

HIGH QUALITY PRODUCTS AND REGIONAL SPECIALTIES: A PROMISING TRAJECTORY FOR ENDOGENOUS AND SUSTAINABLE DEVELOPMENT

Paper presented at the International Conference "The Future of Rural Policy", OECD, Siena, Italy, 10-12 July 2002

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1. *towards a definition*

In the land that excels in products such as *carne Chianina* (the basis for the well known *bistecca Fiorentina*), *formaggio Parmigiano Reggiano* and *Chianti* wine, it might appear, at first sight, quite a ludicrous operation to try to define the notion of 'high quality food product'. This is especially the case when the one who is trying to do so comes from faraway, i.e. from the Netherlands. Nonetheless, at a more general level, the development of a proper definition of high quality and/or regional products is, I believe, quite a useful activity. This is especially the case when the interface between the production of high quality food and rural policy is to be discussed.

Distinction is, I think, the keyword for any such definition (Bourdieu, 1986; Barberis, 1992; Allaire and Sylvander, 1995). It is distinction that resides in the distinctiveness of the primary process of production. A key feature here is often the use of (specific) local resources, a keen embedding in local ecology and an ample use of local knowledge (Roep, 2000). Distinction also resides in the distinctive nature of the process of transformation: the artisan nature of the transformation process (as opposed to industrial) often turns out to be a decisive feature here (de Roest, 2000). Thirdly, there may be the distinctiveness in the process of commercialization: short chains and the central importance of regional markets might be important in this respect (van der Meulen, 2000). Fourthly, we have to include the distinctiveness of the final products. Taste, appearance and/or freshness will be for sure among the important criteria at this level. But it is more than these: there will be a close, albeit dynamic 'fit' between the products concerned and the reigning social definitions of quality (van der Meulen and Ventura, 1994; Maffesoli, 1996; Featherstone, 1991). This 'fit' is often the outcome as well as the vehicle of strong culinary traditions. Price is equally a vehicle of distinctiveness at the level of the quality products. From recent research we know that a higher price (as compared to non-quality or 'bulk' alternatives) contributes significantly to distinctiveness (Ittersum, 2001).

The more a product distinguishes itself along these four dimensions, the more it emerges as a high quality food product and/or as a regional specialty^[1]. Hence, there are degrees of distinctiveness - just as there are different trajectories for developing more distinction^[2].

^[1] Throughout this text I will use high quality products and regional specialties as synonyms. All known high quality products use a regional or local origin as a benchmark for distinction. On the other hand, there are only market changes for regional and/or local products if they distinguish themselves in terms of quality.

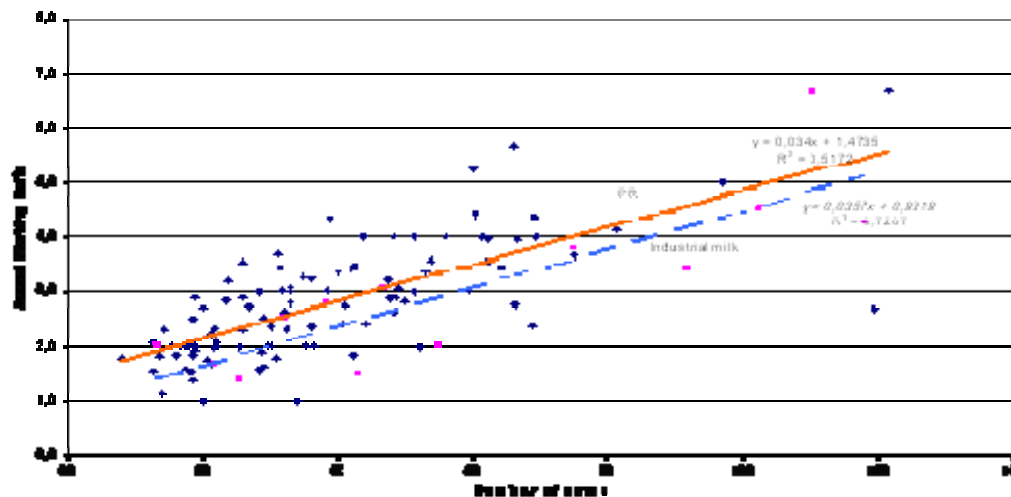
^[2] An interesting example might be derived from the domain of the *Parmigiano-Reggiano*. Recently a special *PR* has been developed which is made exclusively from milk produced by the old, regional cattle breed, the *vacche rosse*. The same applies for *PR* coming from the mountain areas in the *PR* district. And finally one might refer to *PR* made from organic milk. All these examples refer to a further proliferation along the first dimension of distinctiveness.

