

ORIGIN LABELLED PRODUCTS, TERRITORIAL MARKS AND THEIR
CONTRIBUTION TO RURAL DEVELOPMENT.
EVIDENCE FROM ITALY AND FRANCE

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JEL Classification: R0, O13, O18

Keywords : Origin labelled products, territorial marks, rural development, Italy, France

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Abstract

The paper analyses the contribution of origin labelled products and territorial marks to rural development. A qualitative multiple case studies analysis of six territorial marks of Italian and French agro-food products is carried out, whose main results confirm the effectiveness of the implementation of a strategy based on territorial marks in regions characterised by a slow-type development model. Protected designations of origin result to be useful tools in order to protect the quality standards of the production and diffuse its knowledge and image, but also more locally oriented marks have proved to be effective for production maintenance and promotion purposes. A strict regulation, though, helps in overcoming problems of collective action which may arise in markets characterised by high information asymmetries, such as the wine one. It contributes as well to preserve origin labelled products from unfair competition in an increasingly globalised market.

Since a territorial perspective has been employed in the research project, the possible risks the local system shall have to afford and considerations on the organisation of production are discussed in the paper. In this regard, the organisation in cooperatives has proved to be an effective solution, even if not necessary when the demand and price characteristics of the product allow the producers to maintain their autonomy.

Keywords

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1. Introduction and Literature Review

In the last decade a “new rural development paradigm” (OECD, 2006; van der Ploeg et al., 2000; Ward and Brown, 2009) has emerged in both policy and practice, as a series of responses to the earlier paradigm of modernisation. Rural development has been recognised as a multi-level, multi-actor and multi-faceted process (van der Ploeg et al., 2000), whose two main features are a new development model for the agricultural sector and its synergy with other activities.

Several experiences have emerged characterised by a slow-type development model, where “slow” is not synonymous of not dynamic. On the contrary, it interests regions of noteworthy natural and cultural attractiveness, where high quality, traditional low-intensity farming systems are mixed with a tourism supply attracting niche markets in search of enogastronomic and cultural experiences. In most of these regions, after a period of underdevelopment and depopulation, traditional agricultural activities have been rediscovered as a means for a new competitiveness in the agro-food market and a value added for tourism attractiveness. The term slow refers to a life style of the local community searching for good quality of life, and to a model of development not exclusively profit-driven but focused on the maintenance of traditional activities and the search for quality and sustainability. These characters result in a pleasant environment also for tourists looking for relax, typicity, genuineness and immersion in traditional atmospheres.

To sum up, these are regions looking for a competitive advantage based on difference – strictly linked to the territorial identity - and quality. Their development model is well explained by the territorialised paradigm, which promote a rural development based on three main factors (Pacciani et al., 2001):

- endogeneity, meaning that development should be mainly based on local resources;
- integration, considering the whole set of economic and social activities at the local level;
- sustainability, allowing the reproduction of resources, respecting the social, natural and cultural environments.

Of major importance for the activities localised in there regions is the link with the *terroir*, “a spatial and ecological concept that links the actors, their histories, their social organizations, their activities” (Bowen and Zapata, 2009, p. 109) and “the product of *interacting* natural and human factors” (Bowen and Zapata, 2009, p. 109).

One emerging means of analysis for these areas focuses on the recognition of the role and significance of territorial marks, food labelling and accreditation schemes (Ilbery et al. 2005). In recent years a growing number of studies has been dedicated to the contribution of origin labelled products (OLPs¹), protected designations of origin (PDOs) or indications of geographical origin (IGOs), collective intellectual property rights (CIPRs) and other territorial brands linked to OLPs such as the Slow Food Presidium, for sustainable development (Barham, 2003; Bowen and Zapata, 2009; Gade, 2004; Moran, 1993; Nosi and Zanni, 2004; Rangnekar, 2004; Ray, 1998; Sylvander et al., 2004; Tregear, 2003) and for tourism development (Bessière, 1998; Calzati et al., 2009; Santagata, Russo and Segre, 2007)².

The literature has underlined how typical products are rural development assets which contribute to the three levers (endogeneity, integration and sustainability) of development. As explained Tregear et al. (2007, p.14), to describe the so called *territorial quality* or *extended territorial strategy* (Pacciani et al., 2001; Marescotti, 2003), “actors perceive such products as offering a breadth of interlinked resources including physical environmental (e.g. distinctive landscapes, local animal breeds and plant varieties), and cultural (e.g. techniques, know-how, myths, stories), as well as economic (e.g. skilled employment). Thus regional foods are seen to contribute, potentially, to a wide range of initiatives that encourage diverse activities and novel interactions between multiple types of actors (e.g. tourist trails, markets, festivals, educational initiatives, community events)”.

In a different but complementary perspective, defined *supply chain strategy* (Pacciani et al., 2001), regional products may contribute to rural development also “building a strong network of actors in the production and processing of the regional product, focusing energies on managing production levels, improving physical product quality, and implementing effective marketing”.

A further point highlighted in the literature is that the critical success factor of typical products and their designations is in their being synonymous of quality. As Renard put it, quality “does not refer only to intrinsic food characteristics such as physical qualities including nutritional content, hygiene, and organoleptic ‘taste’ qualities, but also to cultural and ethical qualities” (Renard, 2005, p. 421). In this sense social values are incorporated into products, in addition to their economic value. Renard (2005) adds that at present firm

¹ In this paper we adopt the DOLPHINS project’s definition of OLPs, as “local products based on a strong territorial identity and reputation, and/or typical products based on specific modes of production and whose quality, reputation or any other characteristics are attributable essentially to their geographical origin”. Despite the definition is similar to that of Geographical Indications, OLPs are not necessarily protected by regulatory provisions or by an agreement.

