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Remarks

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## INTRODUCTION

For many years, especially before the final decisions of GATT/WTO negotiations, the main method that countries applied to boost exports of agricultural and food products was export subsidies. They were applied at different levels, with different rules and on different product groups. Export subsidies strongly influence the competitiveness of products placed on the world market. But now, in many cases the application of export subsidies is no longer possible.

On the other hand there are many economic factors that strongly influence the trade in agricultural products:

- Increasing world agriculture and food production (by more than 60 percent in the last 20 years)<sup>1</sup>
- Increasing world population (by 28 percent in the last 20 years)
- Increasing GDP purchasing power in the biggest world economies (in BRICS<sup>2</sup> countries even by seven times)
- Transfers of population between rural and urban areas (within last 20 years share of urban population in the total world population increase by from 45 percent to 55 percent, but in numbers of inhabitants it increased by 54 percent)

In light of these there has been increased demand for agricultural and food products in many countries and also an increased number of countries with structural surpluses in production. A very good example of a situation like this is the milk market and in especially in milk powder where increasing demand from the Chinese market is being met with increased production in New Zealand and the European Union.

All producers in countries with surplus production are looking for opportunities to sell more products for higher prices. Also their governments are closely supervising the situation in order to avoid problems where products which are currently exported could remain on the domestic market.

Government activities in the field of agricultural and food export promotion policy vary drastically either by aims established, methods used or resources applied. They may vary by:

- Area of activity – international markets or domestic markets
- Type of activity – only regulatory one or with strong direct actions support
- Resources used – budget allocated and source of those financial resources

This study presents an analysis of different methods and scenarios applied in Poland and Austria. These two countries have some areas which they have in common (for example both are members of European Union) but also with some big differences concerning situation in agriculture and food processing industry.

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<sup>1</sup> If it is not otherwise stated all statistical data are based on FAOSTAT database.

<sup>2</sup> Brazil, Russian Federation, India, China, South Africa

## Legal restrictions applied to EU Member States<sup>3</sup>

Due to the fact that both examples presented in this study are Member States of the European Union readers should bear in mind legal restrictions applied to all activities conducted especially by public services.

In the agricultural and food sector EU law requirements can be divided into two different groups:

- Provisions concerning support paid to farmers, producers groups, processors and associations thereof partially or fully from European Union budget. More information about this support is presented in next sub-chapter.
- Provisions concerning any form of activity including direct financial support offered by national governments or regional administration to farmers, producers groups, processors and associations thereof.

In general, support offered by the public sector to any private sector entities which distorts or threatens to distort competition is forbidden in the EU. This rule is strictly described in the Treaty on the Functioning of the European Union (TFEU) especially in article 107<sup>4</sup> and further documents issued on the basis of TFEU. However, as it is presented in article and 108<sup>5</sup> in some situations the European Commission accepts

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<sup>3</sup> Term Member States is used in this study only in the meaning of Member States of the European Union.

<sup>4</sup> Article 107

1. Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the domestic market.

2. The following shall be compatible with the domestic market:

(a) aid having a social character, granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the products concerned;

(b) aid to make good the damage caused by natural disasters or exceptional occurrences;

(c) aid granted to the economy of certain areas of the Federal Republic of Germany affected by the division of Germany, in so far as such aid is required in order to compensate for the economic disadvantages caused by that division. Five years after the entry into force of the Treaty of Lisbon, the Council, acting on a proposal from the Commission, may adopt a decision repealing this point.

3. The following may be considered to be compatible with the domestic market:

(a) aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment, and of the regions referred to in Article 349, in view of their structural, economic and social situation;

(b) aid to promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;

(c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest;

(d) aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition in the Union to an extent that is contrary to the common interest;

(e) such other categories of aid as may be specified by decision of the Council on a proposal from the Commission.

<sup>5</sup> Article 108

1. The Commission shall, in cooperation with Member States, keep under constant review all systems of aid existing in those States. It shall propose to the latter any appropriate measures required by the progressive development or by the functioning of the domestic market.

2. If, after giving notice to the parties concerned to submit their comments, the Commission finds that aid granted by a State or through State resources is not compatible with the domestic market having regard to Article 107, or that such aid is being misused, it shall decide that the State concerned shall abolish or alter such aid within a period of time to be determined by the Commission.

If the State concerned does not comply with this decision within the prescribed time, the Commission or any other interested State may, in derogation from the provisions of Articles 258 and 259, refer the matter to the Court of Justice of the European Union direct.

On application by a Member State, the Council may, acting unanimously, decide that aid which that State is granting or intends to grant shall be considered to be compatible with the domestic market, in derogation from the provisions of Article 107 or from the regulations provided for in Article 109, if such a decision is justified by exceptional circumstances. If, as regards the aid in question, the Commission has already initiated the procedure provided for in the first subparagraph of this paragraph, the fact that the State concerned has made its application to the Council shall have the effect of suspending that procedure until the Council has made its attitude known.

If, however, the Council has not made its attitude known within three months of the said application being made, the Commission shall give its decision on the case.

3. The Commission shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid. If it considers that any such plan is not compatible with the domestic market having regard to Article 107, it shall without delay initiate the procedure

some of the activities proposed by particular Member States in which support to farmers, producers groups, processors and associations is offered. It should be kept in mind that most of the activities in the field of 'agricultural marketing',<sup>6</sup> which are conducted by both countries in this study, were either directly accepted by the European Commission or the implementation of such measures is directly accepted in appropriate law or guidelines.

EU rules on state aid are not in detail described in this study. However, more information about state aid in the European Union are presented on the website of Directorate for Agriculture and Rural Development of the European Commission ([http://ec.europa.eu/agriculture/stateaid/index\\_en.htm](http://ec.europa.eu/agriculture/stateaid/index_en.htm)).

## EU support to farmers, producers' groups, processors and associations thereof

Membership in the European Union includes, on the one hand, numerous requirements and obligations which have to be fulfilled by governments and market participants, but on the other hand various opportunities offered directly by European institutions, as well as national and regional authorities with support coming from EU financial support.

In this sub-chapter some of those opportunities are briefly highlighted in order to better understand some of the decisions or arrangements established in Poland and Austria.

### EU LEGAL PROVISIONS

The majority of opportunities offered directly by European institutions result directly from the application of EU law. In issues related to 'agricultural marketing' we should especially specify regulations establishing provisions for:

- The creation and control of obligatory European food standards;
- The creation and control of voluntary schemes for the production of agricultural and food products the quality of which is higher than obligatory European food standards<sup>7</sup> i.e.:
  - Geographical indications and traditional specialities (Protected Designation of Origin – PDO, Protected Geographical Indication – PGI, Traditional Speciality Guaranteed – TSG);

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provided for in paragraph 2. The Member State concerned shall not put its proposed measures into effect until this procedure has resulted in a final decision.

4. The Commission may adopt regulations relating to the categories of State aid that the Council has, pursuant to Article 109, determined may be exempted from the procedure provided for by paragraph 3 of this Article.

<sup>6</sup> By the term 'agricultural marketing' we should understand on the basis of definition of marketing prepared by American Association of Marketing (<https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>) set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large, of course in relation to agricultural and food products. This definition is broader than commonly used term 'food promotion' which is enclosed in the definition of agricultural marketing. Use of this term is proposed to include all, especially legal, aspects of activities related to food promotion.

<sup>7</sup> More information could be found at European Commission website ([http://ec.europa.eu/agriculture/quality/index\\_en.htm](http://ec.europa.eu/agriculture/quality/index_en.htm))

- Organic farming
- Wine and spirit drinks
- Aromatised wine
- Products from the outermost regions: Products specific to Azores, Canary Islands, French Guyana, Guadeloupe, La Réunion, Madeira, and Martinique

It should also be mentioned that EU law made a basis for the creation of voluntary Food Quality Certification Schemes at national level. These are systems prepared directly by market operators and recognised by the European Union. More information can be found at European Commission website ([http://ec.europa.eu/agriculture/quality/certification/index\\_en.htm](http://ec.europa.eu/agriculture/quality/certification/index_en.htm)).

## EU DIRECT FINANCIAL SUPPORT

For many years EU support for the promotion of agricultural and food products was restricted to:

- Organization of ‘high level missions’ to selected third countries once or twice a year;
- Organization of generic campaigns promoting organic farming (once every five years);
- Organization once or twice a year of some activities at the most important food fairs.

The rest of the activities co-financed by EU were supervised by Member States, which means that most of them were done without any coordination between different Member States and in some cases they were even competing with each other.