Equally it can be stated that the more a high quality or regional product is made distinguishable, the higher the net value added per unit will be on the level of the concerned farms. This finding, then, introduces a fifth dimension of distinction: that is its relevance both for the farm economy and the regional economy. I will illustrate this aspect with some comparisons.

2. on the relevance of high quality and regional products

In a recent study Cees de Roest (2000) compared the socio-economic impact of Parmesan cheese (*PR*) production with that of conventional dairy farming specialized in the delivery of 'industrial milk'. Figure 1 summarizes some of his findings.

Figure 1: Employment rate per cow in industrial and Parmigiano-Reggiano dairy farms
(only farms in the plains)



Due to the particularities of producing good cheese milk (suitable for transformation into *PR*), labour input is higher on *PR* farms than on farms producing 'industrial milk'^[3]. Making good cheese milk requires more work (other circumstances being equal) than producing 'plain milk'^[4]. Taking into account the herd-size distribution, De Roest concludes "that the production of Parmigiano Reggiano cheese is able to double the amount of employment available on the dairy farms" (De Roest, 2000; De Roest and Menghi 2000: 445). Instead of 11,290 AWU, the regional employment in primary dairy production is 21,154 AWU.

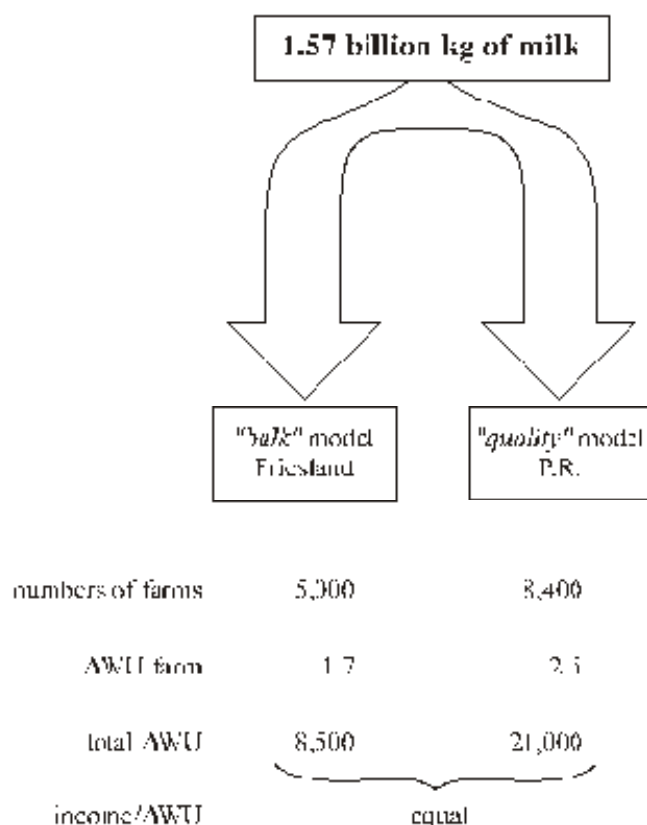
The regional impact of quality production is reaffirmed by a comparison that was made between the province of Friesland in the Netherlands and the *PR* area in Italy. Both areas dispose of exactly the same milk quota. In Friesland this associates with a direct employment effect in primary production of 8,500 AWU, in the *PR* area it is 21,154 AWU. Income-levels per AWU are, on average, the same (Broekhuizen and van der Ploeg, 1999)^[5].

^[3] This evidently concerns the second dimension – artisan production; relevant here are particularities such as forbidding the making and use of silage, the need to have a considerable percentage of luzerne cultivation in the cropping pattern, and the associated need to work with well bred manure instead of slurry.

^[4] The more so since *PR* is made out of 'raw milk'. It is not pasteurised as is the case with industrial cheeses.

^[5] Indirect employment is, in the case of *PR*, also considerably higher.

