



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# Transaction costs and transaction benefits associated with the process of PGI/PDO registration in Austria

Penker M.<sup>1</sup> and Klemen F.<sup>2</sup>

<sup>1</sup> Institute for Sustainable Economic Development, BOKU - University of Natural Resources and Life Sciences, Vienna, Austria

<sup>2</sup> faira, Vienna, Austria



**PAPER PREPARED FOR THE 116<sup>TH</sup> EAAE SEMINAR "Spatial Dynamics in Agri-food Systems: Implications for Sustainability and Consumer Welfare".**

Parma (Italy)  
October 27<sup>th</sup> -30<sup>th</sup>, 2010

*Copyright 2010 Penker M. and Klemen F.. All rights reserved. Readers may make verbatim copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.*

# Transaction costs and transaction benefits associated with the process of PGI/PDO registration in Austria

Penker M.<sup>1</sup> and Klemen F.<sup>2</sup>

<sup>1</sup> Institute for Sustainable Economic Development, BOKU - University of Natural Resources and Life Sciences, Vienna, Austria

<sup>2</sup> faira, Vienna, Austria

**Abstract—** Since 1992, the European Union protects names of regional foods as Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI). Besides direct benefits such as higher prices or the protection from unfair competition, researchers and rural development agents emphasize the indirect benefits resulting from an intensified interaction of producers, processors and retailers during the registration process. Based on a comparative case study in Austria, this paper analyses the relation of transaction costs and transaction benefits associated with the registration process of two PGIs. Whereas one case was based on extensive outsourcing to a private consultancy (for just under 50,000 Euro + 160 working hours invested by the producers over 3.5 years), the other one was mostly the result of extensive personal contributions of the regional producer group (2,000 hours over ten years) who were assisted by the state extension services (Chamber of Agriculture, additional 1,000 work hours). The comparative case study does not give any indication that outsourcing necessarily bears the risk of diminishing indirect benefits, such as social capital building, intensified co-operations with other rural sectors, higher awareness of and compliance with quality standards. This does not mean that there is no positive relation between transaction costs and transaction benefits but it emphasizes that there are more and less efficient processes.

**Keywords—** transaction costs, registration process, Protected Geographical Indication

## I. INTRODUCTION

Since 1992, the European Union protects names of regional foods as Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI). The regulation (EC) 510/2006 lays down the rules on the protection of PDO and PGI for agricultural products intended for human consumption (see Article 1). Both schemes protect names of a region or a specific place that are used for agricultural products or

foodstuff that originates from the respective region or specific place. For PDOs it is compulsory that production, processing, and preparation - that means all steps of production - must take place in a defined geographical area whereas for a PGI it can be production and/or processing and/or preparation (Article 2).

Notwithstanding the growing attention and interest on geographical indications in Europe and worldwide, up to now there is not much evidence on costs and benefits in general [1] and in particular on costs and benefits associated with the often quite time-consuming registration process [2]. Already in 2000, Ilbery and Kneafsey cautioned that some applicants will most likely be discouraged because of the high bureaucracy hurdles [3]. Transaction costs theory argues that time efforts for information gathering, negotiations and other forms of interaction can result in transaction benefits [4]. Thus, efforts for the registration process can not be assessed without including the benefit side. Besides direct benefits such as increases in product prices or sales figures, researchers and rural development agents emphasize the indirect benefits resulting from an intensified interaction of producers and processors during the registration process. Marescotti [5] argue that the application process for a cherry PDO in Italy “had at least one important effect on rural development: that of making producers meet together and start discussing the problems of cherry cultivation and local agriculture more in general, thus reinforcing the solidarity and cohesion between farmers”. According to Fournier [6], “GI can [...] reinforce the territory construction process thanks to delimitation, harmonization of individual strategies, affirmation of collective strategies and the setting up of a frame for collective action at the territory level”. Belletti et al. [1] emphasize implications for the whole local system, such as the encouraging of social interactions or

positive spill-over effects for tourism or handcraft activities. Transaction cost theory provides the conceptual framework to contrast these indirect benefits – or transaction services – with the associated transaction costs. Based on a comparative case study in Austria, the proposed paper analyses the relation of transaction costs and transaction benefits associated with information gathering, meetings, discussion and negotiation of quality standards or the preparation of the documents for the registration process.

Costs and benefits associated with PDO/PGI have already been analyzed by some studies. Verhaegen and Van Huylenbroeck [7] carried out a cost-benefit-analysis contrasting changes in direct costs for production and commercialization and transaction costs with changes in revenues in order to assess the relative profitability of innovative marketing initiatives compared to common marketing channels. They concluded that “changes in the transaction costs can be substantial, even at the farm level” [7]; and emphasized that further research should identify and measure transaction costs. “A common failure of many initiatives is that transaction costs are not adequately budgeted: because they are not directly tangible, these costs are not accounted for by volunteers, in particular at the start of an initiative” [7]. Belletti et al. [1] investigated the costs and benefits occurring after the approval of the PDO/PGI. The final report of the European Techno-Economic Policy Support Network [8] presents an economic analysis of Quality Assurance Schemes (among them four case studies on PDOs) with special attention to benefits and costs for farmers, traders, processors, retailers, and consumers. Apart from the direct costs (certification, membership fees, control costs), the comparative case study analysis also looked into the indirect costs of compliance with production and processing standards, i.e. restriction on agricultural practices (e.g., herd density) and processing practices (e.g., minimum maturing time) as well as additional administrative paperwork and their allocation throughout the value chain. None of these studies analyzed the costs, i.e. transaction costs, occurring before registration.

