

**THE ROLE OF TYPICAL PRODUCTS IN FOSTERING RURAL  
DEVELOPMENT AND THE EFFECTS OF REGULATION (EEC) 2081/92**

*FIRST DRAFT*

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*ABSTRACT*

*Rural development is progressively becoming one of the major objectives of the EU policies. Both a widespread literature and the policy adopted by the EU stress the importance of supporting typical products to attain this objective. As a matter of fact typical products are strictly tied to their area of origin, as they derive their characteristics from the paedoclimatic, technical and organisational peculiarities of the “terroir” they come from. They are often considered useful “tools” to keep local culture and traditions, and to foster rural development especially in disadvantaged and mountain areas.*

*The attention of the paper is focused on the links between rural development and typical products. The paper aims at showing the different strategies linked to the promotion of typical products, and how the various actors involved at a local level (farmers, processing firms, local public institutions, producers and consumers associations, etc.) take part in the process that leads to apply for PDO/PGI.*

## **1. INTRODUCTION**

Agro-food typical products are, by definition, the expression of the area of origin (in its different dimensions) and they are therefore one of the most evident manifestations of locality both for people belonging to the area and not.

For this reason typical products often play a central role in the development strategies carried out by local actors in rural areas, though with different points of view, depending on the existence of various interests related to the typical product, that are the expression of the different categories of agents that are directly or indirectly involved in its valorisation.

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The *general objective of this paper* is to analyse the different strategies that are involved in the valorisation of a typical product, taking into account the impacts that these processes may have on the rural economy and on the different paths leading to rural development.

In order to rationalise the different strategic behaviours, we will distinguish two main strategic objectives at the basis of the activation of typical products valorisation strategies: the first one is related to the fact that the actors mainly aim at the remuneration of the specific assets directly involved in the production process at local level (territorial supply chain), the second extends the outlook at a more comprehensive territorial-systemic level. We will try to point out, within these two strategic motivations, the actors involved, their aims, the possible contrasts among different stakeholders, the effects on the dynamics of rural development.

A special attention will be focused on Regulation (EEC) 2081/92 (Protected Designation of Origin – PDO – and Protected Geographical Indication - PGI), with the purpose of showing how the various actors (agricultural firms, processing firms, local public institutions, producers and consumers associations, etc.) take part in the process that leads to apply for PDO/PGI, which are the convergences and contrasts between actors, and which are the opportunities and the limits of PDO/PGI for rural development.

## **2. RURAL DEVELOPMENT: ENDOGENOUS, INTEGRATED AND SUSTAINABLE**

The development of rural areas is being a central theme in the scientific debate and in the choices of the public policy maker. The interest in the development of rural areas mainly comes from the effects of the development paths undertaken by occidental economies, in particular European ones, that for a long period have seen the predominance of growth logics centred on the active and dynamic role of urban and industrial areas. As a consequence, “non urban” areas have been subject to a widespread crisis and re-structuring process, with increased territorial, economic and social lacks of equilibrium.

In rural areas these phenomena have led to the exodus of the population, to environmental and cultural degradation, and produced important changes also within the agricultural sector. In particular a process of “homologation” of agriculture has taken place, caused by the diffusion of behaviour models that are typical of the urban and industrial sector, both at the production and consumption level (Basile and Cecchi, 1995). The homologated agriculture tends to lose part of its sectorial specificities, and to attain an efficient use of resources through scale economies and also through the transfer of resources to other sectors (Basile and Cecchi, 1997). Economic policies have played an important role in driving these changes; even the Common Agricultural Policy (CAP) has stressed since the beginning the most strictly productive aspects of agriculture.

Nevertheless the homologation process doesn't involve the whole agricultural sector in a uniform way, and in particular the most marginal and disadvantaged areas, where the capacity of reaction to the evolution of production techniques and competitive pressures is limited. Therefore a non-homologated agriculture persists, and as its production factors – owing to their specificity – are not easily transferable to the homologated model, if an alternative specific and endogenous development model aiming at the remuneration of local resources is not envisaged, the process

results in a growth in marginality and abandon of agriculture, with evident deep social effects.

Interesting opportunities for the enhancement of rural areas characterised by a non-homologated agriculture are offered by the diffusion of a consumption model centred on the various aspects tied to quality and differentiation of products, environmental impact, and more in general to the “cultural” dimension of consumption (Gilg and Battershill, 1998).

Also the European Community has progressively understood the need of revitalising marginal rural areas, and has gradually integrated in its views a concept of rural development that is more and more oriented towards a diversification of economic and social activities in rural areas, in order to increase quality of life and rural resources for local and external citizens preserving a non-homologated agriculture (Buckwell, 1997; Sotte, 1998).