Figure 2: Friesland and Emilia Romagna compared



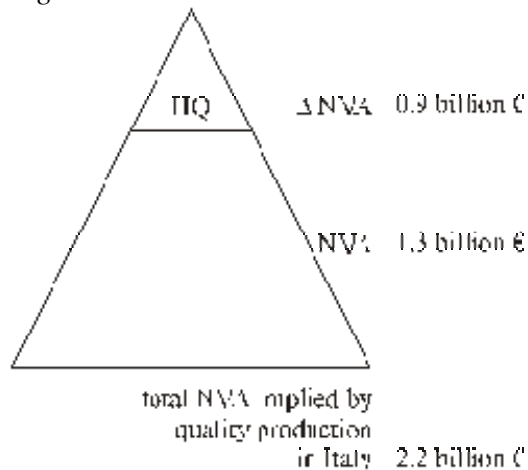
It is important to add that the relevance of quality production to Rural Development is not limited to the generated regional income and employment only. "Parmigiano Reggiano farms in the plains show [...] a total nitrogen loss of 239 kilograms of nitrogen per hectare [which] compares with 309 kilograms/ha for the industrial dairy farms - a difference in the order of almost 30%" (De Roest and Menghi 2000:445).^[6] The dimension of sustainability is also highlighted by Ventura (1995 and 2001) who demonstrates that the "resource use efficiency" (notably of energy) is, in the case of *Chianina* meat production, considerably higher than is the case in 'industrialized' animal fattening of the feed-lot type. For another high quality meat sector (*Barroso* meat in Tras-os-Montes in Portugal), van den Dries shows that per unit of the most scarce resource (i.e. irrigation water), employment and income effects are 2 to 3 times higher than is the case within newly introduced, more 'modern' farming systems in the area (van den Dries, 1995 and 2002). Due to their particular history and especially due to the high degree of fine-tuning to the local eco-systems, the production systems of high quality food and regional specialties tend to be more sustainable than conventional systems. Taking into account issues of landscape and bio-diversity tends to the same type of conclusion.

So far for *PR* cheese. Italy has 113 officially recognized PGI and PDO products, with another 150 in the process of recognition. Taking all recognized quality products together (including meat, wine, olive oil, etc.) it was concluded (van der Ploeg et al 2002) that, in 1998, these products represented a total net value added (at the level of primary production) of 2.2. billion

^[6] This difference is partly due to the centrality of alfalfa in the cropping pattern on *PR* farms. It is telling though that De Roest and Menghi conclude, on the basis of a multivariate analysis, that "with increasing stocking rates, industrial dairy farms are confronted with a more rapid deterioration of their nitrogen balance than dairy farms that deliver milk for making Parmigiano Reggiano cheese" (ibid.)

Euro^[7]. This might be broken down as follows: 0.9 billion Euro is to be considered as *delta* NVA, that is, strictly speaking, the extra NVA that stems directly from the fact that we are dealing here with quality products characterized by premium prices (and by a somewhat different cost structure). This extra or *delta* NVA comes, as it were, on top of the NVA that would have been realized if the raw materials concerned had passed through current "non-quality" channels and had therefore received the current market prices (see Figure 3).

Figure 3:



Thus, two types of observations are possible. First, by entering into the high quality segments of the markets, the implied set of agricultural enterprises raises its NVA by some 70% (from 1.3 to 2.2. billion Euro). Second, not only is considerable extra NVA generated through quality production – but it is quite probable that it is precisely because of this orientation to quality production that agricultural activity as such (that is the basis of the triangle in Figure 3) is sustained and maintained in the areas concerned. Without the upgrading as implied by quality production, this 'basis' would probably disappear from the regional rural economy (see also Roep 2002 who arrives at the same conclusion for areas in the North West of Europe).

High quality production in agriculture is not a phenomenon that is just limited to the domains of production and transformation. The results of a recent European study of the socio-economic impact of rural development^[8] permit a further view on the ways in which high quality production is interlinked with other domains. Going back to the top of the previous triangle (that is to *delta* NVA resulting from high quality production), we find, in the first place (see Figure 4) that at European level at least 2.3 billion Euro *extra* NVA was generated in 1998 through high quality production. At the same time, though, it results that high quality production is closely associated with the creation and use of short supply chains (for further discussions see Marsden *et al* 2000 and Miele 2001). Through this actively created synergy an additional extra or *delta* NVA of 2.5 billion Euro is created. And finally this constellation increasingly embraces organic farming as well. That makes for an extra NVA of 0.4 billion

