



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

*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.*

Transparency Solutions for Increasing Trust along the Food Chain

András Sebők¹, Attila Berczeli¹, Adrienn Molnar², Katrien Van Lembergen², Xavier Gellynck²,

¹*Campden BRI Magyarország Nonprofit Kft. Haller u. 2, 1096 Budapest, Hungary*

²*Ghent University, Faculty of Bioscience Engineering, Departments of Agricultural Economics, Division Agro-Food Marketing and Chain Management, Coupure Links 653, B-9000 Ghent, Belgium*

a.sebok@campdenkht.com ; a.berczeli@campdenkht.com ; Adrienn.Molnar@UGent.be ; Katrien.VanLembergen@Ugent.be ; Xavier.Gellynck@UGent.be

Abstract

The concept of products having designated country of origin was investigated. It was established that a coherent approach can be developed by systematic organisation and structuring of the available information. A working definition was developed for identification of successful practices in food transparency. Several successful solutions for increasing transparency along the food chain were identified. The lessons learned from these solutions can be used for better understanding of the problems related to the transparency of claims and statements on food products having designated country of origin and for increasing the transparency about the validity of such statements and claims.

Keywords: transparency; successful practices; country of origin food;

1 Introduction

With the increasing choice of food products having specific claims, statements on attributes of food and their production processes and production environment, which represent value for a group of consumers, there is an increasing interest from the consumers for accessing clear, easily understandable information, which verifies the verity of these claims. This information should be true, not hiding any part of the truth and free from any counterfeiting.

There are several definitions of transparency, but there is not any, which is accepted widely. They cover several aspects such as transparency of supply, value and cost (Lamming et al. 2001), (Theuvsen 2004), transparency of netchain, history, operation, strategy transparency (Hofstede 2003), price and cost transparency (Hultman and Axelsson 2007), market and product transparency (Granados et al). These definitions do not deal with the verity of the messages and the need for a balance between the valid needs of the consumers and customers and the confidentiality needs of the chain members.

The level of consumer and customer expectations for transparency is not static, but it is increasing as the value associated with the different claims on benefits is getting wider accepted and higher appreciated by the public. Until the requirements on which a claim can be based are not clearly formulated and accepted at least by the professional community the communication of the fact itself that a set of rules is followed - to ensure properties, production methods and production environment, which result in added-value - may be seen in many cases as a step to increase consumers/customers trust. When more concerns are raised that the messages on the benefits are not valid and can mislead the consumer the

expectations will be more stringent for evidences to verify claims on benefits. These two extremes are well represented by the cases of the health claims and the foods distinguished by their country of origin. With the increasing consumer interest for the impact of diet on health more and more products have been advertised as having beneficial effects on preventing diseases and in many cases these claims couldn't be verified properly. The growing number of dubious claims highlighted the need for scientific substantiation of these claims to avoid that consumers will receive misleading information and it provoked such stringent legal requirements that the food businesses have great difficulties in meeting them today. For the case of foods produced in a certain country there is also an increasing consumer's interest but there are not widely accepted, clear rules on which basis a product can be called as being produced in a country. The notion (e.g. "made in the country" of the national product needs some clarification. Currently in several countries there are very hot discussions what makes a "national product", what can be sold with that claim. This issue has several business, marketing and political implications. In some cases there are also civil movements and government policies to promote the consumption and retailing of food, which is made in the country to support the local businesses and ensure local jobs. Different countries developed different approaches. The British Food Standards Agency developed a guidance on country of origin labelling of foods (2008), in which the meaning of place of origin is defined and practical advice is given how to avoid misleading origin labelling. The Australia-New Zealand Guide on Country of Origin Labelling of Food (2006) makes a clear distinction of statements using the term "Product of" and "Made in". There are several schemes in Europe ("Made in Italy"; "Make Britain"; "Love Irish Food"; "Swiss Made"; "Made in Hungary"; "Made in Austria". (AMA Gütsiegel), which define the categories of "made in products" by percentage of added value made in the country and/or by the proportion of the ingredients used, which should come from the country of origin. There are significant differences in the stringency of the requirements of the different countries. Typical questions, which have to be solved related to the food products having indication of country of origin.