To our knowledge, there is only one study which shed light on the transaction costs occurring during the process of preparing a PDO/PGI registration: Benner

et al. [9] looked into the high information costs and other transaction costs for PDO/PGI registrations in Germany. According to Benner et al. [9], different kinds of transaction costs can also be expected for PDO/PGI registration in Austria:

- Costs for initial information and legal advice
- Application at the Patent Office
- Negotiations with the Patent Office
- Negotiation and advice costs for final registration at EU level.

## II. TRANSACTION COST THEORY AND GUIDING ASSUMPTION

There is not one single, generally accepted definition of transaction costs. McCann et al. [10] consider Allen’s [11] definition particularly suitable to natural resource policies: “Transaction costs are the resources used to establish and maintain property rights” [10]. Work time lost to meetings, time required to acquire information and communicate with other users, and direct monetary expenditures for information, travel and communication are the main elements [12] [13]. To specify our focus we distinguish transaction costs that occur before the final registration as PDO/PGI from transaction costs for the control of production or processing standards or for legal acts against unfair competition occurring later. Furthermore, we focus on the private transaction costs, i.e. those borne by the members of the producer group (see Figure 1). Of course, production costs or compliance costs for adopting production processes to the common standards agreed upon before registration are not included either.

Transaction costs are spent for a transaction service [4] and serve a certain purpose [16], therefore an action should not be dropped because of high transaction costs [10]. Consequently, we also looked in the benefits of the registration process. More interaction during the registration process could result in higher indirect benefits such as tightening of social networks or better quality standards that are context-adequate and are broadly accepted.

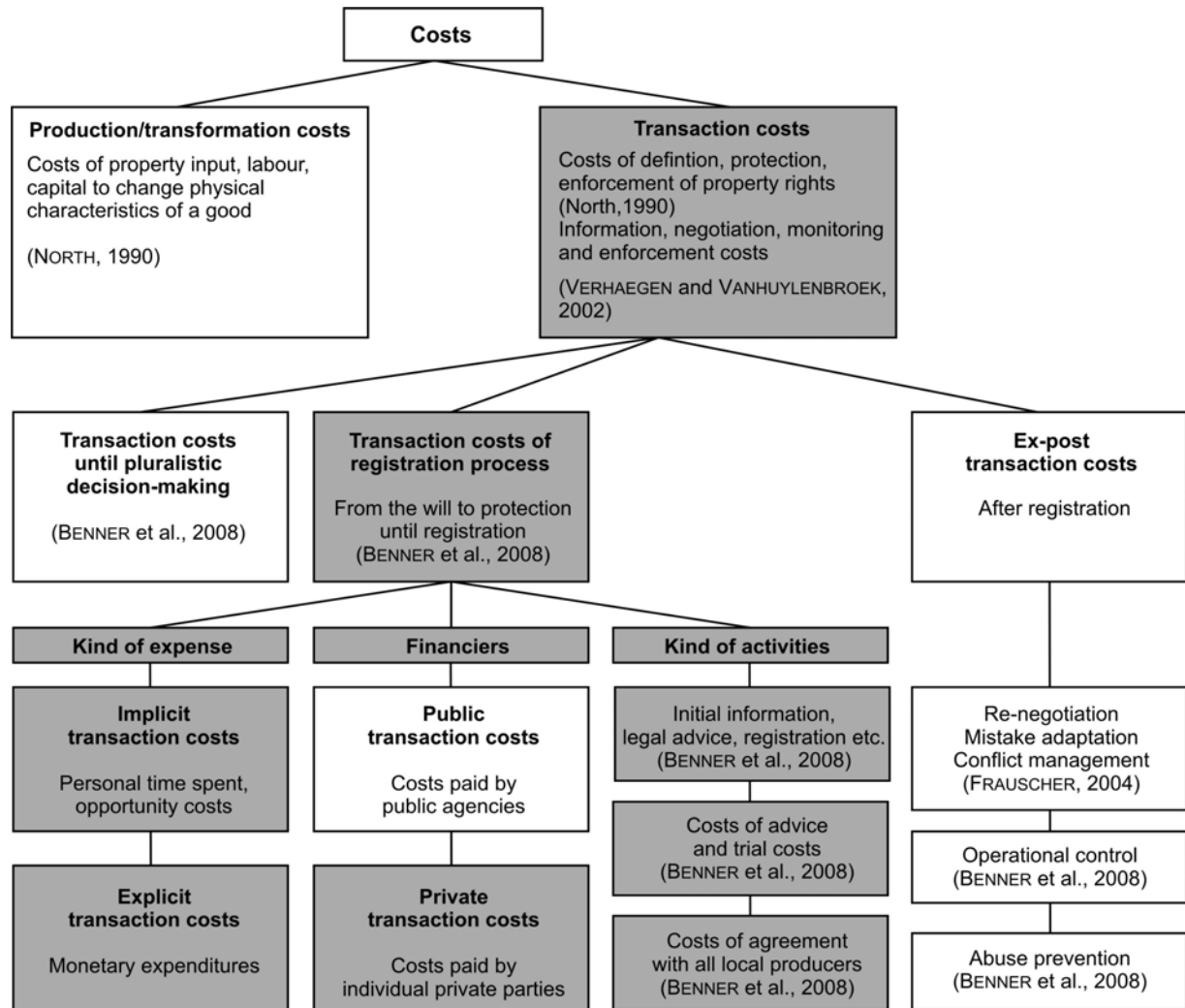


Fig. 1 Categories of costs and types of transaction costs included in the analysis (shaded in grey)

