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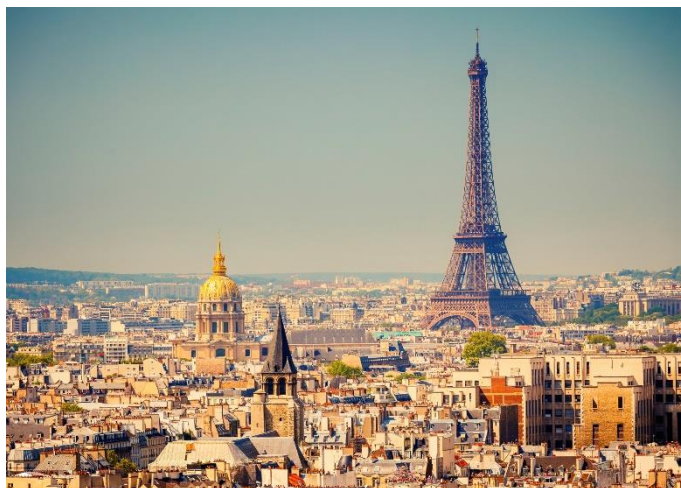
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The impact of AOC policy on rural development

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The impact of AOC policy on rural development

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Abstract

The consequences resulting from the application of the concept of controlled designations of origin (Protected Designation of Origin or PDO) to products that are strongly tied to their "terroir" allows firm hypotheses to be proposed on the impact of this policy on rural development..

This impact affects occupation, employment and countryside management in the territories concerned and the value assigned to these territories and local culture.

A concrete and in-depth evaluation of the impact of AOC policy on rural development has never been carried out. Such an evaluation requires access to existing technical, economic and social statistics. It will also require specific statistics that are not currently available, as AOC products are considered as marginal except within the wine sector. Furthermore, non-economic disciplines need to be adopted to determine the impact on territorial value and on the creation and transmission of local culture.

Keywords : AOC, "appellation d'origine contrôlée", rural development, land use, direct and indirect employment, tourism, culture, space valorisation

INTRODUCTION

The impact on rural development of policies identifying products by a geographic indication is often put forward as an argument in support of these policies in the face of changes to the agricultural and food sectors. These changes affect both productions, particularly by a decline in product support, and consumption through greater concern in the origin and authenticity of products. EU Regulation n° 2081/92, concerning PDO (in French : *AOC*), and PGI (in French : *IGP*), states that "the promotion of certain characteristic products can be a major asset for rural communities, notably in disadvantaged or isolated areas, by both improving the revenue of farmers and by maintaining the rural population in these areas". For their part, the French authorities in the last *Loi d'Orientation Agricole* adopted by Parliament in June 1999 ascribes to the policy on product quality and origin, the aim "of assuring that agricultural and food production continues on the land and of maintaining economic activity notably in disadvantaged rural zones by the valorisation of both skills and production areas".

The *AOC* label, which designates a product as being strongly related to its area of production and which can therefore be referred to as its *terroir*, is a tool that has several advantages in meeting these objectives. Such at least is the opinion held by many, including INAO (the *Institut National des Appellations d'Origine*), on the basis of results from the *AOC* wine sector which have been most perceptible at an economic level.

However, the impact of *AOC* policy on rural development has never been subject to in-depth evaluation. This article aims to contribute to such an evaluation by examining characteristics of the *AOC* system to formulate hypotheses about this impact. An impact, which, due to the complexity of the *AOC* system, is both highly significant and variable. Suitable approaches, allowing a concrete evaluation of this impact, will be considered.

1. THE EFFECT OF TECHNICAL, ECONOMIC AND LEGAL CHARACTERISTICS OF THE *AOC* SYSTEM

1.1. Impact of technical aspects

An *AOC* product is one that has unique characteristic (or *typicité*) resulting from both human and natural factors of the geographical environment.

The production conditions defined in an *AOC* decree seek to maximise the *typicité* of the product. The factors taken into account are those of the "undeveloped" natural environment (e.g. climate, soil, subsoil and relief) and those resulting from human actions which either directly intervene in the environment (terrace farming for example) or which ensure the development and transmission of specific skills (e.g. the selection of breeds or the choice of traditional varieties and methods of processing).

