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Certification of agro-food quality products: a new reality in demand and farm management

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Contribution appeared in Arfini, F. and Mora, C. (Eds.) (1997) “*Typical and Traditional Products: Rural Effect and Agro-Industrial Problems*”, proceedings of the 52nd EAAE Seminar, pp. 109 – 118

June 19-21, 1997

Parma, Italy



**UNIVERSITA' DEGLI
STUDI DI PARMA**

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ABSTRACT

One of new CAP priorities is to shift the increasing desertification and disintegration process that is nowadays underway in rural environment. At the same time there is a concern with environmental problems caused by the incentives of the old CAP to intensive agricultural systems. Among the tools we have in the new CAP to achieve the above purposes we can find the certification of agro-food quality products through labels such as Denomination of Origin and Geographical Indication.

The increasing demand for quality by the consumers is forcing the producers of this kind of products to build quality management systems, wich besides assuring the product quality, are responsible for the optimisation of the marketing functions and for a balanced information transmission.

This quality demand can only be achieved if we build marketing strategies which allow for consumers' welfare and at the same time make firms profitable due to the added value created from integration and optimisation of the agro-food chain.

1. INTRODUCTION

The new CAP has answered to problems that have been present in the common agriculture for the last two decades. If in one hand it was necessary to proceed with the EC prices converging to world prices, in the other hand it was crucial to shift the increasing desertification and disintegration process that was underway in the rural environment, solving at the same time the environmental problems induced by the support of intensive farming systems of the old CAP.

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Thus, the new CAP is based on a set of guidelines and measures pursuing two different kinds of objectives:

- to assure the competitiveness of as many as possible agricultural systems in a context of world prices competition;
- to contribute to the feasibility of those systems with maintenance is justified by social, environmental and/or regional reasons.

The creation of labels such Denomination of Origin (DO) and Geographical Indications (GI) pursues the economical valuation of traditional food products which, by their distinct production characteristics, are differentiated from similar products presents in the market. Their promotion and commercial valuation can give a significant contribution to producers' income improvement and to the safeguard of the genuineness of important resources in disfavoured regions, as it is the case of many the Mediterranean countries and their extensive agriculture.

In this paper we proceed to some reflections about policy tools, their frame work and effective contribution to the proposed objective, as well as their applicability to agricultural enterprises located in disfavoured regions such the Portuguese ones, and to the new agro-food markets. At last, we will analyse some strategies that can contribute for the success of these measures at a microeconomic level and at the rural development level.

2. POLICY ANALYSIS OF THE QUALITY CERTIFYING LABELS

The "Quality Certification" of agro-food products which goal is to promote their market valuation, through their certification and consumer recognition, is achieved by labelling legal protection at national and international level of the Denominations of Origin, Geographical Indications, Specificity Certificates of agro-food products, as well as the biological production process.

For each one of the regional products which notoriety is recognised, it has been supported the implementation of a producer's association that sets the production and marketing rules to be accomplished and proposes a private control and certification entity.

The European Union (EU) concerns with this kind of specific agricultural products, framed by strategies and programs related with the promotion and regional development of rural territories, has been implemented at national level in Portugal by the Regional Development Plan (RDP).

In this plan the agricultural development and the sustainability of the rural environment are positively correlated with the diversification of agricultural systems and the valuation of endogenous resources.

In a framework of increasing markets' liberalisation, the RDP suggests the development of strategies leading to competitiveness reinforcement of products and firms, as well as to the improvement of agro-food chains' organisation and a greater producers' participation in the processing and marketing.

This strategy underlies on a participated and integrated intervention co-ordinated with the different support tools, where the chains' productivity, quality and integration should be the base for competitiveness reinforcement.

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Besides the actions at production level, to achieve the increase in productivity, there is a reinforcement of the investment effort on processing and marketing infra-structures modernisation, and special attention is paid to the reinforcement of management capacity of the agro-food firms.

In order to improve the quality, the EU is promoting the reorganisation of firms and offering quality management tools, aiming the development of quality brands, supporting the valuation of agro-food products resulting from regional identities and traditional uses, and reorienting them to demanding marketing niches.