- How to define the country of origin? What activities should be made there?
- What should be the minimal proportion of the added value in the country of origin?
- What should be the proportion of the ingredients used from the country of origin?
- What should be the position when such ingredients are used, which can't be produced in the country of origin, but a specific knowledge, know-how is used for their processing.

There is not an agreement between the different countries on a working definition of the requirements of national foods called in other words frequently as foods labelled by country of origin.

Different food chains developed several innovative ideas to ensure better transparency for increasing trust. The analysis of the successful practice cases collected in the Transparent_Food EU FP7 project showed that the majority of the food chains use only a limited number of methods for improving the transparency of their activities. However everybody could benefit if the simple, successful practices are exchanged.

The objective of this study are: to review the different approaches for the requirements of food products distinguished by country of origin, to check whether they can be organised into a coherent system and to demonstrate how different elements of successful practices of

transparency learned from the analysis of the cases collected within the Transparent_Food project can help the transparency of products with the claim of having designated country of origin.

2 Methodology

Within the Transparent_Food project 73 case descriptions of successful application of transparency practices were collected by a short template. The following information was collected: 1. What is the transparency problem?; 2. What is the best practice solution?; 3. What are the benefits and weaknesses from the main stakeholders' point of view?; 4. What are the tangible results?

Successful practices were defined as those practices, which go beyond the usual practices known widely and provide such example, which can be adapted by other businesses and schemes to improve the communication to consumers and customers on the verity of their claims.

The following aspects were considered:

- What is communicated and how is communicated to other businesses and to consumers
- What goes in the method and message/signal/indicator/information beyond the usual practices?
- What makes the best practice (the approach, technique, solution – not the message itself) unique?
- How do they make it work?
- What is the part that can be recommended for other users?

19 cases were selected for more detailed analysis of these aspects. The findings were summarised and their potential application was presented for the case of enhancing the transparency of the claims on food products having designated country of origin.

3. Criteria for products of country of origin

The different aspects specified in different countries and schemes can be organised into a coherent approach, which can provide a common, comparable basis for the different schemes and still having the flexibility in specifying their criteria according to their own preferences. The "Country of Origin Labelling Guidance" (Food Standards Agency 2008) provides a good starting point. "Voluntary country of origin labelling may be provided on foods, but legislation demands that information must not mislead the consumer". By the requirements of the Codex Alimentarius and WTO "goods shall be deemed to have been manufactured or produced in the country, in which they last underwent a treatment of process resulting in a substantial change (Trade Descriptions Act 1968)." FSA (2006).

Substantial change is when a product is transformed by a treatment or process, which results in a fundamental change in form, appearance or nature of a food so that the product after the change is new and different (Food Standards Australia New Zealand 2006). Thus simple mixing, slicing, cutting, mincing, packing does not result such a change.

"The true place of origin of food should always be given if the label as a whole would otherwise imply that the food comes from, or has been made in a different place or area. If the place that is declared as the origin of the food (according to the principle of last substantial change) is not the same as the place of origin of its primary ingredients, in order

not to be misleading it may be necessary to provide information on the origin of those ingredients.” It is recommended that for example pork sausages made in Britain using pork imported from other countries should be indicated as. “Made in Britain from imported pork from Denmark” or “Made in Britain from Danish pork”. Other terms could similarly be used are “Baked in”, “Pressed in”, “Packed in....”, “Processed in” (FSA 2008).

The Australia-New Zealand guide (2006) suggest requirements to distinguish the requirements for the use of the statements “Product of” and “made in/manufactured in” or other similar statements.

Product of (country of origin): for a food to qualify for the “product of” claim for a particular country, all of the significant ingredients/components must come from that country, and virtually all of the production and manufacturing must be carried out in that country. “Product of” is a higher claim than “Made in”. “Product of” includes other declarations such as “Produce of” and “Produced in”.

