

## Quality of Life and Management of Living Resources

Key Action n° 5

Sustainable agriculture, fisheries and forestry, and integrated development of rural areas including mountain areas

# Concerted Action DOLPHINS

Development of Origin Labelled Products : Humanity, Innovation and Sustainability

Contract QLK5-2000-00593

## Final seminar DOLPHINS held in Parma, 6-7 October 2003

### WP 7

## Synthesis and recommendations

Working document 1 :

*Typology of OLP systems, scenarios for public policies in 2015  
and implications on OLP systems*

To be discussed and improved at the workshop 1  
Monday 6<sup>th</sup> October 2003, 16.30

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## 1. Objectives of the WP7

Let us recall the objectives of the WP 7, which deals with **synthesis and recommendations to EU**.

### **Objectives**

*WP7 has the aim of underlining the key topics on OLP agri-food products and the implications for EC policies implementation, with special reference to WTO international trade negotiations.*

*In particular:*

- *provide EC a clear view on the role of OLPs on rural development, sustainability, and consumer/citizen welfare*
- *provide EC a clear view on the impact of the implemented policies*
- *provide relevant recommendations to EC in order to better prepare and support the negotiation process in the framework of WTO Round regarding the protection and promotion of OLPs*
- *Assessing the legal protection of OLP with regards to EU and WTO regulations and providing EU with diagnosis of negotiations basis*
- *Identifying needs for further research*
- *dissemination of final results of the Concerted Action, by providing documents to WP8*

### **Methodology**

*The Steering Committee will meet together with the Responsibles of Task2 WPs (WP5 and WP6), and with Responsible (and assistant) of Task3 (WP7) in order to prepare Task3.*

*The Final International Seminar will consist in contributions made by the participants on the basis of the WP1 to WP6, and in invited lectures prepared in collaboration with known experts in the concerned field, who will have to read the reports from the WorkPackages and deliver their points of views.*

*Final document with recommendation Key topics on OLPs and implications for EC policies implementation, with special reference to WTO international trade negotiations (month n.36).*

### **Deliverables**

- *D7 Meeting Proceedings*
- *D8 Final recommendation Key topics on OLPs and implications for EC policies implementation, with special reference to WTO international trade negotiations*

## 2. Previous workpackages and diagnosis

### 2.1. Diagnosis 1 : WP 5 shows the great diversity of OLPs

WP5 deals with technical, economical and managerial analyses of the opportunities and problems met by the OLP supply chains and enterprises. In fact, it achieves this task on very acute and well managed way, focusing mainly on a sectoral approach of the OLP development conditions, in the framework of the overall food sector.

OLP are diverse according to (among others criteria) :

- The size (number of involved producers, production volumes, etc. )
- The type of product concerned : product families, sectors, processed / unprocessed , etc.
- The specificity / typicity / typicality of the products, their ability to be different from substitutes and standard ones, their differentiation potential, etc.
- The type of markets : local markets, national, export markets ? short/ long channel ? Supermarkets / specialised shops
- The type of consumers (connoisseurs, familiar, occasional, regular ? )
- The degree of market organisation
- The novelty, degree of establishment of the system
- The type of protection prioritised : individual trademark, collective trademark, European protection ?
- Etc.

In this framework, we can notice that the general objectives of the Dolphins project, recalled above, assume implicitly that OLPs are an homogeneous world, which all of us know it is wrong.

In particular, as the project is mainly focused on public action, we have to deal with the question : when speaking about the future of OLPs in Europe and in the world and when focusing the attention on the possible effect any public policy may have on OLPs, don't we have to thoroughly distinguish between OLPs and to find the most relevant criteria for this task ?

## 2.2. Diagnosis 2 : its seems not workable to assess a policy that is not existing (i.e. no "integrated public policy")

WP6 deals with policy evaluation and shows very clearly the discrepancy between any technical policy tools devoted to the protection of OLP, in the framework of existing regulations (protection of PDO-PGI, trade marks, WTO negotiations, etc.) and a real policy.

As the WP5 report, the WP6 report has to be considered in a broader perspective in order to allow us to produce a synthesis and valuable recommendations.

Many people consider that *we don't have any development model for agriculture in Europe* right now, neither *any development policy* for such a model. The sustainable development model wished in the Göteborg meeting (COM/2001/0264) is in progress, but there is yet no consensus on it. Furthermore, the WP6 draft report shows the multiple problems of inconsistency between the regulations 2081/92 and the other policy tools.

Yes, there are "policies" (in terms of the Tinbergen principe : one objective-one mean), but there is no policy in terms of "coherent and global public policy" ("integrated public policy").

We have (among others) :

- a CAP reformed in 1992 and 2000, which contributed to deal with many problems that European agriculture meets and that are mentioned in the mid term review,
- a decision taken 26 June 2003, paving the way to an ambitious CAP reform
- a II° pillar, whose objectives are presently not well defined and whose financial means are very weak,
- national "development actions", supported both by EU and partner countries, on the basis of very diverse regulations, objectives and institutional devices (research, development, investment founding, etc.),
- many European and national regulations (on agriculture, labelling, trade, competition, regional development, food quality, typicity, organic farming, farm house products, direct sales, etc. )
- Very different institutions in charge of the implementation of those regulations
- According to PDO and PGI regulation, several kinds of logos (both on country and community level, both PDO and PGI), without any common marketing strategy.

WP6 report highlights clearly the different level of problems that appear when analysis the regulations (pertinence, coherence, effectiveness, efficiency, ..), putting into evidence that we still miss a global analysis of a *possible integrated public policy* based on sustainability, quality and origin, where OLP could play a major role. The Italian team noted that the main objective was not to protect the OLP but to develop them, which means that different tools may converge on this objective (protection is one of them). Therefore, I see WP6 report as a good report on the assessment of the regulations.

On the same way, WP5 report is dealing with the success and failure conditions and the main threats and resources for OLP. However, the success criteria are highly determined by the implicit agricultural model to be enhanced in the future, especially for what we called "social success". *An external conception of what is success is linked to the kind model we refer to.*

When we prepared the Dolphins plenary meeting in Toulouse (SC Geneva, 15 October 02), we identified the need for *a lecture focused on the relationship between CAP and Origin policy*. We had troubles to find the appropriate lecturer. This is a symptomatic issue, because those who know very well the CAP don't know much about the OLP sector (Origin policies, markets and supply chains) and vice versa. The 3rd DATAR scenario ("La

qualité d'Origine"), presented in Toulouse, was interesting but did not say a word about the concrete "policy tools" to be promoted in order to let this scenario happen. The only ones who have some resources for giving a relevant view on this issue may be the negotiators themselves.

If the 3rd scenario occurs (in lets say 2015), what would it mean in terms of :

### 1. Overall objectives

Which European agricultural model ? who will be defining it and where ? Which decision processes and valuation tools to define relevant criteria, to assess compatibility between the possible modes of production (Origin, typicity, Organics, farmhouse, direct sales, etc.), to assess the impact on the environment and other society goals, to design and send the relevant signals to the market, balance the value of the products between the market and the society, etc..

### 2. Sub-policies

Direct payments (and modulations), quotas, prices, competition (and anti trust) policy, development policy, consumer policy, research policy, ..

### 3. Tools and devices

Subsidiarity (at national and regional level), institutions in charge of requirements for quality and origin (procedures), competition councils, extension and development tools and devices, rural enterprises legal status, public evaluation of multifunctionality (among others : environmental goals, rural employment), regional policies, research, certification issues (accreditation, competition), etc.

### 4. OLP protection and OLP development

Everybody agrees on the idea of having a wider approach of the policies and of the OLP supply chains. However, some have doubts about our ability and time resources to deal with a "*coherent and global integrated policy*". We all admit that CAP and/or Rural development were not included *per se* from the very beginning of our project's tasks. However, if we consider the regulation 2081/92, such objectives (or expected effects) are actually addressed.

