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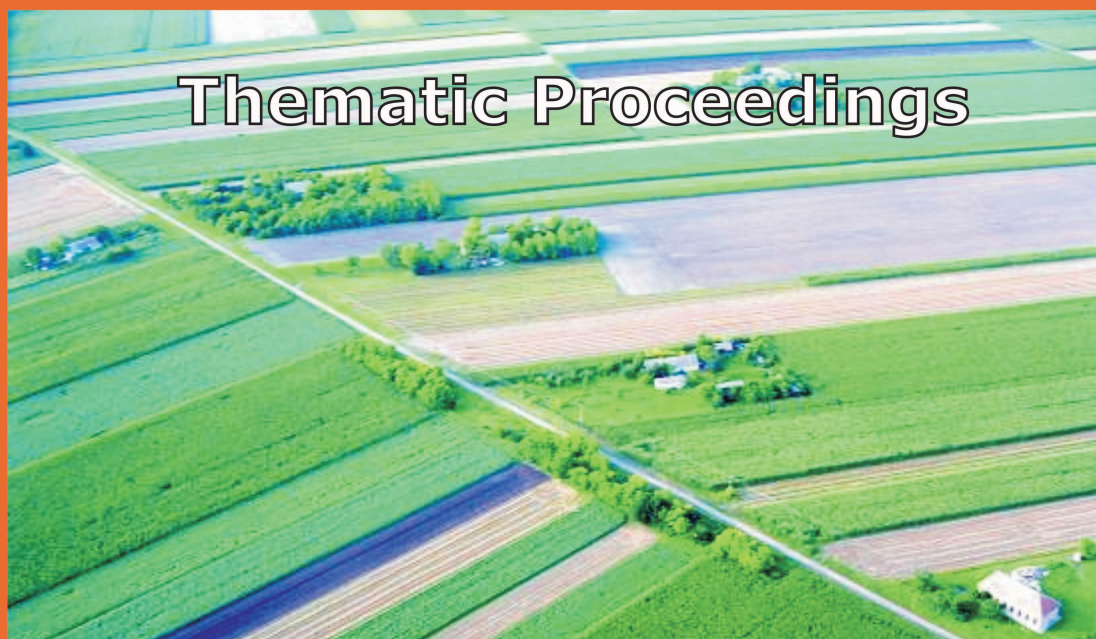
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# DEVELOPMENT OF AGRICULTURE AND RURAL AREAS IN CENTRAL AND EASTERN EUROPE



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Edited by  
Danilo Tomić  
Miladin M. Ševarlić



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**THE ROLE OF SPECIFIC QUALITY LABELS  
IN RURAL DEVELOPMENT:  
LESSONS FROM THE PORTUGUESE EXPERIENCE**

*Marija Banović<sup>1</sup>, Maria Madalena Barreira<sup>2</sup>, Marina Fraústo da Silva<sup>1</sup>,  
José Pedro Cardoso Lemos<sup>1</sup>, Magda Aguiar Fontes<sup>1</sup>, Raul Jorge<sup>2</sup>*

**INTRODUCTION**

Recently increasing consumers' demand towards quality and safety of food products as well as the desire for cultural identification have generated the demand for higher quality and higher status agricultural products, but have also created the market for value added products that carry a strong identification with the particular region of origin (Loureiro and McCluskey, 2000). Indeed, the consumer survey undertaken within Project AGRO 422 in order to explore Portuguese consumer behaviour towards beef showed that besides high valorisation of intrinsic beef attributes, such as freshness, appearance, and tenderness, Portuguese consumers regard certified beef and origin as highly important, trusting more in domestic beef, produced in accordance with proper animal feed and animal welfare (Banovic *et al.*, 2006). The demand for higher dietary, health and safety standards in beef, but also for certification and reassurance of beef's origins and production methods, were addressed through using the tools like labelling and traceability of food products as well as differentiation of meat products, at the level of eating quality, health, and convenience, and process characteristics. The strategy of production of differentiated beef, that might be sought by the Portuguese consumers, because of its typicality, health quality, and environmental consciousness, is also particularly suited for less-favoured areas, where large areas of Portugal are included, and may be seen as a comparative advantage that influence the rural development of these regions.