A significant component is an ingredient/component that contributes to the specific nature of food; this does not necessarily relate to the percentage that the ingredient/component makes up of the food in question (FS Australia New Zealand 2006).

Made in (country of origin) can be used for a food to qualify for a ‘made in’ claim for a particular country. It must be substantially transformed in the country for which that claim is made, and more than 50% of the cost of production or manufacture must be incurred in that country. “Made in” includes declarations such as “Manufactured in”.

Cost of production includes expenditure on materials, labour and overheads allowable by the Trade Practices Act and the ACCC guides. Country of origin is the country, in which a product of ingredient has been produced, made, manufactured, assembled or packaged.

Where it is not possible for a ‘Made in’ claim to be made either due to uncertainty around the question of substantial transformation and whether 50% costs of production is met, or to adjust to seasonal changes in availability of individual ingredient, manufacturers may make a qualified claim. Common examples of a qualified claim are ‘Made in Australia for imported ingredient’ or ‘Packaged in Australia from local and import ingredients’.

When these general principles are accepted there is an opportunity for a consistent interpretation of the different criteria of the different “country of origin schemes” since all of them are based on the above mentioned concepts of substantial change and cost of production.

The “100% Made in Italy” trade mark can be applied to any product line provided that it is totally Made in Italy. The planned Hungarian scheme 100% Made in Hungary requires that the product should be produced or manufactured in Hungary, at least 95% of ingredients should be of Hungarian origin. There is a less demanding category where the use of imported ingredients are allowed, but it is required that the food should be processed, packed and put onto the market in Hungary. At the Love Irish Food scheme a brand can only be classified as a Love Irish Food brand when at least 80% of the brand's revenue is derived from the manufacturing process in Republic of Ireland. Primary ingredients must be sourced from Ireland where possible. Some ingredients for Irish Food and Drink brands are not grown

in Ireland (tea leaves, oranges, cocoa beans) – must be imported: be eligible when its ingredients are imported as long as these ingredients cannot be sourced from ROI. Seasonal import replacement, additional suppliers are allowed if some value added to the brands in the ROI through the manufacturing process and the addition of other raw materials, packaging, labour, etc.” It is these additional element, which help to sustain employment for the direct employees of the company and to the many suppliers who also play an integral role on getting the finished product to the shelf in the grocery shop.” (Love Irish Food) At the “Swiss made” scheme the at least 60% of research, development and manufacturing costs should be incurred in Switzerland and that food products should be made of at least 90% home-grown ingredient to quality as Swiss made. At the Make Britain scheme the UK business must produce at least 25% of its output (by value) in Britain. A product is deemed to be made in Britain, if more that 50% of the added value is generated on this country. Members must have a responsible approach to the environment, with a demonstrable policy of reducing environmental impact and of improving sustainability. At the Austrian “AMA Gütesiegel” scheme the product should be made solely from Austrian ingredients and should meet environmental requirements and quality criteria. If the ingredients can’t be produced in Austria max 33% of the total amount can be imported, There are product categories specified such as milk, plain yogurt, cheese, fresh meat, fresh fruits and vegetables, flour, eggs, poultry, honey, where solely Austrian products can get the trade mark.

By considering the above mentioned requirements it can be stated that the general approach for country of origin and the cost of production is properly applicable at all schemes until the criteria are clearly stated and properly communicated and additional labelling related to the source of ingredients is provided in any vague case to avoid the misleading of the consumers.

4 Transparency in food related issues

A working definition was developed for analysis of the successful cases of transparency products.