In the previous project (PDO-PGI supply chains..), we identified the main goals of the regulation 2081/92. Here is an abstract of the final report's introduction :

*The objectives of the regulation can be classified according to three categories:*

- *A. An agricultural and rural policy objective which can be broken down into three sub-objectives:*
- *A1. Encourage the diversification of agricultural production (agricultural policy)*
- *A2. Achieve a better balance between supply and demand (market policy)*
- *A3. Promote the value of products for the development of remote or less-favoured regions, with the secondary aim of stabilising populations and improving farm incomes (rural development policy)*
- *B. A competition policy objective:*
- *B1. Guarantee equal competition between the producers of products benefiting from these designations*
- *C. A consumer policy objective with two sub-objectives:*
- *C1. Clarity ("consumers must, in order to be able to make the best choice, be given clear and succinct information regarding the origin of the product")*
- *C2. Credibility ("to enhance the credibility of these products in the eyes of the consumer")*

In it's part 3 (main stakes), the WP6 report is defining the goals of the public action as "*protection of geographical indications*" and take this as the main purpose of the regulation (assumed that the legal field is to main field to be considered, which is true). In this framework :

- stakes are : consumer protection and fair competition
- purposes is : protection of OLPs

Yes, *other fields* are mentioned in the table p. 8, but the chapter 4 defines the *public action* explicitly from the legal point of view. Thus, such objectives as rural development are considered as "expected effects"

In this framework, the task 3 assumes the objectives for the OLP policy as being "**OLP development**" (in terms of turnover, market share, number of producers involved, "anchorage in the land", reputation, notoriety, ..), where protection policy is crucial, but remains a sub-objective, together with other sub-objectives as "development policy", "promotion policy", "quality and certification policy", etc.

Then, it is proposed to identify the *key dynamics of the OLP*, the *main probable evolutions of the sector*, the *hinders and resources*, *threats and opportunities* and formulate recommendations for a favourable scenario to happen. This task can be achieved on the basis of the findings the WP 1 to 6. On this way, we may then take into account what we have to say about the CAP (pillar I and II), without reshaping the whole thing.

The aims of our work is to summarise our findings (the present situation of the OLP policy and OLP sectors in the studied countries), in order to make a diagnosis of the external variables which affect the development of the OLP and the internal variables which are likely to influence the way the OLP sectors can go in the future.

### 3. Methodology

Thus, the task 3 is divided into six steps :

1. *Elaboration of a typology of OLPs based on the archetype thinking*

2.. *SWOT Diagnosis (Strengths, Weaknesses, Opportunities and Threats) on the basis of the present situation of OLPs*

Made out from the basis of the main findings from WP 1 to 6 and especially WP 6 and 7.

3. *Elaboration of four scenarios on the basis of those worked out by DATAR France in 1996* The scenario 3, which is assumed to be the most favourable to OLPs, has been briefly presented at the plenary meeting in Toulouse (2002) .

4. *Address the question : how do the different scenarios do affect the OLP archetypes ?*

Which resources can be used for each, which hinders have to be overcome and how ? which pathways ? Which key actors will play a crucial roles in each scenario ? (enterprises, public bodies, professional bodies, etc. ).

5. *Recommendations to EU*

- 4.1. Recommendations in general for enhancing the development of OLP sectors in each cluster of the public action
- 4.2. Recommendations for new research fields and themes on OLP

6. *All the WP findings and WP7 statements are proposed to the Dolphins researchers at the final seminar (Parma 6<sup>th</sup> and 7<sup>th</sup> October 2003) and improved in workshops sessions (workshop 1, monday 6<sup>th</sup> October, 16.30).*

## 4. Preliminary results (to be discussed in Parma, 6<sup>th</sup> -7<sup>th</sup> October 2003)

### 4.1. SWOT on OLPs : Opportunities and threats

**Table 1 : Environment of the OLPs – Synthesis from the participants**

Environment of the OLPs		
	Opportunities	Threats Obstacles / hinders
<b>Public action</b>		
International framework WTO OMPI CODEX Etc.	TRIPS agreement do exist More and more Developing Countries support it EU supports explicitly the PDO-PGI in the WTO negotiations in Cancun List over 41 products to be protected	Usurpation / Imitations : real threat for EU's exported OLP TRIPS interpreted on a very limited way by Cairn Group Refusal to extend the register to other products than wines Refusal to create an international register → Low probability to get a clear GI's recognition in the next years
CAP • I pillar • II pillar	Mid Term review might be positive for OLP principles The MTR proposes support for certification initiatives and PDO-PGI Agreement of 23th June 2003 on CAP is in favour of OLPs	The CAP reform may have positive effects on OLPs But : - Depends on MCO (trade barriers, quotas, subsidies, ..) - The decoupled system may endanger some OLPs (as olive oil) - Abrogation of the milk quotas could lower the milk prices and threat firms with high production costs - New resources not specifically ear-marked for OLPs (no specific tools for OLPs, which are competing with organics and other specific products) - What about the not recognised OLPs ? (less favoured) - What about the very recent PGIs ?
OLP Protection policy	Subsidiarity (but is it a positive feature ?) Concept of "origin", based on codes of practices gives a content to quality and typicity ? Multipurpose regulation (wide objectives) Good protection for established systems and "new chance" for novel systems Increasing resources available on quality, origin and environmentally friendly products  If WP6 recommendations are implemented ?	The juridical status of OLPs is not yet clearly mentioned in the regulation <i>Several weaknesses (in spite of the recent change) :</i> - Too tight eligibility field (handicraft and processed agro food products are excluded) - lack in the harmonization of the implementations procedures,; roles of producer groups, expertise, transparency (public enquiries), opposition right, information to third countries and all stakeholders - lack in the certification (i.e. accreditation of certification bodies, costs and competition features, controls, ..) - geographic delineation problems (on an administrative basis, or based on terroir ?) - no definition for réputation and tradition - regulation too limited to juridical provisions (not enough focus on market economics, development, research and teaching, monitoring, and promotion aspects - is it good to promote a non unified concept ? (Barjolle and Sylvander, 2000) ? - Unequal level of protection in case of usurpation (countries, products) - Many link problems between regulation and trademarks (within EU and with WTO) see report 6 and D4B

Trademark regulation	Collective trademark is a real opportunity for SME based OLPs If geographical trademarks are carefully regulated : OK	Links trademark / origin : different kinds of problems Is it legitimate for the regions to promote their collective marks ? Protection through trademark or through GI ? Difficult to implement marketing strategies based on collective trademark in the supermarkets Trademarks with origin (without protection) compete with PDO-PGIs Procedure of registration of trademark to be improved No database for geographical names No certification for geographical trademarks
Promotion policy	Special regulation concerning promotion Financial means for it	Policy or regulation ? (see final report Barjolles et Sylvander) EU discrepancies weaken the collective promotion
Rural development policy	Growing financial support to environmental sensitive productions, certified products, rural development (new agreement of 23/06/03, reg. 1257/99, structural funds, Leader) Regionalisation in some countries Real Opportunity to increase the links between OLPs and local economy	Small OLPs in LFA are threatened Lack of explicit link between OLP policy and RD : goal definition, development tools and assessment tools Lack of links between RD at EU level and national level Lack of research (definitions, criteria, tools, ..) Lack of consistent policy Weaknesses of II pillar : lack of financial means, .. In some countries : lack of regionalisation
Regional policies Local development tools	Regions and regional authorities are more and more concerned by OLPs Strong potential of interactions with local economy Regional policies supporting OLPs ?	Discrepancies due to subsidiarity
Environmental regulation	Opportunity for those who comply already with regulations	Few environmental aspects in the codes of practices Additional cost for those (numerous ?) OLPs who don't comply with environmental rules
Competition policy Interprofessions	Opportunity for collective governance and efficiency (coordination) In France, interprofessionals bodies recognised (1999's law)	Too orthodox competition policy Anti trust laws , which limit interprofessions role and impact Differentiation on market is not backed by a real identification of the OLP's features by consumers (OLP don't act sufficiently as differentiation markers)
Consumer policy Information, protection, .. Labelling regulation	Improved information on origin and traceability  OLP can be part of a better diet in general  "Origin" is demanded by consumers  Overall Labelling can be very complicated , which does not make consumers choices easy (too many heterogeneous requirements)	Information not sufficiently available on the links between OLPs / terroir / conditions of production / local economy or multifunctional aspects, lack of objectivity for quality as a social construct → Gap between the promises and the intrinsic value (OLP don't guarantee RD as some consumers may make the link, perceptual gap between policy makers wishing to support OLPs for RD reasons and the many consumers who don't make the link) Label "Territory friendly OLP" or "Sustainable OLP" ? No scientific basis that OLP are healthier or safer than non OLPs  So : lack of legitimacy in the eyes of liberal economists : <i>"false promises" to the consumers !?</i>  Heterogeneity across OLPs undermines arguments that they offer consistent standards and level of veracity regarding origin/quality/typicity/RD  Trouble for complying with the labelling regulation for small systems : labelling and traceability are costly for SME  OLP not enough open to new social requirements (animal welfare, environment, fair trade, working conditions, etc.)

