



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.*

Creating sub-consortia as a means of counteracting changes to specification sheets: the case of Parmigiano Reggiano

Katia Laura Sidali¹, Olta Sokoli², Silvia Scaramuzzi³, Andrea Christina Dörr⁴

¹Georg-August University of Göttingen, DARE, Germany; ksidali@gwdg.de

²Agricultural University of Tirana, Albania; olta.sokoli@yahoo.com

³University of Florence, Italy; silvia.scaramuzzi@unifi.it

⁴University of St. Maria, Brazil; andreadoerr@yahoo.com.br



**Poster paper prepared for presentation at the EAAE 2014 Congress
'Agri-Food and Rural Innovations for Healthier Societies'**

August 26 to 29, 2014
Ljubljana, Slovenia

Copyright 2014 by Katia Laura Sidali, Olta Sokoli, Silvia Scaramuzzi, Andrea Christina Dörr. 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.

Abstract

Prior studies have shown how increasing heterogeneity of commons negatively affects product regulation. This work uses a case-study approach and analyses the Parmigiano Reggiano Consortium in Italy. Specifically, we applied a ground-theory approach and interviewed stakeholders at different levels (n=24) in the time frame 2012-2013. While our study confirms prior findings on new-comers' efforts to loose strictness in the code of practice, it also shows how Parmigiano Reggiano members organize themselves in sub-consortia to better provide resilience to such strategies. The study discusses implications and strategies valuable both for scholars and for geographical indications managers.

Keywords: Geographical Indications, Consortia, Free-riding, Food Clusters, Parmigiano Reggiano

1. Introduction

A Geographical Indication (GI) is the name of a place or country that identifies a product to which quality, reputation or other characteristics are attributable. A GI signals to consumers that the goods have special characteristics as a result of their geographical origin (Vandecandelaire et alii, 2010).

Both at institutional and political level GIs are often protected for the several roles they play:

- GIs are a means to escape from growing competition and permit a diversification of production costs and a differentiation of quality levels (the “market” justification);
- GIs may exert positive effects on rural development, keeping traditions and culture, economic and social viability, and showing spillover effects on local economy. They reproduce and improve local specific resources (the “rural development” justification);
- GIs are more and more demanded by consumers as they are perceived as safer than “nowhere” products, of higher quality with respect to conventional ones, authentic and genuine compared to mass food. Besides, GIs allow consumers to participate to local cultures and show their own identities (the “demand” justification);
- GIs are an important flag/symbol of culture and identities all over the world, and they must be protected from abuse and misuse to save the “fairness” of transactions and prevent an economic loss to honest producers (the “abuse” justification). In other words they can help producers to protect their products from counterfeiting and reduce information asymmetries to the benefits of consumers.

However, in the case of geographical indications, a product's reputation depends not only on the quality attributes directly related to the producers, but also on those derived by the association or common to which the producer belongs. The “dispute” between actors may also become a “crisis” when the actors refer to different or even contradictory conventions. In such a case, the establishment of a compromise, or a combined convention, is a mean to escape from the crisis. Regarding specific quality products, these compromises may be expressed through micro-conventions, which are the “local” version of macro-conventions (Sylvander et alii, 2006).

The collective character of a GI means that the issue of ‘commons’ is highly relevant in analyzing the reputation of the denomination and its consequences on quality. If not satisfactorily addressed, the problem of free-riding within the common often increases, which in turn can lead to a situation where the producers of higher quality goods (e.g., with a high

Label Reputation) leave the commons (Bravo, 2003) as a consequence of a (feared or real) decrease of Denomination Reputation (DR). At times, a desire for innovation is also cited as partly responsible for initiating mechanisms for adapting regulatory norms.

According to Bravo (2003), two tools essentially exist which producers of a GI common can use to solve the problem of free-riding, thus remaining in the common: finding an arrangement among participants which leads to the creation of formal endogenous or exogenous institutions tasked with monitoring and sanctioning transgressors; or establishing motivational factors among the members of the common while, at the same time, creating self-control mechanisms.