The concept of rural development, as also emerges in European Union official documents, may be synthesised through three keywords:

- *Endogenous*: rural development should be mainly based on local resources (goods, skills, contextual knowledge) and actors’ ability to build projects; community participation in the definition and sharing of objectives (bottom-up) is a central point;
- *Integrated*: rural development is not only agricultural development, but it considers multifunctionality of agricultural firms and more generally the integration of all the economic and social activities at a local level (tourism, craft or industrial manufacturing, services, social activities);
- *Sustainable*: rural development dynamics should work in a way that the resources used in the production processes are reproduced (complete production process), with special reference to environmental and cultural resources. The respect of natural and social environment plays a central role in the rural development process.

In such a framework, rural development paths should be based on mobilising local resources through the action of agents belonging to the rural areas, by means of a process of interests aggregation in a shared (and therefore collective) outlook on the development project of the rural area (Iacoponi, 1998; Romano, 2000), then stimulating a differentiation and an integration of the components of the rural economy (integrated rural development). Only this process is able to allow a remuneration and therefore a reproduction of the resources, included the social, cultural and human capital, and in particular the specific resources of the non-homologated component of agriculture.

### **3. TYPICAL PRODUCTS WITHIN RURAL DEVELOPMENT**

Agro-food typical products are an important example of specific local resources, as the expression of the peculiarities of a certain territory. The link between the typical product and its territory comes out not only from paedoclimatic specificities and its strong link with localised specific production assets, both of material (i.e. specific plant varieties or animal breed) and immaterial nature (i.e. knowledge of local agents); actually it derives also from local culture, when it characterises the “historical memory” of local population and it represents a catalyst of identity (Bérard and Marchenay, 1995).

As a consequence, the valorisation of typical products may work as a rural development tool which the local community may use, given that collective and

shared strategies for the remuneration of the specific resources of the area are activated around the product. As a matter of fact empirical evidence shows how the typical product is often used as a pivot or at least a fundamental component in the collective strategies of local (rural) development.

The presence of specific non transferable assets tied to the production process of the typical product makes it an undeniable option to maintain agriculture, a vital economy and, with it, the local population in the area. In other words the production of typical products represents a founding part of non-homologated agriculture, within which the resources, locked into rural areas, are the basis of rural development processes (Basile and Cecchi, 1997).

The link of the typical product with its area of origin allows the creation of rents coming from the “quality” of the product and the area it comes from; these rents allow the remuneration of the specific assets used in the production process. Taken into account that usually the assets on which the typical product is based are partly free goods - that is employable by a plurality of agents without a possibility of individual appropriation - the opportunity of exploiting this territorial quality rent is strictly tied to the capacity of local actors to create institutional processes that can regulate the use of these free goods also letting people economically (and locally) benefit from the opportunities that come from them.

Local promotion strategies therefore demand the realisation of an organisation (local governance forms) allowing the “extraction” of the rent tied to the typical product, its economic use and the regulation/distribution of the benefits connected to it, besides the reproduction along time of the typical product (sustainability of the exploitation of the product)

The effects of the actions of valorisation of typical products on rural development may have different dimensions, according to the kind of product, but mainly according to the kind of links the production system of the typical products activates with the rest of the economy and the local society. In a schematic outlook, the promotion of the typical product may involve at least two dimensions (Endrighi, 2001):

- the *economic dimension*: the valorisation actions activate on the one hand the components of the local economy that take part directly to the production process (the “chain”), and on the other, through the pulling effects coming from the increase in the notoriety of the product, other sectors of the local economy (tourist sector, handicraft, etc);
- the *socio-cultural dimension*: the activation of valorisation strategies often implies the involvement of the local population; the typical product may play a function of catalyst of local interests around a common project, favouring social cohesion and strengthening the identity heritage of the population.

Within the same rural area usually different outlooks on the development of the area coexist, though tending to converge on shared values, well represented by the typical product as an identity element of the local culture. These values represent a “strong paradigm”, that is shared by the actors in the understanding of the problems faced by the area and in proposing efficient solutions (Brunori, 1999).

The possibility of activating endogenous rural, integrated and sustainable rural development strategies, based on the typical product, depends therefore on how pervasive and intense the link between the product and the local community is. In this sense not all products are the same, depending on their symbolic and identity

content within the local community (the product permeate local culture and traditions), and their presence and importance in the local economy.

The tools that can be used by local actors are varied in nature and typology. Within institutional tools for the promotion of typical products strategies a central role is played by designations of origin (PDO/PGI), elaborated by the EU (Regulation (EEC) n.2081/92), also with the explicit aim of supporting development processes in rural areas<sup>1</sup>.

The recognition path of a PDO/PGI for a typical product often represents the final or intermediate result of the process of valorisation of the product itself. The system designed by Regulation (EEC) n.2081/92 implies the codification of the product through the elaboration of Product Specifications (Code of Practice) containing: area of production, characteristics of the production process and of the product itself. It is on these choices that often contrasts arise among the agents of the local system. Studying the system of interests that converge or diverge on the decision to apply for a designation of origin and the contents of Product Specifications, the different role the typical product can play in the rural economy and the different strategic points of view of the actors can be understood.