Sanitary Policy		Too strict sanitary regulation threatens OLPs
EU enlargement	New markets ? New supply for OLP ?	Discrepancies ?
<b>Sociological Evolutions</b>		
Overall consumer's attitudes Food scares Urban behaviour Aging population Etc.	Food scares have influenced consumers towards products with a clear origin and better traceability Growing Interest for environments Growing interest for agriculture and rural life (authenticity, roots, culture, better image..), in post modern urban society, increased desire to regain roots via consumption choices Proximate consumers Distribution outlets may be sensitive to this point react in such a way Have OLP health attributes ? Necessity to strengthen the safety of OLPs	Parallel preferences for low prices, convenience and accessibility OLPs not always convenient OLP unknown especially in the younger generations Discrepancy between attitudes and behaviour : positive interest but low purchases Purchases only in older classes and high incomes ?  Interest for "Myths on nature", "tradition", may make OLP vulnerable Depopulation in rural areas threatens the OLP Are people really prepared to live in the country side ? OLP know how in the hand of older people : which potential for transmission ?
<b>Global Economical trends</b>		
Purchase power Growth Etc.	Greater interest for food diversity Increasing of purchase power benefits OLPs	Globalisation implies homogeneous products, standardisation, strong global brands, .. Competition between old and young Europe on prices. Lost of market share for OLPs in Old Europe, no compensated by markets in new Europe
<b>Economics of the Agro food business</b>		
Generic markets	EU enlargement may provide new markets opportunities Greater interest for food diversity (variantes,	Heavy trend for low prices, convenience and accessibility Other products than OLPs meet consumers demand on quality and safety, sometimes with more guarantees Other products than OLP are typical and of specific quality Information and labelling problems in OLPs
Supermarkets policies	New distribution channels (catering, e-commerce, etc.) present new opportunities New niche markets New brands, promotion activities Small SC may create new markets and work out stronger relationships with consumers based on proximity, competence and learning	Distribution channels play a crucial role and have great market power Artisanal supply chains face difficulties to comply with mass marketing approaches Private label and trademarks in the supermarkets don't help the OLPs (especially the supermarkets marks) Collective marketing does fit supermarkets policies

## 4.2. SWOT on OLPs :Strenghts and weaknesses

**Table 2 : Internal variables - Synthesis from the participants**

Supply Chain in general (Main findings)	Great variability of OLP products across EU : history, objective to achieve through protection, product characteristics and mode of production, Volumes, types of actors with regards to governance, relations with retail system, relations with export,  Human factors affects the definition of the OLP, the relationships with other bodies in the chain, relationship with trade and marketing strategies,  Great diversity in organisation forms (structure, marketing governance, discipline, )	
Markets and consumers (Main Findings)	Considerable variations by product and country Greater part in wines and cheeses France and Italy higher market shares Evidences on Consumer interest and appreciation for OLP Much complexity and variation in perceived benefits of OLP , from product specific or experience based to intangible credence based Choice behaviour is complex and varied : salient factors include consumer's own knowledge and background, reasons for purchase, level of involvement, type of usage, point of purchase information (various stimuli : retailer's recommendations, product packaging and labelling)	
	<b>Strengths (resources)</b>	<b>Weaknesses (internal hinders)</b>
Markets and consumers	Consumers citizens feel close to OLP in regional markets and traditions producing countries : strong cultural identity  OLPs meet specific needs for tradition and belonging  Direct ales and short channels without certification (non certified OLPs ) may be enhanced by regions ?  Great markets inside the producing regions  Potential outside the region	Lack of data regarding the size and shape of markets and demand for OLP in EU Awareness low (excepted in France) Understanding of the label : low Consumers feel far away in distant markets or places in newcoming countries but problems surrounding authentication of these as they are social construction Control system is not 100 % secure and can disappoint consumers
Evolution of Specific (OLP) Markets	Great potential outside the region ?	OLP do not adapt easily to modern markets requirements Mature market in the region Uneasy to communicate RD and other social aspects to consumers → learning needed
Market and Competition features	Niche and small segments : better competition position	Lack of financial, human and logistic means for reaching a good export position Supply volumes may be limited by the strictness of the code of practices and the delineation
Specific (OLP) Retailers / channels	Big marketing challenge	Large supermarkets are powerfull and not always positively oriented to OLPs (Lack of sensitive approach for OLPs) Generic market : pressure on prices and standardisation
Structure of the OLP supply chains Structure (large, medium sized, small) Role of the Positive oriented players	Diversity Greater producers awarness about the modern economical requirements in the SC  Supply Chains are more and more integrated : is it good for OLPs ? Marketing and management skills are growing in the OLP	Diversity Difficulties for OLPs to comply with mass marketing Medium and small enterprises find difficulties to expand on global markets, export, promotion, brand, ..  Weak economical power (market power of small SC ) (According to archetypes )
Collective governance of	Some consortia play a strong economic role	Some consortia play a weak economic role, which

the SC Type Degree of integration Etc.	(coordination of the SC) Strong leader needed See the typology (Geneva meeting and WP6 report) Sometimes strong social networks Consciousness of social stakes (Rural development) (According to archetypes)	weaken the market power of SME based OLPs Difficulties to find leaders Opportunism weaken the collective action Education, management skills How to cope with the strategic turn points Lack of cooperation is typical for new systems (competition, one manager or channel captain) LMA Too strict code of practice may hinder innovation and marketing differentiation within the system (leeway)
Links between territories and OLP	Strong potential Potential Virtuous circle (GBAM) Very strong factor of success . research necessary for better link natural resources productions modes	Not systematically the case No evidences for PDO-PGI Lack of definitions and tools for assessing it Standard criteria are not the only way to assess the impact Also : diffusion of the effect, level of participation of local actors, sustainability and reproduction of the system , environmental impact Small and large systems ? which is better ? what provisions stated in the code of practices ? (examples) : archetypes Delineation may be a limit for supply ?

### 4.3. Typology of the OLPs

#### 1. Variables/factors in discussion :

- Novel systems / Mature systems, which is linked to innovation freedom and historical pathways
- Market organisation : existence of mechanisms of regulation (negotiation, procedures, ) for product quality, quantities, prices
- Structured systems / Non structured systems
- Market dimension : size, access to exports
- Product status (sector, processed/ not processed, etc.)
- Concept of Governance, which appears as an intermediate organisation model between the classic hierarchical one and the market.
  - Not who decides but how are decisions processed and taken
  - Basic variables for governance : norms, producer organisation, vertical links (Allaire Sylvander, 1995), based on Quéré (1992)
  - Sectoral and territorial (Barjolles Chappuis, Sylvander, 1998 ; Marty Sylvander, 2000)
  - Sectoral governance : Product category , market logic, market power, the aim of dominant actors, norms are consistent with remote markets , no organisation of producers
  - Territorial : integrated in the local economy , lot of cross sectoral activities , social networks
- Generic market or local economy ?
- Actors Intentions
  - Different with the effects of the OLP on the territory ?
  - Real strategic choices observed in practice ? or intentions ?*

#### 2. Discussion and decision

If we are to find very synthetic variable to produce archetypes, several simple variables must be combined in the key variables, so let us try to have a multifactoral reasoning.

1. Question about "individualistic governance", since the concept of governance refers to a network where nobody of the actors has the dominating power. We should then rather speak about "governance" versus individual management (where a "channel captain" or a single enterprise has the decision power) or better "corporate governance" ?

2. If we keep this key variable (governance), we can follow the gradation :

1. "territorial governance" 'where decision makers are supported by local institutions and share a common interest with local actors (see Andrea's tables) ;

2. "Sectoral governance", where an interprofessional body (or any kind of "filière coordination") has the power but where actors are driven by pure market logic, while coordinating with each others.

3. Corporate governance (including the "enemy" : enterprises who don't comply with the "OLP ideology and culture" !)

3. Size of *markets* variable is not strong enough to distinguish the systems. "*market scale*" : the real problem is not the *size*, but the kind of relation between the system and the global market (niche and local market or connection with the global market, no matter of size). How to face the competition on the world level. There are small systems able to export their products and big systems producing no value and having difficulties to export. This is true.