Finally, regional integration of the agro-food chains has been promoted with the objective of reducing market inefficiencies, balance demand and supply of agro-food products, leading production to agricultural systems better adjusted to the natural environment conditions.

Thus, the valuation of traditional products is a main objective of the agricultural sector policies.

Analysing the different measures and programs where DO's and GI's are promoted, we can see that a group of specific objectives is pursued in order to achieve the general goals of the new CAP in what concerns environment and natural resources protection, as well as rural bio-diversity preservation. They are:

- Protection and valuation of local specific products;
- Implementation of producers associations for specific traditional products;
- Valuation of traditional regional products in devaluation process in EU markets;
- Creation of new comparative advantages as condition to make viable regional or local endangered economies;
- To satisfy consumers, nowadays very receptive to values such as limited or genuine products.

Inherent with these objectives there is the idea that these strategies can promote the development of rural less developed regions, through producers income increase and a bigger agro-food chain efficiency. Since DO's and GI's work as distinctive quality labels they can bring advantages to producers namely by product differentiation, what allows the protection of the competition by the creation of market niches and also the creation of quality/price advantages.

The increasing strength of the producers' associations will induce economies of scale, leading to a bigger lobbying weight, increased possibilities of distribution circuits establishment, improved consumers' satisfaction in terms of quality, and also of financing resources to improve the production and marketing structures.

The DO's and the GI's seem, in a first approach, an efficient tool that can contribute to the development of poor rural regions. However, we can ask ourselves if that development is not more dependent of the agricultural enterprises social-economic conditions in the beginning of the process than of the financing incentives.

In the great majority of the Portuguese products, the situation remained practically unchangeable after this quality certification implementation. This can be explained either by the small dimension of the producers' associations or by problems at organisational level. The lack of communication between the associations and the producers makes very hard the achievement of the common objectives, as well as the concentrations of the

products supply in quantity and homogeneity. This will not allow the adaptation to this kind of markets, making the success of these labels not viable.

Furthermore, in the enterprises and associations producing typical quality products the concern with improvements of marketing functions and strategies is increasing, in order to benefit from the advantages politically proposed to this kind of specific products and to adapt them to new markets, allowing their survival in the medium and long run.

3. THE NEW TENDENCIES OF THE CONSUMERS

We have seen that one of the promotional bases of the viabilization policies about quality regional products is the convincement that there is an increasing appetence of consumers for this kind of products. In this section, we will try to analyse the tendencies of food consumption in Europe, as well as the new requirements, expectations and values of food demand.

If we analyse the food consumption of developed countries, namely in the European Union, we can see a clear tendency to the decrease of the existing disparities, till some years ago, in diets composition. That is, the weight of great groups of food on diets is much more similar in the different developed regions (Reig, 1992)(5).

However, this progressive similitude on diets does not imply a standardisation of the type of consumed products. Furthermore, some studies (Trail, 1989)(4) point out a tendency to a great diversification on food uses in European countries. This diversification is meant as the existence on consumption of a great number of differentiated products, not only by their nutritional composition, but also by means of the presence of some characteristics that can be associated to health, by their presentation or by the services processed products include.

According to the same author, the tendencies for diversification of food consumption are caused by different factors. The first one - cultural changes - has inclusively caused the demand of certain characteristics on food products, unthinkable till some years ago, such as the worries of people about the treatment animals receive during growth. People are increasing their interest about environment subjects, and the deeper knowledge about the relation among the food components and health has induced severe changes on demand, leading to diversification of the products present in the market.

A second factor Trail (1989)(4) points out as responsible for that consumption diversification, is the increase on family income in developed countries and the decreasing weight of food on expenditure. This fact allows families to change their standard consumption. Families can do significant quality changes on their food consumption, consuming healthy products, environment friendly products or products with more services included. All these products have an higher market price. Having these changes, families do not increase significantly the total household expenditure.

With these new tendencies on demand Guitart (1994) (2), concludes that, in food markets, different requirements on quality can be presented, establishing the condition to carry out a market segmentation. In this way, differentiated markets can be created for products with different levels of quality (as the capacity to satisfy the different requirements

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of consumer) on their management in order to guide the production to the market niches they intend to achieve.