² In this paper the general definition of “territorial marks” will be used to refer to the certification, marks and labels used to protect and promote OLPs.

strategies based on addition of social values has tended to become mainstream, to satisfy a consumer increasingly demanding and aware. Since “the valorization of quality within a market is produced via certification processes” (Renard, 2005, p. 421), certification have spread and with them the related literature³.

However, some problems which may arise during the process of pursuing or managing the qualification should also be mentioned.

Since PDOs are club goods, defined by excludability and non rivalry in consumption, their application implies collective action problems, because of the need to involve multiple stakeholders’ groups. Two risks faced by actors involved with territorial certifications are free riding (individuals are tempted not to reveal their preferences since benefits are non-rivalrous) and prisoner’s dilemma (the agents act under limited information and make decisions that are suboptimal when compared to an outcome based on cooperative action) (Rangnekar, 2004). The risk is that opportunistic behaviour on the part of a single firm can jeopardise the collective reputation of the mark and thus of the whole territory.

Collective action problems are often resolved by the intervention of quasi-public institutions, such as consortiums, as outlined by Rangnekar (2004), who, focusing on geographical indications, underlines their importance in providing a bridge between different interest groups and helping to build trusting relations.

Despite the growing interest of the literature on the topic, the effects of territorial marks for OLPs on local development deserve deeper understanding.

As the final report of the DOLPHINS project (Sylvander et al., 2004) states, there is a need of an evaluation based on multifunctional characters: standard economic criteria (like higher prices and increased sales given by the mark), but also level of participation of the local actors, sustainability and reproduction of the social system and environmental impact. Local development, in fact, is a multi-faceted process, which interests not only the economic sphere but also the social, environmental and cultural ones.

Furthermore, an uncontrolled proliferation of marks, labels and certification programmes may lead to a problem of recognition. Thus, it is useful to understand correctly which the provoked outcomes are and which processes help territorial marks to be effective and foster development.

Italy and France deserve a prominent role in the process of affirmation of typical products. In this respect, not only are they among the first countries to have recognised the importance of the protection of intellectual property rights in agro-food products, but they also account for a great part of the recognised protected products at the EU level.

In this paper, case studies of territorial marks of Italian and French agro-food products are analysed in order to understand their contribution to rural development under the economic, social, cultural and organisational view point.

2. Territorial marks and rural development: Methodology and case study selection

Drawing on research from three case studies, a qualitative evaluation has been made for six territorial marks about their contribution to territorial development, according to the variables presented in Tables 1 and 2.

The variables selected are considered as representative of the existence of a territorial development process in rural areas and describe the outcomes of territorial marks from three viewpoints: economic, social and cultural. The variables are derived from the analysis of the

³ Actually Parrott et al. (2002) point out that, despite in southern Europe the association between *terroir*, tradition and quality is taken as self evident, in northern Europe such associations are much weaker.

existing literature (Bowen and Zapata, 2009; Brunori and Rossi, 2000; Sanz Cañada and Macías Vázquez, 2005; World Tourism Organisation, 2003).

Please insert Table 1 about here

When evaluating the role of territorial marks on territorial development, some possible risks for the local socio-economic context deriving from the introduction of the mark and the commodification of local resources have also to be taken into account⁴. The possible risks that the present analysis deals with are shown in Table 2.

Please insert Table 2 about here

As far as agricultural, food and wine products are concerned, the paper takes into account: one product covered by *Denominazione di Origine Controllata e Garantita* (DOCG), the Brunello di Montalcino; two products covered by *Denominazione di Origine Controllata* (DOC), the Cinque Terre and Orcia wines; and one product covered by AOC, the lavender of the High Provence. Furthermore, an experience of local territorial mark has been chosen, used in the Cinque Terre district to promote typical products, as well as two Slow Food Presidia, the *sciacchetrà* and the sardines of Monterosso.

The DOC and the DOCG are protected by the Italian Regulation with the law 164/1992⁵. Designations of origin are used for wines whose quality is due to a particular geographical environment with its inherent natural and human factors. Both of them are subject to a “*disciplinare*” (production regulations) but DOCGs must respect more strict criteria than DOC.

The AOC, instead, is established by the French regulation, which considers it as a preliminary step towards the recognition of a Protected Designation of Origin (PDO) at the European level⁶.

The choice of analysing also an experience of local mark and two Slow Food Presidia, which do not share the feature of being regulated by a national or European law, aims at understanding if they share the same outcomes on rural development and have to face with similar problems.

The choice of two Italian case studies has been motivated by the wide diffusion of slow-type rural development models in the country, as well as of territorial marks for OLPs of different nature. Alongside the two Italian cases, a French experience has been introduced, in order to get elements to compare two different institutional contexts. France has been selected for the wide diffusion of territorial marks in its regions. Furthermore the lavender is the first non-food product to have been awarded the *Appellation d’Origine Contrôlée* (AOC), and the support of the French public offices to the quality label product is worth signalling.

The cases represents an interesting sample since they present both similarities and differences which shall help to identify the critical success factors for the implementation of a strategy of rural development with territorial marks.

The evaluation is based on data from official sources, development plans and in-depth interviews carried on in the period December 2006 – November 2009. The interviewees have

⁴ These matters have been highlighted especially in the literature focusing on the impact of tourism exploitation of local cultural resources. See for instance Kneafsey (2000) and Santagata, Russo and Segre (2007).