These conditions of production most often limit the productivity of various production factors (e.g. land area, animals, and work force). For example, the limit on grapevine yields is tied to the desire for higher concentrations of sugar, tannins and aromatic substances in grape berries. The traditional *Savoyard* cow breeds (*Tarine* and *Abondance*) have a lower potential production than other breeds, but have been bred to be adapted to the pasture of the region and provide milk having the necessary characteristics to produce the cheeses *Beaufort*, *Reblochon* and *Abondance*. The limit on the stocking density of farms producing milk for the production of the cheese *Comté* allows optimal utilisation of the prairies of the Massif Jurassien with its specific and diverse flora. The obligation to adopt manual grape-picking for certain *AOC* wines guarantees the harvesting of whole berries needed for certain types of winemaking (e.g. *Beaujolais*-style), or the selection of only those grapes possessing particular characteristics such as those infected by "noble rot" for the production of *Sauternes* or *Bonnezeaux* wines.

The effect on rural development is significant and direct. The *AOC* causes more land to be used and valued to obtain the same volume of production as an intensive production system. As this requires a greater labour force, the *AOC* generates more direct and indirect employment.

The production conditions can also limit the size of production units. The size of farms producing *Reblochon* is limited by them seeking to be self-sufficient for fodder. The inherent diversity of *Comté* and concern for preserving suitable milk characteristics leads the producers of this *AOC* cheese to limit the number and size of their milk suppliers.

In terms of rural development, the *AOC* system encourages the multiplication and distribution of production units across the *AOC* territory.

Lastly, the conditions of AOC production respect and value the natural environment. The requirement of grazing on high pastures for AOC *Beaufort* or of the freedom to roam for the new AOC *Pélardon* influences the properties and utilisation of the territories concerned. The same principle is seen in the terraced vineyards of AOC *Banyuls*, the high density of plantations in the *Bourgogne* or the restriction of vines to steep slopes in the AOC *St Joseph*.

The landscape thereby created and maintained by man becomes part of a collective heritage which can be further valued by the growth of mutually beneficial activities such as tourism (e.g. agricultural tourism). Furthermore, the greater value accorded to the natural landscape, tied with less intensive production, encourages protection of the environment.

1.2. Impact of economic aspects

From an economic point of view, AOC policy results in the pursuit of the highest possible added value. This is obtained by a selling price greater than the costs resulting from the conditions of production.

This selling price, and the resulting benefit, are tied to the intrinsic characteristics of the product (its *typicité* but also more standard properties relating to quality). They are also tied to less material and more subjective criteria such as the image of the AOC that A. BERGER called "imaginary added-value". The limited supply resulting from the technical constraints of production also contribute to higher product value.

The raw material for AOC products has to meet precise criteria concerning the site and methods of production according to the AOC regulations. Hence, the raw material is not standardised, limitless or interchangeable and acquires particular value. A non-negligible part of the benefit of AOC products necessarily returns to the producers of the agricultural raw material. The benefit cannot be confined to (or confiscated by ?) traders or distributors of the end-product. The return of some of the added value to the initial producers of raw materials applies equally to the various participants in producing product character (e.g. through processing or maturation), their participation being defined in the AOC decree.

The economic logic behind the AOC system is one of segmentation. This segmentation operates among

different AOC of the same family of products, but also among producers within the same AOC. The decree recognising the AOC does not define the entire production process in all its details, but rather outlines those operations contributing to the unique character of the product. The different operators involved have therefore considerable freedom to capitalise on their individual skills. This results in a huge diversity of products that reflects the variation found both between (a *Bordeaux* wine never resembles a *Burgundy*) and within each AOC. These two levels of variation lead to reduced competition between both products and producers and ensure the satisfaction of a large diversity of consumers and their various preferences.

Concerning rural development, the high added-value per product unit (bottle or hectolitre of wine, kilogram of cheese or litre of milk) and market segmentation allows a small operator to achieve a sufficient profit margin without needing to enlarge, at all cost, the size of his enterprise. This allows a greater number of enterprises (e.g. farmers and product manufacturers) to be economically viable and therefore contributes to wider distribution of employment on the land.

In addition, a strong product image creates, or enhances, the image of the territory from where it derives.