Regarding benefits of PDO and PGI, there are a myriad of studies, mostly case study research. Several with a focus on benefits as perceived by consumers, but also many to shed light on the benefits expected and/or perceived by producer groups or general welfare or regional development benefits. Consumers benefit in terms of being assured of the authenticity of the product, its safety and quality standards and its origin and/or traditional production methods [8]. The producers' benefits include higher product prices, increase of sales, protection from the misuse of product reputation, access to new marketing channels,

better quality management, added value to raw materials, increase of public funding and support [1] [5] [8]. PDO/PGI also contribute to rural development in various ways, but most importantly in the form of creating/protecting on-farm employment as well as rural employment in nearby processing industries. Traditional agricultural production practices are promoted, which helps to preserve traditional landscapes and their agro-ecological system; this again is an important asset for rural tourism [8]. Indirect transaction benefits, such as effects on social cohesion, inter-sectoral co-operation or awareness of and

compliance with quality standards that “are reinforced by the very process of institutionalisation, which forced producers to know each other better and to discuss the problem of [...] the whole agriculture and economic and social activities in the area” [4], have not been much researched so far. In the literature, so far no categorisation scheme of PDO/PGI benefits has become accepted. This restricts our analysis to an explorative and open investigation with a particular focus on the indirect transaction benefits.

The theory based assumption guiding this paper is that there is a positive relation between transaction costs and transaction benefits associated with an intensified interaction.

### III. METHODS AND MATERIAL

As the research topic has exploratory character and concerns a contemporary phenomenon within its real-life context without distinct boundaries between context and phenomenon, a case study approach was chosen [17]. The basic idea of case study research is what Yin calls “analytic generalization”. In contrast to statistical generalization, which would consider cases as sampling units, in an analytic generalization the previously developed theory is used as a template with which to compare the empirical results of the case study [17]. Then, case studies, like experiments, are generalizable to theoretical propositions and not to population or universes [17]. For a rigorous case study research design, the selection of cases is crucial. Selection criteria result from the research hypothesis. In our case, we opted for a comparative case study design that contrasts two recent application processes for either PDO or PGI in Austria.

At least two registration processes must be examined to be able to compare them and to conclude whether the theoretical assumption holds in empirical tests. The legal and cultural context can be kept constant by focusing on cases within the same national framework for PDO or PGI implementation. Preferably recent registration processes are to be examined. Proximity in time and current relevance is necessary; on the one hand to reach participants of the registration process and on the other hand to include their current experiences and knowledge in the analysis. Furthermore, processes which were finalised

successfully recently increase the probability of consent to an interview, which is another prerequisite for the inclusion of a case in the analysis. By 2009, 13 speciality food products had been registered by Austrian applicant groups for either PDO or PGI status (Table 1).

Table 1 Austria’s registered PDO and PGI

Name	Type	Date
Steirischer Kren	PGI	11/12/2008
Gailtaler Speck	PGI	11/07/2002
Marchfeldspargel	PGI	03/04/2002
Tiroler Almkäse / Alpkäse	PDO	25/11/1997
Vorarlberger Alpkäse	PDO	13/06/1997
Tiroler Bergkäse	PDO	13/06/1997
Vorarlberger Bergkäse	PDO	13/06/1997
Waldviertler Graumohn	PDO	13/06/1997
Tiroler Speck	PGI	13/06/1997
Gailtaler Almkäse	PDO	24/01/1997
Tiroler Graukäse	PDO	02/07/1996
Steirisches Kürbiskernöl	PGI	02/07/1996
Wachauer Marille	PDO	21/06/1996

*Source:* DOOR database of the EC (down loaded in July 2010)

Concerning registration date, the two most recent processes were selected. The interviewees were informed about aims and contents of the study in advance. Additionally, interview guidelines were sent out one week before the interview so that the interview partners could prepare relevant documentation.

In other analyses [14] [15], transaction costs are measured as time effort invested by the participants. McCann et al. [10] pointed out that case studies or interviews are often the only option to estimate implicit costs (opportunity costs or time efforts). Also the benefits can be best identified in a qualitative research setting of a case study. Therefore, the primary sources of information were semi-structured interviews and secondary data about the cases (e.g. documentations about meetings, process structure, etc.). The data of the different sources was converged in a triangulating fashion to improve validity [17]. Interviews were made at places proposed by interview partners and held in an informal and relaxed atmosphere. Interview partners showed strong interest in the matter and therefore were very willing to provide information. Interviews were recorded on tape and fully transcribed. Additionally, notes were taken in each interview. The so gained information was analysed in a qualitative content analysis according to

Mayring [18], involving deductive, i.e. theory based (see Figure 1), and additional inductive codes. The following table summarises the most relevant characteristics of the interviews (see Table 2).