**QUALITY LABELLING REGULATIONS**

In order to respond to the undergoing gradual change in consumer behaviour Portugal has made an effort and implemented some food policies influencing, in that way, the decision-making environment of food producers, food consumers and food marketing. In 1994 Portugal started implementation of quality labelling

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<sup>1</sup> Marija Banović, Marina Fraústo da Silva, José Pedro Cardoso Lemos, Magda Aguiar Fontes, Faculdade de Medicina Veterinária – CIISA

<sup>2</sup> Maria Madalena Barreira, Raul Jorge, Instituto Superior de Agronomia – DEASR

system namely, two regulations: (i) Regulation (EEC) No 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, and (ii) Regulation (EEC) No 2082/92 on certificates of specific character for agricultural products and foodstuffs, brought to light by the EU in 1992. The Regulation (EEC) No 2081/92, on protection of names of foodstuff, distinguishes between two categories of protected names: Protected Designation of Origin (PDO) and Protected Geographical Indications (PGI), where the 'distinction between the two categories depends on how closely the product is linked to the specific geographical area whose name it bears' (E.C., 2004a). The purpose of the Regulation (EEC) No 2082/92 is the protection of traditional recipes and to take advantage of the 'specific character' of the product which distinguishes an agricultural product from other similar products by granting a certificate of this 'specific character' under quality label: Traditional Specialities Guaranteed (TSG). Quality labelling in that way provided several important features, mainly: (i) promotion of the rural development, through the encouragement of the diverse agricultural production; (ii) protection of the product names from misuse and imitation; and also ultimately (iii) giving the consumers more information and more choice possibilities of products meeting the demand for authenticity, taste, tradition, and quality (E.C., 2004a). Worth mentioning, that the largest amount of quality labelled products registered at the E.C. (around 90%) covers six out of twenty-five countries, where Portugal is on the third place after France and Italy (Martínez Palou, 2006). Quality labelling has been applied to a wide range of food products in Portugal (e.g. fruits, vegetables, fresh meat, cheeses) where meat and meat based products are most numerous. Portugal has 116 specific quality labels (PDO, PGI, and TSG), from which 56 are PDO, 48 are PGI, and 12 are nationally protected. Nationally protected specific quality labels are Designation of Origin (DO) and Geographical Indication (GI) which correspond to the PDO and PGI quality labels, but within the national boundaries. From 12 nationally protected quality labels, 9 are Designation of Origin (DO) and 3 are Geographical Indication (GI) (IDRHa, 2007a). Since, quality labelling became a practice in Portugal; food products linked with Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) had an important role in the establishment of the strategies of agricultural enterprises and in rural development.

### **QUALITY LABELLED BEEF MARKET IN PORTUGAL**

In the last century, the number of animals of Portuguese cattle breeds was decreasing rapidly, mainly due to the mechanization of agriculture, movements of rural population to the industrialized areas, expansion of the cattle with higher productivity, and with the preference towards intensive cattle production. Even though the mechanization of agriculture opened the possibility to use the

indigenous cattle breeds for production of meat, the low productivity of these breeds compared to the breeds specialized for meat production, completely set them aside (Fraústo da Silva, 1996). Moreover, Portuguese farmers used indigenous cattle for crossbreeding with cattle specialized for meat production in order to obtain better final results of meat production and higher income. All these factors affected Portuguese indigenous cattle breeds in that way that some were almost on the edge of extinction, and Portugal was losing its natural heritage. However, use of cattle breeds specialized for meat production and intensification of beef production did not significantly increase the competitiveness of the Portuguese beef sector, which was very low when comparing to the other EU countries, and again had a negative social impact on rural areas. Additionally, one must bear in mind that the most of the Portuguese rural space is classified by the EU as less-favoured region, where great parts of the agricultural soil is poor and agricultural activity is limited.