#### **4. TYPICAL PRODUCTS, VALORISATION AND LOCAL ACTORS: AN IDEAL-TYPICAL REPRESENTATION OF THE STRATEGIES**

The typical product represents a potential resource for the rural economy, as much as it stimulates aggregation and strategies leading to the creation of value through the product itself<sup>2</sup>.

The actors that are involved in the valorisation of the typical product can be highly heterogeneous<sup>3</sup> and not all of them have to belong to the traditional area of production of the typical product<sup>4</sup>. Every actor has his own outlook on the typical product, which depends on his own interests (economic, social, political, scientific, etc.). The diversity of the actors leads to a diversity of objectives that are locally pursued through the valorisation of the product.

In this paragraph we want to give a schematic view on the possible valorisation strategies of the typical product through which the local actors find in the product a way of creating value. These strategies are an endogenous response to extra-local forces based on local resources, in which the traditional food product is viewed by local actors as a *marker* of the local cultural system<sup>5</sup>, and as a key to

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<sup>1</sup> In the introductory part of Regulation (EEC) n.2081/92 we can read: “*whereas the promotion of products having certain characteristics could be of considerable benefit to the rural economy, in particular to less-favoured or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas*”.

<sup>2</sup> Though typical products can have effects on the rural economy also thanks to single firm strategies, this case doesn't apply to this paper, that is dedicated to the analysis of collective strategies as a full expression of the dynamics of endogenous rural development.

<sup>3</sup> For example the actors can be directly involved in the activities of production and distribution of the product (within the chain) or not, they may have an individual or collective nature, and if they are collective they can be Public Administration Institutions (local administrations) and intermediate institutions (firms organisations etc).

<sup>4</sup> For example the agents of the chain that are not local (as processing and distribution firms), scientific institutions, public institutions, consumption associations.

<sup>5</sup> The range of local cultural markers includes, besides traditional foods, regional languages, crafts, folklore, landscape systems and their associated flora and fauna, local visual arts and drama, literary references, historical and prehistoric sites (Ray, 1998).

improve the social and economic well-being of local rural areas; this approach can be defined a *cultural economy approach* to rural development (Ray, 1998).

The schematisation of the strategies is based on two aspects that express the orientation of the actors in the elaboration of the strategy:

- a) **ACTORS' FOCUS:** the attention of local actors may be strictly focused on the supply chain of the typical product, or may be focused mainly on the other components of the local economy and society:
  - *Focus on the supply chain:* the valorisation of the typical product is interpreted by the local actors as a necessary tool to allow a satisfactory remuneration of the specific assets directly used in the production process of the typical product. The actors are normally firms involved in the supply chain or their associations, but also local public institutions and other actors who may show the interest in strengthening and fostering an important part of the local economy; anyway the production system plays a central role in activating and fulfilling this strategy;
  - *Extended focus:* the typical product doesn't have an importance in itself, but it can catalyse a supply (existing or potential) of a diversified range of goods and services localised in the rural area. In this way the process of valorisation leads to the creation of a "basket of territorialized goods and services" in which the actors implement a "strategy of supply at the same time composite (as it combines different goods and services) and localised (tied to a particular geographic area, to its culture and history)" (Pecqueur, 2001, p.37, *our translation*). The typical product represents within this strategy an aggregating element of diversified interests where the firms involved in the typical product chain are only a part (sometimes a marginal one) of the actors that activate this strategy, and are flanked by firms belonging to other economic sectors, by the public policy maker, by intermediate institutions representing widespread interests (cultural, social, etc.);
- b) **ROLE OF THE TERRITORY:** the territory of origin may be used by actors as a quality sign, or the single components and resources of the territory may be encapsulated in the typical product as attributes (Ray, 1998; Pecqueur, 2001):
  - *Sign:* territory is used by local actors as "origin sign", stressing the informative meaning of the geographical name on the quality of the product in a differentiation logic in relation to competing products. The origin is used strategically as a synthetic indicator of the quality of the typical product, in order to allow the exploitation of "reputation rents" by the actors of the production system;
  - *Set of attributes:* local actors explicitly use the elements of the territory to increase the value of the typical product and/or of the basket of local goods tied to it. The valorisation strategy aims at linking the product to a set of local resources that are specific of the territory and used as quality "attributes" of the product or of the basket. The specific resources can be tied to the chain of the typical product itself (production technique, varieties, races, production plants and equipment, know-how), but also to other sectors (handicraft, tourist services, etc.) and more in general to the territory (landscape and environment, local culture and folklore, artistic, architectural and cultural resources, etc.).

On the basis of these variables we can draw a matrix (Fig.1) by which a range of real situations can be classified. Strategies 1 and 3 (whose characteristics are synthesised in fig. 2 and developed in the two following paragraphs) represent two

ideal-typical cases, that of the “Regulation of Product Reputation” and the one of “Territorial Quality”.