⁵ The European Community has regulated this topic first with the Regulation 2081/92 and later with the Regulation 510/2006. These norms deal with Protected Designations of Origin (PDOs), whose quality is “due to a particular geographical environment with its inherent natural and human factors”, Protected Geographical Indications (PGIs) that have “a specific quality, reputation or other characteristics attributable to that geographical origin” and Traditional Specialities Guaranteed (TSGs). The Regulation is not applicable to wines.

⁶ See footnote 2 for a definition of PDO

been selected so as to represent the whole range of actors interested in the process of branding and development. For each case a first exploratory phase has consisted in one or two in-depth interviews with local leaders. This phase has helped to gather documents and information about the local history and development process and identify who could be the entrepreneurs, policy makers, civil servants and other local actors worth interviewing in the second phase.

As already outlined, the paper aims at adding evidence to the literature related to OLSs, PDOs and GIs about the economic, social and cultural outcomes of the introduction of protected designations of origin in a territory as well as to the risks the entrepreneurial communities and policymakers encounter when looking for or managing a PDO. Furthermore, the paper seeks to give answer to the two following research questions: (1) Is the PDO a necessary condition to adding value to the OLP? (2) Which is the best organisation of production in order to preserve typicality, to maintain the peculiar organisation of firms within typical products systems, to ease the introduction of the products within modern distribution chains, to facilitate their protection through Designations of Origin?

The paper is organised as follows. Firstly, each case is presented by means of a description of the local context and of the marks under consideration. In this section the main features characterising the marks and their contribution on development are sketched. Secondly, the major issues arisen from the cases are addressed in more detail in a comparative manner and implications for marks' promoters are outlined.

3. The Case Studies

3.1 Case study I: The Cinque Terre

The Cinque Terre are an area of three municipalities and five villages, a terraced land sustained by dry-stone walls in front of the Tyrrhenian Sea in Liguria Region, Italy. In the Seventies it was a region where subsistence farming was the sole activity; at the same time in Monterosso, the only village of the five to have a beach, fishing was practiced. These communities were subject to progressive depopulation. In the Eighties tourists discovered this uncontaminated land and the creation, in 1999, of the National Park, helped the local community to follow a development path based on agriculture and tourism activities oriented simultaneously towards both innovation and tradition. The two products that symbolise the area, the sardines of Monterosso and the *sciacchetra* (a wine liqueur) have obtained the "Presidium Slow Food" certification. The wines obtained the DOC label in 1973.

Furthermore, the Park managers have promoted a line of food and cosmetics products with the mark of the Cinque Terre National Park based on local goods which have great appeal for tourists and are distributed in many countries.

Regarding the case of the Cinque Terre three territorial marks are analysed, even if more brands are present in the district.

3.1.1 The DOC

The DOC on the wines is the older certification obtained in the district, since it dates back to 1973. That was a period characterised by high depopulation and abandonment of the agricultural activities. To cite the words of one of the promoters of the initiative, "the local authorities understood that the recognition of the DOC and a new organisation of production could be possible means to motivate the producers to continue in the activity. The DOC was obtained and the creation of the *Cooperativa Agricoltura* (Agriculture Cooperative) allowed the small producers to keep the cultivation activity inside their farms and gather the production and commercialisation phases". The new organisation gave the expected results in terms of economies of scale and the DOC contributed to increase the premium price of the

wines and the survival of the local enterprises, with a consequent positive effect on employment. Later, thanks to the virtuous circle created between tourism and agriculture in the Cinque Terre, other advantages have resulted for the local systems that are in part attributable also to the presence of the DOC. The Cinque Terre are based on the maintenance of the dry-stone walls, an expensive activity but necessary for soil conservation and environmental equilibrium. Since viticulture is based on dry-stone walls as well, producers find necessary their maintenance, thus contributing to environmental protection. What's more they contribute to tourism development since the terraced land is also a tourist attraction. In turn, the tourist flows have a positive effect on the DOC products increasing their demand, the direct selling and the value per unit of production. It should be noted that the increase in tourist flows is not always a positive externality. Mass tourism, in fact, often implies negative impacts such as standardisation, low quality, and limited capacity of the demand (Russo and Segre, 2009). The Cinque Terre producers have avoided the risks linked to mass tourism also thanks to the DOC: in a scenario of increasing tourist demand, the DOC has favoured the preservation of high quality products preventing the producers from the risk of searching bigger quantities at the detriment of the quality of the wines.

Thus the DOC has also brought the cultural advantages of the enhancement of a culture for quality and the preservation of the territorial identity expressed in the local *savoir faire*.

3.1.2 The Presidia Slow Food

Similar considerations can be extended to the two Presidia Slow Food granted to the *sciacchetrà* (a wine liqueur) and the salted sardines of Monterosso.

The Slow Food Presidia project is born in order to safeguard typical and traditional food productions through the identification and public recognition of in danger of extinction food linked to the territorial identities of Italian places.

Slow Food directly intervenes at the local system level providing business services to producers, in the production, marketing, distribution and financial field, supporting the creation of micro-markets for quality food products, identify marketing strategies and new distribution channels, involving both GD operators and specialised points of sale, as well as through the support of the e-business technologies (Nosi and Zanni, 2004).

Control over the respect of the codes of practices for the Presidia is exercised by the national organisation Slow Food Italia through the territorial associations and consultants.