This contributes to the rebirth of rural areas and to their recognition as a source of value rather than one of impoverishment, and as benefiting from the ability to produce an exceptional product rather than disadvantaged by being unable to produce 100 quintals of wheat per hectare. Constraints thereby become assets and handicaps are transformed into possible benefits. Of course, the exchange of value between a product and its site of production occurs in both senses. Furthermore, as the product is a reflection of local knowledge, its development and transmission, the heightened value also applies to the inhabitants of these areas as well as their history and culture.

This common value once again allows for mutually rewarding activities, in particular those of agricultural production and tourism. One can cite the numerous "wine routes" which wind their way among AOC vineyards or the hiking tracks among mountain pastures in the *Beaufortain*. This reinforces the identity of the inhabitants of these highly prized areas and allows them a means of exchange, namely the product that represents their values and culture.

1.3. Impact of legal aspects

The EU regulation n° 2081/92 relating to the AOC (or AOC) and PGI (or IGP) specifies in the definition of "designation of origin" (AOC) that "the production, processing and manufacture all occur in the defined geographical area".

Therefore, all the operations that contribute to the character of an AOC product must occur within its area of production. These operations begin at the level of the supply of raw material, or even of those factors necessary for the production of this material (e.g. the feed used for dairy cows), up to the level of packaging.

Furthermore, the AOC system is based on the specific protection of geographical names to prevent use of an AOC name for a product that does not meet the AOC criteria. This interdiction includes the use of the name in such phases as "of type X" or "X-style". It even extends to the use of protected names by an entirely different type of product seeking to benefit from the associated reputation (e.g. naming a perfume *Champagne*).

These regulations reinforce the ties of a product to the territory where it is produced and avoids the relocation of production towards a lower cost region, as an operator adopting such a strategy would no longer be able to use the AOC name. He would therefore lose a means of gaining benefit for his product in the eyes of consumers (unless the name no longer contributes such value in which case there is in effect no longer an AOC).

Lastly, French regulations have established over the years established a degree of protection for AOC territories. This protection requires that INAO gives an opinion on the installation of any "dangerous, unhealthy or unsuitable" activity within an AOC zone or on any quarrying, urban development or other major planning projects (e.g. motorway construction).

Even if this protection requires only an "opinion" the procedure allows participation in recognising the value of a territory and seeks to avoid any risks that would undermine the activity of AOC producers or affect the image of the product by damaging the overall image of the AOC territory.

2. METHODS OF MEASURING RURAL DEVELOPMENT EXIST BUT RARELY TAKE SPECIFIC ACCOUNT OF THE AOC SYSTEM

2.1. Methods of monitoring rural development

In France, many statistical measurements exist for evaluating local socio-economic changes.

General Agricultural Censuses (GAC), structural surveys, yearly agricultural statistics and agricultural accounts give information on farm structure and organisation as well as technical economic data. One can examine changes in the number and size of farms, livestock, equipment, employment and production for communes located within AOC zones. These changes can be compared with those of regions that are not involved in AOC production and with those for the whole of France.

Records of existing businesses involved in the processing of products reveal information on their number, workforce, turnover and the nature of their principal activity.

Commune records possess a collection of data on the life and facilities of the commune, including such diverse aspects as their services, commerce, health, education, sport, leisure and tourism.

The value of the territory can be calculated from the price of agricultural land, although this fails to take account of non-agricultural value, such as that derived from the landscape.

Finally, product valorisation can be addressed by means of statistics concerning the supply of raw materials (e.g. milk prices) and inter-professional transactions (e.g. wine trade prices) as well as from consumer panels and distributors (e.g. trade prices) or from customs data (e.g. export price).

Several examples of existing data, which can be used for the evaluation of the effects of AOC policy, are presented in the accompanying annexe.

2.2. AOC policy receives little consideration apart from the wine sector

From the genesis of the AOC system within the wine sector, from the history of concern about fraud detection

within the sector and from its economic importance, AOC viticulture was subject to early, comprehensive and specific statistical monitoring. The involvement of strong professions, the production of a taxed product, the numerous declarations required (e.g. concerning harvests, planting and uprooting) and certified approval for all wines bearing the geographical name, results in complete statistics being available for AOC wines, from the vine up until marketing.