Table 2 Overview on basic interview characteristics

	<i>Gailtaler Speck PGI</i> (Gailtaler Speck/Bacon)	<i>Steirischer Kren PGI</i> (Styrian Horseradish)	<i>Steirischer Kren PGI</i> (Styrian Horseradish)
Case studies			
Name of interviewee	Ms Michaela Burgstaller	Mr Matthias Kern	Mr Josef Weber
Position of interviewee	Representative of the producer group and employee at the Chamber of Agriculture Carinthia	Representative of the producer group and chairman of the Styrian federation of vegetable producers	Employee at the Chamber of Agriculture Styria supporting the registration process
Abbreviations used	Spe_1	Kre_1	Kre_2

Source: own material

#### IV. RESULTS

Both cases are niche products with a small market share on predominately domestic markets. Both processes were initiated by the producer groups dominated by farmers. Despite these similarities, the interviews showed two different approaches to the registration process. In both regions, the protection of the food products was initially planned in 1998. While Gailtaler Speck PGI was registered in 2002, the registration of Steirischer Kren PGI took until 2008.

##### A. Comparison of the two registration processes

*1. The registration process of Gailtaler Speck PGI:* For the registration of Gailtaler Speck a private consulting firm was hired. This firm was already involved in the registration process of Gailtaler Almkäse PDO (cheese from the same region) in the mid-nineties and hence was experienced in this process.

*“Well the association handed the application, its preparation and submission over to an external firm based on the decision of the General Assembly of the association [...] This means, all preparation, moderation, elaboration, and consultation with the*

*Patent Office, the compilation of all documents, historic evidence, and, and, and; All of that was done by this firm”* (Spe\_1).

Application was submitted to the Austrian Patent Office eighteen months later. After a revision of the specification – on request of the Patent Office – all documents necessary for registration were transferred to the EU-commission in 2001 and the PGI was officially registered in 2002.

*2. The registration process of Steirischer Kren PGI:* Contrary to Gailtaler Speck PGI, the registration process of Steirischer Kren PGI was realised in collaboration with the Chamber of Agriculture. Here again, Mr. Weber – employee at the Chamber of Agriculture and in charge of drawing up the so-called single document and the specification – was already involved in the registration process of another product, namely Steirisches Kürbiskernöl PGI (Styrian pumpkin seed oil). Because of his crucial role in the process, he was also included as interviewee in addition to the chairman of the producer group.

*“To be honest, I really can’t answer this question. This was written by Mr. Dipl. Ing. Weber”* (Kre\_1).

In 1998 the association “Sarossa-Steirischer Krenwerbegemeinschaft” evolved from a group of horseradish farmers in the Saßtal. This association decided to register Steirischer Kren (Styrian Horseradish) as protected geographical indication.

*“And, then – in collaboration with the Chamber of Agriculture – we always tried to push it on. And then we had the idea – as there have been problems with the marketing of horse radish; that foreign products, as it has been in former times with Hungary, that they overstocked the Austrian market. That’s why we did this. That’s the basic idea of the PGI”* (Kre\_1).

One year later, in June 1999, the application was submitted to the Patent Office for the first time. Due to several enquiries of the Patent Office as well as of the EU-commission and the related re-formulations of the so-called single document and the specification, official registration of Steirischer Kren PGI took until 2008.

In the following chapters transaction costs, transaction benefits as well as cost-benefit relations as perceived by interviewees of the two examined processes will be compared.

## B. Comparison of transaction costs

In order to compare transaction costs of the two PGI registration processes, transcripts were analysed on the basis of transaction cost categories (see Figure 1).

In the Speck case, the producers' efforts to acquire initial information on the registration processes was rather low (Spe\_1). The private consulting firm prepared a two-hours presentation for the participants. It was held in the regional office of the Carinthian Chamber of Agriculture (no monetary expenses for rent). Additionally, some producers were already informed about the procedure because of the Gailtaler Almkäse PDO.

Initial information for Steirischer Kren PGI was acquired from both the Chamber of Agriculture and the producers themselves. According to Mr. Weber, especially the initial phase was “*enormously*” time consuming as the employees of the Styrian Chamber of Agriculture had relatively little experience in this matter. This ended in a tedious research process (Kre\_2). Also some producers actively informed themselves on individual excursions to other PGI regions or at dedicated information events.

In both cases, a producer association had already existed before they started the registration process, no additional transaction costs incurred therefore.

*“An association already existed. The only thing which had to happen afterwards with the association was that the articles of the association had to be adapted”* (Spe\_1).

At Gailtaler Speck PGI the external firm allocated all individual operations in work packages (see Table 3) which were elaborated by the producers in collaboration with the consultant. The single work packages were prepared by employees of the consulting firm. Then they were elaborated by small groups of 5 to 8 producers. The work package “Definition of product name” was worked out by the firm alone.

*“For the single workshops we arranged that there were always between 5 and 8 persons [...] That was prepared by the firm “Plantago”, so that we had always just to sit in the house, 2.5 to 3 hours at maximum”* (Spe\_1).