**Fig.1 – Matrix of valorisation strategies centered on typical products**

		ACTORS' FOCUS	
		SUPPLY CHAIN	EXTENDED
<b>ROLE OF THE TERRITORY</b>	SIGN ↑ ↓ SET OF ATTRIBUTES	<b>1</b> REGULATION OF REPUTATION	<b>4</b>
		<b>2</b>	<b>3</b> TERRITORIAL QUALITY

Strategies 2 and 4 represent other possible strategic orientations. For example case 2 includes the strategies activated by supply chain firms aiming at the creation of networks of shops selling the typical product, so that the territory may represent in itself an attribute of the product. Case 4 contemplates strategies, activated on the initiative of actors belonging to different sectors, aiming at exploiting the image and the notoriety of the area of origin of the typical product as a quality sign of the basket of goods offered outside the area origin.

Another central aspect concerns the effects of the strategies on the actors of the territory and on rural development. This is a very important point, not only because it represents the result of the process (and therefore “measures” the success of the strategy), but also because the expectations of the local actors on these effects affect the evaluation the local actors make of the opportunity of activating the strategy as much as on the process of selection of the strategy to be activated.

The possibility of triggering complete rural development processes, or more in general the typology and the intensity of the impact of the typical product on the rural economy, depends on the possibility offered to the different local actors to benefit from the action of valorisation. The level of the benefit doesn't only depend on the collective action set up by local actors, but also on other elements that have to be considered exogenous for the actors. A particular relevance is played by:

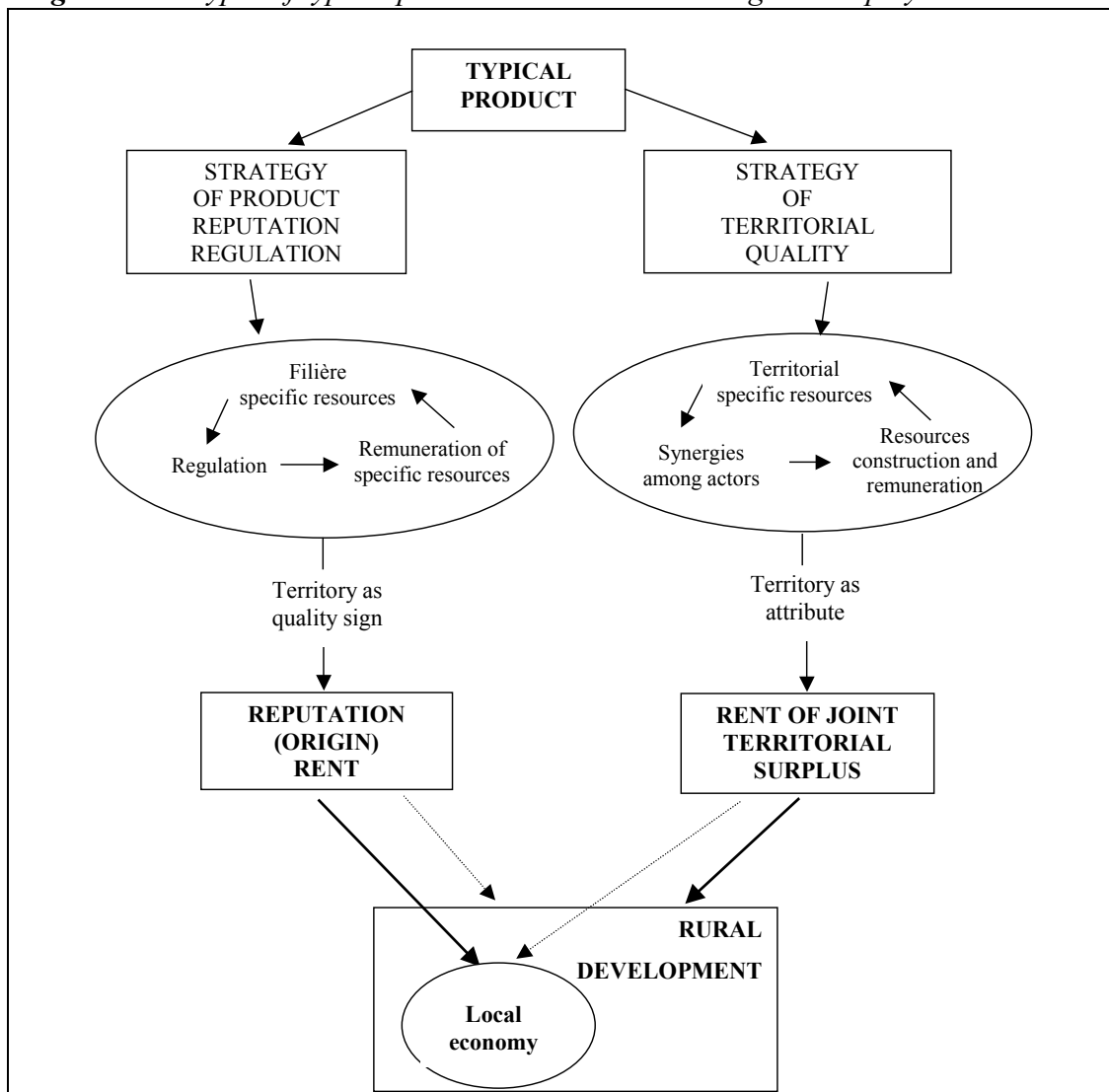
- the nature of the typical product, for example the level of elaboration, the characteristics of the production process, the marketing channels allowed by the nature of the product (short or long channels), the impact on the landscape and on the environment, their role in the local culture and tradition but also in the collective non local imaginary (i.e. the product “wine” certainly has a different image from the product “spinach”);
- the structure of the supply chain and the presence of firms/sectors in a dominant position (especially if non local) able to exploit the rent;
- the presence of a normative-institutional framework that allows the appropriability of the benefits, at global level (i.e. institutional tools to protect the designations of origin and their compatibility with the local