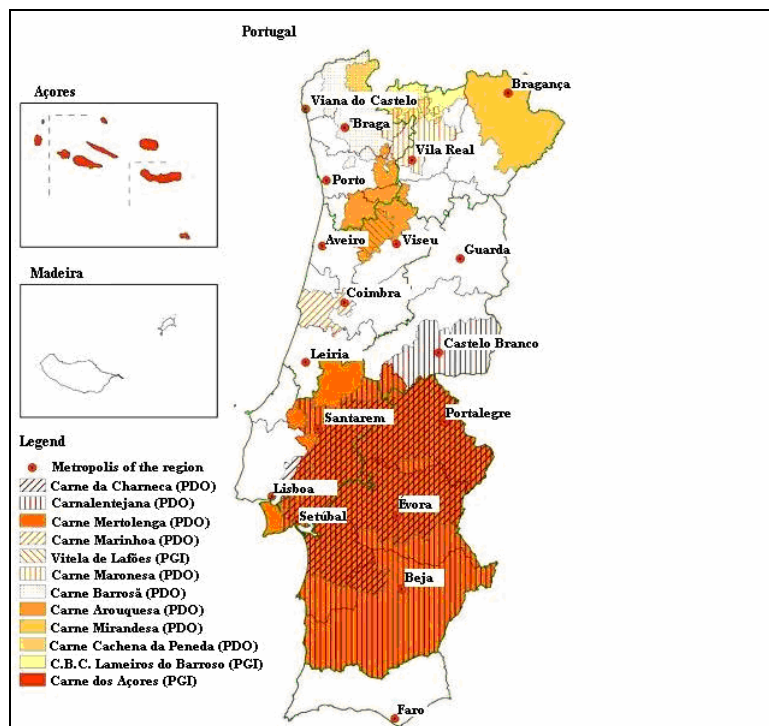


Figure 1 Distribution of beef with specific quality labels in Portugal

Source: IDHRa, 2006c; E.C., 2004a

The fact that breeds specialized for meat production needed better conditions than indigenous ones, left an important part of the Portuguese agricultural land abandoned. Consequently, besides losing its genetic cattle heritage, some agricultural areas that could be used for rising indigenous cattle were not utilized. Therefore, the implementation of quality labels to beef had an important impact on the valorisation and conservation of natural resources. The Portuguese genetic cattle heritage was embraced and at the same time agricultural land kept alive, fixing the farmers in the rural areas. Furthermore, quality labelling led to diversification of beef production, adding-value to the indigenous cattle breeds. Also, the complete beef production transparency due to the quality labelling and acknowledgement on existence of such a beef led to increase of consumers' confidence towards quality labelled beef.

Table 1 Production of total beef and quality labelled beef in Portugal  
(in tones of carcasses, slaughters approved for consumption)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	% annual growth rate
Total production of beef	103613	96026	97435	99980	94942	96395	78689	92350	92018	-1.47
Total production of quality labelled beef	1369	1214	1380	1586	1774	1977	2114	1901	2479	7.70
% of quality labelled beef production in total production of beef	1.32	1.26	1.42	1.59	1.87	2.05	2.69	2.06	2.69	

Source: IDHRa 2004; IDHRa, 2005; IDHRa 2006b

Of 116 quality labelled products in Portugal, quality labelled beef comes on the third place, after the meat based products and fruits (IDHRa, 2007a). Worth mentioning that Portugal is the member state with the highest number of beef with specific quality labels (12) where, 9 are Protected Denomination of Origin (PDO) and 3 Protected Geographical Indication (PGI), (IDHRa, 2007b; E.C., 2004a). To highlight that one TSG beef 'Carne de Bovino Tradicional do Montado' is under

provisional register, waiting to be approved. In Figure 1, 12 PDO and PGI beef are presented with their region of origin, as well as their areas of production and slaughter. From these 12 quality labelled beef, PGI beef ‘Carne dos Açores’ and PDO beef ‘Carne Cachena da Peneda’ were not considered for this research purposes, due to the lack of data.