Monetary costs comprised the registration fee for the Patent Office (580 €) as well as 48,400 € (converted 495,000 ATS) which had to be paid to the

external firm. An application for EU funding (5b-programme) was submitted successfully (financial support of 80%). This means that the producer association had to finance an amount of 10,000 € out of their own resources.

*“[...] firstly the association has its own money from the Speckfest [Speck festival] and and and [...]. And then the own resources had to be brought in and that was clear from the beginning that they have to be raised out of these revenues”* (Spe\_1).

The registration process of Steirischer Kren PGI took – as already mentioned – ten years. In these ten years, about five to six annual meetings were organised to present results and discuss further steps. During the project a core team developed that consisting of 18 farmers. This team took part in almost all events. The core team tried to put gentle pressure on the employees of the Chamber with repeated telephone calls. This should induce them to increase efforts in this project and therefore speed up the registration process.

*“[...] we said that we need protection [...]. Actually, our representative body [Chamber of Agriculture] is responsible for this, that the representative body assures that protection, that we accomplish this. [...] We also forced it that we could apply a little bit more pressure, that we involved several persons, not that everybody calls, to hear how it is going on”* (Kre\_1).

Mr. Weber of the Styrian Chamber of Agriculture estimated the time effort for all employees as about six man-months in total, whereas he himself made most of the work. The application was returned up to ten times by the Patent Office and the EU commission and therefore had to be reformulated several times. The procedure was altered two times by the EU commission; this additionally prolonged the registration process. Legal advice, research (e.g., data collection, identification of sources), meetings and information evaluation were made by other employees of the Chamber of Agriculture. Besides personal time effort, direct costs for rent of rooms, stationary and other expenses had to be paid for. These were estimated with about 7,000 € (Kre\_1). Additional expenses for conflict resolution or due to problems with other farmers in the region did not arise.



“No, there were no problems. That some say, well, that’s not for us anyway. People who are not able to interact with other people in a community, they... We don’t need to start something anyway with them, that’s what I always say. [...] You don’t have to convince anyone. They will find out on their own if that’s for them or not” (Kre\_1).

Table 3: Overview on work packages

Name of work package	Description
1. Consent on system of origin	Clarify if PDO or PGI is better suitable
2. Definition of product name	Define the name for the product that should be protected
3. Product description	Describe the product, its quality indications and other characteristics of the product
4. Definition of production process	Discuss and bring the quality of the final product into agreement with all producers involved
5. Definition of quality and origin of raw materials	Discuss and bring the quality standards for raw materials into agreement with all producers involved
6. Proof of origin	Provide historical proofs, identify, assess and prepare references and sources of evidence
7. Relation of region and product	Describe the relation between characteristics of product and geographical conditions, natural and traditional influences
8. Delimitation of areas	Define region and provide historical proof of region
9. Development of a labelling system	Develop a transparent, closed and controllable traceability system, and a labelling system for the final product
10. Establishment of an internal control system	Define standards for control, develop control system, define sanctions
11. Establishment of an external control system	Contact authorities in charge, develop control system together with external control organisation
12. Adaptation of the existing association	Adapt the structures and articles of the association, secure its basic funding
13. Check of further national requirements	Check requirements and liabilities due to national law, e.g. Austrian Food Law, etc.
14. Application	Preparation of application and required abstracts

Source: Work sheet prepared by the consultant firm Plantago (s.a., s.l.) for the preparation of the *Gailtaler speck PGI* registration (the document was provided by Ms. Burgstaller during the interview)

The following Table 4 summarises the transaction costs of the two registration processes. The notional hourly rate for hiring an external firm is about 23 € I.e., if the hourly rate of the horseradish producers is assumed to be higher than 23 € then – without taking into account the efforts made in the Chamber of Agriculture, or direct benefits foregone due to a longer registration process – hiring the private consulting firm would have been profitable from the producers’ perspective (even without public subsidies).

Table 4 Overview on the transaction costs of the two registration processes

Categories	<i>Gailtaler Speck PGI</i>	<i>Steirischer Kren PGI</i>
Duration	3.5 years (from 1998 – 2002)	10 years (from 1998 – 2008)
Number of people involved	30 producers	18 producers (core team) and other people interested in the process
Monetary expenditures	48,400 €(consulting contract) - 38,700 €(5b funding, 80 % of consulting contract) 580 €(application fee of the Patent Office)	Ca. 7,000 €(rent for rooms, costs for stationary, etc.) 580 €(application fee of the Patent Office)
Time effort	circa 160 hours	ca. 2,000 hours +ca. 1,000 hours for the employees of the Styrian Chamber of Agriculture

Source: own material

### C. Comparison of transaction benefits

As already mentioned in section 2, benefits that come along with PGI registration also can include indirect transaction benefits resulting from more intense interactions of producers during the registration process.

*1. Direct transaction benefits:* In both cases, the participants’ main motivation to take part in the registration process was the protection of their product labels from misuse.

“[...] because the label ‘*Gailtaler Speck*’ was used in whole Carinthia. Well, there was a firm in Villach which produced *Gailtaler Speck*, there were some in Lower Carinthia who always said *Gailtaler Speck*.

