



Task1 – WP2

GI social and economic issues

D2 - WP2 REPORT - ACHIEVEMENTS

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There is a general lack of scientific research on the contributions of Origin Products (OPs) and GI special protection schemes to supply-chains, rural development, environment and consumers/citizens. Notwithstanding this general lack of research, we can read many statements in which positive effects of OPs and GI special protection schemes on “welfare” are reminded, especially on local economies (increased prices and sales volumes, employment, SME). Even the very concept and definition of OP should not be taken for granted. The literature review evidenced a differentiated set of “conventions” on the word “origin”, sometimes converging towards the TRIPS definition, sometimes closer to local and regional food, sometimes to craft or family-farm made, or to traditional, or to cultural/ethnic product.

A screening of worldwide economic trends shows many contradictory and competing signals over the future of OPs, whose complexity is strengthened by the diverse situations in each region, country, area, and their trajectories, depending on social, economic, political, cultural and historical diversity.

From the one side, the globalization of the world economy, and mainly the rise and spreading of mass production, seems to favour a big push towards concentration in processing food industry and final distribution, and a homologation and standardization of production techniques, products characteristics, and control methods. These trends seem to neglect and to be opposite to local specificities and diversity. On the other side, also due to a strong and growing concern and commitment by consumers, OPs are inserted in the wider Renaissance of “alternative agro-food networks” and multifunctional agriculture. All this is happening even in countries and regions apparently well inserted in the mass production and globalization schemes (South Africa, The Netherlands, Latvia, Mexico, UK and the so-called New World). These trends are leading to rediscover local foods, short supply-chains, environmental and cultural issues, regional identities, traditions and cultures, allowing for a re-evaluation of local specificities and diversity.

In some cases the two above mentioned “opposite” models tend somewhere and somehow to be mixed, often through the actions of hegemonic firms which try to capture and adapt values and symbols of the new “alternative” movements to their own strategies.

The proactive role of public authorities in EU countries is now consolidated, but a growing attention can be observed even in developing countries (Argentina, Mexico, Brazil, Indonesia, China) and non EU developed countries (the New World), as many Reports stated, although some “cultural” resistances still remains in some countries.

All these trends show controversies and contradictions, leading to a high diversity of OP systems, even though both in academic literature and in political debates there is still a habit to treat OPs as an homogeneous category, and to idealize their (positive) effects.

Contributions of OP to supply-chains, rural development, environment, consumers/citizens

The contribution of OP and GI schemes to Supply chains

The links between OPs and supply chains dynamics collect much attention in academic literature on OPs, even though the bulk of the analysis deals with GI legal recognition and regulation schemes, rather than on OPs systems. The focus on so-called Recognised GIs may also be explained by the fact that an element of reference as strong as a legal and institutional recognition facilitates the methodological basis for evaluation studies. Literature produced a number of case-study analysis, especially focussing on describing the characteristics of the firms and the problems faced to market these products. The main issues are:

- General economic effects: effects on quantities sold, effects on prices, incomes, etc.
- firms structures: big vs small enterprises, effects on production concentration,
- governance and inter-firms relationships: supply chain governance, innovation, market power, changes in the organization of the firms, collective vs individual action, vertical co-ordination mechanisms, etc.
- market and competition: changes in marketing channels, effects on international market access, promotion activities, monopoly, etc.
- value distribution: territorial added value distribution, exclusion/ inclusion effects, added value distribution within the supply-chain, etc.

- quality: effects on standardization of product quality and/or production methods, effects on product quality level and variability, etc.

Some studies were devoted to highlight (positive and negative) effects of GIs protection (mainly PDO and PGI protection in European Union) on the supply chain. The attention is mainly focused on the structural, organization and financial problems raising from managing the PDO/PGI system, and the effects on marketing channels and markets. Among recalled positive effects of a PDO or PGI there are spillover effects, induced production of higher quality raw materials, “cleaning” of market from bad OPs, reassurance of consumers, creation of markets; among negative effects at a general level exclusion effects (the presence of certification costs and the contents of the Product Specifications: geographical boundaries, techniques, product quality, etc.) and standardisation effects on product quality are the more frequently recalled. Controversies are raised on the issue if GI regulation systems can be a way to consolidate traditional methods and local specific resources, or a way to innovate and adapt to modern techniques.