4. *Novel status / versus established status* The main argument is linked to the step of development (Thevenod and Barjolles, 2002) where the growth resources are mentioned as a crucial issue for small systems, together with reputation and innovation freedom, which is supposed to be higher in novel systems. This argument is quite good, but not sufficient. Many systems are old but must be reconstructed, so the stakes are also on production methods, project, etc..

5. *Market performance* is a result and not an explicative variable.

6. Focus on the degree of organisation of the system : is the Supply Chain well structured ? Are actors well skilled ? etc.

### *Conclusion*

*The archetype needs to be based on two simple variables that encapsulate 'extreme' or 'ideal' types of OLPs (not necessarily existing empirically), that allow for meaningful hypotheses to be developed about other characteristics these OLPs may have as well as hypotheses about the likely evolution of these OLPs in the face of certain policy and market adjustments.* So what are the objectives of the public policy ?

In this view,

The first synthetic variable is linked to the **systems logic (governance)**, the second one is linked to the **dynamics**.

The first axis reflects the **polarity between territorial governance** (rural development, local economy, small communities, survival in the globalization context) and the **corporate governance**, referred to the pure market (individual decision maker, market driven strategy, innovation freedom). In between we find the **sectoral governance**. The *organisation issue*, can be included in this variable, as *type of organisation* (strong territorial organisation and skills → strong sectoral organisation → weak organisation. Territorial OLPs have strong relation with local-regional institutions, have interest in local economy (see Andrea tables). Mixed governance OLPs may be rooted in the land by their codes of practices, but have necessarily no strong relationship with local institutions and concern.

The second axis reflects the step of development of the project (initiative). Not only the age of the project, since many projects are constructed on old products that are renewed on the basis of a technological compromise between tradition and innovation. The stakes are in the first case to create and develop and in the second case to manage the system, improve it and protect it from the threats.

Those are **archetypes** : the pure systems don't exist in reality.

All systems are a combination of the three types

Table 3 : variables lying behind the logics

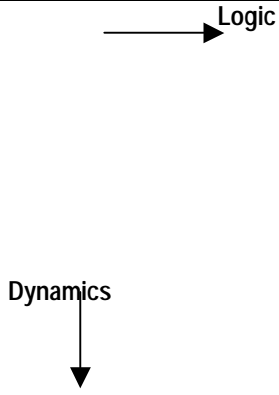
	<b>Territorial logic</b> Several firms negotiating with each other most on a territorial basis in formal or informal contracts and institutions High degree of organisation at the spatial level : local institutions and high cross sectoral relationships	<b>Sectoral logic</b> Several firms in the same sector negotiating with each others in formal or informal contracts and institutions High degree of organisation in the supply chain Rooted in the land (by the code of practices), but weak links with the local institutions and local economy (cross sectoral)	<b>Corporate logic</b> ONE firm or several firms not negotiating
Production and sales management regulation ?	Diversification Cross sectoral Goods bundle (Mollard & Pecqueur)	Specialisation and product differentiation	Marketing management on substitutes ? (PDO/Non PDO)
Organisation of the actors	Vertical cooperation - coordination	Local Cooperation - Coordination	No coordination
Codes of practices Technical mode of production	Focused on maintaining the rural life and diversity	Focused on the product specificity	Marketing characteristics
Patrimony	Territorial patrimony	Product patrimony	Portfolio Trademark value
Specialisation on OLP?*	No : The OLP production and marketing is linked with other local activities (even non food)	Yes Most of the firms are specialised in OLP	No specialisation PDO is a often a market opportunity
Anchorage degree	Firms cannot move away	Firms cannot leave the sector	Firms are flexible
Objectives, intentions of the systems	To develop the territory Maximize Added Value Survive	To develop the product and the value of the product	To develop the firm Maximize Profit Value of the firm
Intensity of production	In most cases, no	This may happen	This may happen

Table 4 : Final typology (some French and Italian examples)

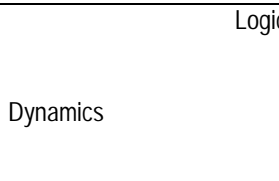
	<b>Territorial logic</b> Several firms negotiating with each other most on a territorial basis in formal or informal contracts and institutions	<b>Sectoral logic</b> Several firms in the same sector negotiating with each others in formal or informal contracts and institutions	<b>Corporate logic</b> ONE firm or several firms not negotiating
Emergent Developing systems Stake : to develop	I Piment d'espelette Beurre d'Echiré	III Pelardon	V UK examples  NL : Campina Melkouni (Nord Hollandse Edammer)
Developped systems Stake : to manage and defend	II Nyons (+++) Comté (+) Etivaz (coop fermiers) Laguiole (++)	IV Parmigiano Roquefort Gruyère suisse Parma Ham	VI Beurre Charente Poitou Peza Olive Oil

Table 5 : The breakdown of the WP5's case studies into the archetypes

Country	Name of the product	Product	Denomination	Area of production	level of development of the system (novel / established)	Governance ( Territorial / Sectoral / Individualism )	Archetype system (1-6)
France	Taureau de Carmague	Beef meat	PDO	France region: Camargue	Developing	Territorial	I
Italy	Tuscany Olive Oil	Olive Oil	IGP	The Region of Tuscany	Developing	Territorial	I
Italy	Ciliagia di Lari	Fruit	OLPs	Part of Pisa Province	Developing	Territorial	I
Spain	"C" de Calidad Alimentaria	27 food products	Collective brand	The region of Aragón	Developing	Territorial	I
Switzerland	Etivaz cheese	Cheese	PDO	Switzerland-Pays d'en Haut	Developed	Territorial	II
UK	Specially Selected Scotch Beef	Beef meat	PGI	Scotland	Developing	Sectoral	III
Germany	Schrobenhausener asparagus	Vegetable	Collective brand	Germany-Bavaria	Developing	Sectoral	III
Italy	Cured Pork Piacenza (Coppa, Salame e Pancetta Piacentina)	Pork meat	PDO	The Province of Piacenza	Developing	Sectoral	III
Portugal	Terrincho cheese	Cheese	PDO	North-eastern Portugal-Tras os Montes	Developing	Sectoral	III
Portugal	Azeite Trás-os-Montes olive oil	Olive oil	PDO	North-eastern Portugal-Tras os Montes	Developing	Sectoral	III
Spain	Designation of Origin Cariñena	Wine	DO	The region of Aragón, Provice Zaragoza	Developed	Sectoral	IV
France	Roquefort cheese	Cheese	PDO	France region: Midi Pyrenees	Developed	Sectoral	IV
Italy	Culatello di Zibello	Pork meat	PDO	Part of Parma Province	Developing	Corporate	V
UK	Beacon Fell-Lancashire cheese	Cheese	PDO	The Fylde area of Lancashire	Developed	Corporate	VI
Germany	Bavarian Beer	Beer	PGI	Germany-Bavaria	Developed	Corporate	VI

### 4.4. Strengths and weaknesses of the OLP systems

Table 6 : the OLP systems

	Territorial governance		Sectoral governance		Pure sectoral and markets	
Developing systems	<i>Strengths</i>	<i>Weaknesses</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Strengths</i>	<i>Weaknesses</i>
	<b>System I</b>		<b>System III</b>		<b>System V</b>	
Developed systems	<i>Strengths</i>	<i>Weaknesses</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Strengths</i>	<i>Weaknesses</i>
	<b>System II</b>		<b>System IV</b>		<b>System VI</b>	

Table 7 : Strengths and weaknesses for the OLP archetypes

Private good (Market) / Public good (civic objectives)

Strengths and weaknesses from the point of view of the systems

Strengths and weaknesses from the point of view of the public sustainability policy

	Strengths	Weaknesses
<b>OLP system I Developing / Territorial</b>	Good image inside the region for connoisseurs Links with traditions, authenticity : high High potential communication on the links with terroir / tradition Potential for Support in local community	Difficult to cope with supermarkets Weak image outside the region No much financial means Lack of professional skills
<b>OLP system II Developed / Territorial</b>	Proximity with consumers Good relationships with local policy makers, financial supports, Synergetic relations with local economy : cost savings	Difficult to innovate
<b>OLP system III Developing / Sectoral</b>	Good image Well defined OLP, often sufficient volumes	Lack of solidarity towards supermarkets behaviour Limited volumes : difficult to export outside the region and the country Gap between image and reality
<b>OLP system IV Developed / sectoral</b>	Volumes Sometimes well renown brand Accessibility to mass markets Collective discipline Financial means (to do research, promotion, ..)	Difficult Innovation policy Difficult product differentiation (lack of leeway in the system) Processors may have too much power on the upstream
<b>OLP system V Developing / corporate</b>	Good sense of innovation, management, flexibility	No social networks Weak commitment of the producers Sometimes danger due to low juridical recognition
<b>OLP system VI Developed / Corporate</b>	Volumes Accessibility to mass markets	Hard competition No collective discipline ?