Transparency means:

- **Measures** for building up credibility for
 - **consumers’, customers’**
 - through **openness** and **accountability**
 on **activities** along the food chain
- By underpinning **verity of messages** and by generating the **perception of being informed**
- To allow making **informed decisions**
- This is achieved by **making appropriate signals / information available** and **understandable** on the **verity of messages** (claims, statements) on
 - **specific characteristics** of products, processes, production environment
 - which **can’t be substantiated** by the **usual** quick and simple **methods**
 - which **meet** the **valid needs** of consumers, customers for facilitate their **informed decisions**
- Considering the sound **balance** with **confidentiality needs** of food **chain members**

In this definition the importance of the process of building up trust is emphasized through demonstration that the real and true facts are made available to the consumers and/or customers and nothing is hidden, independently from their actual impact. Even if the truth may have a negative influence on the image of a specific product, process or system in short term, on longer term this will increase the credibility of the information provider which will result in an increased trust in him. An other important aspect, which is considered here is the integrated approach of Schiefer and Fritz (2010), who state that at meeting the transparency challenge in the food sector the subjective expectations – the perception of being informed – and the objective expectations - the support of proper understanding the relevant aspects and facts – should be met and supported by guarantees that allow making informed decision. This approach is based on the analysis of the transparency concept of the industrial marketing, which defines transparency as an individual subjective perception of being informed about the relevant actions and properties of the other party involved in the supplier – buyer relationship (Eggert and Helm, 2003), and that of the Operations Management. This later states that process transparency is reached if everyone can see and understand the necessary aspects and status of an operation at all times (Womack and Jones, 2003). In our definition the conflicting interests of the food chain members are also considered.

4.1 Successful practices to support the transparency of food products by indication of designated country of origin

Based on the analysis of the successful cases of provision of transparency the following practices can be considered for application to improve transparency of food products categorised as having designated country of origin.

4.1.1 Open Communication

Claim

The clear and easily understandable phrasing of the claim and the related criteria is a basic requirement for evaluation whether compliance was achieved and to ensure that all stakeholders could understand the relevant facts and aspects.

A facility, which is usually web-based, where consumers can make comments, prepare blogs can significantly help the dialogue with the consumers and provide useful information for the transparency provider as well.

Provision of information to the stakeholders on the process, its steps and the related criteria

Sharing information with customers on specific lots can significantly contribute to the credibility of claims and messages. This can be achieved by allowing tracking of the movement of specific lots along the food chain by using the lot codes through web-based systems or provision of detailed documents.

Sharing information with consumers on specific lots what they purchased can significantly improve the feeling of consumers of being informed. This can be achieved through the use of the lot codes on the retail packages. Access to information on the chain members involved in the supply of the products can be provided through web-based systems, by descriptions, videos, photographs showing their practices and products, the location of their

sites, by organising virtual and real tours in their sites, and allowing tracking of the origin of the ingredients they used.

Independent third party certification is a frequently applied tool to verify the validity of claims. This system is applied by the 100% Made in Italy scheme and by the AMA Gütesiegel scheme. Certificates represent signals for transparency. It is a good practice to provide short easily understandable explanation in laymen's style for consumers on the requirements of standards on which transparency signals are based or at least making the standards and their criteria available.

Provision of access to the results of assessment

Transparency can be supported through disclosure of selected information on the level of compliance to the criteria of the standard or making selected parts of the assessment reports available to business partners and/or consumers. In business to business relationships it is a good practice to provide feedback to the suppliers on the results of the assessment of their performance.

Confidentiality

Confidentiality needs of the chain members should also be considered. A sound balance should be worked out between the information needs of consumers and other chain member businesses and the needs for protection of intellectual properties and vital business secrets of the company providing the transparency information. A potential solution is to replace the names of the suppliers, customers and other chain members by codes, to which all important background information is related.

4.1.2 Making consumers, customers aware of the content , weaknesses of the criteria on which systems are based.

This can be achieved by making clear what is in the scope, what aspects are covered and what are those which are not covered.

4.1.3 Anticipating target or a broader scope

When a new scheme is developed it is advisable to consider at the design stage the extension of the scheme for such sectors, applications, where the problem has not appeared yet, but the benefits can be expected.