context) but also at local level (i.e. distribution of property rights on key-factors);

- the characteristics of the area of origin (economy, society, environment, landscape, culture).

The two ideal-typical strategies (fig.2) will be analysed more in depth in the following paragraphs, in order to identify the different role that within each strategy the designations of origin can play in a rural development outlook.

*Fig.2 – Ideal-types of typical products valorisation strategies set up by local actors*



## 5. THE STRATEGY OF REGULATION OF PRODUCT REPUTATION

The strategy of Regulation of Product Reputation (RPR strategy) usually refers to typical products realised by a well-structured local production system, whose firms take the initiative. RPR strategy comes out from the need showed by the actors of the local production system to activate defence or relaunch tools in reply to the general trends towards mass consumption, by leveraging on the value of the territorial origin of the product recognised by consumers external to the production area.



A necessary pre-condition for activating RPR strategy is the presence of a “product culture” shared by the firms of the local production system, which has positive effects on the homogeneity of techniques and product characteristics.

By means of RPR strategy, the actors of the local production system aim at re-creating, strengthening or defending the economic rent accumulated along the years in that specific territory on the basis of a mixture of economic, cultural and social factors (Cavailhes, Daucé, Perrier-Cornet, 1987; Moran, 1993), and reflected into a (real or potential) consumers willingness to pay more for the product coming from that specific territory.

The geographical “name” of the typical product, as information summary for the consumer (Pacciani, Belletti e Marescotti, 2001), incorporates the rent associated with the territorial origin, that can be appropriated by the local actors of the supply chain by means of reputation mechanisms (Belletti, 2001).

The general aim of the actors of the local production system is to transform the local knowledge incorporated within the typical product into a collective form of intellectual property, that is into a “mark”<sup>6</sup>, to maximize at a local level the positive effects coming from the typical product rent.

Generally speaking, the fulfilment of the strategy requires the use of an extra-local regulatory framework (such as protected designations of origin), which allows the local actors to obtain an exclusive right, defending or creating rents.

In this way the product origin is seen as something that could be owned by the community of producers operating in the area and conforming to the dictates (place, production methods, product characteristics, labelling) of the local knowledge regulated in the Product Specifications agreed on by the community of local producers and approved by extra-local institutions (National Government, EU Commission) (Moran, 1993; Ray, 1998). The territorial identity synthesized in the product name becomes a collective asset which must be regulated by an “intermediate institution” representative of producers’ interests.

Within the RPR strategy, the use the actors of the local supply chain make of the PDO/PGI is directed to defend the product “geographical name” and to regulate its use against the misuse of both local and external actors. Actually the actors who promote the initiative aim at limiting the use of the product name, by defining rules on the production process and products specifics. Such an “institutional barrier” obtained through product reputation institutionalisation (Polidori and Romano, 1997), by creating a common protective belt on the market, partially shifts the competitive problem to the sharing of origin rent among local firms which adhere to PDO/PGI (Rocchi and Stefani, 2001). The recognition process of a PDO/PGI often raises conflicts between different economic actors typologies and interests. First, conflicts may arise on the decision to apply for a PDO or a PGI<sup>7</sup>; second, conflicts are normally present in the definition of the Product Specifications, with particular reference to the delimitation of the production geographical area, and to the specification of the production process and of product characteristics. In conclusion, the achievement of a PDO/PGI generates winners and losers, as it deeply affects the

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<sup>6</sup> This strategy can be viewed as a form of commodisation of local culture, since it is based on creation and valorisation of resources (typical products) that have a place identity and that can be marketed directly, and it “emphasizes the encapsulation of territory/culture within products” (Ray, 1998, p.4).

<sup>7</sup> This is due to the different character of PDO compared to PGI. In PDO products, all the phases of the production process must be located in the same area (“production, processing and preparation of which take place in the defined geographical area”); in PGI products, only one phase must take place in the defined geographical area.

possibility the various typologies of actors involved in the production system of the typical product have in appropriating the rent of origin, and strongly modifies the distribution of the rent connected to the typical product (Belletti, 2000).