## 4.5. The needs of the OLP and OLP systems

### 1. Needs of the whole OLP system

Adapt the european hygiene regulations to small sized firms

### 2. Needs according to the governance logic

Needs of the territorial governance	
Needs of the sectoral governance	
Needs of the coporate governance systems	

### 3. Needs according to the development stage

Needs of the developing systems	Initial research development programme
	Research & innovation : combining tradition and modernity, establish the link with terroir
Needs of the developed systems	Research on quality improvement : "deluxe research"
	Research on "Crus" , quality improvement
	Combining technological quality and marketing quality Cost saving

### 4. Needs according to the different systems

This "need approach" is used in order to assess if any scenario is beneficial or not on the OLP system.

**Table 8 : the OLP systems' needs**

	Needs	Variable yes/no
<b>OLP system I Developing / Territorial</b>	Rural Development policy in a broad sense (measure 9) Leader initiatives to be developed Support local organisations Support to artisanal / handicraft activities Status of farmers as rural enterprises (fiscal treatment, Simplify the access to complementary activities (pluriactivity) no matter if you are farmer or not Access to subsidies easier Develop local infrastructures Support promotion inside the region Control the growth (with respects to production modes and market balance) <i>Difficult to cope with supermarkets</i> <i>Weak image outside the region</i> <i>No much financial means</i> <i>Lack of professional skills</i>	
<b>OLP system II Territorial / developed</b>	Improving marketing skills Is short of supply a problem ? Risk of intensification with environmental externalities Risk for external investment : "disneylandisation" of the countryside, increase the property prices (land prices, house prices, Preserving the local identity Avoid internal imitations of the non protected products Difficult to innovate	

<b>OLP system III</b> <b>Developing / Sectoral</b>	Support promotion outside the region Develop strong quality assurance systems including the supermarkets (EDI technology, ..) Support project development consultancy for a recognition as Quality sign Develop good relationships in the Supply Chains Support the elaboration of CoP Technical research for improvement of CoP Support structural investments (slaughtering)  <i>Lack of solidarity towards supermarkets behaviour</i> <i>Limited volumes : difficult to export outside the region and the country</i> <i>Gap between image and reality</i>	
<b>OLP system IV</b> <b>Developed / sectoral</b>	International protection of the name Strengthen Interprofessionnal governance on quality and quantity, Improve market power towards supermarkets Limit the antitrust actions Improve the market orientation Risk of intensification with environmental externalities Difficult Innovation policy Difficult product differentiation (lack of leeway in the system) Processors may have too much power on the upstream	
<b>OLP system V</b> <b>Developing / corporate</b>	Develop product branding Support promotion outside the region Develop strong quality assurance systems including the supermarkets (EDI technology, ..) Support project development consultancy for a recognition as Quality assurance and quality signs Support the elaboration of CoP Technical research for improvement of CoP Support structural investments (slaughtering)  <i>No social networks</i> <i>Sometimes : weak commitment of the producers</i> <i>Sometimes danger due to low juridical recognition</i>	
<b>OLP system VI</b> <b>Developed / Corporate</b>	In general not PDO-PGI :  <b>Freedom</b> to innovate and to imitate and manipulate identities Simplification of the system Lighten the CoP Easy access Risk of intensification with environmental externalities  <i>Commitment of the producers</i> <i>Hard competition</i> <i>No collective discipline ?</i>	

#### 4.6. The scenarios for future agricultures and rural areas

Table 9 : main variables influencing the scenario construction

Elements	Scenario 1 <i>"CAP reform won"</i>	Scenario 2 <i>"Liberalism without rules won"</i>	Scenario 3 <i>"Cork conference won"</i>	Scenario 4 <i>"Regionalism won"</i>
CAP	Yes	No	Yes	Yes
Level of policies	EU	None	EU Leader policy	European rules but implementation decided at the regional level
Rules of competition	OLP protected as today	WTO	OLP fully protected	WTO Liberalisation
2 <sup>nd</sup> pillar and green box	10%	None	30%	100 %
Direct payments	Yes	No	Yes	Yes or Not According to regions
Coupled or decoupled subsidies	Partly coupled	-	Decoupled	Decoupled
Cross compliance	Yes	-	Yes	Yes
Supply quotas	Two thirds mixed	No	Two thirds mixed	No
Key elements	Current Trends for CAP Decoupling GI Protection Progressive market liberalisation	No protection Liberalisation No financial support	Market regulated Support for Rural development Regions able to Adapt the rules	Weak EU Framework  Freedom for the regions to develop OLP policy Market liberalisation

## Scenario 1 : "CAP Reform won"

### Main Features of Scenario 1.

- Could be considered a 'middle way' between Scenario 2 ('liberalisation won') and Scenario 3 ('rural development won')
- Reduction in direct production subsidies for agricultural production (de-coupling), with payments being linked, instead, to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition (cross-compliance)
- Modest transfers (10%) of funds from agricultural support to rural development objectives via modulation of CAP budget from Pillar 1 to Pillar 2
- Reduction in export subsidies and intervention prices, for example, asymmetric price cuts in the milk sector (butter and skimmed milk powder); reduction of the monthly increments in the cereals sector, and reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors.
- Good international protection of GIs achieved through EU negotiations on TRIPS Agreement
- Increased regulation and standards imposed on agrifood industry relating to food quality, safety, hygiene, etc.

### 1. The Political and Economic Context for OLPs

#### a) General Objectives of MTR CAP Reform

The initial documents relating to the Mid Term Review of the CAP, created in summer 2003, were followed up and implemented. The general objective of the MTR was to provide a clear planning framework to European farmers for their business decisions, enhancing their entrepreneurial function to produce what the consumers and the market wanted, and optimising costs. Farmers were to gain reward for the service they provided to society instead of depending on public handouts. Thereby, the reform sought to substantially stabilise farmers' incomes and open at the same time new paths to diversification, including a stronger development of non-food agricultural production such as renewable energy resources.

#### b) Agricultural Production

The impact of de-coupled payments on agricultural production was to reduce the total number of farm businesses in the relevant sectors (arable crops, beef and veal, milk and dairy, sheep and goats, starch potatoes, grain legumes, rice, seeds dried fodder and later, olive oil). The businesses that remained were more efficient and market-oriented, and they tended to become larger as a result of the re-structuring. They were encouraged, to a modest extent, towards sustainable land management practices via single direct payments linked to environmental benefits. Land abandonment occurred in peripheral and less favoured areas, where farm businesses tended to be small and less efficient. However, abandonment rates were moderated to some extent by special direct payments to farmers in less favoured areas.

#### c) Supply Chains

MTR reforms impacted on the structure of upstream agricultural supply chains. Concentration took place in sectors affected by de-coupled payments, with smaller numbers of larger producers gaining power in the supply chain. In downstream supply chains and food distribution, impacts of the MTR were less visible. Instead, the main market shares and structures of food distributors witnessed in the early 2000s (supermarkets taking largest share in most countries, accompanied by smaller shares of many short and direct marketing channels) continued in the following years.

#### **d) Competition and Trade**

In general, the EU position respected the Marrakech and Doha agreements, maintaining, in agriculture, only the aids permitted by the green box. This position became stronger thanks to the MTR agreement, allowing a gradual market balance, reducing step by step distortions due to a policy based on coupled subsidies. Reductions took place in intervention prices and export subsidies for specific commodities as a result of the MTR. For example, in the dairy sector, with asymmetric intervention price cuts for butter (-35%) and skimmed milk powder (-15%). As a result, market price differentials between EU and non-EU commodities were narrowed. Increased availability was seen of competitively priced imported agricultural products in the EU. Furthermore, the more market-oriented profile of the agricultural sector, as a result of re-structuring, led to increases in further processing and value-adding activity. This resulted in greater competition for producers pursuing specialised or differentiated niche markets.