4.1.4 Improving the communication

For achieving a better understanding of the consumers and other transparency stakeholders clear messages shall be developed on the scheme on which the message/signal/information is based on the benefits provided by this scheme. It is important that these messages should not leave any room for confusion.

4.1.5 Making the performance, results measurable

It is a good practice to provide indicators, benchmarks, tools and self-assessment tools for making the advantages, disadvantages of the different products, processes and production environment benefits measurable and comparable. The specification of the proportion of the cost of the production in the country of origin and the proportion of the ingredients used

having national origin represent this practice. Based on this concept national schemes having two or more levels of acceptance can provide more flexibility in meeting the conflicting needs of different stakeholders without compromising the transparency itself.

4.1.6 Collective use of resources

Effective provision of information indicators and signals need significant resources for operating the communication systems and for dissemination of the results. Collective web-sites which can be used by several SMEs at shared cost can provide a feasible solution.

Stronger impact can be achieved if several organisations harmonise their activities for dissemination of the same message. These collaboration can be improved significantly if the common interest of different partners is identified and served. This is supported by the observation that integrated business activities along the chain are more frequently able to operate successful approaches for transparency.

5 Conclusions

The notion of the products having designated country of origin (made in the country) needs some clarification. The available knowledge can be organised into a system, which can provide the basis of a coherent, but flexible and transparent approach. In general there are several successful practices to serve transparency needs of the consumers and other stakeholders, but these have not been collected systematically. All stakeholders can benefit from a systematic collection of such successful transparency practices, which can be adopted by others as well. The use of the lessons learned from transparency cases was demonstrated through the example of serving transparency needs for products having designated country of origin.

Acknowledgement

This publication is based on the work carried out in the frame of the Transparent_Food project (Contract No. FP7KBBE-2009-245003) co-funded by the FP7 programme of the European Commission)

References

- Australia New Zealand Food Standards Code; (2006). Country of Origin Labelling of Food. Guide to Standard 1.2.11, Food Standards Australia, New Zealand, Canberra
- Country of Origin Labelling Guidance, (2008). Food Standards Agency London, UK,
- Eggert, A., Helm, S., (2003). Exploring the impact of relationship transparency on business relationship. A cross-sectional study among purchasing managers in Germany. *Industrial Marketing Management* **32** (2): 101-108
- Granados, N., Gupta, A., Kauffman, R.J., (2008). Designing selling mechanisms: Transparency levels and prices. *Decision Support Systems*, **45**: 729-745.
- Hofstede, G.J., (2003). Transparency in Netchains. EFITA 2003 Conference, Debrecen, Hungary.
- Hultman, J. and Axelsson, B., (2007). Towards a typology of transparency for marketing management research. *Industrial Marketing Management*, **36**: 627-635.

- Lamming, R.C., Caldwell, N.D., Harrison, D.A. and Phillips, W., (2001). Transparency in Supply Relationships: Concept and Practice. *The Journal of Supply Chain Management*, Fall 2001: 10p.
- Schiefer, G., Fritz, M., (2010). May The Challenge of Transparency: Focus Guide on transparency, tracing, sustainability and integrity. A report in the Transparent_Food project, Bonn, Germany
- Theuvsen, L., (2004). Transparency in netchains as an organizational phenomenon: exploring the role of interdependencies. *Journal on Chain and Network Science* 4: 125-138.
- Womack, J., Jones, D., (2003). Lean Thinking: Banish Waste and Create Wealth in Your Corporation: Simon & Schuster, New York

AMA Guides(2010): <http://www.ama-marketing.at/?id=232>

Irish made: <http://www.loveirishfood.ie/about-us/criteria.aspx>

Made in Italy: http://www.madeinitaly.org/made-in-italy_en.php

Make Britain: <http://makebritain.net=about-us/membership-criteria.html>

Swiss made (2007):

http://www.swissmade.com/en/web/index.php?id=3161&s=victorinox_swiss_army_-_alpnach_chrono_251196