The certification has helped to preserve the local *savoir faire* and transmit it to the new generations and young people have found employment in the production chain. In the case of the sardines the recognition as Presidium has also provided the opportunity to improve the organisation of the supply chain since a cooperative has taken in charge the activity of salting and direct selling, which was going to disappear, and have strengthened the relation with the local fishermen. Also in this case synergy effects have emerged with tourist activities.

As stated by the President of the cooperative managing the sardines' salting activity, "the Presidium allows the marked products to be granted a premium price. A tin of 0.8 kg of sardines of Monterosso is sold for €29.00, while the other sardines, processed with the same method but caught in a geographic area outside that of the Presidium, are sold for €27.00⁷". This demonstrates that not only the Presidium guarantees a premium price, but its presence contributes also to promote similar products.

As a social impact, satisfaction for the maintenance of a traditional activity has been expressed by many of the interviewees.

3.1.3 The National Park mark on local products

⁷ The data provided refer to the year 2008

Alongside the DOC and Presidia, a mark with the name of the Cinque Terre National Park has been created for local eno-gastronomic products and cosmetics goods. The mark has two main objectives: first, it serves as a guarantee that the products it marks are high quality goods. The quality of the final product is guaranteed by the Italian Association for Organic Agriculture (AIAB) and, in the case of cosmetics, also by the Institute for Ethical and Environmental Certification (ICEA). Secondly, it helps in strengthening and diffusing the image of the Park as an integrated system where natural attractions and human creations are combined in order to create a unique experience for the visitor, not only during the stay but also when back home, while consuming its products. In this way, the complementary products and services of the tourism destination act as co-marketing tools. The image of the National Park helps in selling the products and the products act as a reminder of the place as tourism destination. The introduction of the mark has been the occasion for the creation of two laboratories producing the marked goods, which are managed by local cooperatives. The presence of the laboratories gives job opportunities to highly qualified workers. Furthermore it contributes to the diversification of the local economy and is an occasion of innovation for the local system. The goods are commercialised by the great distribution channels but also sold in the tourism offices as souvenirs. This form of direct selling allows getting a higher value per unit of production and intercepting the interest of several tourists. A further outcome of the local mark is that the production activities born with its creation increase the use of locally produced agriculture goods.

3.2 Case study II: The Val d'Orcia

Val d'Orcia is a Regional Park located in the Tuscan Region (Italy) recognised by UNESCO as a World Heritage Site. The Park has originated from an agreement reached among the five municipalities of Montalcino, Pienza, Castiglione d'Orcia, San Quirico d'Orcia and Radicofani in order to protect their cultural landscape and promote the sustainable development of their territory in partnership.

In the Eighties Castiglione d'Orcia, San Quirico and Radicofani were underdeveloped rural areas, while Pienza, already known as "the perfect city", was a niche tourism destination. Montalcino was at the beginning of the process of valorisation of Brunello di Montalcino, the superior wine that owes its worldwide diffusion to the American firm Banfi. Following the Banfi example, the farm owners increased the production of wine (Brunello in Montalcino, which obtained the DOCG label in 1980, and Orcia in the land of the other municipalities, which obtained the DOC label in 2000) and transformed their rural annexes into holiday farms. The demand, with the flows of international tourists, has encouraged the supply and new tourism services have spread in the area.

3.2.1 The DOCG Brunello di Montalcino

The two marks analysed for the Val d'Orcia are the DOCG for the prestigious wine Brunello di Montalcino and the DOC Orcia. DOC and DOCG are widespread marks in Italy since wine is a product that more than others is subject to information asymmetries and whose success is based on differentiation and reputation, which the protection helps to defend.

The Brunello has been recognised as DOCG in 1980.

The premium price for this product is one of the highest in the market, if we consider that the price for a bottle of Brunello ranges between 20.00 and 200.00 euros, with certain collection reserves exceeding one thousand euros.

Besides the outcome for producers⁸, another effect should be mentioned. Brunello and wine tourism, in fact, have been the main drivers of the explosion of the tourist development. Like in the Cinque Terre case, wine and tourism have mutually benefited of each other.

The Consortium of the producers has proven to be a good institutional solution to resolve problems of collective action. The success of the Brunello has brought many entrepreneurs coming from other sectors to acquire Brunello farms and many attempts to change the production regulations towards less restrictive criteria have been done from non-local producers looking for a short period gain. Nevertheless the entrepreneurs have declared that the presence of an organisation like the Consortium which aims at guaranteeing the traditional quality standards of the wine has avoided this risk. This result is mainly due to the fact that the majority of the associated is still composed by local farmers, who keep on considering as primarily important the respect of the tradition. Thus the presence of local producers inside the guarantee institution helps to preserve the link with the *terroir* of the region and the quality of the product.

3.2.2 The DOC Orcia

The wine Orcia has obtained the DOC in 2000, thanks to the interest of some producers, supported in the process by the local authorities⁹. After an initial acknowledgement of the value of the wine sanctioned by the introduction of the Orcia IGT, at the beginning of 2000 the DOC Orcia was granted by ministerial decree. The producers are associated in an independent Consortium that aims to protect and promote the image of this wine.

The importance of the organisation is increased since 2007, when national decrees have assigned to the Consortia the task of supervision and control over the members and non-members inside the designation area. Nevertheless, one of the producers interviewed, which is also Councillor of the Consortium, has highlighted how the local system lacks of a culture of cooperation, which, if present, would bring to the associated many more advantages.

In 2009 the production has been of 3800 quintals, with a fall of 10% in respect to the previous year. Nevertheless the number of bottles produced is constant and equal to 160.000 units. This is due to the introduction of controls and inspections which impose fixed costs in accordance with the production. For this reason, producers are brought to be careful about the quantities declared, in order to avoid the downgrading subsequent to the presentation of the grapes. The assignment of control tasks to the Consortia seem thus to have improved the transparency among producers.