When the reputation capital of the typical product is limited or partially dissipated, the focus of local actors is oriented to increase the rent of origin by means of collective actions aiming at stressing the information role of the “geographical name”, rather than being directed to the share of the rent. This kind of action requires the building of an organisational framework and some mechanism for sharing out costs and benefits among the actors of the supply chain should be fixed. Usually the establishment of an Intermediate Institution is required, in order to discipline not only technical and production aspects (including those connected with control activities), and mainly marketing and promotional activities (Antonelli, 2000; Endrighi, 1999). An essential aspect concerns the active participation of all the actors which represent the interests of the supply chain (not only the local supply chain) on the basis of a common vision of problems and opportunities for the development of the supply chain (Bencardino and Marotta, 2000).

The valorisation of the typical product through the RPR strategy has not a *direct* impact on rural development, but rather on the local economy (on the part of the local economy connected to the typical product, which may be more or less important in the rural area). As a consequence, direct effects are measurable in terms of job and income support, of keeping a living economic and social activity in disadvantageous and marginal areas, and so on. Such effects rely on the degree of appropriability of the rent by the actors of the local supply chain with respect to the actors of the supply chain located outside the territory, which may keep a dominant position, especially on long-distance marketing channels.

Anyway, RPR strategy may have *indirect* effects on a “complete” rural development. In fact, the defence of the rent of origin may allow to avoid an under-remuneration of localised and specific assets of the typical product production system, protecting the non homologated agriculture within the rural local system (Belletti, 2000 and 2001). In such a way, positive externalities can be reproduced (i.e. peculiar land arrangements, traditional plants and techniques) (Briand, 2001), thus enabling them to play an important role in the activation of strategies which use territory as an “attribute” of the product (Dubeuf, 1995).

When a PDO/PGI is used, the level of the above mentioned effects is strictly tied to the way the Product Specifications is drawn; for example, the Product Specifications may impose strong links between the product and local resources (such as autochthonous plant varieties or animal breed), or impose specific production methods (i.e. extensive breeding techniques, the use of high-altitude pastures). Nevertheless, these choices are rarely taken by actors oriented towards a pure product reputation regulation strategy, as they may further increase production costs which cannot very easily be covered - at least in the short term - by higher sale prices of the product, especially on long-distance marketing channels, which are the most frequently used within such a strategy. Anyway, actors’ attention to these kinds of choice are strictly dependent on the characteristics of firms and entrepreneurs activity, and they are usually positively related to the degree of pluriactivity and multifunctionality of firms activity.

## 6. THE STRATEGY OF TERRITORIAL QUALITY

Within the RPR strategy, its positive effects on local firms and economy motivate the interest in the typical product. On the contrary, by adopting a strategy of “Territorial Quality” (TQ strategy), local actors attach value to the typical product mainly for its capacity of attracting consumers, adding value and promoting a differentiated set of products and services localised in the territory.

TQ strategy fits to products strictly linked to the territory, particularly to local culture and history. The typical product represents an identity element for local actors (not only those involved in the production process), and it assumes the role of catalyst in the planning of a comprehensive rural and integrated development strategy (Marescotti, 2001). Local actors see in the typical product the opportunity for strengthening their identity and specificity, and to communicate it outside the territory. This strategy is based on the “construction and projection of a (new) territorial identity to the ‘outside’ ... the emphasis here is on the incorporation of cultural resources into a territorial identity in order to promote the territory” in its entirety (Ray, 1998, p.5, *our translation*). Therefore, a plurality and heterogeneity of actors and interests characterise this strategy, whose elaboration and implementation normally involve many actors’ groups, often external to the local production system, but stakeholders in the typical product: for example cultural associations, consumers associations at local or national level, schools, other economic sectors and firms (hotel owners, craftsmen), and obviously public institutions.

In this framework, the typical product can be seen as a “cultural marker” and the starting element upon which a comprehensive rural development strategy can be based, within a context of “territorial quality”. All the relevant resources of the territory (rural landscape, historical and cultural resources, specific rural services, contextual knowledge) are explicitly mobilised and promoted by local actors. In this way the resources of the territory are part of a “basket” of goods and services, and at the same time they contribute to the valorisation of the typical product. Territory loses its purely informative meaning (quality sign), and acquires the role of “attribute”.

The existence of some pre-conditions is required in order to start a strategy of territorial quality on the basis of a typical product, among which social cohesion and a high degree of embeddedness of local community and firms (usually eased by the limited extension of the typical product area of origin) are the most relevant, as they support the consolidation of the identity based on the product. Other important conditions are the attractiveness (real or potential) of the product for extra-local consumers, and the possibility for the product to be sold within the area of origin, specifically through short channels, in a way that the product acts as catalyst for the other territorial resources and the connected economic activities.

Local actors aim at exploiting a collective rent of localisation connected to territorial quality, which comes from the combination of the collective rent of reputation linked to the origin of the product, and the rent due to the specific territorial localisation; the latter is obtained through the economic valorisation of specific advantages (both natural and constructed) coming from the rural space and the quality of local products and services (Mollard, 2000). Territorial quality rent joins product intrinsic quality to its connection to a specific place (and its natural resources, history, culture, know-how), and it is based on a combination of valorisation modalities of different products/services around a cognitive construction shared by local actors (Pecqueur, 2001).