#### **e) Rural Development**

Via modulation and cross-compliance measures, some modest funding was made available to agricultural producers to engage in rural development activities. Temporary support was granted for compliance with new statutory standards in the fields of the environment, public, animal and plant health, animal welfare and occupational safety. Support was also granted for the participation in food quality schemes as well as the voluntary farm advisory system. A new animal welfare measure was also applied with a logic similar to that of the lines of agri-environment measures. Payments were granted to cover income forgone and costs incurred as result of signing up to voluntary animal welfare commitments. However, overall impacts in terms of rural development are significantly lower than under Scenario 3, due to the modest sums involved and the fact that the measures were applied in different ways and to different extents by national and regional governments across the EU.

#### **f) TRIPS and GIs**

As a result of the CAP reforms, the EU was able to present a stronger position at the table of Cancun on a range of issues: GMO products, GMO labelling systems, beef with hormones, multifunctional agriculture, reduction of protection and access to the market. In terms of the TRIPS agreement, the EU was able to take a strong position for protection of geographical indication, obtaining international extension of Regulation 2081/92 as fixed in Article 12. Thus strong legal protection for GIs at international level was obtained.

## **2. Impact on OLPs in General**

The impact of Scenario 1 on OLPs in general was dependent upon the sector in which the OLPs operated, the degree to which OLP supply chains were established, and the extent to which OLPs were reliant upon the raw materials of producers strongly affected by the new subsidy arrangements.

For example, in the dairy and red meat sectors, some OLPs were threatened by concentration in the upstream supply chain as the farmer profile moved towards larger, more efficient businesses. This disrupted the equilibrium of some established OLP supply chains, as power relationships developed between large raw material producers and small-scale, disaggregated processors or finishers. Larger, more efficient farmers were also often less able to supply the specific quality and character of raw materials needed to create authentic OLPs. In such systems, the governance capacity of the consortia or association, in overseeing the mechanics of the supply chain, became crucial.

However, in newly developing OLPs in these sectors, the fact that Scenario 1 encouraged more market-oriented farmers was beneficial in some cases, creating opportunities for new supply chain relationships to be built between farmers and processors on the basis of origin quality (as well as other types of quality), whereas before, these kinds of entrepreneurial and cooperative spirits were repressed by the subsidy regimes.

In other sectors such as fruit and vegetables, pork, poultry etc., the impact of CAP reform was less directly visible, as the change in payments regime does not imply restructuring of the production base.

Thus, under Scenario 1 it is assumed that the greatest impacts on OLPs comes as a result of subsidy payment revisions, rather than modulation or cross-compliance, as the resourcing for these is very modest. (Thus some positive effects may be assumed for particular OLPs in certain regions where the local authorities decide to channel Pillar 2 funds towards regional products etc, but no significant EU-wide impacts). Factors such as structure of food distribution channels and willingness of consumers to differentiate and pay a premium for OLPs are also assumed to impact on OLPs, and under Scenario 1, these factors have the same impact in 2015 as they do in early 2000s (CAP reforms did not change their characteristics). International competition in the agrifood industry is also assumed to impact on OLPs. Although under Scenario 1 it is assumed that the EU was successful in its negotiations in the TRIPs agreement, and thus good international protection for GIs benefits established OLPs operating in global markets, the overall increase in availability of quality, specialist products in EU markets creates a threat for OLPs, particularly those that are developing or newly established. Under Scenario 1, OLPs will have to enhance their marketing strategies as well as maintain their quality assurance procedures in order to compete in this more varied and fragmented marketplace. Not least because increased standards in quality, welfare, etc. imposed upon the agrifood industry as a whole reduces the level of differentiation between special quality products like OLPs and 'commodity' products.

## Scenario 2 : "Liberalism without rules won"

### 1. The political and economical context for OLPs

The WTO negotiations (Millenium round) led to a weaker political position of the European Union. The Indications of Origin, protected in principle in the framework of the TRIPS agreement, are not well protected, due to the many exceptions and the strength of the private trademarks. No international register were established and no extension to all food products could be achieved. The interested country in the third world tried to push their IG, but on the basis of a simple indication of source, which were not sufficient to make the demand legitimate. The green box became a global rule.

The anti trust policy concern the big firms concentration and prohibit interprofessionnal bodies.

The sanitary standards are generalized and the local and regional rules, favouring farmhouse production, raw milk, local slaughter, etc., were abolished, in order for the food to comply with the global regulations. All innovations increasing productivity are accepted provided that there is no evidence they affect the human health.

The European political weakness led to a vanishing of the CAP and a tremendous cut in the community budget for agriculture, which is devoted to environmental measures only, in line with the WTO green box. The quotas have been completely removed in 2008, as well as all other "rights to produce". The number of farms was decreasing rapidly and technical and economical concentration could lead to level out the production standards with the export countries, with very low production costs.

The agribusiness sector is able to buy it's raw material (produced in EU and imported) at a very low price, which allow them to be competitive on export markets. The differentiation is based on technological innovation and market segmentation through trademarks, which often are regional and imitating the OLPs. Organic products, which are recognised at the world level, are a living niche on the market. Most of the food offer is based on IPM agriculture, which is defined and controlled by private bodies, accredited by the State.

Farmers, which were able to survive and make the required adaptations, are most often subcontractors of very large enterprises (cooperatives or private) and their created internal "trade unions" to defend their interests.

An important part of the food is sold today in supermarkets, who offer a very wide range of products from the whole planet, with very efficient and varied information systems, based on internet facilities. The e-commerce and other innovations developed rapidly, which increased competition between firms and pressed down the prices.

This liberal food policy led to delocalisation of activities. The most productive regions are favoured and the LFA have still some support left at a low level, to avoid a desertification, but those measures were not sufficient to promote the marginal agricultural productions. Those measures are financed partly by the regions themselves and partly by a reduced EU budget, so that pillar II remains the only one, compared with 2003.

The populations are living in urban areas or close to the large cities (rurbanisation).

\*\*\* Although the cost of the environmental programme, the household's food budget kept decreasing, which enhanced the economic growth and welfare. The sanitary protection was sufficient to prevent other scandals. Cheap import from developing countries and from newly entered European countries, who produce less contaminated and less polluted raw materials, contribute to the lower prices and the high innovation rate compensates the rising costs for environmentally friendly production and animal welfare \*\*\*

*(NB this is a virtuous circle : controversial issue !!)*

*Or:*

\*\*\* The liberalisation of the commerce increased the risk for food scandals and kept alive food scares, so that consumers were more and more prepared to pay more for a high level of sanitary standards and traceability, promoted by private trademarks. The concern for animal welfare is generalized in the developed countries. Those factors, combined with the high cost for transportation (oil prices), for environmental protection and rehabilitation accelerated the price rise and stopped the decreasing of the food budget, which slows down the general growth.

## 2. Impact on OLPs in general

In general, the OLPs were not favoured in this scenario. Only the largest Supply Chains duly established and protected by the registration of their trademarks could survive. The wine sector is in a more favourable situation (international register), but has to compete with imported "technological wines".

Smaller OLPs who had a good recognition from consumers let their trademarks to be registered and could survive at the country level. Those who were able to exploit the internet opportunities and other commercial innovations could also keep their position on the market. The industrial OLPs made a lot of technical and commercial innovations, but competition is hard with simple regional brands, which are allowed.

Nevertheless, all OLP farmers and firms were compelled to devote important investments on environmental issues and animal welfare, so that financial means for other technical or commercial investments are limited.

## Scenario 3 : Cork Conference won

### Main features of Scenario 3

- Multifunctional role of agriculture is fully recognised and promoted; the Cork conference recommendations are at the basis of EU new CAP policy
- CAP still remains, pushing further its re-orientation from market supports towards rural development policies, and from sector-oriented to territorial policies;
- Subsidies are decoupled from production parameters;
- Cross compliance is reinforced;
- CAP increases support to specific quality products;
- Regional and national administrations may acquire some more power in directing EU level-conceived tools thanks to the reinforcement of second pillar; regional and local powers vary according to the way EU members share the competencies between territorial levels (State, Region, Province, etc.).

This is a very likely scenario: actually in recent times CAP (CARPE, see Buckwell Report) has been gradually driven towards this direction.

Strong opposition may come from Producers' organizations and multinational firms, being menaced by the creation of monopoly situations, and from competing extra-EU countries, which may see this scenario as a new form of protectionism.

### 1. The political and economical context for OLPs

**CAP policy** takes into account the multifunctionality of agriculture, by supporting the diverse roles the agriculture plays in the different EU rural areas. The "European agricultural model" become not only a tactical choice (defense of *status quo*) but a strategic one (transformation of ways of making agriculture and food).