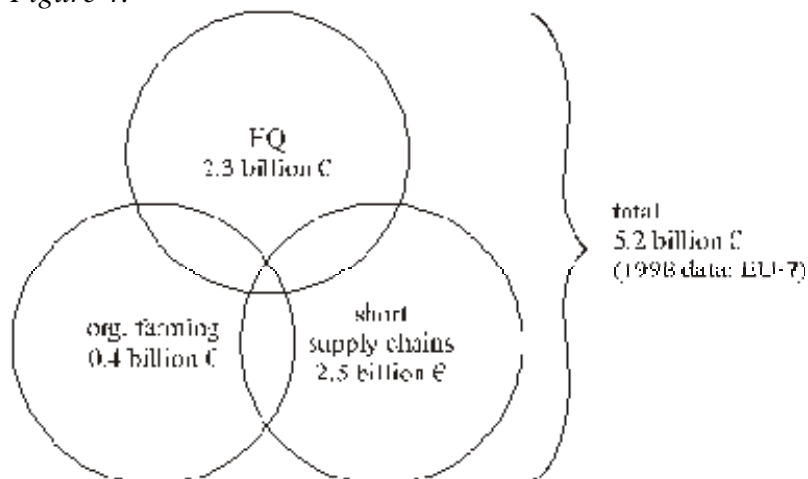
^[7] The total GVP at farm level was some 3.5 billion Euro, whilst after transformation, that is at the level of the food market, this represented some 8 billion Euro

^[8] This study was realised in Ireland, England, the Netherlands, Germany, France, Spain and Italy. Its results are summarised in *Living Countrysides, Rural Development Processes in Europe*, to be published by Elsevier in September 2002.

Euro. Taken together a constellation emerges that accounts for a *delta* NVA of 5.2. billion Euro (van der Ploeg et al, 2002).

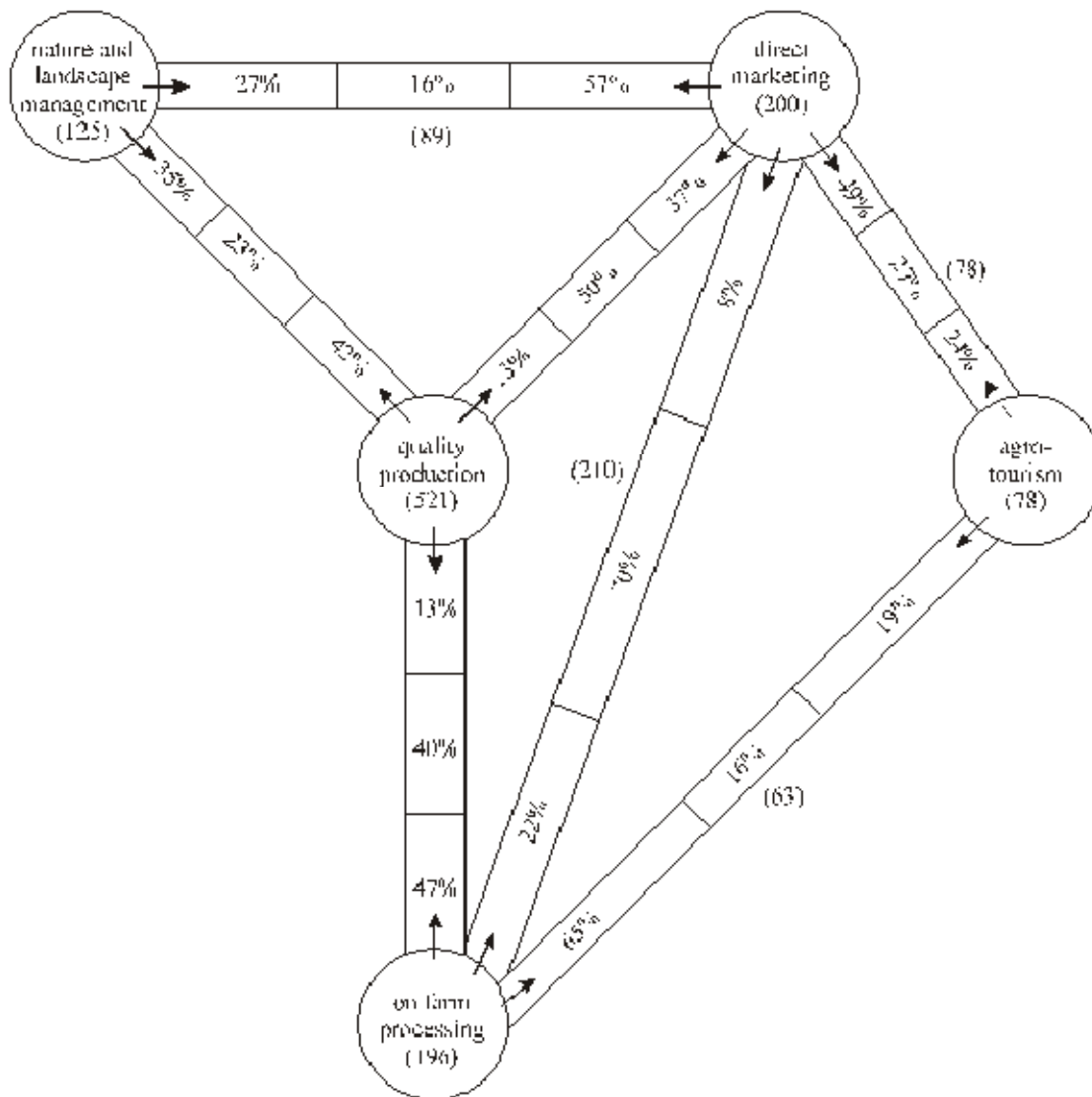
Within Europe, the Netherlands is often considered to be an agricultural giant. However, if we take into account that in 1998 the agricultural income in the Netherlands equaled some 4 billion Euro, we cannot but conclude that in the meantime another giant has developed. That is, high quality production as a widespread and multidimensional phenomenon.