Since the introduction of the DOC, the advantages for producers have been noteworthy, as emerged in the interviews. To give the idea of the relevance of the introduction of the DOC, it is worth noting that before its introduction the wine were not bottled. Only after 2000 the Orcia wine has been bottled and has reached markets which were previously forbidden. Currently, the Doc Orcia wine is positioned in the medium-high market segment, with prices ranging from 6,00 to 13,00 euros per bottle¹⁰.

Secondly, they have benefited of synergy effects with farm tourism and the direct selling has increased both for the wine and for the other products (above all olive oil), which have seen an increase in their premium price. The DOC Orcia has impacted on the quality of the lodging structures as well. After the recognition, in fact, many producers have abandoned previously

⁸ The producers are 250, of whom 200 bottlers

⁹ Initially the municipalities interested by the DOC were the five of the Park but later they have grown to 13. The Consortium is made up of 38 producers, of whom 28 bottlers.

¹⁰ Prices refer to the year 2010.

exploited activities, such as breeding, for focusing on farm tourism¹¹, restructuring their farmhouses and increasing the quality of their service. From an environmental viewpoint this contributes to an improved visual impact of establishments and of the vines landscape.

The producers of DOC Orcia involved in farm tourism interviewed have stated that they sell the most part of the product directly and the lasting part to the restaurants of the area, which have increased their demand of local wine after the DOC recognition, with a consequent increase in the use of locally produced goods. Nevertheless there are some bigger producers who export the most part of their bottles abroad.

The value of the land is increased as well.

The recognition of the DOC has also a social impact. In small rural districts, the local community often coincides with the entrepreneurial community, made up of owners of small and medium enterprises specialised in the production of one or more traditional products or in related services. For this reason, the achievement of a certification like the DOC for a wine is not only an economic result for the entrepreneurs, but is considered as a success by the whole community, which increases their satisfaction and pride for belonging to the area.

Another social effect is the increased involvement of public authorities, which have been the promoters of the project, in the local development process.

From a cultural point of view, the DOC has brought both an enhancement of the territorial identity and an enhancement of a culture for quality.

3.3 Case study III: The High Provence and the AOC lavender

Since the Middle Age the French area of High Provence, in the Provence-Alpes-Côte d'Azur Region (France), has specialised in the trade of officinal herbs. In the XVIII century the invention of the distillation process led to the production of essential oils; since then many distilleries spread in the area. In the late Sixties the organisation in cooperatives helped producers in the commercialisation of essential oils. This process was followed by the spread in the area between Forcalquier and Manosque of an agglomeration of firms dedicated to the production of food and cosmetics goods based on local products. Among them, the firm L'Occitane, started up locally by a young entrepreneur, played an important role by promoting the image of the Provençal products and by creating a reputation that has positively affected the tourism industry, as well.

Since the Fifties, lavender has also become a tourist attraction. With the help of organisations like ONIPPAM (*Office National Interprofessionnel des Plantes à Parfum, Aromatiques et Médicinales*) in 1981 the local product has obtained the AOC certification, which helps the producers in guaranteeing a high quality of the product.

The production district covers 248 municipal areas in the Departments of Alpes-de-Haute-Provence, Haute-Alpes, Drôme and Vaucluse. The essential oil of lavender is obtained from the flowers of *Lavandula Angustifolia* P. Miller, of seed-bed cultivation. The gathering period begins in July and takes place in the hot summer, precisely to favour the rising of the essence to the cells and the secretor glands of the flowers. The plants have to be located at a minimum altitude of 800 metres and their maximum output is of 25 kg per hectare.

The request for the AOC has been a complex process, since the producers needed to afford analysis expenses and not all of them were inclined to do it, because of the uncertainty of the market for the AOC, which would have turned to be more expensive than the traditional lavender.

¹¹ Wine production and farm tourism have proven to be complementary activities, allowing economies of scope. Many farmers investing in farm tourism, instead, have abandoned breeding since it is not compatible with farm tourism, requiring a different use of the spaces and having not compatible rhythms of the working time.

Public institutions like ONIPPAM have strongly supported the request for the AOC viewed as an opportunity of guaranteeing a high quality of the product and of diversification in the market.

The lavender proposed for the AOC designation has to pass a selection based on chemical and olfactory criteria.

ONIPPAM supports AOC production with a grant of €2,50 for kg of essential oil under the following conditions¹²:

- the essential oils of AOC lavender are sold at a price that is at least 10% higher of that of the fine lavender indicated by the Direction Committee of ONIPPAM (€7/Kg for the year 2008);
- the production is sold in a predetermined period (from July 1st 2008 to June 30th, 2009 for the year 2008)
- the invoices contain the words «essential oils of AOC lavender».

Furthermore, the ONIPPAM takes charge of the analysis expenses needed for the quality control.

Another important task of ONIPPAM is to sustain the organised production in phases of crisis like the one faced in the last years due to the high dryness and to a disease of the lavender, which have caused a fall of a half from 2005 to 2007 and 2008 in the production both of fine lavender and of AOC. Cycles of abundance and shortage are frequent in agricultural activities (see also the case of Tequila in Bowen and Zapata, 2009). A possible result of this cyclicity could have been a weakening of the process of affirmation of the AOC, since lower quantities of product are presented which can meet the standard criteria, with a decline in the supply and a prices' increase. However, the High Provence's product has not undergone to a process of disqualification, but has remained faithful to the standards to continue in the process of high quality defence.