Besides these concerns of consumers, society has been paying attention on a sustainable development. Natural resources are scarce, so enterprises are asked to pay attention to the externalities their production process generate. This society demand can constraint the activity of the enterprise on a direct or indirect way. In the direct way because consumers can demand new characteristics on products. In indirect way, enterprises can have to reduce their environmental impact, so society does not consider their activity adverse to its behalf.

According to Gracia (1995)(1), at least in Mediterranean countries, the tendency to increase the consumption of quality products, improving welfare, continues. There is a greater demand for healthy and natural diet, a need to consume prestigious food, an inclusion of gastronomy in the present culture and a greater demand of processed food quickly available for meals. That is, consumers are harder to satisfy and they only allow for higher prices if greater quality or improved service or both are offered.

Due to food demand stagnation, the only market niches to be increased are found on the best presentation and quality of products.

All these facts made the market more segmented. We have to distinguish the different consumption segments and to satisfy each one of the demand categories. So, market studies, advertising, product presentation, I+D, its quality and easy use, have a greater importance in the food commercialisation. Count (1993, *cit* Garcia, 1995)(1), considers that the agro-food product significant quality elements are the origin, the rurality, the thecnology and the presentation or image.

A problem to be considered when satisfying the new market requirements is the traditional controversial discussion about food policies among the Mediterranean countries (more oriented promotion of DOs strategies) and northern countries (more brand policy and food mass consumption oriented).

According to Gracia (1995)(1), the first policy can allow the development of a marketing strategy based on the satisfaction of selected groups of consumers, with little and selected productions, where the natural and geographical component would have an higher weight on the differentiation process.

The second policy, bets on the viabilisation of more common strategies to the industrial process, where the agricultural product lost almost all its territorial identity, to be converted in raw material to the food industry. Here, the aim is the commercialisation of big amounts of standard product with a relatively low price.

However, on our point of view, more than two competitive and not compatible policies, they can be two different ways of facing the market and are complementary policies. In one hand , it has been verified a certain homogeneity on food consumption among European Union countries, being an important factor explaining the trend of internationalisation or globalisation of the agro-food enterprises strategies. In the other hand, according to Garcia (*op. cit.*)(1) it is expected that differences on local or regional tastes remain, and also that some regional products can be introduced into foreign markets in order to satisfy the new consumer and his tastes about new and refined products.

Summarising, it must be guaranteed to the consumer a responsible supply, considering the safety and healthy rules as well as the product quality characteristics. So, the differentiation of the food products includes both nutritional and subjective criteria.

4 - FROM PRODUCT QUALITY TO TOTAL QUALITY

According to Valceschini and Nicolas (1995)(6), in the agro-food sector there are two predominant and traditional concepts about quality. First of all, quality stays for a superior performance level. So a quality product is a high standard product. Quality is also associated with scarcity and peculiarity, small scale and high price.

In the second concept, quality stays for the property of a product. Quality means the property that allow to identify a product.

According to these two ideas, the concept of quality is somewhat limited, because is directed to the product. But, lately, this concept has been vulgarised to a wider one. In this way, quality can be defined as the ability of a good or service to satisfy the real or potential needs of users.

This definition links the quality more to the function than to the product. It is related to the expansion of the new methods of quality management. These new procedures are not concerned only with the processed product but also with its conception, production, provision, and sale. Lately the focus of quality has moved from the product to the consumer and finally to the organisation

The modern consumer is no more satisfied only by being protected by rules or certification. Now, the problem is not only to guarantee a safety level, but it is fundamental to develop and deliver complete information about the product in order to allow the consumer to make his choice according to his individual concepts of health and natural, and also according to his tastes. The problem is to create the scientific and technical knowledge allowing to elaborate the information and communicate to consumers.

The identification of the products finds a similar difficulty. The standardisation of the technics and the globalization of the markets can change or even invalidate the concept of provenance, of origin and of tradition as identification and differentiation criteria of the product.