In light of this, a large scale reform of promotion policy finally entered into force in 2015.<sup>8</sup> The main elements set out in the new promotion rules are:

- A significant increase in the aid allocated to information and promotion campaigns: European aid should increase progressively from EUR 61 million in the 2013 budget to EUR 200 million in 2019 (EUR 111 million in 2016);
- Significantly higher EU co-financing rates in comparison to the current regime (EU co-financing rate of 70 percent for simple programmes presented by an organization from one Member State, 80 percent for multi programmes and programmes targeting third countries, 85 percent for crisis programmes, 75-85 percent for countries under financial assistance, i.e. Cyprus and Greece); whereas the national co-financing disappears thereby creating a level playing field.
- The establishment of a European promotion strategy, which will allow for promotion measures to be more targeted. This strategy should lead to:

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<sup>8</sup> On 13th of October following regulations which create basis for new EU promotion policy were published: Commission Implementing Regulation (EU) 2015/1831 of 7 October 2015 laying down rules for application of Regulation (EU) No 1144/2014 of the European Parliament and of the Council on information provision and promotion measures concerning agricultural products implemented in the domestic market and in the third countries (OJ L 266, 13.10.2015, p. 14) Commission Delegated Regulation (EU) 2015/1829 of 23 April 2015 supplementing Regulation (EU) No 1144/2014 of the European Parliament and of the Council on information provision and promotion measures concerning agricultural products implemented in the domestic market and in third countries (OJ L 266, 13.10.2015, p. 3);

- An increase in the number of programmes aimed at third countries and multi-country programmes (programmes represented by organizations from several Member States) through a higher co-financing rate for these two categories.
- on the domestic market, overcoming consumers' lack of awareness about the merits of European agricultural products in general and products endorsed by European quality systems in particular.
- Widening the scope of measures by: extending eligible beneficiaries to include producer organizations; extending the range of products, particularly to processed agri-food products, such as, for example, bread, pasta or chocolate; allowing to specify the origin of products and their brands, within certain limits;
- Simplifying administrative procedures, with the assessment and selection of programmes henceforth taking place in one phase at the Commission, rather than in two phases as is currently the case (first Member State and then the European Commission)
- Facilitating management of multi-country programmes developed jointly by organizations from several Member States via a one-stop shop at the Commission (via the CHAFEA executive agency).

## EU SUPPORT PAID BY MEMBER STATES

According to the subsidiarity rule in the European Union most of the financial support to farmers, producers' groups, processors and associations thereof is paid by Member States either on national or regional level. The same situation is also with any financial support which could be defined as support to agricultural marketing. Below there is non-exhaustive list of currently available measures in this area:

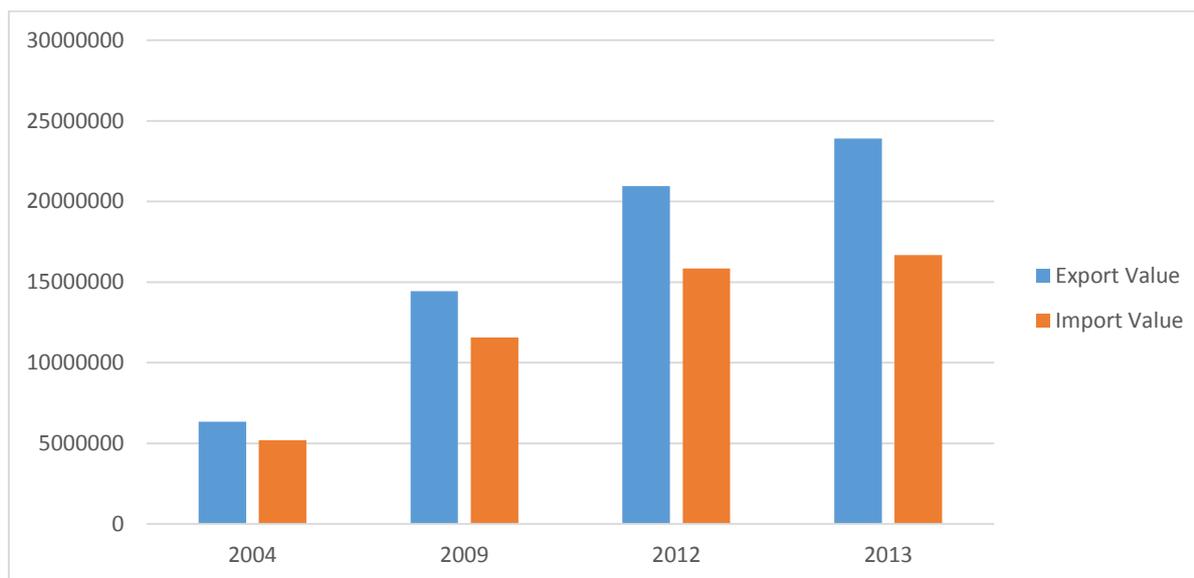
- Common food promotion policy – from EUR 111 million in 2016 to EUR 200 million in 2019 (EU co-financing rate of 70 percent for simple programmes presented by an organization from one Member State, 80 percent for multi programmes and programmes targeting third countries, 85 percent for crisis programmes, 75-85 percent for countries under financial assistance, i.e. Cyprus and Greece). Apart from direct actions conducted by European Commission and multi-country programmes approximately 75 percent of support will be paid by Member States;
- Rural development plan – Every Member State is preparing its own RDP establishing activities and allocating an appropriate budget in accordance with its need and in the framework of EU law. In regard to food promotion, EU law concerning RDP allows, support to producers' groups and associations thereof in promoting products produced in the EU and recognized national quality schemes. The co-financing rate is 70 percent;
- Economic Development Programmes – Each Member State can create programmes which support entrepreneurship in very different ways – either by supporting R&D activities or by supporting human resources development or by supporting export activities of particular companies. The rate of co-financing may vary depending on the rules established by each Member State, but it is usually about 50 percent;

- Regional development Plans – Each region in any Member State prepares its own plan for regional development, targeting the main problems or opportunities for further development. In many regions one of the most important issues is either support to increased export potential of local companies and/or support to increase the potential of regional products;
- Different measures financed under Common Agricultural Policy of the European Union which targets at development of:
  - markets for quality products by partial financing of farmers cost of controls;
  - markets for local products and producers by financing development or refurbishing of local marketplaces;
  - organic markets by supporting farmers into conversion to organic production in the form of direct payments targeted to those farmers.

## FOOD PROMOTION POLICY IN POLAND

In 2004, when Poland joined the European Union, the trade balance in Polish agricultural and food products was approximately zero. In the preceding years and in some years after accession, the import of agricultural and food products to Poland was higher (in value) than exports. Some forecasts even suggested that this situation could be permanent.

Chart 1 Value of Polish food export and import in USD



However, after injection of EU support to farmers and processors a lot has changed in Polish agri-food business. There are many new technologies and new products all with lower prices but also with greater volume of production.<sup>9</sup> This situation creates a great pressure for increasing export of Polish products either to 'traditional export destinations'<sup>10</sup> such as Germany, Russia, Ukraine but also for opening new export destinations.

In 2009 exports of agricultural and food products were USD 3 billion higher than imports. In 2012 exports were almost USD 4 billion higher and in 2013 USD 7 billion higher. It should be stressed out that the increase of Polish food exports were also achieved during 'crisis situations' resulting from the imposition of trade sanctions by the Russian Federation either in 2009 and 2014. In both cases Polish exporters found new markets and increased sales to them.

<sup>9</sup> Similar opinion is presented among others in report „25 years of Polish agriculture” under supervision of Professor Janusz Igras, PhD Eng in Puławy Competence Center. English version is an abridged version containing summaries of all chapters of the paper ([http://www.ckpulawy.com/files/The%20Report\\_25%20years%20of%20Polish%20agriculture.pdf](http://www.ckpulawy.com/files/The%20Report_25%20years%20of%20Polish%20agriculture.pdf)) Full version is available only in Polish ([http://www.ckpulawy.com/pliki/Raport\\_25%20lat%20polskiego%20rolnictwa.pdf](http://www.ckpulawy.com/pliki/Raport_25%20lat%20polskiego%20rolnictwa.pdf)).

<sup>10</sup> First ten of major export destinations for Polish exports are Germany, United Kingdom, Russian Federation, Czech Republic, France, Italy, Netherlands, Slovakia, Hungary, Ukraine. Order may vary depending the year.

At the same time the same product groups are mainly the same now as they were in 2004.<sup>11</sup> Of course the value of exports increased significantly and some product groups, such as fruits, pastry or non-alcoholic beverages became more important in Polish trade balance.