In the opinion of the ONIPPAM officer interviewed, the AOC Designation has provoked the advantage of stimulating the producers to assign a part of the production for the realisation of a high quality product. The Provence production is threatened by competition forces from emerging markets like Bulgaria and China, whose strategy is based on low prices and big quantities. In such a situation the availability of a protected quality product is an opportunity for differentiation. While a part of the market prefers big quantities at low prices, there is an increasing demand for organic and AOC lavender, which are able to guarantee the standards requested for safety and security products, and to protect the consumer from the risk of acquiring a product that doesn't meet these standards.

Many of the local representatives involved in the research project agree that this process is favoured also by the European regulation. Essential oils, in fact, may affect the health of the consumer and for this reason the regulation is becoming stricter with respect to safety standards.

4. Discussion

4.1 Outcomes of the territorial marks and major issues arisen from the cases

The qualitative analysis performed has demonstrated that the whole set of territorial marks analysed has contributed to the economic development of the area under several dimensions: guaranteeing an increased premium price for the local products and increasing their demand

¹² Rapport d'Activité 2008, ONIPPAM

and sales volumes; increasing their quality; contributing to the survival or the creation of small enterprises and to the local employment; stimulating synergy effects among farmers; fostering the use of locally sourced and produced materials and goods. These effects witness a major role of the territorial marked products in stimulating the local economy and activating processes of development vital for rural areas, which, thanks to the reputation acquired through the use of the mark, are able to reach the international markets. Furthermore, local products allow small farms and local enterprises to survive and sometimes flourish in an increasingly competitive scenario. The local products analysed contribute also to the tourism development of the area, since their presence is a stimulus for attracting tourist flows and increases to volumes also of complementary territorial products or services. Furthermore, with the exception of the lavender, which has a different market, the other OLPs have gained in direct selling and increased value per unit of production.

Another contribution to tourism development is in the fact that in some cases, such as in the experiences of DOC Orcia, Brunello and AOC lavender, the aesthetical appeal of the landscape created by the typical product becomes an attraction for tourists. In the case of DOC Orcia, furthermore, it has been explained how the recognition of the DOC has had an impact also on the quality of the lodging structures, which have been restructured.

Regarding the organisational advantages for the local firms, in the Cinque Terre and High Provence territorial marks, the recognition has been the stimulus for a better organisation of the supply chain. This point is different in the wine market of Val d'Orcia where each producer conceives himself as independent given the high premium price obtainable from the products. For the same reason the wine marks are the only ones which haven't provided the advantage of increasing the cooperation and network economies of the area. One exception is a form of cooperation arisen with the creation of the Consortium for the management of the mark, which is a fundamental player in the DOC Orcia experience as well as in the Brunello case. The creation of intermediate quasi-public institutions is a kind of economies of scope happened also in the DOC of the Cinque Terre and in the AOC lavender experiences.

Costs saving for companies have emerged only for the DOC Cinque Terre and High Provence products. In both cases this is due to a better organisation of production derived from the gathering in cooperatives and in the second case also to a financial public intervention for the AOC producers aiming at fostering the quality of the lavender in order to acquire competitiveness in the international markets.

As far as the social impacts are concerned, all the marks considered have reached the aims of increasing the satisfaction of the local population, increasing the local authorities' and entrepreneurial involvement in local development. The marks contribute also to the cultural aims of protection and enhancement of the territorial identity, as well as to the enhancement of a culture for quality.

To sum up, all the marks have resulted to be effective in stimulating the local economy and promoting the products and the whole area. Also from a social and cultural perspective there seems not to be difference in the capacity of the marks to protect quality and territoriality. The main differences among marks are thus to be searched in the specific differences of the products they protect (i.e. the wine market and organisation of production is very different from the sardines salting one). If a difference has to be recognised, it should be that the typical products label of the Cinque Terre has a more narrow market than the others, even if they are commercialised also in regional supermarkets. Furthermore its main aim is promotional for tourism markets, while for the other products this is not the major objective but a by-product.

The three local systems, although sharing the common idea of using territorial marks to achieve a development objective and preserve the typicity of their products, have

demonstrated to have specific characteristics which allow us to highlight some important matters for the implementation of territorial marks in rural areas.

The case of Cinque Terre, in particular, is interesting for the wide diffusion of territorial marks. We have cited just four of them regarding typical products, but the Cinque Terre have invested great efforts to collect marks and labels. For instance they are UNESCO World Heritage Site and Vernazza has been recognised as one of “The most beautiful Villages of Italy”. This means that the marks are one element of a strategy of territorial development which is based on the promotion of the quality of the products and of the territory as a whole. The marks have in this case not only the aim of protection of the tradition and strengthening of the quality, but also a strong marketing function. Related to the first point, is the close link between eno-gastronomic products and tourism. This feature characterises also the Val d’Orcia case, where Brunello has been the driver for wine tourism and DOC Orcia has been the occasion for farmers to reinvent their business, abandoning some activities to foster holiday houses.

The link between tourism and local products strengthened by territorial marks is evident also in the case of High Provence. What this case focuses very clearly, though, is the importance of public authorities in strengthening the comprehension about the strategic role of territorial marks (as well as of quality and traceability) in the entrepreneurial community.