Beef production in terms of slaughters approved for consumption with quality labels has increased, from 1997 to 2005, at an annual growth rate of 7.7%, while total beef has decreased in the same period by 1.5% (Table 1). The PDO beef that contributed the most for total production of quality labelled beef is clearly PDO beef ‘Carnalentejana’ which accounted for 42.4% of quality labelled beef production in 2005, followed by PDO beef ‘Carne Mertolenga’ and PDO beef ‘Carne Mirandesa’ (Figure 2).

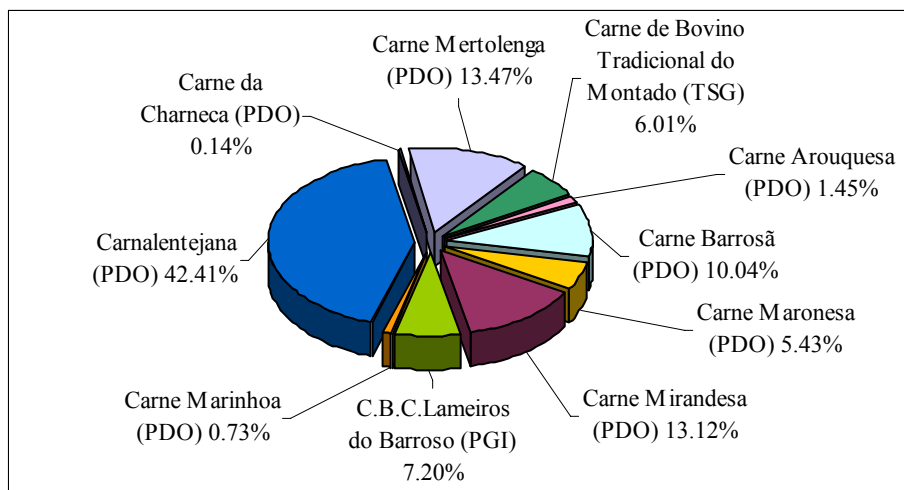


Figure 2 Distribution of quality labelled beef production (2005)

Source: IDHRa, 2007b

Furthermore, besides the increase in quantity since 1997 until 2005, the value of total production of quality labelled beef has also increased by 8.0% (IDHRa, 2004; IDHRa, 2007b). The increase in PDO and PGI beef represents partly the answer of production to the sensitive changes in market conditions. One can suppose that these trends might be a sign that the market is positively responding towards this differentiation in beef products and that some consumers regard this beef as a safer

and higher quality product. In fact, the Portuguese consumer survey undertaken showed that PDO beef is perceived by consumers as a guarantee of product genuineness, that promotes higher development of the region of origin, but also is generally perceived as safer, more regular and higher quality beef (Banovic *et al.* 2006; Aguiar Fontes *et al.*, 2006). In addition, increase of total production of quality labelled beef both in quantity and in value might be also showing that beef producers in this sector were not so affected by the BSE crisis as the beef producers of undifferentiated beef, and can also mean that consumers were feeling more confident to purchase quality labelled beef associating it to a safer product. This assumption can be confirmed by the undertaken Portuguese consumer survey which showed that consumers were affected by BSE crisis concerning beef in general, but when compared to PDO beef, a significant percentage of the respondents pointed out that they increased the consumption of the PDO beef, feeling safer to consume this beef (Project AGRO 422). Likewise, some differentiation is recognized at the producer level: a brief look over the prices of beef produced in Portugal shows that prices of quality labelled beef are usually higher than those of undifferentiated beef. In fact, during the period from 1997 to 2005, the prices of quality labelled veal (6.3 €/kg carcass, in 2005) were much higher than the undifferentiated veal prices (4.0 €/kg carcass, in 2005), while this proportion is smaller considering young bulls (quality labelled young bulls: 3.6 €/kg carcass, in 2005; undifferentiated young bulls 2.9 €/kg carcass, in 2005), (IDHRa 2007b; INE, 2007). The same consumer study also showed that there seems to exist a willingness to pay for PDO beef, due to its favourable characteristics, and that distributors are willing to buy and market this beef (Aguiar Fontes *et al.*, 2006). Concerning the distribution channels of quality labelled beef the large amount of PDO and PGI beef is sold mainly through the large distribution chains. In 2005 around 76% of PDO and PGI beef has been handled through these channels, and this can be explained by the fact that quality labelled beef with highest market share, namely Carnalentejana (PDO), Carne Mertolenga (PDO) and Carne Barrosã (PDO) are sold through these chains (IDHRa, 2007b). Nevertheless, share of other distribution channels, namely butchers and restaurants, although small is increasing. Quality labelled beef with smaller market shares, like PDO beef Carne Arouquesa and PDO beef Carne Marinhoa, are mainly sold through butchers and restaurants. PDO beef 'Carne Mirandesa' has, since 2001, increased the amount of beef sold to the wholesalers, giving out 48% in 2005 (IDHRa, 2004; IDHRa, 2007b). Worth mentioning also that 30% of total production of quality labelled beef are sold within the respective region of origin, keeping this added-value (IDHRa, 2007b). From the 70% of quality labelled beef sold outside the region of origin, none is exported but only distributed within the national boundaries.