Some studies analysed the changing coordination mechanisms within the supply chain induced by the registration of the GI, and the potential role that the PDO-PGI may have in strengthening vertical relationships and alliances within the local production system, partially (re-)“localising” the supply chain. Other studies underlined the fact that GIs recognition schemes may act as a “key” to open modern market and/or long distance channels (for example exports). Here the effect of registration is that of dividing the production system in at least two distinct sub-systems, one devoted to sell the product on modern market, the other still producing the OP, but without using the protected denomination, because of both the higher costs suffered in complying to the Product Specifications and the lack of a premium-price.

The contribution of OP and GI schemes to Rural development

Despite the strong attention paid on these issues at political and societal (rural) level, no much literature focuses on the potential role of OPs in fostering rural development dynamics, except in the EU Mediterranean countries. In Central Africa and South America there is a general lack of scientific literature, but the interest in rural development issues seems to be growing. The debate on the contributions of OPs to rural development is hampered by the fact that the definition of rural areas is quite vague and variable, having many definitions of rurality, often depending on the aims of the researchers or policymakers.

One way to analyse the effects of OPs on rural development is “measuring” the impact of these systems on local economy, through the activation effects exerted forward (via the incomes generated by selling the product on the markets) and backward (via the purchase of inputs at different stages of the supply chain). Actually there are empirical evidences that OPs exert more activation effects on the local economy than conventional products, both upstream and downstream. These effects can be very important in the revitalisation of rural areas, in particular in the marginal and poor ones.

Following the principles of endogenous development theory, OPs represent potentially fruitful resources for development as they can incorporate, and enhance, many local assets with special or immobile characteristics linked to the area. In this context OPs are growingly seen in many countries and by many actors as an expression and a possible leverage to foster rural development, provided that appropriate strategies are set up by the actors. Due to their links with local specific resources both of material and immaterial nature, OPs are expected to have effects also “outside” the supply chain, especially on the integration of the diverse economic activities in rural areas. Actually, many promotional initiatives connected to OPs are taken by groups of actors outside the OP supply chain, underlining the importance of OPs for the development of economic activities outside the supply chain, such as handicraft, services (especially connected to tourism activities), within a strategy of comprehensive territorial quality.

The issue of the development of the different types of capitals (natural, physical, human, social, natural, cultural) is very important. The growing role of immaterial components in rural development theory and practice makes the analysis of OPs contributions more difficult. In general, the contribution of an OP to rural development dynamics depends on the number and the intensity of the links OP owns with local system (production, social, natural), and on the strategy local actors elaborate and implement.

The effects OPs by themselves have on rural development can concern the sustainable exploitation and remuneration of local (natural and non natural) resources, the localisation of economic activities and the know-how transmission process, the support to the reproduction of the local social system. These positive effects of OPs depend strongly on the strategies that the local and non-local actors undertake around the OP. The role of local actors, and hence the importance of their empowerment and of the social capital, is

therefore crucial.

So far there is not no much scientific evidence on the effects GI recognition schemes can exert on rural development. There is a lack of empirical studies aiming at quantifying the impacts of GIs (and OPs) on rural development, notwithstanding the fact that the “rural development justification” for GI protection is growing in many official documents (see also the EU Reg.2081/92 and the new EU Reg.510/06).

Some studies analyzed possible negative effects of GIs recognition schemes, showing that the “formal logics” brought on by PDO-PGI certification often “select” firms, and may exclude small-artisanal firms, non professional firms and more marginal areas from benefiting of the PDO-PGI. Generally speaking, GIs cannot support rural development processes if not integrated with other local enhancement initiatives: structural problems (at agricultural, processing and distribution level), co-ordination problems, lack of competencies, research and training activities, may impede a full success of PDO-PGIs.

The contribution of OP and GI schemes to the Environment

The evaluation of the effects of OP production systems on the environment is a very complex matter due to interdisciplinarity: agronomic sciences, biological sciences, soil sciences, and so on. The SINER-GI literature review was not on technological and agronomic scientific production; in economic literature there is very few recalls about empirical studies on environmental effects of OPs.