This is unfortunately not the case for all AOC.

In general agricultural surveys or structural surveys, farms are not identified according to whether their produce is used for AOC products, the end-use often being unknown or unrecorded. How, for example, could these tools be used to distinguish *Franche Comté* milk producers providing milk for the production of AOC *Comté* so as to verify whether the grazing area per head of cattle is greater than that of their colleagues whose milk has an alternative end-use?

National surveys of product manufacturers do not cover whole AOC zones, with each AOC represented by at best only a limited number of those concerned.

Low volumes and a highly localised consumption renders national panels of consumers or distributors inadequate in monitoring consumption.

Finally, AOC zones rarely coincide with the administrative boundaries on the basis of which many indicators are calculated (for example by *département*).

Many evaluations must therefore be made from often highly speculative approximations, such as estimating total milk production of an AOC territory from the relative size of the territory compared to that of the

total size of the *département*, or from the yields of cheese manufacturers.

Any in-depth evaluation of the effect of AOC policies, in terms of rural development, requires better representation of AOC producers and products in agricultural and rural economic statistics. The establishment of comprehensive AOP and IGP monitoring could provide a means of meeting this need.

The example of the "Economic monitoring group of food products from the Massif Central", set up by the Department of Food Quality and Economics at ENITA (*Ecole Nationale d'Ingénieurs des Techniques Agricoles*) (Clermont Ferrand), shows the type of initiative that could see the light of day.

Determining the value of a territory and of the cultural dimension of AOC policy deserves its own specific approach, emphasising sociological and ethnological rather than economical aspects.

CONCLUSION

To move from theoretical discussion of the supposed impact of AOC policies on rural development to a concrete evaluation of these effects will require a major effort.

In the first place, existing data needs to be collected and analysed, followed by the acquisition of new data and interdisciplinary work covering economical, social, geographical and ethnological disciplines.

These efforts are necessary, as recent and future changes to the agricultural and food sectors, render such policies even more important. Debate will be fruitless unless firmly grounded on an understanding of the facts. One can but hope that all those who are able will contribute to the essential work needing to be done.

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ANNEX

Tableau 1 : titre

Year	1990	1991	1992	1993	1994	1995	1996	1997
Price of vines : Côte Roannaise	50 000	50 000	50 000	70 000	70 000	75 000	80 000	80 000

Source : AGRESTE

Figure 1 : Turnover of AOC C te Roannaise

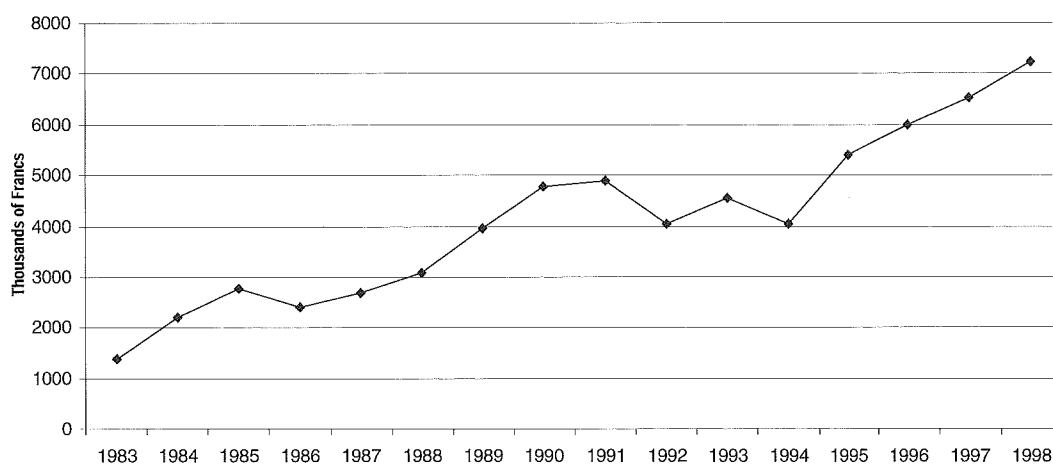


Figure 2 : Changes in the number of questrooms in differents regions of the Loire