Table 1. Summary of Polish food export value (in USD)

Product categories	Export in 2004	Export in 2009	Export in 2012	Export in 2013
Meat and meat products	975 417.00	2 844 627.00	4 005 973.00	4 977 526.00
Milk and milk products	629 579.00	1 555 428.00	1 903 884.00	2 120 125.00
Food preparations	576 200.00	1 089 684.00	1 660 447.00	1 960 778.00
Processed fruit and vegetables	498 087.00	947 140.00	1 436 741.00	1 775 102.00
Tobacco products	492 807.00	1 006 455.00	1 336 275.00	1 593 260.00
Chocolate and sweets	309 102.00	949 091.00	1 430 561.00	1 552 461.00
Cereals	588 755.00	992 315.00	1 375 478.00	1 461 329.00
Fresh fruit	442 341.00	838 286.00	1 142 837.00	1 314 740.00
Non-alcoholic beverages	299 869.00	487 062.00	900 899.00	999 891.00
Pastry and Pastry products	445 440.00	673 331.00	902 288.00	926 637.00
Fats	286 467.00	370 749.00	665 693.00	652 947.00
Raw material	48 383.00	190 693.00	374 602.00	473 945.00
Sugar and honey	197 807.00	322 576.00	414 054.00	444 676.00
Alcoholic beverages	87 015.00	257 196.00	348 835.00	385 610.00
Vegetables	83 321.00	173 500.00	280 100.00	337 116.00
Pet food	973.00	1 752.00	243 656.00	329 425.00
Eggs	4 884.00	53 774.00	348 632.00	310 225.00
Live animals	60 628.00	123 381.00	210 671.00	228 861.00
Food wastes	55 433.00	123 610.00	155 573.00	196 088.00
Infant food	69 920.00	85 975.00	103 118.00	81 285.00
Other	28 907.00	39 436.00	56 222.00	63 443.00

Polish export statistics show that Polish exports are partially based on:

1. Semi-processed products used for further manufacturing in destination countries (food preparations, raw materials, food preparations). Those products are usually sold in bulk without and branding recognised by consumers. Buyers can change their suppliers from one country to another without any problems;
2. Products constituting the real value of the Polish processing industry (such as pastries, chocolate products and sugar confectionary). These products are sold either under the brands of buyer (including retail stores chains) or they are produced and sold by large international companies such as Mondelez, Danone and Zott. In most of the cases the consumer is not informed that the products are of Polish origin;

<sup>11</sup> In 2004 following products (first biggest 10) groups: Food preparations, Fruit processed, Chocolate products, Pastry, Raw materials, Milk, skimmed dried, Cheese, whole cow milk, Sugar refined, Cattle and frozen Vegetables constitute almost 50 percent in value of Polish export. In 2013 following products (first biggest 10) groups: Cigarettes, Food preparations, Chocolate products, chicken meat, cattle meat, pigmeat, Cheese, Pastry, Fruit processed, Apples constitute 40 percent in value of Polish export

3. Traditional products as alcoholic beverages, sold and produced in Poland by international companies such as Pernod Ricard with preservation of Polish brands such as Wyborowa. In most cases final consumer will know that these products are of Polish origin;
4. New fast growing processing industry products with their own brands – such as juices or other non-alcoholic beverages. Even if producers keep brands used on the Polish market there is no direct communication to consumers about the origin of the products;
5. Raw products sold without any further processing to direct consumers – such as fresh fruit and vegetables. In most cases the origin of the products is communicated to final consumers.

Each product in this group needs different export support and in some of the cases (such as no. 3) it is hard envisage any special support. Export subsidies can be applied to all product groups but as previously mentioned, these cannot be applied due to international engagements.

Also these different groups are vulnerable to changes in international trade in different ways. The most vulnerable is group 1 and the least vulnerable is group 4.

Food promotion support in Poland is defined on the one hand by the needs presented by market participants and on the other hand by the possibilities offered by available financing or management methods. The model for food promotion is still fluid and can be impacted by political decisions.<sup>12</sup>

## Strategic model

In Poland there is no single document establishing a food promotion strategy. Moreover, there are no separate documents for domestic market promotion and external market promotion. The current situation can be described as a cloud of different documents prepared by different bodies, most of which were produced in consultation with all interested bodies.

Currently, the most important strategic document in Poland is the *Long-term National Development Strategy* accepted by Council of Ministers on 5 February 2013. It establishes the main trends and challenges in national development in the long-term. In the medium term another document was prepared and accepted by the Council of Ministers on 25 September 2012; namely, the *Medium-term National Development Strategy*. This focuses on strategic aims in country development until 2020, especially those which could be financed from EU financial support from a 2014-2020 perspective.

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<sup>12</sup> Another example of the country in which political decision could strongly influence its activities in the field of food promotion is Denmark where for many years Parliament decided that the country is against common promotion policy and any support in that field because in their opinion domestic market should be left to market participants and only activities in third countries should be supported.

## SUSTAINABLE DEVELOPMENT STRATEGY FOR COUNTRYSIDE, AGRICULTURE AND FISHERIES FOR 2012 – 2020

The medium-term strategy is based on nine sectorial strategies, one of which is the *Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020* which was prepared by the Ministry of Agriculture and Rural Development in Poland and accepted by the Council of Ministers on 25 April 2012.<sup>13</sup>

This strategy points out five main aims:

1. Increase the value of human and social resources, employment and entrepreneurship in rural areas;
2. Increase living conditions in rural areas and increase of availability of good living conditions in regions;
3. Increase food security;
4. Increase the productivity and competitiveness of the agricultural and food sectors;
5. Improve environmental protection and adaptation to climate change in rural areas.

These aims are transferred in number of priorities which are interesting for this study; namely:

- Priority 3.2 Production of high quality agriculture and food products which are safe for consumers;
- Priority 3.4 Increasing producers' and consumers' knowledge and awareness about agriculture and food production and nutrition rules;
- Priority 4.4 Promotion and increasing number of export target markets for Polish products.

Finally for each aim several 'intervention directions' were established pointing out expectations of government for direct actions in more detail. Those 'intervention directions' are described in detail, showing the general approach of all institutions acting in these areas. None of these priorities or intervention directions were directly linked with one institution or group.

The *Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020* establishes some indicators with expected final values for all strategy points and priorities. For food promotion there are two indicators:

- One concerning quality of products i.e. Share of bad quality samples of agriculture and food products. The value of the 2010 indicator was 15.9 percent. The final value to be achieved in 2020 is 12.5 percent;
- The per capita value of exports of agriculture and food products from Poland is a key indicator. The value of indicator in 2010 was EUR 301. The final value to be achieved in 2020 is EUR 450;<sup>14</sup>

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<sup>13</sup> Document is available in Polish on the website of Ministry of Agriculture and Rural Development: <http://www.minrol.gov.pl/Informacje-branzowe/Strategia-zrownowazonego-rozwoju-wsi-rolnictwa-i-rybactwa-na-lata-2012-2020>

<sup>14</sup> Value of this indicator for 2015 (based on preliminary data) is 580 EUR per capita;

The *strategy* consists of aims for the domestic market, which are described in detail in the ‘intervention directions’, although there are no direct indicators for achieving these aims.

This *strategy* is planned to be financed mainly through public resources coming from: the EU budget (48 percent), the national budget (31 percent) and local government budgets (11 percent). The remaining 10 percent should come from the private sector, mainly in the form of co-financing for different programmes where the primary source of financing will be public resources.

Such strong link between strategy and EU financing is obvious – this strategy was prepared as a basis for the creation of further documents required by the European Commission in order to receive EU financing.

### ***Framework Action Plan for Organic Food and Agriculture in Poland for 2014 – 2020***

Due to the importance of organic farming in Poland, which was also stressed in the *Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020*, an additional strategic document was prepared in MARD;<sup>15</sup> namely, the *Framework Action Plan for Organic Food and Agriculture in Poland for 2014 – 2020*.<sup>16</sup> In this plan specific aims for organic production are established:

1. Increase of competitiveness of organic farming and increase of supply of organic food on the market;
2. Stimulation of development of organic processing;
3. Diversification and strengthening of distribution channels for organic products;
4. Increase in consumer knowledge about organic farming and organic food;
5. Increase in the level of co-operation between organic market participants;
6. Involvement of central and local governments in the development of organic farming;
7. Maintenance of high level of control and certification for organic products.

In food promotion this strategy targets this issue in aim 4, pointing out two activities:

- Promotion of organic farming
- Co-operation with producers’ organizations in the field of organic farming promotion

In both areas methods for direct implementation are similar; with the use of EU financing in the Rural Development Plan, producers and producers’ organizations will receive a tool for financing their food promotion activities.

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<sup>15</sup> Ministry of Agriculture and Rural Development

<sup>16</sup> Document is available in Polish on the website of Ministry of Agriculture and Rural Development: <http://www.minrol.gov.pl/Jakosc-zywnosci/Rolnictwo-ekologiczne/Ramowy-Plan-Dzialan-dla-Zywnosci-i-Rolnictwa-Ekologicznego-w-Polsce>

## *Action plan for promotion activities of Ministry of Agriculture and Rural Development*

Every year the Ministry of Agriculture and Rural Development creates an action plan on specific promotion activities for that year. This plan is usually focused on the promotion of quality products, especially those produced by producers marked with “Try Fine Food”<sup>17</sup> logo.