The supply of products and services which compose the basket may create a consumer surplus higher than the sum of the surpluses of each good sold separately (Pecqueur, 2001). The surplus generated by a TQ strategy has a joint nature, as the consumer buys the product together with a set of products/services coming from the territory (environment, landscape, culture, etc.). The exploitation of the rent coming from this joint surplus shows a collective nature, as it is based on agreed collective strategies promoted by a diversified range of producers located in the rural area.

An important aspect in order to activate a TQ strategy is given by the involvement of local public institutions, who has the power of using a set of territorial planning and financial tools (i.e. the Local Plan of Rural Development in accordance with Regulation (EC) n.1257/99), which may give a contribution in strengthening the general image of the area.

Notwithstanding the fact that very often PDO/PGI have been used, designations of origin are not a central element in TQ strategy; here in fact PDO/PGI are considered as tools to create or consolidate “notoriety”, not so much for the product, as for the whole local economy.

In any case, in the TQ strategy, the process which leads to PDO/PGI pays attention not so much to supply chain and product aspects in a pure marketing vision, as to the “*extended production process*”, which also includes the production of territorial externalities, such as landscape, environment, culture etc. (Brunori and Di Iacovo, 1995).

In these cases, the main problem is to set up rules to discipline the way local firms of the typical product supply chain can exploit the joint surplus. In fact Product Specifications rules aiming at creating territorial externalities may be opposed by firms (or lead firms not to take part in PDO/PGI project), when these rules entail an increase of firms production costs and the externalities are not sufficiently exploitable by firms.

In general terms, in the short term the local supply chain firms can hardly benefit from the territorial externalities created or reinforced by Product Specifications on long marketing channels, even though in the long run these externalities may contribute to a stronger territorial image of the product also in long-distance sales, hence with positive effects on prices. The participation of firms which take part in the production of the typical food (and, as a consequence, their involvement in the TQ strategy) is made possible by:

- direct sales within the product area of origin, where the consumption of the product is accompanied by the “consumption” of production techniques, environment and landscape, local culture, etc. (Belletti and Marescotti, 1998);
- and/or multifunctionality of agricultural firms, especially when involved in tourist activities (rural tourism, services). Also pluriactivity of agricultural firms may ease the possibility to catch the territorial externalities generated by the typical product, thank to the positive effect on agricultural family income.

The valorisation of the typical product within TQ strategy has a *direct* impact on rural development, in that the typical product assumes the role of an aggregative element for a local dynamic centred on a comprehensive development strategy based on endogenous and inter-sectoral resources.

The problem of exploitation of the TQ strategy benefits by the actors outside the area of origin has here a lesser relevance than in RPR strategy, as “by definition”

the effects can be only on the local system, owing to the fact that products and services are consumed in the place of origin.

The central point, as previously mentioned, lays on the distribution of the benefits into the area of origin. The effectiveness of this strategy is dependent on the presence of an institutional framework capable to make the relevant actors take part and benefit of the territorial quality joint rent.

The success of a TQ strategy greatly depends on actors' ability to make easily recognizable and usable to extra-local consumers the basket of goods and services. An important example of this strategy is given by the “product routes” (wine routes, extra-virgin olive-oil routes, etc.), by which local actors codify the relationship between local resources in the basket by setting a sign-posted itinerary inside the area; the itinerary links together firms and activities (from handicrafts activities to rural tourism and agro-tourism, from product history to culinary specialities, from cultural specificities to folklore, etc.) connected with a typical product<sup>8</sup>. Wine Routes are more and more important and in some Countries they are regulated by specific laws that institutionalise links between local actors (by means of a Wine Route Committee in which are represented economic categories and public local institutions), create spaces specifically organised around the wine produced (wine tasting centres or wine museums), and define minimum quality standards in order to homogenise goods of the basket and to create network externalities into the local area.

## **7. OPPORTUNITIES AND PROBLEMS IN THE EMPLOYMENT OF DESIGNATIONS OF ORIGIN IN RURAL DEVELOPMENT STRATEGIES**

Designations of origin are widely used in both ideal-typical strategies, though the aims pursued are different. The analysis carried out the study cases<sup>9</sup> analysed has allowed to put in evidence potentials, but also problematic aspects connected to the use of PDO/PGI (fig.3), particularly in an integrated rural development perspective.

In the RPR strategies one of the main limits in the use of designations of origin for rural development derives from the fact that often the set of the actors not belonging to the typical product supply chain plays a secondary role or even has nothing to do with the valorisation initiative, and this mainly when the product is produced in a wide area that does not reflect a specific local tradition. In these cases it is likely that the system of local knowledge (contextual knowledge) and territorial resources, according to the type of choices adopted during the definition of the Product Specifications, may be totally extraneous to the process of valorisation of the typical product.