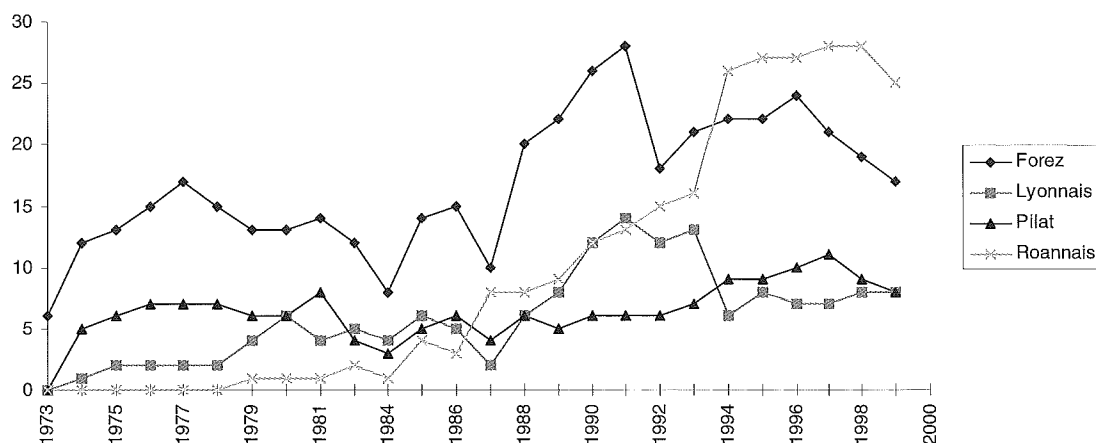


Figure 3 : Changes in the number of wage-earners in the Loire wine sector

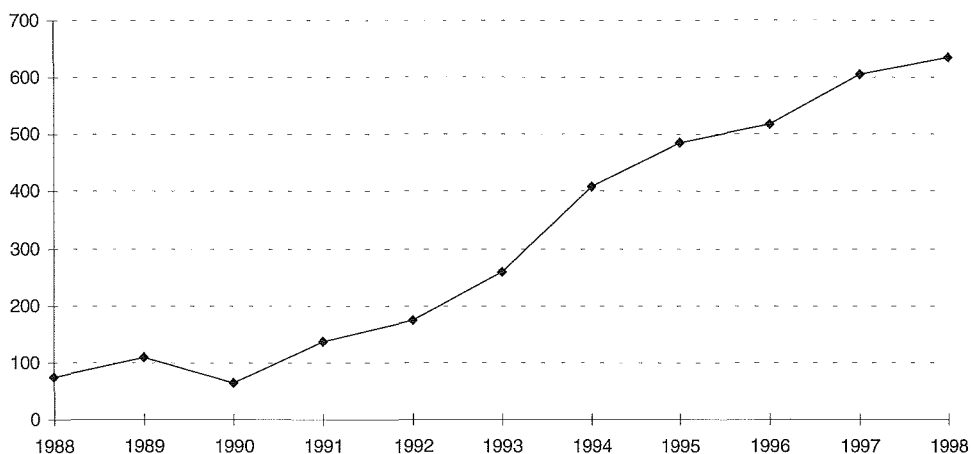


Figure 4 : Changes in the number of wage-earners on special crop farms

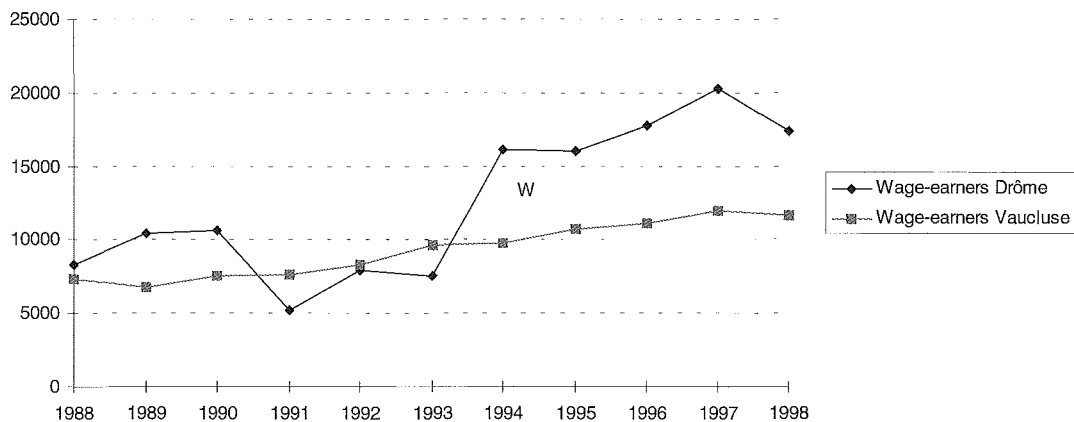