The Try Fine Food Programme (TFF), is a programme of Ministry of Agriculture and Rural Development for promoting food quality. It aims to create a positive image of high-quality agri-food products among both domestic and foreign consumers. The “Try Fine Food” logo placed on the packaging should help the consumer select products from among many similar ones available on store shelves. The consumer will receive information that the selected product was manufactured from verified raw materials, and that it contains few additives and is correctly labelled. The TFF label is also an opportunity to promote products and companies, both in Poland and abroad, by strengthening companies’ prestige and product reputation.

Actions in this plan are conducted directly by the Ministry of Agriculture and Rural Development with some support from supervised institutions as Agricultural Market Agency.<sup>18</sup>

### *Programme for promoting regional, traditional and organic food, as well as products produced in food quality systems*

Since 2011 the Agricultural Market Agency<sup>19</sup> has created a yearly programme — financed from the national budget — for the promotion of regional, traditional and organic food, as well as products produced in food quality systems. This programme targets the following priorities from *Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020*; namely:

- Priority 3.2 Production of high quality agriculture and food products which are safe for consumers;
- Priority 3.4 Increasing producers’ and consumers’ knowledge and awareness about agriculture and food production and nutrition rules;
- Priority 4.4 Promotion and increasing number of export target markets for Polish products

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<sup>17</sup> “Try Fine Food” was created before Poland accession to the European Union and was called “Try Polish Food” and only Polish products could gain this mark. After the accession due to some reservations made by the European Commission name of the programme and rules were changed in order to allow participation in programme of all producers from EU Member State countries.

<sup>18</sup> Institutional framework is presented in chapter “Institutional model”

<sup>19</sup> Agricultural Market Agency (ARR) is a state institution supervised by the Ministry of Agriculture and Rural Development as well as the Ministry of Finance within the scope of the Common Agricultural Policy (CAP) of the EU and related tasks. Since 1990 the ARR has been carrying out activities aimed at supporting and maintaining economic balance in the Polish agri-food sector. Since 2004 the Agency is an accredited EU Paying Agency distributing financial support and performing controls relative to manufacturing of agricultural products under the CAP. Full institutional framework is presented in chapter “Institutional model”

Every year a priority list of activities is created either on internal Polish market (especially in priority 3.2 and 3.4) or external markets (priority 4.4). Usually in each programme there is a set of 400-450 activities proposed and during the year some new are added – in situations where savings are observed.

Programme is directly implemented by Agricultural Market Agency.

### *Programme for development of external trade co-operation*

Starting in 2016, the *Programme for promotion of regional, traditional and organic food, as well as products produced in food quality systems* prepared by Agricultural Market Agency will be divided into two separate programmes:

- *Programme for promotion of regional, traditional and organic food, as well as products produced in food quality systems* (but without external trade part);
- *Programme for development of external trade co-operation*;

The programmes will consist of direct activities planned for the next period (even in two or three year-periods) and will be directly implemented by the Agricultural Market Agency.

### Strategy for Innovation and Efficiency of the Economy – Dynamic Poland 2020<sup>20</sup>

Another important strategy document for food promotion is *Strategy for Innovation and Efficiency of the Economy – Dynamic Poland 2020* prepared by Ministry of Economy and accepted by the Council of Ministers on 15<sup>th</sup> of January 2013.

This strategy points out four objectives:

- Objective 1. Adjustment of the regulatory and financial environment to the needs of innovative and efficient economy
- Objective 2. Stimulating innovation through increase in knowledge and labour efficiency
- Objective 3. Increased resource and raw materials efficiency
- Objective 4. Increased internationalization of the Polish economy

For food promotion the most important is objective 4, where three priorities were established:

- 4.1. Support for Polish export and Polish investments abroad
- 4.2. Support for the influx of innovative and responsible investments, including foreign investments
- 4.3. Promoting Polish economy, Polish enterprises and Polish image in the international arena.

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<sup>20</sup> Document is available in Polish and English on the website of Ministry of Economy:  
<http://www.mg.gov.pl/Wsparcie+przedsiębiorczosci/Polityki+przedsiębiorczosci+i+innowacyjnosci/Polityka+przedsiębiorczosci/Strategia+Innowacyjnosci+i+Efektywnosci+Gospodarki>

As with the strategy prepared by MARD, in this case for each of the priorities there are more 'intervention directions' pointing out direct actions. Of course, the strategy prepared by Ministry of Economy does not focus only on food, but some 'intervention directions' may be used by companies producing food (Detailed description starts from the page 121 of English version of *Strategy for Innovation and Efficiency of the Economy – Dynamic Poland 2020*).

### ***Sector Promotion Programme for Polish Food Specialties***

For the first time, in 2012, the Ministry of Economy opened a possibility to run special sector promotion programmes for the most promising products groups for export. The program for food products (one of 15 prepared) was created as a realization of two sectorial strategies i.e. already mentioned *Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020* and which was prepared by Ministry of Economy.

The Sector Promotion Programme was a direct implementation of aims pointed out in those strategies by listing out target countries (Russia, Ukraine, Germany, France, China, United Arab Emirates) and activities for a three-year period with an allocated budget either for general activities and direct support to companies participating in those activities. Activities in this sector promotion programme were co-financed from EU budget.

The programme was implemented by the Agricultural Market Agency. Currently there are preparations for its continuation in the new financial framework of EU budget.

## FUNDS FOR PROMOTION OF AGRICULTURAL AND FOOD PRODUCTS<sup>21</sup>

In 2009, in order to find ways of financing food promotion activities in Poland a special instrument was established; namely funds for promotion of agricultural and food products. These are almost unique to Poland. Currently there are nine funds for promotion of agricultural and food products, i.e.: milk, pork meat, beef meat, horse meat, sheep meat, cereal grains and cereal products, fruit and vegetables, poultry meat, and fish.

The uniqueness of this instrument is that the role of public sector is very limited (only to collecting money coming mainly from agricultural producers and conducting financial settlements of expenditures with beneficiaries). The institution responsible for these actions is the Agricultural Market Agency.

Decisions about strategy, plans and their execution is conducted by representatives of producers and processors. Each fund has separately appointed management committees, consisting of representatives of food processors, producers and agricultural chambers. They are responsible for decisions about strategies and plans.

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<sup>21</sup> For each promotion fund starting from its creation in 2009, separately for each year and each promotion fund Annual financial report is created and presented on the website of Agricultural Market Agency (<http://www.arr.gov.pl/promocja-zywnosci/wyplaty-z-funduszy-promocji>). There you can find information about money allocated and spent either on promotion activities or administration.

Management committees act within the aims established in the law, which are as follows:

1. Informing about quality and intrinsic value of products;
2. Promoting consumption of products,
3. Financing participation in exhibitions and fairs;
4. Market research and research and development concerning products;
5. Training of producers;
6. Supporting activities of producers' organizations acting in international forum.

### *Financial plan of food promotion fund<sup>22</sup>*

Each Management committee of the food promotion funds<sup>23</sup> is obliged to prepare an annual financial plan. Each plan consists of activities planned for that year (and for long-term activities also for the following years). Food promotion funds could also foresee co-financing projects with other promotion funds or even with EU financing.

Every year food promotion funds finance up to 500 activities either on the domestic market or on export markets. The ratio of activities conducted on the domestic and export markets depends on the situation in the sector. For example in the beef market most of the activities are conducted on the domestic market in order to boost beef consumption in Poland. On the other hand in case of poultry most of the activities are conducted in third countries in order to boost export of products. In case of milk and milk products there is balance between activities on domestic market and external market because on that market it is necessary to either work with consumers in Poland to increase consumption and support export of products (what is up to 30 percent of Polish production).

### *Sectorial strategies*

Some of the Management committees created a strategy for promotion of products in their funds (pork meat, beef, fruit and vegetables, while poultry is under preparation). The creation of these strategies is voluntary and due to this they were prepared in few funds. In both cases i.e. either there were strategy was prepared or where strategy is not prepared management committees made a decisions based on actual situation in the sector.

## FOOD QUALITY MANAGEMENT

The development of food quality policy in Poland is still in the preliminary stage. It is not a question that observance of food safety standards is obvious for every producer and processor and awareness about functioning of strong quality control mechanisms and institutions is crucial for success in export of Polish

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<sup>22</sup> More information about Food Promotion Funds including plans for each promotion fund are available in Polish on the website of Agricultural Market Agency <http://www.arr.gov.pl/promocja-zywnosci/wyplaty-z-funduszy-promocji> and <http://www.arr.gov.pl/promocja-zywnosci/wplaty-na-fundusze-promocji>

<sup>23</sup> Management committee of food promotion fund, taking into account legal basis is not an institution or a public body. In fact the best description is an advisory board with some powers allocated to it. Because management committee has not legal personality their decision cannot be sued to any court. Only President of AMA could question decisions taken by committee and it could only be done in situation where those decisions were taken against the law.

products. However, on the question of increasing the quality of products by implementation of food quality systems there are still doubts between the producers. For example in Poland there are no quality systems for milk or milk products.