The reform of EU agricultural policy includes well-targeted policy measures, which will enable the agricultural sector to contribute to the viability of rural areas, and address environmental issues, while enhancing efficient and sustainable resources use in agriculture and keeping biodiversity.

All this means that EU policies will be well targeted to rural diversity, and not tuned to the interests of global forces and multinational firms. This implies let EU consumers agree with the European model, and ask for quality and typical products, while imposing firms and national authorities to strictly control minimum quality standards, together with the impact production processes have on environment (natural and human).

In the **CMOs** (Common market organisations) decoupling is the basic principle for market interventions, with the expected effect of orienting firms to market signals in deciding what to produce. It is not clear what exactly the effects on firms' decisions will be, especially if the support is fully decoupled: some of the firms, in particular in disadvantaged areas, may decide not to go on with agricultural activity, thus menacing social and economic life in rural areas. Other firms may gain competitiveness having less links to respect for capturing the aids.

In the CMOs cross compliance is strictly, and financial resources are modulated for giving incentives to improving quality of the products and in general to meet consumers needs. Cross-compliance should help firms to respect environment impact and keep a minimum level of activity in rural areas. National and regional authorities can modulate the level of aids on the basis of different parameters (i.e. the specific ecological role of that production) according to the local production specificity and on local demand from consumers and citizens.

**Rural development policy** became a fundamental element of the CAP: 30% and more of the resources are devoted to the 2<sup>nd</sup> pillar, and in this framework measures aimed at supporting non agricultural activities, diversification, marketing etc. are supported.

A strong integration between agricultural policy and regional and cohesion policies is joined. Agricultural activities

and on and off-farm diversification are stimulated to contribute to a balanced territorial development by maintaining the viability of rural areas.

In this way farmers are supported by rural EU policy to producing a whole range of goods in addition to basic agricultural commodities (e.g. the production and marketing of high quality products based on consumer demand, as biological and typical products) and provide services such as the upkeep of the environment, of the architectural and cultural heritage.

Rural policy have a strong degree of regionalisation: national and regional authorities can adapt the rural policy tools to their specificities and they can coordinate locally different tools and different measures.

But also endogenous initiatives and local actors participation became the fundamental principle in the application of rural policies. The LEADER approach is assumed as a model for many EU, national and local policies.

Considering the CAP Reform, one obstacle is given by the fact that the 2<sup>nd</sup> pillar provides only 50% of the financial resources, while the first pillar gives 100%. So the development of the second pillar may be seen as a re-nationalisation of the CAP and rural development policies will depend on the different States programmes.

The re-nationalisation of the CAP may affect also the agro-environmental issues. Cross compliance with a sufficient level of environmental involvement and re-orientation of the first pillar to satisfy large part of the environmental expenses is needed. This re-orientation could be favourable to some OLP (milk and meat, olive oil...).

**Regional policies** aiming at supporting local collective initiatives are very important: they are aimed at animation of rural communities, education, entrepreneurial training, etc.

**Consumers** increase their willingness to pay not only for food safety but also for other immaterial dimensions of the quality. Supermarkets chains are the main food marketing channel, but direct selling and specialty chains are important; also in supermarkets channel the big retailers develop a competition based not only on price but also on the differentiation on safety/origin/quality characteristics.

The "rural world" became very attractive for many citizens, rural tourism develop, and generally speaking there is a re-discovering of "rural roots" on new basis. This fact gives farms interesting opportunities for developing valorization territorially-integrated strategies and with other local economic activities.

**WTO negotiations** acknowledge the role of Indications of origin as collective trademark and with the same rights of the private trademarks. An International register is established. Mutual recognition of GI between EU and non-EU countries is reached.

**Anti trust policy:** inter-professional agreements are permitted if the OLP product with GI owns a small quota on its reference market.

**Sanitary standards:** regional rules specific for OLPs products are permitted, but on the basis of specific EU guidelines and within a severe authorization procedure.

## Scenario 4 : Regionalism won

### 1. The political and economical context for OLPs

WTO negotiations succeed in a acceleration of exchange liberalisation : the market support through the Common Market Organisations have to disappear. Direct market support is no more allowed.

The European enlargement process ask the CAP and regional policy financial questions. Furthermore, the diversity of the problems to solve and the political acceptance are pleading for the giving preference to regional/national solutions.

The **financial perequation** between the rich and poor regions becomes the main piece of the cohesion policy. The principle of the financial perequation is that every region contributes to the European cohesion budget according to economical development criteria. This found is redistributed according different criteria and general principles but the different measures are decided at regional levels. Common definition on regional competencies are necessary.

The **Indications of Origin**, protected in principle in the framework of the TRIPS agreement, are well protected. The international register were established and extension to all food products could be achieved. It has been possible thank the interest of developing countries.

**CAP + 2<sup>nd</sup> Pillar**: The green box becomes a general rule. It allows regional/national specific supports to farmers according to common principle but giving no min. or max. amount per farmer.

General principles are the following: Direct payments must be specific to special services, including ecological or animal welfare benefit. They can be directed to encouragement to rural areas activities especially for the conservation of biodiversity, artisan making, traditions, patrimonial resources. Direct payments are devoted to a set of defined measures only, in line with the WTO green box.

The financial support for agriculture is only redistributed according regional decisions, depending on political willingness to help at these two levels.

**Supply quota**: The quotas have been completely removed in 2008, as well as all other "rights to produce". The number of farms decrease depend on the competitive advantages at regional level, including the political support at these two levels.

The **European anti trust** policy concerns the big firms concentration. Interprofessionnal bodies agreement regarding food supply chain governance are allowed in order to preserve local traditions and activities and traditional food products.

**Food standards**: The local and regional rules, favouring farmhouse production, raw milk, local slaughter, etc., are established and allow this kind of production to survive, although it has to respect minimum strict control standards (Quality insurance, HACCP).

The innovations increasing productivity are not accepted at regional level before a large consensus between civil society and firms about ethical concerns. The right for people to refuse certain technologies at regional level is preserved.

**Agri-Food Market** : The agribusiness sector is able to buy it's raw material (produced in EU and imported) at a very low price, which allow them to be competitive on export markets. The differentiation is based on geographical origin with regional political support for every kind of marketing based on regional identity. The market segmentation go in two complementary directions: trademarks and regional OLPs or GIs. Organic products, which are recognised at the world level, are a living niche on the market. Most of the food offer is based on IPM agriculture, which is defined and controlled by private bodies, accredited by the State. Both organic and IPM are also subject to geographical differentiation.

Farmers are either subcontractors of very large enterprises (cooperatives or private) and then created internal "trade unions" to defend their interests or member of a regional Interprofessional body, which can be very strong, depending of the regional/national regulation regarding it.

An important part of the food is sold today in supermarkets, who offer a very wide range of products from the whole planet, with very efficient and varied information systems, based on internet facilities. The e-commerce and other innovations developed rapidly. The competition between firms is high but mainly at regional/national level. In effect, the prices of stuffs transport are charged with very high taxes at world level, in order to keep a sustainable atmosphere.

Thank to cohesion policy, the LFA are developing strategies focused on the most important stakes at their level. It permits

## 2. Consequences on OLPs

To summarise in a dynamic perspective, the regional competencies are a good way to encourage sectoral or corporate initiative to evolve in a more territorial logic. But the risks are high:

- when too much regions are not giving sufficient financial support and political impulse, the territorial developing or developed initiatives can be forced to evolve to sectoral (and after severe restructuration of the industry sometimes even corporate) logic. The territorial dimension can be totally loose (less attention to the local activities and no more connection to other activities in a rural development perspective).
- the opportunism prevalent in the corporate / sectoral logics will be prejudicial for the product quality. The signification of PDO-PGI scheme will decline, as well as for the territorial PDO-PGI supply chains.

To avoid this evolution, strong European institutions are necessary. Their role is to be the guarantor of the seriousness of the territorial dimension and the high quality of the product.