2. Aims and methodology

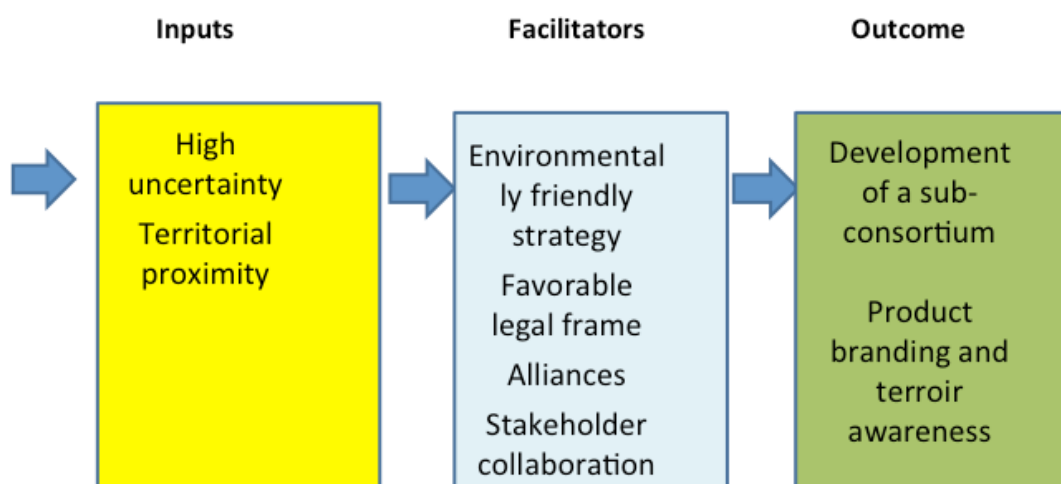
The research questions faced in this paper are twofold:

- 1) Are there governance strategies to reduce free riding in GI schemes and to re-establish cooperation? Specifically, can the creation of formal endogenous or exogenous institutions tasked with monitoring and sanctioning transgressors be a successful strategy?
- 2) Which factors may have a positive impact on internal GIs governance? Specifically can informal networks be beneficial for the (re)establishment of trust? Can institutionalization of sub-consortia within a well established GI common be successful?

The methodological approach is based on the adaptation of the theoretical framework of Lee and Wall (2012) that describes in a clear and concise way the main phases that small farm operators undergo to re-territorialize their resources in a creative way. The authors explain that the inputs phase is characterized by the juxtaposition of local production with consumption, which leads to the awareness of the place as a competitive advantage. This is particularly true in a situation of high uncertainty where, according to Forster and Metcalfe (2012), “the totality of possible outcomes is unknown”.

However, it is only after the intervention of the so-called facilitators, either key stakeholders of the product chain, the legislator, or NGOs that meaningful synergies take effectively place. In this way, new cultural food products are created (outcomes).

Fig.1 – The phases of the creation of food commons



Source: Adapted from Lee and Wall (2012)

The framework was applied to the case study analysis carried out on Parmigiano Reggiano.

The analysis was based on a ground-theory approach focusing on actors belonging to different governance cultures (within and outside the consortium). In a first phase of the study secondary literature was collected and analysed in order to related highlight characteristics, evolution, strengths and weaknesses of the Parmigiano Reggiano (PR) consortium. The second phase of the case study was based on qualitative, in-depth interviews conducted between early 2012 and end of 2013 with members of the GI consortium. Actors outside the consortium (belonging to the public domain, members of the control and certification body, NGOs and consumer associations, experts) were also interviewed.

3. The case study

Parmigiano Reggiano' is a GI with a strong reputation in the international market. It is an important economic reality in northern-central Italy, taking into account the 400 active dairies, the 3,279,156 wheels produced in 2013, and the turnover of 23 ml € in 2013. In recent years, however, the consortium has experienced an extended crisis due to over-production, with falling prices having forced many small dairies to close. As a result, many stakeholders from outside the GI area have entered the organization through the acquisition of local processing plants. The new entrants lobbied for a change in the GI regulation of Parmigiano Reggiano (Dentoni et alii, 2012: 208). In the past, small-scaled operators of the Consortium had reacted to such pressures by creating the sub-consortia of "Parmigiano Vacche Rosse" and "Parmigiano Vacca Bianca Modenese". This resilience strategy has been thoroughly analyzed within the framework of the emergence-approach (Sidalì et alii, 2013).

