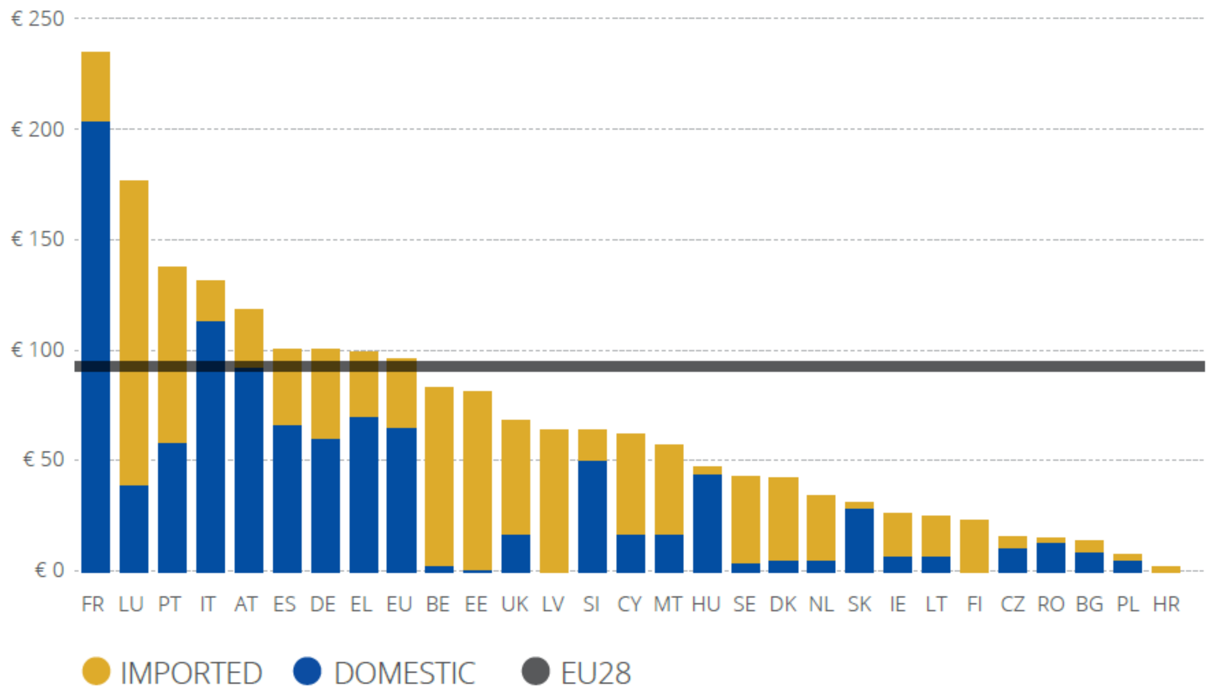
Source: Geographical Indications in the EU, presentation by the European Commission in Lima, 28-29 March 2019 [3]

The AND International Report (2012) estimated the sales value of GI products in 2010 at €54.3 billion. It should be noted that 71% is accounted by wine (56%) and spirits (15%) with just 29% relating to agricultural products and foodstuffs. Out of the €15.7 billion that comprise the sector of agricultural products and foodstuffs around 80% relate to processed foods (cheeses, meat products, beer) while only 20% relate to fresh (primary sector) agricultural products ie (fruit, vegetables, fresh meat and fish). Based on these figures, the report estimated that GI production represented 5.7% of the total of the food and drink industry in 2010 but also notes that consumption of GI products varies significantly across the EU depending on GI "culture" and the loyalty given by consumers to regional products.

EUIPO (216) has capitalised on the AND International report to create an interesting synthesis of GI per capita consumption across all EU member states and in terms of separating domestic (produced and consumed in the same country) from imported products. Although this is a static picture that cannot give an indication of the trend in the GI markets, it highlights that any trend will have to consider the diverse cultural aspects and the market maturity for consuming GI products that exist among member states in the EU.

Figure 6: Per capita consumption of GI per country

[3] https://ipkey.eu/sites/default/files/ipkey-docs/2019/IPKey-LA_Peru_March-2019_Geographical-Indications-in-the-EU_en.pdf



Source: EUIPO 2016]

8.3 Price differentials and value added in favor of GIs

Arete (2013), demonstrates using a number of European quality products that '*in most cases GI products achieve a price premium*[4] *over the corresponding standard products: exceptions are relatively few, and the extent of the disadvantage versus standard production is, in any case, limited*'. The study also revealed an extreme variability in the extent of the price premium for GI products where in some 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 products corresponding standard (especially for premium wines and olive oils)*'. A premium is also reported in the FAO/EBRD 2016 between 20 and 50 percent but the most elaborate work has been undertaken initially by the EUIPO study (2016) which has capitalised further on the AND International study (2012) concluding that, '*the average premium of products sold in EU is 2.21 instead of 2.23 due to the fact that on average products that are exported exhibit higher premiums than products consumed domestically*'. However, both studies consider GIs for food, wine and alcoholic drinks where the latter (wines and spirit

[4] premium" is defined as the ratio between the price of a GI product and the price of the corresponding non-GI product

drinks) exhibit premiums of 2.71 and 2.51 respectively as opposed to foodstuffs that exhibit premiums of around 1.5 and for primary agricultural products this premium is even lower.

The Arete study also investigated the share of different actors in the supply chain revealing that '*suppliers of agricultural raw materials generally receive up to 25%, and in some cases up to 40%, of the retail value of products.* Considering that the average share of the value added in the food chain for primary producers is around 20% for the EU28 and 19.8% for Cyprus in 2016[5], the share noted for GIs is significantly higher.

Equally important in terms of value added is the gross margin differential between quality and standard products. The Arete report makes the interesting point that producers of (processed) final products '*enjoy a higher gross margin for GI products than that for standard products while as for suppliers of agricultural raw materials, the situation was less conclusive*'.

8.4 Mountain products and GIs - Riding the tide

Any discussion about market trends, premiums and value added is not necessarily an extrapolation for the future. Global economic conditions are changing as well as consumer behavior and needs. Successful quality products based on an intrinsic value may easily get out of fashion or lose their market edge in periods of economic depressions. Therefore, riding the tide of the ever-changing consumer purchasing behavior and eating habits is a compulsory daily exercise of any entrepreneur, be it big or small.

Mountain farmers of agricultural products are family smallholders with limited knowledge and capabilities to select which tide to ride. GIs provide the umbrella under which they can collectively read, investigate, negotiate and ride the tides of the ever-changing food markets.

Achieving a value added and an adequate market position, requires more than just labelling a product as a 'Mountain' one. It requires a matching process where a product and its different attributes meet the needs and expectations of consumers. The label comes as the vehicle by which to transfer the information from producer to consumer and justify the possible price premium attached to the product.

[5] European Commission (2019), Analytical factsheet for Cyprus: Nine objectives for a future Common Agricultural Policy

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