*And through this protection, this was regulated, that only producers of this region can use the label, who produce according to the regulations. [...] Well, the label Gailtaler Speck was used for everything in Carinthia in the end. [...] They really wanted to limit it exactly to these regulations and to this region [...]"* (Spe\_1).

*"That's impossible. I as farmer, I produce. My name is used for this and now a firm gets goods from anywhere and sells it with my name [...] And that's certainly the driving force why people say that PGI is super"* (Kre\_1).

In both regions the most important direct transaction benefit were indicated as:

- a spatial limitation of the use of the geographical indication;
- rising sales figures;
- higher popularity and awareness for the product and the region.

2. *Indirect transaction benefits* were perceived in broader regional co-operations. During the registration process co-operations with the tourism association and restaurants were established.

*"And through that [...] protection, we could make completely different marketing [...] And marketing came, at this point of time, very much from tourism. Well, protagonists of the whole story were from the tourism association and the restaurant businesses and and and. That does not only refer to farmers but the association also worked in co-operation with the tourism sector."* (Spe\_1).

Also for the Steirischer Kren PGI there were co-operations between farmers and gastronomy and the tourism association during the registration process. So, in a joint project with regional restaurants a horseradish cookery book was published and a menu was set up. A horseradish adventure hiking trail will be realised with the tourism association.

In both cases, awareness of quality issues and team spirit also benefited from the time collectively invested. By structuring the registration process of *Gailtaler Speck PGI* in work packages and by collaboration of all involved producers, they scrutinised the single production steps and therefore gained a deeper insight into the matter. Furthermore, there were intense discussions between farmers and

processors during the elaboration of the work packages. This additionally strengthened team spirit and quality awareness and represents another indirect transaction benefit.

*"[...] because of that we really thought through each single production step, why, how. [...] I still can remember a situation as we were up there on the 4th floor, as it was only about smoking, as butchers and farmers discussed that intensely, what's meant by cold smoking, hot smoking, what do we actually want? [...] How can we support each other, well I'd rather say the whole elaboration, everyone profited from this [...]"* (Spe\_1).

The most important indirect transaction benefits were identified as:

- co-operation with tourism and restaurant businesses;
- strengthened team spirit;
- increased quality awareness due to intense discussions.

#### *D. Cost-benefit balances as perceived by interviewees*

Even though transaction costs varied, the efforts made for both registration processes are perceived as adequate.

*"No, the effort was that they invested this 160 hours in total. But I tell you, with these 160 hours, with that they profited"* (Spe\_1).

*"That was adequate, the effort and besides it should be like this. If you aim at protection you should also do something for it. That it is not too easy to achieve such protection, frankly, that's what I say"* (Kre\_1).

## V. DISCUSSION AND CONCLUSIONS

This case study analysis compared transaction costs and transaction benefits associated with the registration process of two Austrian PGIs. The two cases "*Gailtaler Speck PGI*" and "*Steirischer Kren PGI*" were chosen because they are the two most recent ones in Austria.

The speck-case was based on subcontracting a private consultant who has prepared all work packages and elaborated them together with the producers. The outsourcing was encouraged by support of the EU

Objective 5b Programme targeted at facilitating the development and structural adjustment of rural areas (1995-1999). The overall efforts for the producers were limited to 160 hours over 3.5 years of the registration process. In the horseradish-case, the internal efforts amounted to 3,000 hours for the producers over ten years, without any costs for private consultants, however with gratis support from the regional Chamber of Agriculture (about 1,000 hours).

Benner et al. [9] identified particular high information costs at the beginning because of the little notice and knowledge of the persons involved. In the horseradish case, the information search in the initial phase was particular high for the agricultural extension personnel in the regional Chamber of Agriculture, but also for some producers. In the other case of speck, the contracted external consultant was already familiar with the process and thus helped to move fast into action.

Low predictability and non-transparent processes in connection with unexperienced support in one case resulted in registration processes taking 3.5 and 10 years respectively (for similar long processes see [2] [8]). Obviously such (unexpected) delays go at a cost. These costs include the benefits foregone of not having protection for producers, processors and retailers for a number of years, and in the damage this indecisiveness brings about in targeting efforts to promote and market the product. Not in the two cases analysed, but somewhere else, this also could negatively impact on the unity and spirit of the producer group itself, as interests may diverge and individual partners may go and look for other market opportunities [8]. A comprehensive cost-benefit analysis would also have to take into account the direct benefits lost because of the delay of registration.

Both cases indicate that efforts for communication and interaction, for example in the form of meetings or excursions, have resulted in intensified inter-sectoral co-operations, tighter social networks and a higher awareness of common quality standards. Thus, our results confirm Randall's [4] argument that transaction costs are not necessarily "money down a rat hole", but are often spent in exchange for a transaction service. Consequently, Musole [19] cautions that not all cuts in transaction costs must necessarily be efficient and that

higher transaction costs not always indicate inefficiencies.

