Responsible: Luis Miguel Albisu
Assistants: K. de Roest
R. Wilson
K. Corcoran

WP2

Report about the Florence meeting

The following persons attended the meeting:

Resposible:	L.M. Albisu (Spain)
Assistants:	R. Wilson (UK) and K. de Roest (Italy)
WP members:	B. Sylvander and N. Trift (France), F. Arfini (Italy). J.M. Chappuis and S. Reviron (Switzerland), M. Besch (Germany) and M. L. Tiberio (Portugal)

The work package 2 dealt one day with their specific topics and it was divided into two different sessions. There were two invited speakers who presented their cases, followed up by a general discussion, and stayed with us the entire morning. WP2 participants discussed several issues, which were presented previously in their individual reports, during the afternoon.

Invited speakers came from the private sector to share their views about current issues between OLPs firms and the distribution system. There was a person related to OLP firms and a person from the distribution system. The first speaker was Cristiana Clerici, from the Consorzio del Formaggio Parmigiano-Reggiano, and the second speaker was Mario Cifiello, general buying manager of Coop Italia. In the first case the presentation dealt with the general policies undertaken by the Consorzio and problems along the supply chain. The second case was a presentation about strategic developments of Coop Italia dealing with typical products. Both speakers presentations raised numerous questions that were discussed with them thoroughly and also were, later on, dealt among WP2 members.

The overall debate was focused on two main themes or questions:

1.- Are OLPs business different from other products?

Many OLPs have significant intrinsic differences from other products that operate on the same relevant market. The crucial difference with other food products consists in the fact their quality characteristics (taste, colour, bio-chemical composition) are in some way related to the natural conditions (soil type, breeds, climate) of the production area where they are produced.

Their distinction is based on the existence on regulatory institutions that determine a precise set of production rules to relate OLP firms and to specify products' quality. In case of PDO/PGI products those rules are recognised at regional, national and EU level.

Another main distinction is the general compromise among OLP firms to comply with a particular quality assurance scheme, laid down in a official product specification. It might be more or less demanding and it also can change over time.

Collective action is required to set up a common product specification and strong mutual cohesion and control is necessary in order that actors comply with the general rules and quality assurance schemes. This is a crucial aspect that differentiates OLPs firms from other business. Collective action might have a different scope, control level and dynamics among OLPs firms.

A number of issues seem to be relevant for further studies:

- Collective governance institutions

Much research carried out in Switzerland, France and Italy have stressed the role of hybrid forms of vertical co-ordination in OLP supply chains. The role of standard contracts able to reduce transaction costs significantly are of importance here. Still several topics could be analysed around that issue, such as, their optimum structure, managerial representatives, right balance between collaboration and competition, interprofessional agreements and chosen strategies and the role of co-operatives in OLP supply chains.

- Quality policy

It could be important to discuss the most appropriate rules, the required flexibility and adaptation to market requirements. A weakness of OLPs may be the large quality variability due to the often artisanal production techniques. A progressive standardisation of quality may however rule out the quality link with the natural conditions of the production area.

- Attitudes with respect to innovation

In this case analyses should be focused on the use of strict traditional patterns versus a good balance between traditional productive practices and market demands. Technological development in OLP supply chains must find the balance between the necessity to reduce costs (OLPs have to compete with industrial imitations on the same relevant market) and the condition to maintain the “quality” link with the natural production circumstances of the production area.

2.- Are OLPs business strategies efficient?

In this case OLPs business should be compared with other agro-industrial firms in the agro-food firms, as main references. It is important to point out the radical changes occurring in the distribution system, which are imposing norms to the rest of the agro-food system. Concentration patterns and internationalisation expansion are probably the two most important changes in the distribution system.

In this case the crucial issue is the relationship between the modern distribution and agro-industrial firms.

A number of related topics should be relevant for OLP firms in the future:

- How to deal with the new situation

There is a power unbalance between big distribution firms with respect to small and medium agro-industrial firms. Nevertheless, there are new possibilities and relationships between OLP firms and big distributors that can be explored.

- How to find out appropriate analytical frameworks

This applies not only to OLP firms but also to other agro-food firms.

- Distinctive opportunities for OLP firms of small and medium size

A diverse supply and typical products potential market are two distinctive features that OLP firms can take advantage of.

- Vulnerable dependence from big chains

It is important to find out the adequate part of any OLP firm supply that could be sold to a single distribution chain in order not to be largely dependent from one single distribution firm. Distribution chains are heavily competing and OLP chains may exploit the situation ,where some chains are deliberately follow a strategy of differentiation. The more national rooted distribution chains may enhance the sales of regional and national OLPs to face international competition in the distribution sector.

- Distribution strategic decisions

Whether it is retailing, restoration, catering or short channels, among other decisions, there is a need for medium term planning to take the appropriate distribution decisions.

- Collective action and bargaining power linkages

Collective action requires numerous compromises among OLP firms but it is necessary step to increase their bargaining power in front of the distribution chains or to get the best out of the generic promotion activities.