Notwithstanding the great interest of the subject, academic literature seems not to have tackled directly the link between OPs (and GIs special protection schemes) and environmental dimensions, even though there are quite a high number of studies that generically recall the above mentioned aspects.

The relationships between OP and the environment have multiple dimensions. Some authors present as arguments for how OPs can offer environmental benefits by being sold locally which reduced food miles (lowering emissions), by being produced in a more environmentally friendly way and because firms are generally small scale, less intensive and more “motivated”. Actually we can find these characteristics in many OPs, but they are not peculiar for OP products. Besides, many SINER-GI Reports pointed out that often OPs special quality is based on peculiar native plant varieties or breed, frequently menaced from extinction. It is also frequent that traditional production techniques help in keeping traditional landscape features, as well as avoiding land and soil degradation.

The possible negative effects of the OP valorisation should also be taken in account. This is the case of overexploitation of natural and local specific resources due to the market success of OP product, if no common rules are established. The risk of over-exploitation of environmental goods linked to OP is stronger where socio-economic conditions of local actors are difficult, or where non-local actors are the leading actors of the valorisation of the OP.

The contributions of OPs to the environment depend also on the nature of the OP and on the sectors involved in its production process at territorial level. The level of development of the country and the production area is relevant for the role of environmental issues in OP support (and GI special protection schemes) justification: very often in developing countries the justification of economic development overcome the justification of the environment.

Very few studies deal with the effects GIs special protection schemes have on environment, although also in EU many PDO-PGI registrations are based on local native plant varieties or breeds, and communicate their respect for the environment, landscape, traditions. GIs protection schemes can also act as a tool for the control of un-sustainable practices in the production and valorisation process of the OP, by means of the codification of the practices in such a way to be more consistent with traditional farming systems and local ecological equilibria. In Developing Countries, there is a potential for GIs to protect the traditional indigenous know-how associated with agro-food productions and to regulate the production practices through specifications, with positive effects to protection and promotion of the biodiversity and related indigenous and traditional knowledge. But the GIs can also have a negative effect on local knowledge and local varieties (see CR Brazil).

The question is if the burden of the preservation of local ecological system can be charged on the Code of practice of the GI protection scheme. The risk is that if the hardening of the GI environmental rules is not accompanied by an effective communication to consumers aiming at incorporating the environmental benefits into the value perceived by the consumer, the benefits of GI use are exceeded by enforcement costs of the new Code of practice.

The contribution of OP and GI schemes to Consumers

Much of the market and consumer research on OPs and GI schemes has been undertaken within, rather than beyond, Europe. Although the number of published studies on the link between GI products and consumers is increasing, much is still unknown about the extent to which OPs make a contribution to consumers' lives and interests. Wherever studies attempt to estimate the proportion of consumers who are interested in GI products, the results are very often specific to the particular profile of consumers researched, to the category of products analysed and/or to the geographic zone under study. Moreover, each study tends to invoke its own definition of a GI product, which makes comparison or aggregation of results very difficult.

Overall however, evidence suggests that general interest in OPs is growing amongst consumers, albeit from different base levels and with variations according to country (higher in Mediterranean countries) and to product category (higher in wine, dairy and olive oil sectors). Furthermore, an important point is that consumer studies tend to gather attitudinal information rather than purchase data, and this tends towards positive bias amongst respondents. This highlights the need to treat with caution estimates of OP market shares based on attitudinal data.

Regarding the socio-demographic profile of IG product consumers, studies indicate that in some countries, consumption is somewhat linked to consumers' age, education levels and income. Other studies find different results however, particularly in relation to consumer income. Overall, it may be more meaningful to segment OP consumers on the basis of attitudes, psychographics or values rather than on socio-demographic criteria.

Research indicates that OPs are loaded with multiple meanings, and consumers perceive and interpret them in different ways. Indeed, consumers can be active co-creators of symbolic meanings for OPs. Although some OP usage can be unreflexive - a habitual activity - in other cases, OPs have considerable potential to evoke feelings of belonging, culture, family, childhood or holidays, because of their special links to places and traditions. For other consumers, OPs are a means of supporting types of agriculture that they agree with and value - in other words, consumption of OPs can be an expression of citizenship. Alternatively, OP usage can be linked to expression of good aesthetic taste.