The case study analysis shed some light on the question of how much producer involvement is necessary during the application phase by comparing alternative organisational forms in terms of transaction costs and services. The guiding theory-based assumption that higher transaction costs in form of more interaction among the producers result in higher transaction benefits was not confirmed by our exploratory study. In fact, the results indicate that time effort alone does not determine transaction benefits. In the speck case, the private consultant had well prepared all tasks that subsequently were elaborated in close cooperation with and by intensive participation of the producers. Despite their little time efforts, the producers were integrated in the well structured and organised process that left enough scope for interaction and discussion.

The interviews did not give any indication that the transaction benefits could be lower for the speck case that was characterised by much less time efforts on the producers' side. This in combination with the much faster process, providing earlier protection and associated direct benefits are crucial indications that contracting of external experts can pay off and not necessarily must bear the risk that the producers will less identify with and benefit from the process. In fact, an adequate relation of external support – by a private consultant or a dedicated state organisation – on the one hand and internal group motivation, communication and interaction on the other hand is needed.

The overall study design based on a comparative case study and semi-structured interviews was adequate for an explorative study. Despite the high speed of information gathering and the low costs, it shed light on the actual transaction costs of registration processes and linked these efforts to the indirect transaction benefits. The interviews were based on a recall procedure which might reduce the quality of the responses and only allow for a limited level of detail [14]. However, the alternative of producers documenting time and monetary efforts throughout the whole registration processes would not have been possible as there are not two ongoing processes in Austria now. Furthermore, due to the

commitment needed by the producers the willingness to cooperate with research might be much lower.

Strategic answers, which could challenge the identification of transaction costs [14], are quite unlikely, as the application processes were already over and the interviewees could not expect any future implications of the research for themselves.

In-depth interviews with all actors involved in the registration process would have been a more encompassing strategy, however much more time consuming. For a follow-up study, the triangulation of over-all assessments by those in charge of the process and the accumulated individual efforts surveyed with a structured questionnaire could increase validity.

Whereas there is considerable methodological expertise on how to measure transaction costs, we still know very little about transaction benefits. Their measurement is very difficult, as even the categorisation as costs or benefits may be difficult and depending on the point of view of the actors considered [1]. In addition, our case study showed that the distinction between benefits expected and actual benefits is necessary. In our ex-post investigation, we opted for the latter although high individual efforts during the registration process are motivated rather by the benefits expected than by the benefits actually perceived. Taking the exploratory results of this study in consideration, more structured interviews/surveys regarding the transaction benefits seem possible in a follow up study. This, for example would allow for the ranking of different benefit categories by the interviewees/respondents.

## VI. OUTLOOK

This study sheds light on the time and monetary efforts on the one hand, but also on the benefits associated with an intensified interaction during the registration process, so that producers and emerging initiatives can become more aware of their existence and can take them into account from the start [7].

Within the next five years, the Austrian Ministry of Agriculture strives for registration processes for more than 100 food products, which are still promoted within the national marketing framework of Genusregionen (food products and their regions of origin marketed by the Austrian Marketing Agency as

“Pleasure Regions”). This study however shows that PDO/PGI applications are time consuming and/or expensive and bear the risk of failure. In contrast to the two cases analysed that started with a private voluntary initiative on the part of a producer group, the registration processes planned for the Genusregionen are externally driven, which could affect the motivation of the producers to participate and to contribute considerable individual engagement necessary for a long registration process.

There are numerous alternative modes of implementing and monitoring PDO/PGI systems in Europe. A transaction cost approach provides precious insights for analysing the trade-off between these modes [20]. Compared to France, Italy or Spain, Austria has accumulated little experience with registration processes so far. Thus, there are several lessons to be learned from more experienced countries, from well-proven procedures for a straight forward, effective and transparent registration process.

There is a need to increase the speed of the registration process to obtain PDO/PGI status [8]. As hiring private consultants is costly (after the 5b-programme there is very little scope for financial support), support from the extension service or from state authorities are crucial. Like in Germany [9] [2] also in Austria, this support is less well organised than in Romanian countries, such as Italy, France or Spain [21]. In France, for example, the L’Institut national de l’origine et de la qualite’ (INAO) is a public administrative office responsible for the protection of geographical indications. 75% of its budget is financed by the state and it has 25 subsidiary offices throughout France and currently employs approximately 250 people, most of them deal with geographical indications [2]. The employees of INAO together with the producers elaborate the documents needed. Furthermore, INAO is also responsible for the national recognition, i.e. the advisory and examination roles are in one hand, simplifying the application process.

In the Austrian case, we have the federally organised nine Chambers of Agriculture and their regional offices, the Austrian Patent Office that consults the Ministry of Agriculture and different interest groups, and the Federal Ministry of Health as control body. Personnel of all of them are involved in the implementation of PDO/PGI, however, none of

them accommodates a department or group of personnel that is responsible for geographical indications exclusively or predominately. Thus, they work on geographical indications additionally to many other tasks they have to fulfil. Nobody can really accumulate extensive experience, because of the little number of registration processes in Austria in general, and particular in one of its nine provincial states. These complex structures lead to comparatively high private transaction costs due to longer and more complicated processes. Therefore, also Austrian producer groups could benefit from a one-stop-shop similar to the French INAO.