Figure 4:



The newly emerging linkages in which high quality production is increasingly embedded are also shown in figure 5 (which is based on the outcomes of a European wide survey amongst farmers, n=3,500; see Oostindie et al 2002). Apart from the already discussed axis that links high quality production to direct marketing, it shows that new axes are developing that interlink the former with phenomena such as nature and landscape management, on farm processing and agro-tourism. From the 521 producers involved in high quality production, 125 are also involved in the management of nature and landscape. Of these cases, 42% of this newly constructed synergy started from high quality production (which subsequently evolved to include the management of nature and landscape). In 23% of the cases there was a mutual start, while in 35% involvement in nature and landscape management was followed by the start of high quality production.

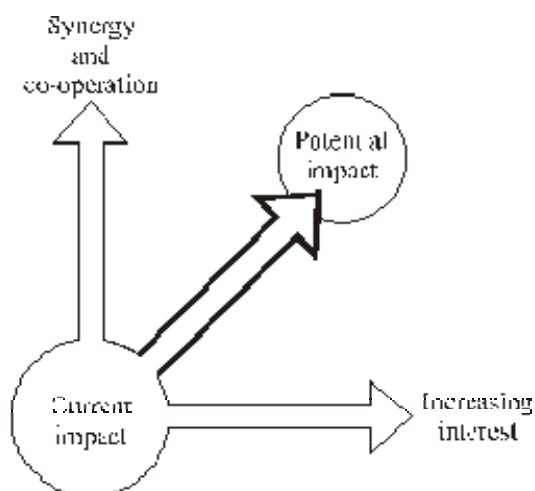
Figure 5: interlinking different types of rural development activities



3. prospects and policies

When discussing the prospects of high quality food products and regional specialties it is often argued that in one way or another a kind of 'upper ceiling' has been reached. This implies that a further expansion of this segment is not very probable or could even be a kind of self destructive process, in which mutual out-competing would be the key word. The prospects for further development have been studied in the research program already referred to. The 'jump' from actual to potential impact has been conceptualized, in this program, as the vector of two different, albeit interlinked processes. These are growing interest amongst other farmers and the active construction of synergy (see Figure 6).

Figure 6: Potential impact as vector of growing interest and creating synergy



As far as interest is concerned, the European wide survey indicated that apart from those already involved in high quality production, a further 31 % of European farmers is interested in a change towards high quality production (going from 10% of Dutch farmers to 46% of German farmers). More telling though is the synergy dimension. At the level of the EU as a whole, farmers who are involved in just one rural development activity derive on average 38% of their farm income from that particular activity. However, farmers who are simultaneously involved in two types of RD activities (through 'webs' as illustrated in figure 5) derive 57% of their income from these activities. And farmers involved in three or more activities obtain 64% of their income from this multiple involvement.