Currently in Poland there are following public quality systems:

- based on EU legislation:
  - system for regional and traditional products (Protected Designation Origin (PDO), Protected Geographical Indication (PGI), Traditional Specialty Guaranteed (TSG))
  - system for organic farming
- based on national legislation
  - Integrated Production (for fruit and vegetables only)

There are also some privately established quality systems which were recognized by the Ministry of Agriculture and Rural Development. Formal recognition of quality systems by MARD opens possibilities for applying for financial support for farmers and processors producing products in those systems.

### *Integrated Production*

Integrated production (IP) is a modern food quality system, using a sustainable technical and biological progress in cultivation, plant protection and fertilization with special attention to the protection of the environment and human health.

Participation in the IP system allows food of vegetable origin to be produced healthily, within the permissible levels of pesticide residues, heavy metals, nitrates and other elements and harmful substances.

In addition to marketing benefits resulting from the sale of officially certified food, there are several other reasons why the IP system is beneficial:

- Convergence of the provisions of the system of an integrated production plant with the principles of integrated pest management leads to the conclusion that the implementation of IP currently guarantees the fulfilment of the mandatory requirements of integrated pest management.
- Obtaining the certificate in the IP system allows for reimbursement of the costs associated with participation in the system and promotion as part of the Rural Development Programme
- Application of the principles of IP allows to meet the requirements posed by the cross-compliance system - Cross Compliance in the context of direct payments in plant protection and food safety in force since 1 January 2011.
- The implementation of the IP is extremely important for confirmation of requirements relating to food safety. This applies to sales on the domestic market and the export of plants and plant products, in particular for the export of fruits and vegetables on the market of the Russian Federation. As part of the IP provides the ability to conduct production in accordance with Russian standards. An essential element in this case is a special programs to protect plants developed by the Institute of Horticulture in Skierniewice.

- IP also allows the fulfilment of food safety and environmental protection requirements in the context of other commercial quality systems required for example by large retail chains.

Under the law the State Inspectorate of Plant Health and Seed is responsible for the issue of certificates and supervision.

Pursuant to the Law on plant protection a certificate of integrated production will be issued if the farmer:

1. Has completed training in integrated production and will have a certificate of completion of the training,
2. Will lead the production and protection of plants according to the methodologies approved by the chief inspector and made available on the website administered by the chief inspectorate plant health and seed;
3. Will apply fertilizer based on the actual needs of the plants established on the basis of analyses of soil or plants;
4. Will properly document all activities carried out related to the integrated production plants;
5. Will follow the production plant health and hygiene rules, in particular those identified in the methodologies;
6. Can ensure that there are no residues, nitrates, nitrites and heavy metals exceeding the maximum levels in plant samples;
7. Will comply with the requirements of plant production for the protection of plants against harmful organisms, in particular those identified in methodologies.

### *Private quality systems*

Currently, the Ministry of Agriculture and Rural Development in Poland recognizes the following private quality systems:

- QAFP (Quality Assurance for Food Products);
- PQS (Pork Quality System);
- QMP (Quality Meat Programme)
- Jakość Tradycja (Quality, Tradition)

### *Quality Assurance for Food Products – QAFP*

Quality Assurance for Food Products – QAFP is a multi-product quality system designed for pork elements (leg, loin and pork neck) as well as for poultry in respect of chicken breast, turkey breast and young oat goose meat. It is constantly developed in order to cover standards for different food products in the future. The QAFP system consists of clear regulations regarding each party involved in every stage of meat production process – starting with farmer, logistic system, food processing plant and last but not least producer who labels the final product. They all obtain benefits for being responsible for quality in each link of the quality chain. Farmers can achieve a price increase in slaughtered animals, whereas, thanks to standardization, producers benefit from a reduction in production costs. Distributors enjoy enrichment of

their product portfolio with premium brand that attract consumers willing to pay more for above-average quality.

QAFP is an open system – whoever meets the System`s standards can become a QAFP member. The QAFP system is run by association of meat processors - UPEMI.

### *PQS (Pork Quality System)*

The quality of pork produced under a PQS system is derived from following detailed obligations for livestock producers that guarantee characteristics in the production process:

- Used for breeding of animals that are free from gene of homozygous recessive form of sensitivity to stress RYR1T (nn), a gene responsible for the increased incidence of defects in the quality of meat PSE (Pale - soft - exudative);
- Used for breeding of pig breeds and hybrids of planned mating. The use of the genetic potential of breeds: Large White Polish (PLW) or large white / Yorkshire, Polish Landrace (PBZ) or landrace, pulawy Duroc, Hampshire and Pietrain (pietrain exclusively for the production of hybrids). These are breeds with a high proportion of meat in the carcass, low fat, adequate quality meat and a favourable level of intramuscular fat IMF. The prohibition of the use in the production of pure breed pigs for fattening pigs Pietrain. Pietrain breed pigs can be used under the scheme only as one of the components of his father in the form of hybrid resulting from the crossing of race Duroc or Hampshire.
- Use of split components of parent (breed: Polish Large White (PLW) or large white / Yorkshire, Landrace Poland (PBZ) or Landrace and Puławy) and paternal (Duroc, Hampshire and Pietrain)
- Balanced nutrition and biphasic allowing for maximum use of genetic potential of animals in the field of muscle and helps prevent the occurrence of defects in the quality of meat and excessive fatness fattening pigs, including the intramuscular fat deposition,
- Ban on fishmeal in the last fattening period (last month before slaughter) and to reduce the share of corn to a maximum of 20 percent in the ration,
- Eliminating or minimizing the impact of pre-slaughter period of stressors that can cause irreversible metabolic reactions leading to the formation of defects in the quality of the meat. In particular, the PSE (since called. Pale - soft - exudative) and DFD (Dark - firm - dry)
- Compliance with the slaughter of fattening pigs with a body weight of about 100 kg (+/- 15 kg), which corresponds to duty slaughter animals aged 5-6 months.

Moreover, the quality of the final product is characterized by:

- Meat colour in the range - L \* 43-56;
- Water holding capacity (WHC) – determined by drip loss of 2-5 percent;
- IMF intramuscular fat content of 0.8 – 2.5 percent;
- Acidity meat – pH1 5.8 – 6.4;
- Meat content exceeding the average meatiness of carcasses and not less than 55percent;
- The colour of fat (lard) – white, white with a touch of cream or light pink;
- Firm consistency of fat;

- The meat is free of fishy smell.

PQS system is run by association of meat processors – Związek “Polskie Mięso” and association of pork breeders Polski Związek Hodowców i Producentów Trzody Chlewnej “POLSUS”.

### *QMP (Quality Meat Programme)*

Quality beef produced under a system of QMP derived from detailed obligations for livestock producers that guarantee characteristics in the production process, in particular:

- Selection of appropriate breeds for the production of animals eligible in the System QMP - animals breed of meat (Limousin (LM), Charolais (CH), Angus (AN), (AR), Hereford (HH), Salers (SL), Simentaler (SM) and mallard meat breeds (MM) in which the male component are a meat breed);
- Handling of animals, in particular the application of the non-leash system on the farm;
- Use the QMP system breeding recommendations, in particular achievement of slaughter weight and carcass parameters for animals in the required age.

The QMP also defines standards for animal transport and how to deal with them in slaughterhouses.

Moreover, the quality of the final product is characterized by:

#### 1. With regard to beef QMP:

- Musculature E; U; R; O + and adiposity 2; 3; 4 according to the scale of Europe;
- Bull minimum carcass weight of 240 kg and bullocks; heifers 220 kg;
- Age at slaughter of cattle not less than 12 months and no more than 16 months in the case of bulls and no more than 24 months in the case of heifers;
- Fat hard; white or creamy-white;
- Muscle and fat free from bruises;
- PH of the meat after cooling down may not exceed 5.8;
- Meat free from defects in type DFD (Dark; firm; dry).

#### 2. With regard to young QMP beef:

- Musculature E; U; R; O + and fatness 1; 2; 3 according to the scale of Europe;
- Carcass weight must not be less than 160 kg;
- Age at slaughter of cattle from 8 to 12 months;
- The fat is firm and white or creamy-white;
- Muscle and fat free from bruises;
- PH of the meat after cooling down may not exceed 5.8;
- Meat free from defects in type DFD (Dark; firm; dry).

The QMP system is run by the association of beef producers – Polskie Zrzeszenie Producentów Bydła Mięsnego.

