


Impact of Food Quality Schemes on Rural Development – Methodological needs

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Outline

- ◆ Focus justification
- ◆ Theoretical background
- ◆ A quick review
- ◆ Issues and methodologies
- ◆ Tentative conclusions

Types of FQS:

Quality Management Systems
(i.e. ISO9000, HACCP,.....)

FQS: labels or brands signal specific quality attributes to consumers (i.e. organic, TSG, PDO, PGI, SIM)

FQS: labels signal territorial/regional product differentiation

PDO, PGI, TSG,.....

OLPs / GIs

Facts

- ◆ Origin Label certification has expanded since 1990s
- ◆ OLPs share in market is growing
- ◆ OLPs have fully integrated in the traditional distribution system
- ◆ OLPs offer a rural development policy measure

Theoretical Background

Product differentiation case

- ◆ OLPs: Horizontal product differentiation
- ◆ Under **vertical differentiation**: if products of different quality are offered at the same price, all consumers will buy that product with the highest perceived level of quality
- ◆ Under **horizontal differentiation**: if products with different 'characteristics' are offered at the same price, consumers will choose among the goods according to their individual preferences for the various characteristics inherent in the goods

Horizontal product differentiation



1. increased consumer WTP
2. reduced elasticity of demand



increased product prices → increased farm incomes



benefits capitalization?
challenges and risks

farmers
processors
wholesalers
retailers

A polarized world?

Market saturation, liberalization and globalization

High pressure for farmers; two options

cost leadership (due to economies of scale)

quality leadership and product differentiation

Consumers; two options

"day to day" foods produced and distributed by multinational corporations

lower volume niche or specialty products

So far on impact

1. WP3: Link between Origin Labeled Products and RD, 2002
Final report, Development of Origin Labeled Products:
Humanity Innovation and Sustainability (DOLPHINS)

quote p.7: the positive effects of OLPs on RD depend on the strategies local and non local actors activate.

..., but all the RD reports underlined a general lack of scientific works which deepen this kind of link

2. The DG JRC/IPTS Analytical Framework Report (28 Febr. 2006)

a huge inventory of studies classified in accordance with 12 questions; almost no-one is directly related to rural development impacts

3. J. of Rural Studies (2007) Tregear, A., Arfini, F., Belletti, G., Marescotti, A. "Regional food and rural development: the role of product qualification"

three cases of OLPs and the influence they have upon the region

4. Sociologia Ruralis (2003) Tregear

a historical review on food – territory links and the potential linkage between typical products and rural development

So far on impact

- ◆ Crespi, J.M. and Marette, S. "Some economic implications of public labelling", www.farmfoundation.org/projects/03-65CrespiMarettepaper.htm
- ◆ Josling, T.(2006) "The war on terroir: Geographical indications as a transatlantic trade conflict", *J. of Agric. Economics*, 57(3), 337-363
- ◆ Wirthgen, A. (2005) "Consumer, retailer and producer assessments of product differentiation according to regional origin and process quality", *Agribusiness*, 21(2), 191-211
- ◆ Lence, S.H., Marette, S., Hayes, D.J. and Foster, W. (2006) "Collective marketing arrangements for Geographically Differentiated Agricultural Products: Welfare Impacts and Policy Implications", *MATRIC Working Paper 06-MWP9*
- ◆ Marescotti A. (2003), "Typical products and rural development: Who benefits from PDO/PGI recognition?", 83rd EAAE Seminar Food Quality Products in the Advent of the 21st Century: Production, Demand and Public Policy", Chania-Crete, 4-7 september

What are the probable positive effects?

Today, though large-scale studies are missed, there are several studies that indicate benefits accrued to RD due to the development of OLPs.

Case studies, particularly in Italy and France, dominate the literature and could offer valuable generalizations.

Benefits associated with OLPs and RD

1st round

- ◆ mobilize locked/unused/semi-used inputs (natural resources, capital/cultural inputs, employment)
- ◆ expand downstream economic activities (demand increase, higher employment, higher income....)
- ◆ strengthen existing economic activities (product differentiation benefits)
- ◆ promote the 'culture' of sustainability



Benefits associated with OLPs and RD

2nd round

- ◆ mobilize local actors to develop new activities, to devise new strategies
- ◆ create opportunities for activities associated with the OLPs
- ◆ enhance organization capabilities
- ◆ create opportunities for new economic activities (entrepreneurial capabilities, etc)
- ◆ promote small-medium size firms and endogenous economic growth



The establishment of a new sustainable regional economy?

Issues to be probed

- ◆ The role of the region's size, economic structure and positioning
- ◆ The direct, indirect and induced social and economic ramifications
- ◆ The short-run and long-run benefit capitalization and probable repercussions
- ◆ The kind of labels and the reliability of the institutions
- ◆ The flow and upgrade of technology/innovation and knowledge
- ◆ The effectiveness as an adjustable policy measure
- ◆ The intra and inter supply chain relation
- ◆ The interregional effects
- ◆

Currently:

1. A huge set of accessible scientific tools (methods)

To name a few:

- ◆ Various General Equilibrium and Partial Equilibrium Models
- ◆ Cost-Benefit Analysis
- ◆ Cost-Profitability Analysis
- ◆ Industrial Organization Models
- ◆ Conjoint Analysis
- ◆ Economic Geography Models
- ◆ Mathematical Programming
- ◆ Performance / Innovation Adoption
- ◆

2. An ongoing endeavour to refine, advance and integrate the existing methods and to transform new ways of analytical thinking into amenable techniques

What's the best approach to assess the impacts upon rural development at the EU level?

- ◆ No such as best and versatile approach
- ◆ Principles to be followed:
 - **The diversity of territories/regions and the complexity of the involved issues demand a:**
 - ◆ large-scale multidimensional approach
 - ◆ combination of methods and methodologies
 - ◆ capability of entwining the applied methodologies
 - ◆ capability of consolidating methods and results
 - **Policy makers, stakeholders, actors demand a digestive broader audience final research outcome, fitting within a broader view of the new CAP**

Tentative conclusions

- ◆ Establishment and probable expansion of OLPs in EU is a fact
- ◆ A mobilization of OLPs is a must under the new CAP
- ◆ Widespread normative judgment: OLPs play determinant role on rural development
- ◆ Over the last years only scattered studies tackle the issue
- ◆ General admission by the scholars is the lack of a deep large scale extensive work on the issue
- ◆ Though a great deal of available methodologies exist, user-friendly research outcome requires complex and comprehensive approaches

**Thanks for your
attention**



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**[http://www.eng.auth.gr/mattas/
foodima.htm](http://www.eng.auth.gr/mattas/foodima.htm)**