## REFERENCES

1. Belletti G, Burgassi T, Marescotti A, Scaramuzzi S (2007) The effects of certification costs on the success of a PDO/PGI. In: Theuvsen L, Spiller A, Peupert M, Jahn G (eds): *Quality management in food chains*, Wageningen: Wageningen Academic Publishers, pp. 107-121.
2. Profeta A, Balling R, Schoene V, Wirsig A (2010) Protected Geographical Indications and Designations of Origin: An Overview of the Status Quo and the Development of the Use of Regulation (EC) 510/06 in Europe, With Special Consideration of the German Situation. *Journal of International Food & Agribusiness Marketing*, 22 (1&2):179-198.
3. Ilbery B, Kneafsey M (2000) Registering regional speciality food and drink products in the United Kingdom: the case of PDOs and PGIs. *Area*, 32(3):317-325.
4. Randall A (1981) *Resource Economics: An Economic Approach to Natural Resource and Environmental Policy*. Grid Publishing, Columbus.
5. Marescotti A (2003) Typical products and rural development: Who benefits from PDO/PGI recognition? 83rd EAAE Seminar! Food Quality Products in the Advent of the 21st Century: Production, Demand and Public Policy”, 4th-7th September, 2003 - Chania, Greece. ([www.foodquality-origin.org/documents/cherry%20of%20Lari%20marescotti.pdf](http://www.foodquality-origin.org/documents/cherry%20of%20Lari%20marescotti.pdf)) [Date of access: July, 2010].
6. Fournier S (2008) Geographical Indications: A way to perpetuate collective action processes within Localized Agrifood Systems? *Cahiers Agricultures* 17 (6) :547-551.
7. Verhaegen I, Van Huylenbroeck G (2001) Costs and benefits for farmers participating in innovative marketing channels for quality food products. *Journal of Rural Studies* 17:443-456.
8. ETEPS NET (2006) Economics of Food quality assurance and certification schemes managed within an integrated supply chain. Final Report of the ETWPS AISBL and JRC-IPTS project team. DG JRS/IPTS. ([www.prodinra.inra.fr/prodinra/pinra/data/2008/04/PR OD2008f82f0896\\_20080415085355308.pdf](http://www.prodinra.inra.fr/prodinra/pinra/data/2008/04/PR OD2008f82f0896_20080415085355308.pdf)) [Date of access: July, 2010].
9. Benner E, Profeta A, Wirsig A (2008) Die EU-Übergangsregelung zum Herkunftsschutz bei Agrarprodukten und Lebensmittel aus dem Blickwinkel der Transaktions- und der Informationsökonomie. *Schriften der Gesellschaft für Wirtschafts- und Sozialwissenschaften des Landbaus e.V.*, Issue 44:423-434.
10. McCann L, Colby B, Easter K W, Kasterine A, Kuperan K V (2005) Transaction cost measurement for evaluating environmental policies. *Ecological Economics* 52:527-542.
11. Allen D W (1991) What are transaction costs? *Research in Law and Economics* 14 :1-18.
12. Hanna S (1995) Efficiencies of User Participation in Natural Resource Management. In: Hanna S, Munasinghe M (eds.) *Property rights in a Social and Ecological Context. Case Study and Design Applications*. Washington, D.C., Beijer Intern. Inst. of Ecological Economics.
13. Verhaegen I, Van Huylenbroeck G (2002) Hybrid governance structures for quality farm products - A transaction cost perspective. *Shaker, Aachen*.
14. Mettepenningen E, Van Huylenbroeck G (2009) Factors influencing private transaction costs related to agri-environmental schemes in Europe. In: Brouwer F, van der Heide M (eds.) *Multifunctional Rural Land Management Economics and Policies*, Earthscan Ltd., London, pp.145-168.
15. Kuperan K, Abdullah N M R, Pomeroy R S, Genio E L, Salamanca A M (2008) Measuring transaction costs of fisheries co-management. *Coastal Management* 36 (3):225-240.
16. Falconer K, Dupraz P, Whiby M (2001) An Investigation of Policy Administrative Costs Using Panel Data for the English Environmentally Sensitive Areas. *Journal of Agricultural Economics* 52:83-103.
17. Yin R K (2003) *Case Study Research: Design and Methods*, 3rd edn. Applied Social Research Methods Series, vol. 5, Sage, Thousand Oaks.

18. Mayring P (2000) Qualitative Content Analysis. Forum Qualitative Sozialforschung / Forum: Qualitative Social Research [On-line Journal], 1(2). (<http://qualitative-research.net/fqs/fqs-e/2-00inhalte.htm>) [Date of access: July, 2010].
19. Musole M (2009) Property rights, transaction costs and institutional change: Conceptual framework and literature review. *Progress in Planning* 71:43-85.
20. Ménard C, Valceschini E (2005) New institutions for governing the agri-food industry, *European Review of Agricultural Economics*, 32 (3):421-440.
21. Barjolle D, Lehmann B, Chappuis J-M, Dufour M (1997) Protected Designation of Origin and Institutions (France, Spain and Italy). Paper presented at the 52nd EAAE Seminar "Typical and traditional productions", in Parma, June 19-21, 1997. ([www.origin-food.org/pdf/eaae97/28\\_dufour.pdf](http://www.origin-food.org/pdf/eaae97/28_dufour.pdf)) [Date of access: July, 2010].

(penker@boku.ac.at)