### *Jakość Tradycja (Quality, Tradition)*

"Quality Tradition" is a system in which producers use raw materials whose origin is traceable and which do not contain GM components. This system involves only products characterized by a traditional composition or a traditional method of manufacturing or the special quality resulting from their traditional character or expressing their traditional character. In addition, these products should have a particular quality or reputation that distinguishes them from products belonging to the same category. In the case of products of primary production there is an additional requirement that it should be the traditional breed or the traditional variety. For traditional breeds and varieties considered to be those in use before 1956. In addition, a traditional considered a product which has at least a 50-year history of manufacturing.

More information about the "Quality Tradition" can be found on the website <http://www.produktyregionalne.pl/>.

Jakość, Tradition system is run by the association of producers of local and traditional products - Polską Izbę Produktu Regionalnego i Lokalnego i Związek Województw Rzeczypospolitej Polskiej

## Institutional model

Responsibilities of particular institutions where partially mentioned in previous sub-chapter (Strategic model). The table below creates a summary of those responsibilities and also responsibilities which were not mentioned previously but are related to food promotion:

Institution	Already mentioned responsibility	Other responsibilities
Council of Ministers	Approval of strategies prepared by appropriate Ministries	
		(Prime Minister) conducting high level relations with third countries concerning opening the markets for Polish food products (based on expectations presented by Ministry of Agriculture and Rural Development)
Ministry of Agriculture and Rural Development	Preparation of <i>Sustainable development strategy for countryside, agriculture and fisheries for 2012 – 2020</i>	
	Preparation of <i>Framework Action Plan for Organic Food and Agriculture in Poland for 2014 – 2020</i>  Preparation and execution of <i>Action plan for promotion activities of Ministry of Agriculture and Rural Development</i>	
		Conducting direct relations with third countries concerning opening the markets for Polish food products (based on expectations presented by producers and associations thereof)
Ministry of Economy	Preparation of <i>Strategy for Innovation and Efficiency of the Economy – Dynamic Poland</i>	

	2020 Preparation of <i>Sector Promotion Programme for Polish Food Specialties</i>	
		Financial settlement of expenditures with companies participating in <i>Sector Promotion Programme for Polish Food Specialties</i>
Agricultural Market Agency (Supervised by Ministry of Agriculture and Ministry of Finance)	Preparation and execution of <i>Programme for promotion of regional, traditional and organic food, as well as products produced in food quality systems</i>  Preparation and execution of <i>Programme for development of external trade co-operation</i>  Execution of <i>Sector Promotion Programme for Polish Food Specialties</i>	
		Partial (in relation to food promotion) execution of <i>Framework Action Plan for Organic Food and Agriculture in Poland for 2014 – 2020</i>  Financial settlement of food promotion programmes and activities conducted by producers and processors groups and organizations
Producers and processors groups and organizations	Preparation and execution of <i>Financial plans of food promotion fund</i>  Preparation and execution of promotional programmes financed from EU and national budget	
Marshal office in Voivodship		Preparation and execution of Regional Development Plans which may relate to food promotion

## FOOD PROMOTION POLICY IN AUSTRIA

The situation in Austrian agriculture and the food sector is different to that in Poland. For many years — both before Austrian accession to the European Union in 1995 and after — exports of agricultural and food products were lower than imports. Of course it was the result of strong neighbouring economies specializing in agricultural production (such Italy and Germany).

Based on FAO statistics, during the 20 year period after accession, Austrian exports of agricultural and food products increased almost by six times reaching USD 12.856 billion. At the same time a number of export destinations increased by 23 percent to 167 countries. However, traditional export destinations (mainly neighbouring countries) decreased by 6 percent. Austria increased exports to the US, the United Kingdom and the Netherlands but decreased exports to Italy. However, the significance of Germany as an export destination increased – in 1995 29.43 percent of Austrian agriculture exports went to Germany, while in 2013 it was over 32 percent.

The type of products exported are largely the same now as they were in 1995.<sup>24</sup> Of course, the value of exports increased significantly and some product groups such as pork meat and fresh milk became more important in the Austrian trade balance. Austrian exports are partially based on:

1. Products constituting real value of Austrian processing industry (such as cheese, chocolate products, pastry) produced mainly by Austrian companies. In most of the cases final consumer get the information that products are of Austrian origin;
2. Raw products sold without any further processing to direct consumers – such fresh milk and vegetables. In most of the cases origin of the products is communicated to final consumers;
3. Semi-processed products used for further manufacturing in destination countries (food preparations, meat). Those products are usually sold in bulk without and branding recognised by final consumer. Buyer could change its supplier from one country to another without any problems;
4. Traditional products such as wine or alcoholic beverages, sold and produced in Austria by local companies. In most of the cases final consumer finds out information that products are of Austrian origin.

Exports of each of these product group needs different support and in some of the cases (such as no. 3) it is hard envisage any special support. Also these different groups are in different ways vulnerable to potential changes in international trade – starting from the most vulnerable one (group 3) to less vulnerable (group 1).

Food promotion support in Austria is a result of long lasting evolution of co-operation and involvement of administration in support to farmers and industry.

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<sup>24</sup> In 1995 following products (first biggest 10) groups: non alcoholic Beverages, cattle meat, Chocolate products, Pastry, Cattle, Food preparations, whole cow milk Cheese, Pet food, processed fruit constitute almost 40 percent in value of Austrian export. In 2013 following products (first biggest 10) groups: non alcoholic Beverages, Chocolate products, fresh whole milk, Pastry, whole cow milk Cheese, Pet food, Meat, cattle, boneless (beef & veal), pig sausages, cattle meat constitute 50 percent in value of Austrian export

## Strategic model

The Austrian model for food promotion is totally different than in Poland. However, there are a few similarities, such as use of food promotion funds to finance direct activities. In fact food promotion funds in Poland are based on the Austrian (and old German model for organising food promotion). However, organization methods were not copied directly due to objections raised by producers and their associations in Poland.

Food promotion in Austria is based mainly on one specialized company – Agrarmarkt Austria Marketing GesmbH (AMA-Marketing GesmbH). AMA-Marketing GesmbH is a non-profit company, which is owned by a public body – AgrarMarkt Austria.<sup>25</sup> AMA-Marketing GesmbH was created in 1995 (i.e. in the year of Austrian accession to the EU).

There is a second body specialized only in wine promotion; namely, the Austrian Wine Marketing Board (Österreich Wein Marketing GmbH).<sup>26</sup> Also on the provincial level, the provinces of Tyrol, Vorarlberg and Salzburg have regional marketing organizations. These are fully publicly funded by the province and have a much smaller budget than AMA-Marketing or the Austrian Wine Board.

### EXPORT INITIATIVE

The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (BMLFUW), the Austrian Federal Economic Chamber (WKÖ) and Agrarmarkt Austria in 2002 created a special export promoting programme called “The Export Initiative”. The aim was to strengthen Austrian exports of agricultural products, food and beverages to Central and Eastern Europe for the long term. In 2005 the Export Initiative was extended to include also environmental technologies. Activities are bundled, synergies are created, and Austrian enterprises are supplied with professional export know-how for the new target markets in the enlarged Union and on “far-away markets”.

The first steps were focused on Hungary, the Czech Republic, Slovenia, Bulgaria, Romania, Poland, Slovakia, Croatia, Russia, and Serbia. As the declared goal was to increase the export share of agricultural products and food in the total Austrian exports to 10 percent by 2015, initiatives were in 2006 started also in countries far away from the EU(27).<sup>27</sup>

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<sup>25</sup> AgrarMarkt Austria is a state institution supervised by The Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management (BMLFUW) within the scope of the Common Agricultural Policy (CAP) of the EU and related tasks.

<sup>26</sup> The organization was founded in 1986 with the aim to strategically support, coordinate and maintain quality and sales. Its main goal for the domestic market is to strive for an increased market share of Quality Wine, along with the export of bottled quality wine, with particular focus on the continued increase in value.

<sup>27</sup> More info about Export Initiative could be found on the website of BMLFUW. Short summary in English (<https://www.bmlfuv.gv.at/en/fields/greentec/Exportinitiative0/Exportinitiative.html>) and full information in German ([www.bmlfuv.gv.at/greentec/exportinitiative.html](http://www.bmlfuv.gv.at/greentec/exportinitiative.html))

In November 2007 China and the United Arab Emirates were the first “far-away markets”. Shortly afterwards, in May 2008, the second step towards “far-away markets” was New York. In 2009 Austria Weeks took place in Japan.

## FOOD QUALITY MANAGEMENT

Austrian agricultural marketing, especially on the domestic market, is strongly based on assuring consumers about the high quality of Austrian agriculture and food products. On the base level it is the issue of assuring observation of food safety standards that is the minimum level required by European legislation. However, keeping basic food safety requirements will not make any special distinction between Austrian products and those produced abroad. Thus Austrian authorities are strongly implementing tools aiming at increasing food quality of products produced in Austria.