## DISCUSSION AND CONCLUSION

Nowadays, the Portuguese beef sector is facing great challenges. The increasing consumers' concerns towards quality, safety, traceability, and demand for traditional food products that carry a strong identification with the particular region of origin have created the space for growing the market for value-added beef. Adding-value to beef by using specific quality labels represents a good strategy to increase the competitiveness in the market through the satisfaction of the end user, but also to promote the region of origin and to contribute to rural development. Moreover, specific quality labels are one of the best tools available for beef producers supported by the European and Portuguese policies. While stimulating diverse beef production, producers are provided with a new marketing tool giving some guarantees to the consumers and economic sustainability of beef production is guaranteed. However, the lessons from Portuguese experience show that one should be cautious when exercising such strategies. A deficient behaviour in terms of management and organization, as well as the incapability to satisfy major market requirements might compromise the success of these strategies, leading to a probable failure. In the Portuguese case, there are some good and bad examples of exercising quality labelling. To highlight, from 12 existing beef quality labels only 25% are properly organized. The major weaknesses observed, like irregularity of distribution and supply, lack of standard meat quality, as well as the absence of promotion actions for 'label-brands', conducted some quality labelled beef to disappear from the market. Furthermore, the use of quality labelling on a particular beef that is not of prescribed 'quality', possibly can damage the collective reputation of the 'label-brand', leading to the miss-trust at the consumer level. Therefore, Portuguese experience emphasizes the need for a deeper knowledge of the major requirements for a positive impact of specific quality labels and rural development. Studies undertaken (Project AGRO 422) have shown some of the major guidelines for the positive impact of such strategies, namely at the producer level it is important to precisely define the final type of the product to a consumer (e.g. PDO, PGI), to adopt strict rules for production systems (e.g. animal feed, crossbreeding), and to define the goals of breeding programmes. In that way, following the good production practices, improvement of beef production quality can be achieved. Likewise, the same studies pointed out that at the process level, it is necessary to respect the formal requirements during loading and transporting cattle, cattle stabling (i.e. waiting for slaughter), slaughter, and refrigeration and maturation of meat, since the performed schemes affect in a considerable manner meat quality (namely tenderness). Finally, at the market level, it is indispensable to ensure the minimum levels for the fulfilment of the market exigencies, and keep supply regularity. Apart from previous, quality labelling must include measures that not only enable the diversification of the beef production but also those that support the development and sustainability of competitive farm production. In that

way, the quality labelled beef is designed to preserve the 'specificity' for consumers and to create 'quality' with specific prices that reflects consumers' preferences. Again with the proper employment of specific quality labels and good production, slaughter, and distribution habits, a better balance is achieved between the consumer growing requirements towards quality, safety, and traditionally produced beef, and beef producers yielding from this added-value to beef. Finally, the promotion of quality labelled beef possessing certain characteristics considered favourable by the consumers, brings a greater benefit to the rural economy and in particular for the less-favoured rural areas, improving farmers' income and maintaining the rural population in these areas.

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