Processing, packing, transportation and distribution establish an increasing distance, either physical or symbolical, among purchaser and the origin of the food.

According to the same authors this makes possible the manipulation of information (ambiguous or not correct labelling, for instance), and mistakes about merchandise, and products falsification or imitation.

Thus, the purchaser, final consumer or intermediate user is in a risk position, going since the pure disappointment to the financial loss. Among sellers and buyers the rapport's are unbalanced. Falsification or imitation of costly food such Caviar or Foie-Gras or also the Champagne show very well this problem of asymmetric information damaging the consumer.

In a situation like this, the determinant factor of rebalance is the validity of information and the trust on the labels that allow consumers to identify products, to compare and to judge their quality.

The management of the quality includes the co-ordination of different phases going from production to sale. The object of this co-ordination is the quality matrix, in all its aspects - the total quality matrix.

The management of the quality does not fall exclusively upon goods but on tools and on performances processes. These are transfers from the product to the process and to the

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organisations. The aim is, first of all, to improve the safety level and the fulfilment of specifications.

The goal is to ensure to the customer that the product was processed, verified and, eventually corrected, in such conditions that it is conform its specifications.

The management of quality is the whole of systematic actions needed to give the trust and to obtain the required quality.

We can say that efficiency is not only the capacity of economic agents of products processing at competitive costs. The concept of competitiveness is substituted by competitive advantage, based on the capacity to make images, to recognise them, and to certify the quality (*op cit.*)(6).

After the considerations about valuation policies of quality regional products, we have seen the difficulties that some producer associations of less developed regions in Portugal have to profit from the advantages of certification and differentiation of products. Next, we have analysed the new tendencies and requirements of consumers and we have seen that in order to satisfy them, firms have to try to implement systems of quality management. These systems ensure the objective characteristics of products and also allow the transparency of the information from the producer to the consumer, giving credit to the image of these products in the market.

These systems must also ensure the availability of the products homogeneously, and in medium and long run, promote their image and ensure additional services, asked by consumers. Furthermore, these systems must ensure their efficiencies, allowing for the increasing profitability of marketing chains and for greater margins to producers.

In our opinion, the efficiency of these systems is only possible with some integration in agro-food chains and with very well defined marketing strategies, allowing to attain markets and fulfil their requirements as well the producers commercial objectives are fulfilled.

5. MARKETING STRATEGIES FOR QUALITY TRADITIONAL PRODUCTS

In this last section we will try to draw in broad terms strategies which can improve those systems. Although each case is different from another, the underlying difficulties at the association level in less developed regions of Portugal are similar, as well as the general characteristics of the DO and GI products, where all of them support their differentiation in quality, tradition, rurality, etc. So, the support of these marketing strategies will be the same although we can have some differences according with the product, the region, the production dimension and the available financing resources.

As we know, a strategy is a set of action tools used together to achieve certain goals in a conflict environment. The development of a product marketing strategy consists in the precise definition of the objectives, as well as the needed marketing action tools which will allow theirs pursue.

According to Lendrevle *et al* (1993)(3) the settlement of a strategy follows five fundamental stages:

- Definition of the marketing goals;
- Internal and external analysis/diagnosis,

- Definition of the fundamental strategic options, this is, the definition of targets, market sources and product positioning;
- Marketing-Mix definition: product, price, distribution and communication policy,
- Forecast strategy analysis.

In this type of products the strategies will be different mainly at the marketing-mix level, since generally the marketing goal will be increasing the notoriety and consumers' fidelity to regional brands.

The target-markets, that is, the market segments aimed are the medium-high classes in the big urban areas, which are probably the more willing to adopt these products. Saying in another way, the segmentation criteria are based generally in the social-economic position of the consumers and in the dimension of cities, and not so often on other types of criteria such as geographical ones.

The products which are the competitors, the market sources, are in this case products of the same category, more or less undifferentiated present in the market. This is the most common situation in the meat and fruit markets, and in lower degree in the cheese one where we can find already some brand policies with the respective increased competition.

In what concerns the product positioning, the most important features of the product image can be summarised in three lines.