Austria implemented marketing standard law (VNG, BGBl 68/2007. I Nr.). This does not contain any product-specific rules, but applies primarily rules on the monitoring of compliance with European and national marketing standards and on their coordination. The law provides for a prior domestic, import and export control. The BMLFUW (Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management) is responsible for implementing the law.

Food quality is subjective, since it reflects the expectation of a consumer. To judge the quality of food uniformly, the abovementioned regulation was created. AMA-Marketing was appointed to be responsible for implementation of food quality measures<sup>28</sup> in following fields:

- EU Quality Marks. At EU level, the rules and the logos for organic production, protected designations of origin are (PDO), protected geographical indications (PGI) and protected traditional specialties (TSG) regulated.
- Austrian quality marks. There are three officially approved by the BMLFUW quality mark:
  - AMA organic label (AMA-Biosiegel) for food produced from organic farms
  - AMA Quality Seal (AMA-Gütesiegel) as a quality and origin signs
  - ÖGE label for mass caterers (nutrient-optimized sequence of courses)

These quality marks lay their policies open and allow any interested party to participate.

A variety of quality marks or trademarks for food in the context of food quality were created under private law. With these it is at the discretion of the brand owner, are as strictly formulated and monitored the specific directives, conferring the right to use the label.

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<sup>28</sup> Food quality measures is not a strictly defined set of activities. Each country creates its own set of rules which form its own food quality measures. In case of Austria apart from quality marks resulting from EU legislation (Organic farming, and PDO, PGI and TSG) great effort was placed in order to create its own quality systems and especially AMA-Gütesiegel. Even in case of Organic farming where rules are established by EU law, Austria for many years was using its own quality mark for those products trying to differentiate organic products produced in Austria from those produced in other countries.

Creation of such strong quality marks was conducted also with support from EU funding especially for promotion of marked product groups. However, it should be taken in consideration that due to the changes in EU promotion policy such strong support to promote national quality systems is no longer available.

## *AMA-Gütesiegel (AMA Quality Seal)*

AMA-Gütesiegel is based on three pillars:

- High quality
- Traceable origin
- Independent control

Participants of the AMA quality label program include AMA Marketing from a license agreement. The licensees have to pay fees. The farms are contractually integrated with a producer.

AMA-Gütesiegel exists for following groups of products:

- Fresh Meat
- Poultry
- Meat products
- Shaping and finishing products such as edible oils. Beer, Salt, dumplings, frozen vegetables, semi-finished products, bread and pastries, etc.
- milk and milk products
- Ice cream
- Fruit, vegetables, potatoes
- Fresh eggs

For those products groups AMA-Marketing issued special guidelines where all requirements are stipulated.

In addition to the AMA seal of quality directive further identification and registration systems of AMA-Marketing have been developed for animal production:

- Beef labelling system "bos"
- Egg identification system "ovum"
- Pork labelling system "sus"
- Feed Directive "pastus +"

bos - the beef labelling system

Due to the uncertainty of consumers through the BSE incidents, the Council of the European Commission adopted Regulation 1760/2000 (EC) for the identification of cattle and beef. There is a central registry of all cattle and calves (live cattle database) beef and veal, with specific details to identify and register. The legal provisions for beef labelling have to strengthen the goal of the trust of consumers by following requirements and to prevent misleading information:

- Greater transparency through clear labelling rules
- Traceability of goods flows by exact registration requirements
- Comprehensive controls on identification and the flow of goods

Essentially, two levels of beef and veal labelling should be distinguished. A legally binding minimum labelling forms the basis. Based on voluntary beef labelling is possible. For voluntary labelling is required a so-called "voluntary beef labelling system.

The compulsory labelling requirements are:

- Country where animal was born, reared, slaughtered (including Approval number of the slaughterhouse) and disassembled (approval number of the cutting plant)
- Identification number (ear tag)

What must be marked:

- Products at each stage of marketing (slaughtering, cutting, sales)
- Fresh, chilled and frozen beef and veal
- Minced beef and veal (proportion beef / veal more than 50 percent)

It is not required to label product groups that include processed beef and veal (as in sausages), bone, offal, meat products containing less than 50 percent meat or cooked beef and veal (for example the catering).

Additional voluntary information includes any additional detailed information on the origin, production or quality of the meat, such as Indication of sex, indication of the Bauer name, race, age, etc. This information may not be provided without participation in a voluntary beef and veal labelling system. By far the most significant voluntary beef and veal labelling system in Austria is the system "bos" of AMA Marketing. The contents of the identification system "bos" extend from the stable to do business. "bos" defines comprehensive requirements for the identification and registration system of the participating companies. Compliance with the requirements is monitored by independent inspection bodies.

Currently, according to the AMA Marketing take some 90 percent of the slaughtering and cutting and 10 percent of industrial butchers the system "bos", the food retail sector is about 80 percent of companies.

OVUM - identification and registration system for packaged shell eggs

Compulsory egg shell marking and identification system is obligatory in EU Member States. In Austria this obligation is developed in in whole system called OVUM. Information which is collected are as follows: the total amount of fresh eggs of class A is detected acc. Article 2 of Regulation (EC) no. 589/2008, all weight classes, regardless of origin.

This is to guarantee to consumers the assurance that fresh eggs are correctly labelled. The system allows the supervisory authorities to make an efficient verification of the accuracy of labelling information.

Other key points of the directive "ovum":

- Compliance with all legal requirements
- Labelling chain from farm to fork
- Ensuring traceability and transparency of arrival and delivered fresh eggs
- Salmonella monitoring on packing centre level

#### SUS - PORK MARKING SYSTEM

In order to strengthen consumer confidence in the product or expand pork marketing AMA-Marketing has developed the system "sus" for pork. All details of pork must be defined, be comprehensible and unambiguous. Thus, for example, the word "origin" is defined in "sus" system as birth, fattening and slaughter in the same country. In addition to information on the origin, also information on the quality (e.g. pH measurement), production methods (e.g. outdoor pig) or brand programs (e.g. Tullnerfelder pig) may be hedged.

Since all parties (farmer, abattoir, cutting plant and retail) are integrated into the system, complete traceability is possible. This is checked and guaranteed by independent controls.

#### Pastus + - feed labelling SYSTEM

"Pastus +" is a quality assurance system for single and compound feed as well as for operators of mobile milling and mixing systems. Farmers participating in the AMA quality label program are obliged buy feed from certified manufacturers. For trade between farmers specifically a feed delivery was conceived.

AMA Marketing has developed this in cooperation with representatives of the animal feed sector and agriculture, the Chamber of Commerce and the Chamber of Agriculture Austria feedstuffs. It was approved by the Federal Ministry of Agriculture, Forestry, Environment and Water Management.

The essential criteria of feed Directive:

- Internal quality management
- Commodity management
- Documentation and traceability of the flows of goods
- Creating a contamination matrix
- Final checks referred sampling plan and
- Compliance with the positive and negative list for feed materials

## AMA Gastrosiegel

To confirm the origin of products that are used in catering, AMA Marketing developed a traceability system. With AMA Gastrosiegel, establishments are certified for using regional products in the kitchen. AMA Gastrosiegel guarantees that the meals offered are prepared with raw materials from Austria.

## *Private quality labels*

Apart from quality labelling conducted within the systems run by AMA-Marketing it is also possible to confirm food quality or specific characteristics of food under private systems. The relevant provisions are often much more stringent than the minimum requirements by the EU or national legislation.

## Labelling of GMO and GMO-free

Currently, the marking "GMO-free" can be done under private law and is thus voluntary. Only the award "GMO-free" ensures that no GMOs were used in the entire production chain. For the cultivation of genetically modified organisms (GMOs) in Austria there are extensive restrictions. In Austria, laws and regulations have been adopted that protect legally the use of GMOs, the GMO-free farming and geographical regions:

Food and feed, in which at least one component from GMOs, must - be labelled "genetically modified" as - regardless of whether these GMOs are detectable. This applies a threshold of 0.9 percent of technically unavoidable contamination. The threshold applies only to GMO constructs that are authorized in the EU. Basically for unapproved constructs applies zero tolerance.

Marking of agricultural products and foodstuffs as a "GMO-free" is currently regulated by the Codex guideline to define the "GMO-free production" of foods and their labelling in the Austrian Food Code (IV. Edition).

## Labelling of animal welfare

The Veterinary Control Service regulates the quality control in relation to animal products and includes the checks in connection with:

- Animal disease control
- Bacteriological post mortem examination
- Residue testing (drug residues, environment contamination, etc.)
- Checking compliance with the given health conditions
- Required veterinary border controls
- The examination and assessment of veterinary medicines and vaccines

The checks are carried out on the entire value chain (from agricultural producers through the intermediary trade through to food trade).