Regarding a possible comparison between the Italian and French contexts, both countries have well established local development strategies based on quality and valorisation of the *terroir*. Furthermore, they have proved to be in a mature stage of awareness of the advantages of promoting rural development through the use of territorial marks. The major difference discovered between the Italian and the French cases is the public involvement in the process of territorial branding. If local institutions have resulted to be highly involved in both countries, in Italy the most implicated level is the local one, with capacity building and political support. In France, conversely, the national level intervenes providing both financial and capacity building support.

4.2 Risks

In this paragraph we discuss the possible risks in which a local system implementing territorial marks may incur, following Santagata, Russo and Segre (2007) for the selection of the variables of interest.

A risk of the introduction of CIPRs can turn to be a phenomenon of stifled innovation and increase of monopolistic rents. In the cases analysed these problem are not present, probably thanks to the necessity of local actors of combining innovation and tradition to be competitive. Regarding the wines, for instance, the market is so competitive that the search for innovative models of production, bottling in, distribution and promotion is necessary as well as the preservation of tradition. Similarly, the case of Cinque Terre demonstrates the importance of the touristic competition forces for encouraging innovation of product type (new products like cosmetics and food products for tourists and new markets). Also in the other cases, the high competition preserves producers from the risk of stifled innovation, and even though some of the products like Brunello could boast of a monopolistic rent, producers are forced to guarantee high quality standards to avoid a loss of competitive advantage.

Not only the international but also the internal competition among producers inside the same district is an important lever to avoid the persistence of obsolete production models.

A further risk considered is that of factories transformed in showrooms. This risk, together with the standardisation of the tourist products and landscapes, has been denounced by some local representatives of the Cinque Terre. Some traditional activities, like sardines’ salting, have in fact been transformed in a tourist attraction and some local people fear that this can result in a loss of the original spirit of the place, towards a commercialisation of the

traditional practices and of the territory itself. This attitude can be dangerous also from a touristic point of view, since in the long period it can bring to a loss of the identity, one of the key variables for the development of quality and tradition based districts. Policy makers should therefore give the right attention to the preservation of equilibrium between the exploitation of the territorial resources and their preservation. In the other cases problems of this type have not been observed.

Another risk concerns the possibility that traditional production activities are delocalised while only the selling points for the typical product, to whom is linked the image of the place, are maintained inside the original area of production.

Certifications like DOC, DOCG, AOC and Presidium Slow Food have proved to be an effective tool for guaranteeing the territorial rootedness of the product and in fact examples of delocalisation have not been found in the cases. However, the relevance of this point is witnessed by the case of the High Provence district, where some local representatives have denounced a possibility of mere exploitation of the image of the place, linked to the blue lavender and to a sense of genuineness and typicality, by the firms transforming the herbs and essential oils, which are located inside the territory but often use not locally produced resources in the transformation phase. Many industrial firms do not buy agricultural inputs from their neighbours but from supplier located outside the territory, to get larger quantities at lower prices. Nevertheless, given the increasing demand for traceability, some players have understood the economic convenience of agreements at the local level, where quality in all stages of production can be guaranteed and controlled. The maintenance of the production chain at a local level is a means to assure as well a higher local economic development and to avoid the risk that factories can be transformed in showrooms. For this reason it is crucial that the production codes regulate this point assuring the territorialisation both of the provision and of the production processes.

4.3 Considerations on the organisation of production

The case studies developed can help to afford a problem raised in the DOLPHINS project final report (Sylvander et al., 2004) regarding the organisation of production issue. The report recognises that co-operatives are deeply involved in the production, processing and marketing of typical products, but there are no specific studies on the analysis of the reasons for this diffusion. In particular it is necessary to find out if they represent a better organisational model to preserve typicity, to maintain the peculiar organisation of firms within typical products systems, to ease the introduction of the products within modern distribution chains, to facilitate their protection through Designations of Origin.

Considering the case of High Provence, since the end of the Seventies, the essential oils producers have started to collaborate and organise themselves in cooperatives to face the challenges of the market. Some big cooperatives are born dealing with the storage and distribution activities. This has helped the producers to concentrate on the production phase and guarantee to the market the requested quantities.

Although the organisation of producers in cooperatives is not directly linked to the AOC designation, it is true that in absence of this kind of organisation many producers would have disappeared from the scene, because not able to face by themselves the market needs of big quantities and certified quality.

The same experience regards cases like that of wine production in the Cinque Terre. The need to cooperate in the field of OLP is due to the fact that producers of typical products are often small firms owned by local people interested in maintaining the traditional methods although they are less remunerative. Sometimes, like in the case of Brunello and Orcia wines, the premium price and the demand are so high that the producers can maintain their independence. In other cases, a cooperative organisation structure is needed. The request for a

designation of origin is a complementary tool used for protecting the traditional standards, because of the deriving premium price and the opportunity to insert the product in niche markets looking for differentiation and reputation. The choice for a cooperative form is thus conditioned by the demand and price characteristics of the product.

4.4 Is the PDO a necessary condition for adding value to the OLP?

A further important question raised by the DOLPHINS project is whether a PDO is a necessary condition to adding value to an OLP and, therefore, to the local economy.

To illustrate this point, we start with the case of High Provence lavender. The lavender, even before the AOC establishment, has constituted the specialisation of the area, has created employment and increased the tourist flows. However, the recognition of the AOC has helped to protect the quality of the product, to distinguish the area of production from others and acquire a place in niche markets. We can state, then, that in this case the PDO adds value in terms of quality assurance.

In other cases, such as for the wines, the variety of similar goods present in the market and the information asymmetries from the side of the consumers, make a PDO necessary to distinguish the product and guarantee that all the producers involved in the collective trademark align themselves to the standards requested to avoid conflicts generated by free-riding. The PDO also helps to increase the direct selling and reach other distribution channels for typical products not targeted to mass consumption. For these reasons the DOCG and DOC on wines are fundamental for adding value to the OLP.