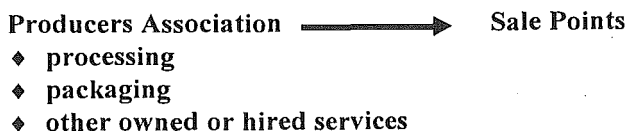
- * Quality products
- * Traditional products
- * Natural products

Thus, the strategies that we are going to present are diversified group based in common criteria:

- Commercialisation and marketing services provided by the producers' association;
- Distribution: sale points, intensity, number of circuit levels and geographical distribution.

These diversified groups of strategies will have different organisational complexity, variable transportation and storage needs, and will also set up distinct capacities to control the marketing chain. This is due to different weight of the producers in the price settlement, in the way the product arrives to the consumer and in the communication process. All of this will induce changes in the producer added value, who has not always the capacity to undertake complex strategies and profit from them.

5.1 . Producers association marketing strategy



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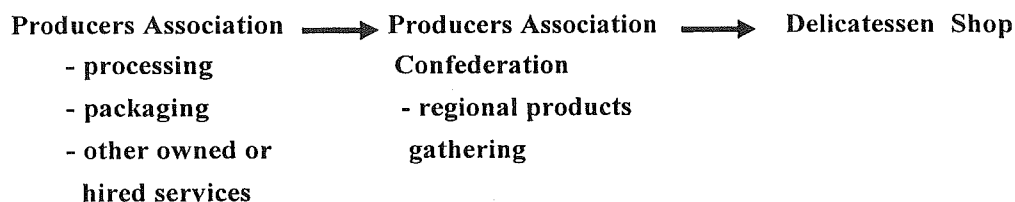
In this case, the association besides proceeding with the product gathering, is responsible by all commercialisation process taking the products until the selling spots. The intermediates are removed from the commercialisation process what makes possible a greater influence over price settlement.

The selling local can go from delicatessen shops to restaurants, going through small convenience stores.

The product gathering allows for a greater efficiency of the marketing structures and a bigger financing capacity for marketing investments. It induces an increased autonomy about commercialisation, distribution, communication, etc.

Although these advantages, is necessary some organisation capacity, allowing nevertheless, an increase process control, being the added value delivered directly to the producer.

5.2 . Delicatessen shop marketing strategy



In this second strategy, the association is responsible for the product processing, packaging and with owned or hired services deliveries the product to the confederation. The confederation will proceed to the gathering, at regional level, of all the quality products.

This process implies an exclusivity distribution concept. Usually applied to regional/national shops in big cities, particularly important in foreign trade.

This strategy is more of a communication policy than a global marketing strategy, since this kind of action is unprofitable in the great majority of cases, that is, the transaction volume will not justify the costs with transport and with the shop space itself. Generally they receive financing support because they promote the image of the country or region.

So, each association is responsible by their one products policy, always based in high quality concepts for the most exquisite consumers. Nevertheless a regional or national brand can always be implemented.

5.3 . The regional trade agency marketing strategy

This last strategy (Fig I) underlies on the creation of a regional structure, resulting from the association of public and private entities with a strong regional feeling, which aims the strengthening of the region economical foundation. It can enclose only the DO and GI products or be opened to other quality products of the region. Among the goals we will

have the integration of the Regional Trade Agency in national and international structures of the same type in order to develop the trading opportunities.

Among the duties of the regional agency we can find:

- create a strong image of the regional quality products, which will be the supply to export. Such products can compete either in developed or potential markets;
- reinforce the "made in ..." concept has a distinction of quality, tradition, diversity and competitiveness;
- search for market opportunities;
- strategic and organisational support of the associates;
- information collection, organisation and spreading;
- competition analyses at different geographical scales;
- promotion of the region and of the region products;
- increase the effort to improve the knowledge in areas where less developed regions and their products have difficulties;
- supporting structure to transregional or transnational marketing strategies.

Eventually this Agency is the most coherent and integrated marketing strategy for regional promotion and development strategies' settlement. Once it can support, with strategies conceived according with the target markets, the promotion of the region traditional production chains.

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