In my opinion these data allow for two types of conclusions. First, they show that by combining different activities (that is through the active construction of synergy) considerable additional income effects might result^[9]. That is, multiple involvement in rural development activities as e.g. high quality production combined with direct marketing and agro-tourism, emerges here predominantly as *endogenous* process, that is spurred by the well understood interests of those involved. Secondly, the very presence of this phenomenon of actively constructed synergy, indicates that *beyond* the markets as such, there is room for further development of high quality food products and regional specialties. By combining such activities with other RD activities, an important line of defense is generated vis-[-]vis adverse market tendencies (Milone and Ventura, 2000).

The construction of synergy not only depends on individual activities. Synergy might also be constructed at higher levels of aggregation. I will discuss one example, especially because it is here where the (potential) relevance of rural policies of cooperation, and new rural districts are emerging.

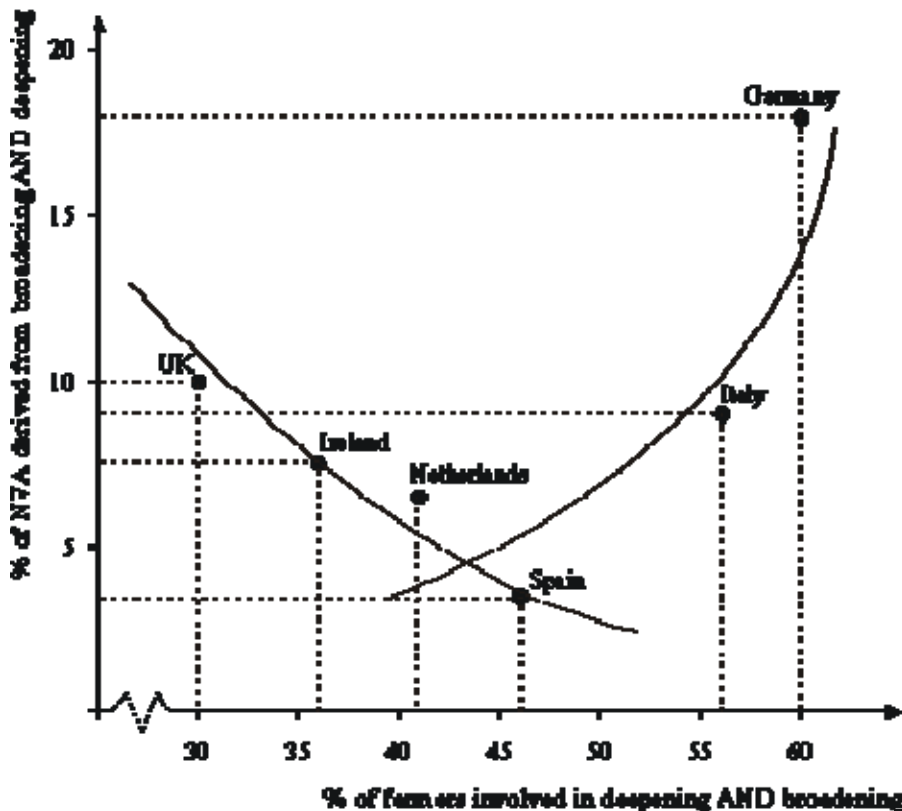
The *Costa degli Etruschi* wine route is the outcome of the concerted action of a range of actors, amongst them wine producers, recreational entrepreneurs, local and regional authorities. It offers tourists the possibility to come to know and to experience the scenic landscapes, the cultural heritage, the wine, the culinary specialties and gastronomic products of the area (Brunori and Rossi, 2000). For the concerned entrepreneurs, farmers included, there is a common set of rules aiming at a high quality supply of services. The creation of the wine route resulted in an unfolding chain of (measurable) direct and indirect effects. One

^[9] See for a further theoretical discussion Saccomandi 1998. See also Panzer and Willing 1982 who discuss the differences between economies of scope and economies of scale. Multi-product firms might obtain considerable cost reductions when one and the same set of resources can be used to generate a multiple range of products and services (see also Scherer, 1975)

effect of the wine route is a considerable and continual increase in the number of tourists. This translates into an increasing demand for agro-tourist facilities and an increased demand for direct sales. This is followed by increasing sales volumes and an increased value per unit. Equally there is an increasing awareness of customers for regional specialties, which in turn is translated into an increased demand for bottled wine and an increased demand for indirect sales. This is followed by premium prices and an increased net value per unit. Taking together all these different effects, there is -as a consequence of this joint effort- an *extra* net value added (on top of the already existing NVA of 3,598,500 Euro) of 1,079,550 (a prudent estimation) to 1,439,400 Euro (a more optimistic estimation).