Figure 5 : Changes in the number of dairy cows per farm

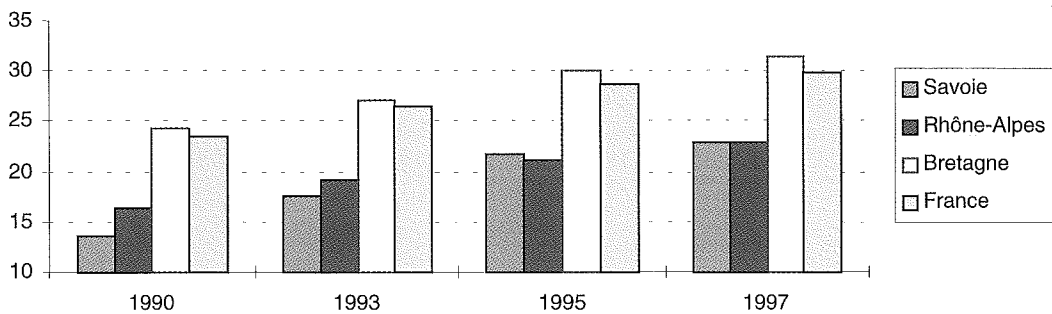


Figure 6 : STH* / Farm

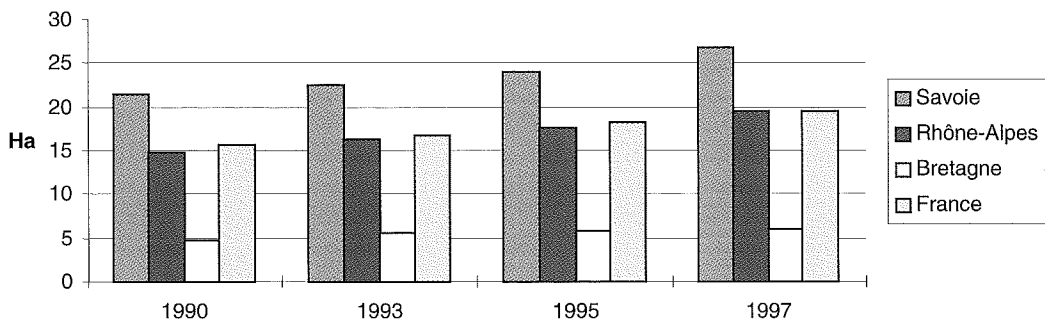
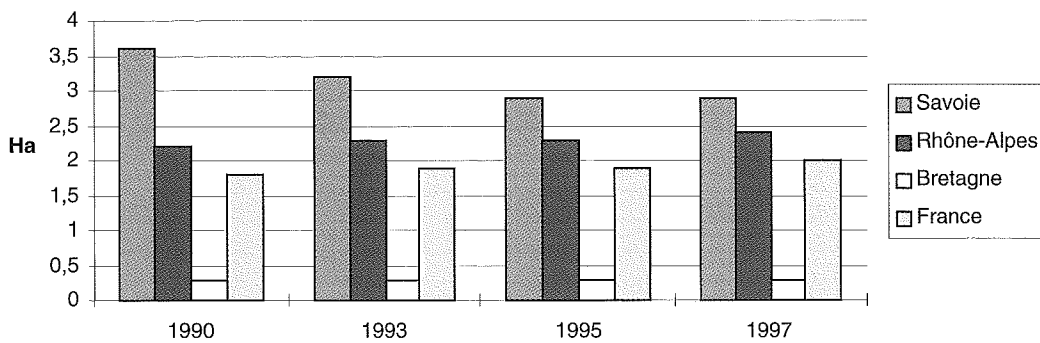


Figure 7 : STH* / Dairy cow



*sth = land under permanent grass