#### 4.7. Impact of the scenarios on the OLP systems

(If we say a scenario is threatening a system, it means this system may not continue )

Table 10 : impact of the scenarios on OLP systems

	<b>Scenario 1</b> <i>CAP reform won</i>	<b>Scenario 2</b> <i>Liberalisation without rules won</i>	<b>Scenario 3</b> <i>Cork conference approach won</i>	<b>Scenario 4</b> <i>Regionalism won</i>
<b>Main features</b>	Decoupling Quotas removed	No rules on protection besides private trademarks Anti trust laws win	More money for Rural Development (LEADER initiatives) Regionalisation in the definition of the implementation of the CAP (definition of priorities)	Regulation : yes Subsidiarity at the regional level
<b>OLP system I Developing / Territorial</b>	Not favourable because of low means in the growth phase Increases slightly under pillar II, where governments prioritise them Status not changed Some diversification not significant No specific measures for infrastructure Must be competitive / innovative	OLPs may find it difficult to develop cross-sectoral coordination, which is necessary to build the strong marketing identities needed, without support. Success will depend on charismatic individuals who have civic interests and values Possible only in regions already provided with strengths and right culture.	OLPs benefit from Leader programme which supports local projects by technical assistance, aiming at promoting OLPs. Leader support also non professional and non agriculture firms, and helps local communities to promote local resources and skills by fostering the involvement of many different rural actors; Rural development policy supports environmental schemes, biodiversity, initiatives aiming at increasing the value of rural resources, which may benefit OLPs. Regional Administrations usually pay attention to local collective initiatives and OLPs within Rural Development Plans and promotional activities even at single firm level. These OLPs have opportunities to develop and grow, especially where they can show genuine cross-sectoral activity and generation of wide socio-economic benefits. But in the effort to promote OLPs, firms may be too much "pushed" towards the production of OLPs without having the necessary production and marketing competences. A great effort in monitoring these activities and producing support services should be made. Also risk of many territories following very similar strategies to gain access to funds, leading to saturation of markets.	The richest regions win The risk is for other regions to abandon support. Political change in the region leads to decrease → Uncertainty , no continuity of the regional commitment

<p><b>OLP system II Developed / Territorial</b></p>	<p>Some pillar II funds available for training , but not very significant Selling the rights could have bad consequences on territorial organisation. Incentive for OLP producers ? light growth because constraints are strong (because the mass products are not attractive any longer )</p>	<p>Less incentive for cross-sectoral partners to work together. Depends of the richness of the region on the basis of the regional market. Civic interest of the entrepreneurs (not sustainable) OLP with existing strong reputations may be able to survive, but need more resources to be devoted to marketing, and brand enhancement and fighting usurpations.</p>	<p>As OLP system I, with less opportunities from Leader initiative, but more opportunities from Rural development plans, with special reference to structural investments (equipments, processing machinery, etc.); Risk that as these OLPs tend to exist in areas with higher prosperity, and with socio-cultural heritages leaning towards cooperation, there will be problems in transferring the model to other types of territory; Risk also of market saturation, and lack of market orientation/innovation. Spatial variations in prosperity between rich and poor regions may still remain</p>	<p>The risk is for other regions to abandon support. Political change in the region leads to decrease → Uncertainty , no continuity of the regional commitment  The strongest (not many) may survive Not threatened , not encouraged</p>
<p><b>OLP system III Developing / Sectoral</b></p>	<p>Decoupling encourages new SC structure, this might lead to better organisation of the SC, but the producers do all the work, depends of the actors Opportunities in Red meat and dairy, where CAP causes restructuring of standard Upstream Supply Chain . Others unaffected. Some funds under pillar II , not much International protection not relevant</p>	<p>Coordination may be less problematic as in systems I and II. But marketing skills may be difficult to develop which have been traditionally production oriented? Quality assurance systems are helpful Developing strong relationships within the SC : subcontracting / integration Key individuals</p>	<p>These OLPs may benefit where they can also show strong natural and cultural links to territory, giving products special character; Rural development shift may lead these OLPs to pay more care to territorial externalities in order to benefit from the support of Regional administration and rural development funds; Leader initiative benefits developing systems (see OLP I); Rural development plan may help firms to update their structures and production process; Types of supply chain relationship which emphasise partnership working between SMEs are also likely to be favoured; Risk of marketing skills and activities not being developed or prioritised highly enough; OLPs which show no links to other sectors will not be favoured.</p>	<p>Support is not given : negotiated with the initiator, region can put conditions Not supported by the regions, who tries to pull it to territorial logic Agreements are difficult to conclude and take time: the negotiations between sectoral and pure merchant interests of the supply chain and territorial / rural development interests of the regional authorities will be hard. Long term tendency for the supply chain to focus strategy more on territorial issues when the regional authorities succeed in giving the right inputs and supports.</p>
<p><b>OLP system IV Developed / Sectoral</b></p>	<p>Helped by Strong international protection, but decoupling threatens this it create a disequilibrium in the SC(producers./processors) Concentration of producers in more efficient area, threatens relationships in the SC Bad for the environment More sectoral The role of consortia becomes critical</p>	<p>These OLP are threatened by the anti trust aspects of this scenario as well as usurpation of reputation. The largest OLP may have the resources to fight. Integration in the SC and possible lost of co-operative culture.</p>	<p>Shift of attention towards territorial logic in order to capture benefits and regional attention. This may lead to some tensions within structured supply chains, and the result may vary according to the structure and the strategic behaviors of different firms, on the link the product may have on the local system, etc These OLPs are threatened by policies that emphasise territorial development over sectoral development. They will have to find ways to integrate cross-sectorally in their regions in order to</p>	<p>Idem : Agreements are difficult to conclude and take time: the negotiations between sectoral and pure merchant interests of the supply chain and territorial / rural development interests of the regional authorities will be hard. Long term tendency for the supply chain to focus strategy more on territorial issues when the regional authorities succeed in giving the right inputs and supports.</p>

			qualify for support or development funds. Production efficiencies and abilities to compete internationally may be compromised. These OLPs may have to choose between two very different development pathways – local integration or sectoral competitiveness.	
<b>OLP system V Developing / Corporate</b>	Implications are similar to system II regarding SC coordination ?? Contracts between firms and producers to ensure the supply Entrepreneurial producers may find opportunities to develop new OLPs	Favourable scenario Development of innovations and attractive products Sub-contractors for Supermarkets brands Good skills in marketing Those OLP may borrow ideas from existing OLP, therefore are conflicts likely to occur. PDO-imitations through the firms and weakening of the OLP concept in the consumers' eyes	These OLP producers may find it difficult to start up and develop, unless they are reviving a recently extinct 'authentic' OLP, and operate in a region where there are genuinely no other producers, so it is acceptable for them to work individualistically; Leader Initiative and Rural Development Plans use to support starting associations and collective initiatives, as well as promotional activities; as a consequence, territorial attention may force individualistic firms to co-operate, but they may face difficulties in doing that;	Those systems are not favoured When several firms apply, it can be negotiated  There are legitimacy conflicts at regional level for giving individual support. There are more inclined to give to collective initiatives. But for special actions such firm creation or innovations, there are some open doors. It can be also a opportunity for firms to group their demand for collective education / training programmes in order to get financial support from the regional funds.
<b>OLP System VI Developed / Corporate</b>	OLP have to find new suppliers , on contract basis Actors may have to deal with some problems in upstream SC restructuring, if they operate in affected sectors Opportunities available through "quality improvement" channels	Very favourable ++ The most suited to Sc. 2 Producers may use their existing marketing skills and resources to develop new and attractive OLPs Threatened by increased competition generally in the area of quality, specialised products, but their size help them to compete	These OLPs are also threatened by Scenario 3; these OLPs may choose to innovate into new types of product or market, or may fight to retain ownership of existing GIs; more difficulties faced by single firms used not to co-operate to enter the logic of cooperation and territorial involvement; risk of using only the "lighter" multifunctional aspects of OLPs for marketing purpose without a real commitment on environment, biodiversity, culture.	The developed and corporate can be sponsored The firm well established in the region can be an help for the region  In these cases, the firm can be a providential sponsor for the region

Table 11 : summing up of the scenario impacts

	<b>Scenario 1</b> <i>CAP reform won</i>	<b>Scenario 2</b> <i>Liberalisation without rules won</i>	<b>Scenario 3</b> <i>Cork conference approach won</i>	<b>Scenario 4</b> <i>Regionalism won</i>
<b>OLP system I</b> Developing / Territorial	*	*	*****	* or *****
<b>OLP system II</b> Developed / Territorial	**	*	****	* or ***
<b>OLP system III</b> Developing / Sectoral	***	**	***	**
<b>OLP system IV</b> Developed / Sectoral	**	***	***	*
<b>OLP system V</b> Developing / Corporate	***	****	**	* or ****
<b>OLP System VI</b> Developed / Corporate	**	*****	*	* or ***