In the case of the sardines of Monterosso, not covered by a PDO but by a Presidium Slow Food, the regulatory protection is not felt as necessary for adding value to the product, which is already well known and sufficiently protected by the Presidium.

Nevertheless it must be noted that nowadays the local cooperative is the only actor managing the activity and benefiting of the Presidium, thus it does not have to manage possible collective action problems.

The *sciacchetrà* wine, which has to manage the same problems of the other wines, is also covered by a DOC.

To sum up, the PDO plays a major role in guaranteeing quality maintenance and preserve traditional products from unfair competition, both from inside and from outside the area of production, which in some cases could cause the disappearance of the local system.

4.5 The intricate issue of the regulation code

The case of Brunello has confirmed that certifications are sites of conflict, negotiation and power (Mutersbaugh et al., 2005). Producers are often interested by a trade off. They have to choose between strictly adhering to the tradition, which is usually more expensive and risky, or allowing more tolerant behaviours. The downfall towards more permissive rules can cause the loss of those elements which determine the quality and typicality of the product, thus compromising its reputation. The Brunello case has shown how difficult is to reach a consensus over the product specification, due to the conflict of different interest groups, but it has also emerged that the maintenance of tradition is not a loss in innovation but a gain in differentiation.

This point is recognised as crucial in the literature about PDOs but the solutions adopted to face with this problem in different experiences vary considerably. In the case of Culatello di Zibello (Tregear et al., 2007), for instance, the local players arrived at a compromise whereby two designations were applied, with different codes of practice for artisanal and industrial productions.

A related issue is the opportunity of widening too much the production area due to political pressure from public institutions. This is often a motive of conflict, which sometimes causes the failure of the process of application for the PDO, like in the case of the Cherry of Lari (Tregear et al., 2007).

With the case of Tequila, Bowen and Zapata (2009) provide an illuminating example of the failure of the GI experiment when the link with the *terroir* is not respected. First of all, this happens because the GI is limited to specifying the boundaries of production, without taking into account appropriate agricultural practices or include measures designed to protect the local environment. Secondly, tequila companies tend to source their agave from across the large, biologically heterogeneous region and many supply chain actors do not value the cultural practices that have influenced the evolution of the product over the past 400 years. The authors conclude that “the negative effects of the agave-tequila industry on the local economy and environment are in large part due to the failure of the GI for tequila to value the ways in which the *terroir* of tequila’s region of origin have contributed to its specific properties and taste characteristics” (p.110).

This is a confirmation that the value added of the mark and of the certification stands in the capacity of the entrepreneurial players and policy makers of keeping the link with the *terroir*.

5. Conclusions

This paper contributes to emphasise the importance of origin labelled products and territorial marks for development in rural areas. Using the cases of High Provence in France, Val d’Orcia and Cinque Terre in Italy, we have outlined positive externalities and risks linked to the presence of territorial marks for typical products.

The performed comparative analysis suggests that territorial marks linked to OLPs are an effective means for activating processes of local development. They guarantee the inclusion of public, private and quasi-public institutions around a common target of development and frequently succeed in involving actors from different sectors, creating integration between agricultural and tourism activities. If a protected designation of origin is useful to protect the quality standards of the production and diffuse its knowledge and image, however also more locally oriented marks result to be effective for protection and marketing purposes. The PDO, though, helps in overcoming problems of collective action which may arise in markets characterised by high information asymmetries, such as the wine one. It contributes as well to preserve OLPs from unfair competition in an increasingly globalised market.

Regarding the organisation of production issue, the organisation in cooperatives has proved to be an effective solution, even if not necessary if the demand and price characteristics of the product allow the producers to maintain their autonomy.

Further research efforts should be directed towards the comprehension of the role that public institutions should play in supporting the designation process.

A further decisive point for territorial marks arisen in the Val d’Orcia context is the possible conflicts which may occur in the organisation (Association or Consortium) managing the mark. In the Brunello case, the strength of the local component of producers, interested in maintaining the tradition, has allowed to keep intact the rules of production, but what would happen if they will leave their farms to outsider buyers? Furthermore, is it sure that quality is synonymous of maintenance of tradition? Or could some innovations bring benefit to the product and to the local economy? Although these topics deserve further research efforts, the cases have confirmed the strong link existing between quality and tradition, highlighting also that this link is not opposed to, but rather dependent on innovation practices.

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Tables

Table 1 – Variables considered in the analysis

| Type of impact | Variables |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic | Costs savings for companies Increased Premium price for local products Increased tourist demand/sales volume for tourist services Increased demand/sales volumes for local products Direct selling/Increasing value per unit of production Better organisation of the supply chain Increased quality for local products/services Survival/creation of small enterprises Contribution to local employment Synergy effects for farmers Economies of scale for quality control and other services Use of locally sourced and produced materials and food Lodging upgrading |
| Social | Satisfaction of local population Increased public authorities involvement in local development Increased community involvement in local development Increased entrepreneurial involvement in local development Network economies, cooperation Economies of scope: creation of intermediate/quasi-public institutions (consortiums etc.) |
| Cultural | Protection and enhancement of territorial Identity Enhancement of a culture for quality |

Table 2 – Risks considered in the analysis

| | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risks | Stifled innovation and increase of monopolistic rents Obsolete production models kept alive Factories transformed in showrooms Standardisation of tourist products and landscapes |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|