Figure 7 refers to the percentage of farmers involved in RD activities (amongst them involvement in high quality production) and to the % of NVA at sector level that is derived from these activities. The distribution of countries within this space suggests the presence of two tendencies. The first (going from the UK to Spain) indeed reflects a downward trend: the more farmers involved, the lower the relative income contribution. But there is as well a reversed trend (one that runs via Italy towards Germany): Here an increased participation in RD activities translates into a growing share of RD generated income. It is not too adventurous a hypothesis to assume that this again relates to the relevance of rural policies and the formation of new rural districts, that is to areas with an integrated and mutually reinforcing whole of RD activities. In other words, areas of the *Costa degli Etruschi* type (see for a further discussion Iacoponi et al, 1995).

Figure 7: involvement and income effects at sector level



Is it possible to create *new* high quality and/or regional products? Is the construction of *new* rural districts possible? Evidence from all over Europe (ranging from the *Scalognodi*

Romagna in Italy, via the *Waddenproducten* in the Netherlands to *Lynn beef* in the UK,^[10] shows that this is indeed possible, although the difficulties are often enormous (van der Ploeg, 2002).

On the positive side is the fact that European farmers involved in the creation and further development of high quality products and regional specialities refer to market opportunities as one of the main driving forces for their involvement (83%). Of equal importance are the "suitability of the area" (82%), "personal interests and skills"(80%) and the availability of "necessary assets (land, labour, buildings)" (81%) (Oostindie et al 2002). Thus, RD and especially the creation and embedding of high quality food production-systems emerges as a market-led development, that links both the global (new market opportunities) and the local (the area, skills, assets, etc).

On the negative side, though, there is the fact that *restrictive regulations* are seen by 69% of farmers involved in high quality food production as a major constraint for any further development. Interestingly enough, most farmers (75%) perceive the European Union in this respect to be a favourable factor, while only 26% perceive "national government" as favourable.

From here on, some suggestions for adequate rural policies might be formulated.

1. The (endogenous and market-led) development of new circuits for the production, transformation and commercialisation of high quality and regional food products runs increasingly counter to different layers of regulation. Supra-national, national and regional policies (especially the ones concerning hygiene and food-safety) not only frequently exclude the development of new regional quality products, but also threaten the consolidation of existing quality production systems. I believe that there is just one satisfactory, albeit at first sight a somewhat radical solution to this problem. That is, to decentralise the responsibility for food safety to the consortia and co-operatives that regulate the different quality production systems. Hence, food safety and especially the way to secure it might differ from one area to another, from one system to another (e.g. artisan versus industrial). The existing PGI and PDO structure could very well be used for such an approach (which, *inter alia*, would be perfectly in line with the principle of subsidiarity). For new high quality food products with regional origins, some experimental room needs to be created.
2. Rural districts, especially those having a high quality food product as pivotal centre, should be facilitated and strengthened as much as possible. Temporary investment subsidies for small and medium enterprises that transform and commercialise the high quality products could be an important mechanism to do so^[11]. The 'second pillar' as well as the modulation mechanism are the proper fields for introducing such a mechanism.
3. Public Research and Development activities should be far more focussed on the further specification of existing high quality food products and on the creation of new ones. Especially in the Northwest and the Eastern parts of Europe there are hardly any such public R&D facilities. Public research mainly follows trajectories and research agendas as specified by large agribusiness groups.

^[10] See respectively Menghi 2002; Roep, 2000 and 2002 and Banks and Bristow, 2002; see also van der Meulen, 1998 on 'hidden' starting points for regional quality production.

^[11] The high degree of monopolisation of the food industry is probably one of the biggest hindrances to the emergence of new high food quality constellations.

4. Rural policies should allow especially for the active creation of synergy, both at on-farm level and at local and regional level. Currently, spatial planning policies, agro-environmental schemes etc., often run counter to the creation of such synergy.
5. A last element I would suggest here is that in the context of rural policies, new programmes need to be developed that aim at a wider recognition of the cultural heritage and values of the countryside (high quality food products and the way they are produced being one of the central elements) within European society as a whole.

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