In Austria there are some privately organized initiatives with a focus on "animal welfare". Examples include:

- Almo (beef)
- Organic fish (organic farms only)
- "Controlled food without cage" / "out of conviction food without cage" (eggs)
- KT-free-Critical veterinary checked (organic farms only)
- Sirloin beef (beef, organic farms only)
- Toni's free-range eggs (eggs, partially bio)
- Tauern lamb (beef, veal and lamb mostly organic farms)

## Institutional model

### AMA-MARKETING GESMBH

The main aims of AMA-Marketing GesmbH, prescribed in act establishing this company, are related to broadly described agricultural marketing and specially:

- Promotion of agricultural and forestry products
- Development and maintenance of markets for those products at home and abroad
- Improvement of the distribution of these products
- Promotion of general measures to improve quality and assurance with regard to these products,
- Provision of relevant information to consumers in terms of quality, aspects of consumer protection and animal welfare as well as other product characteristics.

AMA-Marketing GesmbH activities are financed<sup>29</sup> in the following way:

- 77 percent<sup>30</sup> by producers themselves with money collected throughout food promotion funds<sup>31</sup>
- 13 percent by levies paid by producers for participation in quality systems
- 10 percent comes from reimbursement of expenditures by European Commission (food promotion campaigns conducted with EU co-financing).

According to available data, 80 percent of the AMA-Marketing budget is spent on the domestic market and the rest goes towards foreign activities.

### *Product quality management*

Quality assurance in food takes a central role in the practical implementation of the tasks of AMA Marketing. It integrates all production, processing and marketing stages. As presented in chapter Food quality management in 2013, AMA Marketing supervised five different quality assurance measures and three systems of origin registration and certification, which are governed by 22 directives: AMA Quality

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<sup>29</sup> On the basis of 2013 financial data.

<sup>30</sup> All financial data about AMA-Marketing are based on information available on AMA website (in German) <https://amainfo.at/ueber-uns/berichte-und-downloads/>

<sup>31</sup> In Austria amounts paid in current year for promotion of particular products may vary depending of the market situation and needs of the sector. In 2013 half of collected money come from milk sector.

Seal, AMA organic seal, AMA crafts Siegel, AMA Gastrosiegel, AMA feed pastus<sup>32</sup> and Identification and registration systems bos, sus and ovum.

### *Market analysis and annual marketing plans*

The basis of marketing planning in AMA-Marketing are comprehensive market analyses conducted within its own RollAMA households marketing survey. Data on consumption and purchasing behaviour of households, consumer habits, motives and attitudes are analysed here. For planning of export activities, foreign trade data is used.

An annual marketing plan is created on the basis of RollAMA and external trade data. It comprises overarching objectives, strategies and activities for all divisions of the AMA Marketing. Sector Objectives, strategies, objectives and measures of the different areas arising from the general corporate objectives, market analysis are put under consideration of sectoral representatives from each industry.

### AUSTRIAN WINE MARKETING BOARD

The Austrian Wine Marketing Board was established in 1986 as company owned by representatives of the industry and Local Government.<sup>33</sup> It was a development of previously existing bodies: Österreichische Weinwerbung (1952-1968) and the Österreichischer Weinwirtschaftsfonds (1969-1986). In 1986 a new wine law was established together with establishment of new body that is Österreichische Weinmarketing Servicegesellschaft (AWMB) in order to “promote the production and sale of quality wines”.

The AWMB supplies the wine sector with current figures on market development and an export guide for winemakers, and it produces advertising materials that are sold via the subsidiary Österreich Wein Institut (the Austrian Wine Institute). It also maintains a tight-knit cooperation with its 50 percent subsidiary, Weinakademie Österreich (the Austrian Wine Academy), which is an important training facility for vintners, gastronomes, wine merchants and wine lovers.

### *Financing of the AWMB*

Since its founding in 1986, the AWMB has experienced many changes in its ownership and finance structure. Originally, the AWMB was owned by the federal government and the states of Wien (Vienna), Niederösterreich (Lower Austria), Burgenland and Steiermark (Styria) as well as the representative bodies of the Chamber of Agriculture and the Chamber of Commerce. The budget for the AWMB was approximately 80 million Schillings (EUR 5.8 million). However, during the course of accession to the European Union, the federal government withdrew its ownership, and financing of the AWMB was newly structured. The new model, which still exists today, includes the payments of the federal states (currently totalling EUR 3.2 million and adequate to each vine-growing area) and contributions of the wine industry

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<sup>32</sup> In German: AMA-Gütesiegel, AMA-Biosiegel, AMA-Handwerksiegel, AMA-Gastrosiegel, AMA-Futtermittel pastus

<sup>33</sup> Ownership of shares is as follows: 25 percent Agricultural Chamber (“PRÄKO”), 25 percent Chambers of Commerce (“WKÖ”), 15 percent Local Government of Lower Austria, 15 percent Local Government of Burgenland, 10 percent Local Government of Styria, Local Government of Vienna.

(EUR 55 per hectare per vintner EUR 1 per hectolitre for the wine trade - altogether EUR 3.5 million), which are collected through the AMA (Agrarmarketing Austria).

The contributions of the vintners and the wine trade have not increased since the restructuring in 1997 in 2009, the contributions of the federal states were, for the first time, adapted to inflation. Because of the agricultural law, the AWMB receives (since 2000) also payments from the Ministry of Agriculture, now around EUR 1.4 million.

To be able to meet the new market challenges, the AWMB has been participating in new promotional programmes since 2009 – these support measures in non-EU countries. Until 2013, approximately EUR 800 000 per year will be added to the AWMB budget. Additionally, from another EU programme and with the target of domestic market promotion, the AWMB will obtain approximately EUR 300 000 annually from 2012 to 2014. However, both programmes require 50 percent co-financing.

The focus of these promotional projects is, on one side, the development of new markets like Asia, Russia and Brazil, which have high medium- and long-term growth opportunities, and on the other side, highly difficult-to-finance projects such as movie productions and, especially, domestic wine training.

In 2014, AWMB revenues totalled approx. 4.2 million Euros from wine industry marketing contributions and approximately EUR 3.4 million in contributions from federal states (Niederösterreich, Burgenland, Steiermark, Wien). Additionally, EUR 700 000 in revenue came from the Ministry of Agriculture. The AWMB received a further EUR 730 000 in funding from the European Union in 2014.

### *AMVB Strategy<sup>34</sup>*

AMVB strategic marketing considerations are based on their vision of Austria as a sustainable, successful wine country. The strategy is derived from this and it, in turn, leads to a general framework of objectives. The three columns of the positioning are: tradition, innovation and sustainability.

#### 1. Austria is a nation of culinary culture – TRADITION

Austria is not only a beautiful, clean holiday destination, but it is also a cultural centre at the heart of Europe. Part of Austria's central European character is its own culinary culture, which is one of the most important in Europe. Austrian wine, as the most successful product in the domestic agriculture sector, is a pioneer and an identity benefactor and guardian.

**Objective:** Strong anchoring of Austria's culinary tradition into international awareness, the clear positioning of Austria as a land of indulgence for promoting high-quality pleasure tourism, and the assertive representation of Austria as a wine country amongst the traditional wine countries in Europe.

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<sup>34</sup> Information about AMVB strategy are based on data made available on their website [www.austrianwine.com](http://www.austrianwine.com)

## 2. Austria's wine scene is dynamic and competitive – INNOVATION

Internationally, Austria's wine scene is increasingly seen as exciting and innovative. The children of winemakers are cosmopolitan, educated in good schools and, in a completely new way, they connect together the closeness of nature with the vineyard, the sensible use of cellar technology, modern architecture and communication. More and more wineries are managing the transition from a sideline operation to a profitable business.

**Objective:** positioning Austria as a friendly, dynamic wine country offering authentic wines of high quality with attractive prices to quality-conscious customers.

## 3. Austrian wine is authentic and natural – SUSTAINABILITY

The subject of sustainability is becoming more and more important to today's consumers. The programme for evaluation and certification of the sustainability of wineries – presented recently by the Austrian Winegrowers' Association – is a major chance for the possibility of winemaker participation on a broad scale. AWMB also strives for the cohesion of the winemakers in order to bring also all organic-wineries and the new orange/natural wine scene into the umbrella marketing fold.

**Objective:** build Austria's pioneering role as a quality environmentally-sustainable, agricultural country with high competence in research and quality in the sustainability sector.

## THE CORE BRAND

These three main assets of Austrian wine will be consolidated into a new advertising campaign that reflects the dynamic development over the last two decades and transports the most important brand contents.

## SUMMARY

The approach to food promotion strategy in Austria and Poland has both similarities and differences. Even taking into account that Poland took some of the Austrian examples and implemented them in their food promotion system, the actual implementation of such issues may lead to totally different models.

But even with such broad differences a pattern could be observed:

- Analysis of current market situation should be prepared (and as a best example from Austria conducted on regular basis)
- Strategy should point out general directions for activities not direct activities
- An annual working plan should be prepared in order to fulfil strategic aims in changing market environment
- Proper tools for evaluation of activities should be implemented