Our goal is to outline the strategies that members of a GI common use to avoid the problem of quality standardization and free-riding. Against this background, the choice of the case Parmigiano Reggiano is coherent for two main reasons. Firstly the Consortium is suffering from market and free riding pressures, secondly within the timeframe of the current project, the authors have witnessed the creation *in fieri* of a sub-consortium, namely the "Consorzio Terre di Montagna" (Consortium of Mountain Regions - *authors' translation*).

Thus, we have been able to profoundly analyse which actors and which motivations were involved in constituting this new cultural property. Furthermore, a qualitative approach has investigated which meta-cultural certification practices and scientific discourses were used to achieve the sub-consortium's institutionalization.



4. Results

The theoretical framework conceptualized has been applied to the case study in order to compare it with the findings of our empirical research. *In the inputs phase* we found out how the crisis that characterized the market in the period prior to the establishment of the Consortium of Mountain Regions (CMR) caused a radical uncertainty that producers voiced as strongly due to two factors: 1) falling prices for cheese production which were mainly due to overproduction within the timeframe 2005-2010, and 2) the entrance of new producers - which further exacerbated the situation, since even 'old barns were re-opened'. The crisis

reached a peak in 2009 and the situation was even more severe in the mountainous territory¹. Most mountain Parmigiano Reggiano dairy producers saw their territorial proximity as an asset in creating a collective mountain brand as a strategy that would signal quality next to the PDO label and Consortium brand (Dentoni et alii, 2012), as well as to elude intermediaries and directly market the mountain Parmigiano Reggiano cheese abroad. Some *facilitating conditions* allowed the implementation of the strategy foreseen by the mountain producers:

- Environmental friendliness is in line with the Zeitgeist of a new environmental awareness because it “unites the interests of certain types of producers and consumers” (Lee and Wall, 2012, p. 6). In the case of mountain Parmigiano Reggiano, the ten producers chose this positioning strategy not only to meet the cultural trends of consumers, but also as a way to mitigate conflicts with other members of the main Parmigiano Reggiano consortium.
- Favorable legal framework: the ten producers of the mountain Parmigiano Reggiano felt they were supported by the new EU Quality Policy on mountain products, which could allow them to emancipate from the Parmigiano Reggiano consortium².
- Within the NGO-sector an important role was played by the Slow Food Movement, which raised awareness and interest in the origin and taste of food, and its impact on the world’s economy³.
- The role of university: specifically, in 2009 the CMR enrolled scientists from a private university with a strong affinity to the Slow Food Movement, in order to create a sensory profile of its mountain cheese to cope with the opposition of the Parmigiano Reggiano consortium, which was vehemently rejecting a further differentiation within Parmigiano Reggiano producers, the CMR recruited experts to scientifically test the quality of mountain Parmigiano Reggiano⁴.

Interestingly, it would appear that the efforts set in motion by the mountain Parmigiano Reggiano producers were successful in eliciting the initial opposition of the Parmigiano Reggiano consortium. Either the scientific practices attesting to a higher consumer preference for the taste of mountain Parmigiano Reggiano, or a change in personnel within the Parmigiano Reggiano consortium, or as is more likely the case, a combination of both these factors, finally led to the creation of an internal commission (within the PR consortium) to study the case of mountain PR cheese.

As far as *the outcomes* are concerned the steps mentioned above eventually led to the creation of a new sub-consortium within the main reputed one, and hence to the introduction of a more highly regulated level of label differentiation between the current PDO and a

¹ The interviews reported “*the crisis was so acute that producers were hardly managing to cover production costs*”.

² “*Thanks to the EU policy on mountain products, the {Parmigiano Reggiano} consortium has a label for mountain products (...) an internal commission regarding mountain Parmigiano Reggiano dairies has been established with the task of identifying the criteria for marketing this mountain product, although the {Parmigiano Reggiano} consortium does not have any power, ...because it is a European law*” (interview with a member of the CMR).

³ The close interdependency of the Slow Food Movement with the GI sector is documented by several studies (MacDonald, 2013; Sidali et alii, 2012).

⁴ By commenting the results, the members of the CMR displayed a cautious rhetoric: *Interviewer: Does mountain Parmigiano Reggiano differ from conventional Parmigiano Reggiano from a sensory point of view? Reply: yes, they {the University experts} do not say it openly (...) the study says that the mountain product tends to develop sensory characteristics that are more ... evident ... (...) while the product from the plain has a more neutral flavour, and the mountain one at the same ageing time has more highly developed sensory characteristics. It is more complex, with other sensory sensations, such as perhaps fruity or spicy features which develop earlier in comparison to the cheese from the plain... let's say this was essentially the outcome* (interview with a member of the CMR).