In the consumer research literature, GI labels are most often conceptualised as a decision-making aid for consumers, decreasing their transaction costs. However, for the mechanism to operate, consumers need to possess knowledge and awareness of the label offering the guarantee, that seems not to be present yet, even in southern European countries where GIs are more established and widespread.

Overall, official GI labels face two important consumer-related challenges. First, the weight of evidence indicates that many consumers make choices on GI products using attributes other than official designations. Therefore, official labels are often not acting as a strong market signal. The second challenge relates to a 'credibility gap' in what official GI labels certify for consumers. There is a question mark over what is being authenticated. In particular, the designations do not offer explicit guarantees on the kinds of attributes that are of increasing importance to consumers, such as health and safety, animal welfare, or environmental protection.

The Evaluation of contributions of OP and GI schemes: main issues from literature review

To prove contributions of Ops and GIs is a major political stake. It would reinforce sympathy towards the protection of GIs and help to explain and justify regional, national and international public support. It would change the political vision about the relative efficiency of competing food systems, if reliable methods could compare the global performance (economic, social, and environmental) of conventional supply chains and various alternative food systems.

Before reaching an evaluation grid and a typology of GI systems to be analysed, it is important to answer some questions. A first issue regards the object of the analysis to be conducted in SENER-GI project. This is an expected result of WP3 and WP4, but since now some questions can be raised on the basis of the literature review. As a matter of fact, some studies focus more on OP systems contributions to some relevant dimensions, other are much more oriented on the analysis of specific initiatives (for example the application for a PDO-PGI). This choice affects the problems to be analysed and the methods to be used.

A second issue deals with the following question: what is a "positive" effect? How to judge and measure "success"? For example, is collective action vs no collective action a positive contribution? What about if a Special protection schemes rise the income of firms adopting the scheme to the detriment of other firms

“excluded” by the scheme? The answer depends on many factors, first of all the “visual angle” adopted. Who is in charge to evaluate positive/negative effects? Which actors? Local actors? Global citizen? The choice of a peculiar visual angle affects, consequently, the evaluation methods (SR Impact Methods), inducing to adopt a more or less “participative” approach in evaluation. Connected to these issues are the following questions: How to set priorities? How to take into account cross-effects?

A third issues concerns the evaluation methods. When evaluating potential contributions of OP/initiatives/GI-SPS on the dimensions under scrutiny, it is important to set the reference-cases to which comparing OP (or initiatives, among which GI special protection schemes) performances. Between Ops typologies? OP vs conventional? Organic? Etc.

At the end of WP2 activity SINER-GI researchers produced a first “menu” the evaluator should adapt in consideration of the aim of the analysis and of the object of the evaluation, and some criteria to build OP and GI typologies.

The criteria are identified on the basis of the effects they are expected to have on the different relevant dimensions of OP / GI (supply chain, rural development, environment, consumer-citizens). The criteria are in many cases non-independent, and in some cases partly overlapped; some of them are a synthesis of different basic criteria (for example Novel-Established). By crossing these criteria, many different typologies of OPs / GIs / Valorisation initiatives can be identified.

- Development stage of OP system: Novel vs Established
- Governance: territorial vs sectoral vs corporate
- Type of strategy: Territorial vs Supply chain
- Market: Local vs global
- Link with local population and cultural traditions: Strong vs Weak
- Link with Traditional farming system: Strong vs Weak
- Link with local breed, vegetal varieties, etc.: Strong vs Weak
- Sectoral dominant logic: Agriculture-based vs Processing-based
- Prevalent dimension of firm of the production system: Small-Medium firms vs Big firms
- Imitation and/or name usurpation: Presence vs Absence
- Typology of consumers: niche vs daily consumption
- Presence of a (and type of) GI special protection scheme: Yes / No

Of course, the proposition of a typologisation is an issue that strongly depends on the specific aims of the analysis and on the answers to the general questions raised above, and in particular if the focus should be on OPs, on valorisation initiatives around the OPs or on GI special protection schemes effects. Therefore, the typology of OPs will be definitively chosen in WP3, when the answers to the these general questions will be given.