“higher quality” version of the PDO. Furthermore, the establishment of a collective brand helps the PR mountain producers to tailor the image of PR by combining it with the mountain setting. The establishment of the new institution affiliated to the PR Consortium has reduced the asymmetric relationship of the PR mountain producers with the PR Consortium. Mountain PR producers feel they have the same or a similar status as the large scale PR producers from the plain. At the same time, the independence gained by the mountain producers has helped them safeguarding product quality within the newly established institution of CMR. Finally, this improved governance reinforces also the PR Consortium that act as a “third party body” (Giacomini et alii, 2010) protecting the overall interests of all actors.

5. Conclusions

Our study confirms prior findings on new-comers’ efforts to loose strictness in the code of practice. Governance strategies to reduce free riding in GI schemes and to re-establish cooperation can be implemented even through the creation of formal endogenous or exogenous institutions. The case study analysed shows how Parmigiano Reggiano members organized themselves in sub-consortia to better provide resilience to such strategies. Hence heterogeneity does display a negative effect on the sense of trust towards the consortium as an institution. However, cooperation can stem among homogenous sub-groups as a resilience strategy showing how a formal institutionalization of sub-consortia within a well established GI common may be successful.

6. Acknowledgements

We wish to thank the interviewees for responding to our questions and hope that the present publication does not in any way violate the trust which was extended to the authors. Furthermore, the authors acknowledge the financial support from the DFG for the project „The Constitution of Cultural Property: Actors, Discourses, Contexts, Rules“ Interdisciplinary DFG Research Unit 772 (<http://cultural-property.uni-goettingen.de/?lang=de>).

References

- Bravo, G. (2003). Individualismo-cooperazione-free riding: ascesa e maturazione di un distretto culturale. *Sociologia del Lavoro*, http://www.eblacenter.unito.it/WP/2_WP_Ebla.pdf
- Dentoni, D., Menozzi, D. & Capelli, M. G. (2012). Group heterogeneity and cooperation on the geographical indication regulation: The case of the “Prosciutto di Parma” Consortium. *Food Policy* 37(3): 207-216.
- Foster, J. & Metcalfe, J. S. (2012). *Economic emergence: An evolutionary economic perspective*. *Journal of Economic Behavior & Organization* 82(2–3): 420-432.
- Giacomini, C., Arfini, F. & de Roest, K. (2010). *Interprofession and typical products: the case of Parmigiano Reggiano cheese*. 116th EAAE Seminar, October 27 to 30, 2010, Parma.
- Lee, A. & Wall, G. (2012). *Food Clusters: Towards a Creative Rural Economy*. Working Paper Series: Martin Prosperity Research. Toronto, University of Toronto.
- MacDonald, K. I. (2013). The morality of cheese: A paradox of defensive localism in a transnational cultural economy. *Geoforum*, 44(0), 93-102.
- Sidali, K. L., Dörr, A. C., Zulian, A. & Radic, I. (2013a). *How do Slow Food members perceive GI-regimes? Evidence from Germany, Italy and Brazil*. CP101 Concepts and Institutions. Cultural Property Working Paper 5/2013 <http://cultural-property.uni-goettingen.de/publications/?lang=de>
- Sidali, K. L., Scaramuzzi, S. & Marchese, A. (2013b). *Anatomy and Governance of GI consortia: cross-country perspective*. XXVth ESRS (European Society of Rural Sociology) Congress, July, 29 to August, 1 2013, Florence, 353-354.

- Sylvander B., Belletti G., Marescotti A., Thevenod E. (2006). *Establishing a quality convention, certifying and promoting the quality of animal products: the beef case*, in: R. Rubino, L. Sepe, A.Dimitriadou and A. Gibon (eds.) *Livestock farming systems - Product quality based on local resources leading to improved sustainability*”, 2006, 410 pp., EAAP Scientific Series Volume 118.
- Vandecandelaere E., Arfini F., Belletti G., Marescotti A. (ed.) (2009), “*Linking people, places and products. A guide for promoting quality linked to geographical origin and sustainable geographical indications*”, FAO-SINERGI, Rome ISBN 978-92-5-106656-0