The RPR strategy in these cases becomes a mere product marketing approach, but – besides the possible positive impacts on the firms that benefit from it (the entity of which depends on the degree of homogeneity of the firms that realise the typical product) - it remains strange to an endogenous rural development perspective. In addition, when the actors of the chain are driven by a culture strictly tied to the

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<sup>8</sup> Also “umbrella marks” are frequently used for make easily recognizable goods basket by consumers, but in these marks origin is used as “quality sign” and not as “attribute”; hence “umbrella marks” are in Strategy 4 in Figure 1.

<sup>9</sup> The Authors, with reference to a set of case studies in Tuscany, have pointed out the diversified strategies linked to the valorisation of typical agro-food products, the different role played by PDO/PGI and the different problems faced in the recognition process. For the analysis of the case studies see Pacciani *et alii* (2001).

product, the choices adopted in the Product Specifications will not be oriented towards the creation of territorial “externalities”, employable in a wider outlook on the local development path.

In the case of TQ strategies the PDO/PGI is often required for the affirmation of territorial identity or also as a territorial marketing tool; the risk lies in the low involvement of firms (those that “operate” with the typical product), starting from the definition of the Product Specifications itself.

**Fig.3 - The role and problems of PDO/PGI within rural development strategies based on typical products**

	<i>REGULATION OF PRODUCT REPUTATION STRATEGY</i>	<i>TERRITORIAL QUALITY STRATEGY</i>
<i>General objective</i>	Management of product reputation rent connected to origin.	Territorial promotion, development of the global image of the rural area and contribution to the generation of the joint surplus.
<i>Role of PDO/PGI</i>	Central element of the strategy.	Secondary role, but often used when the strategy is built on a highly specific product.
<i>Actors who take the initiative</i>	Supply chain firms. Local public institutions may act as a mediator between opposite needs and interests.	Local associations. Local public institutions usually has a central role. Very often supply chain firms must be “stimulated” to take part actively to the initiative.
<i>Inclusion / Exclusion</i>	Initiators tend to exclude other actors to maximise their rent, after reaching a minimum tradable quantity and presence on the market.	Initiators tend to include other actors to encourage the maximum level of participation, though safeguarding product identity.
<i>Approach</i>	Marketing channels and consumer requirements drive the choices: attention is focused on production costs OR on specification product/process characteristics on high levels.	Attention on “memory”, history and culture if the typical product is a “cultural marker” for local community. Otherwise more room for scientific institutions and external “authorities” in case of territorial marketing strategy (territory as name).
<i>Central topics in Product Specifications</i>	Product-oriented approach: focus on product and production process characteristics. Definition of the boundaries of the production area.	Extended Process-oriented approach: focus on production process characteristics and territorial externalities.
<i>External actors' role</i>	Supply chain actors have competences and know-how on product; external research institutes may help in validating choices or mediating contrasts on specific aspects of Product Specifications	Actors who take the initiative are not directly involved in the supply chain of the typical product, and frequently rely on other actors outside the territory (research institute, public institutions) for Product Specifications definition.
<i>Risk and causes of failure</i>	Producers fail in coming to an agreement on Product Specifications. Producers may reduce product specificity to preserve price competitiveness. Focus on the exploitation of the rent of origin may cause a lack in actions to improve and re-build product reputation.	Failure in convincing local supply chain firms in joining the initiative. Inter-sectoral co-operation between firms aiming at creating and regulating the exploitation of the joint territorial surplus may be difficult to reach.

In these cases it can happen that the initiative of valorisation of the product is activated by the local actors but with a non endogenous perspective: the exigency of “revalorisation” of the typical product comes from an actor that is within the territory (i.e. the local administration), but is not tied to the local context. In absence of a link with the local culture of the product the “reconstruction” of the product and the definition of the Product Specifications is often delegated to a “scientific agent” that is external, and the initiative risks to end in an agro-food archaeological operation. In this case the problem is unfortunately viewed only as that of filling the “empty box” of the PDO/PGI, and of stimulating in a second phase the involvement of the local producers.

The indications given allow to understand how the valorisation of the typical local product through the use of PDO/PGI, to be sustainable and long-lasting (reproducible) and fitted within an endogenous rural development strategy, requires the presence of tied relations among all the components of the rural system: the local society, the system of local knowledge, its specific resources and the system of firms.

## **8. THE VALORISATION STRATEGIES BETWEEN REPUTATION REGULATION AND TERRITORIAL QUALITY**

The RPR and TQ strategies represent two different logics of valorisation of the rural economy based on a typical product. The analysis carried out has pointed out how the typical product, being the expression of a “product culture”, but also and mainly a “cultural marker” of a wider component of the local economy and society, may positively contribute to the dynamics of rural development. This comes from the fact that the typical product not only can allow the remuneration and the reproduction of the local specific assets used within its local production system (an objective mainly pursued in the RPR strategies), but also contribute to the activation of an endogenous and integrated rural development aiming at linking diversified economic activities in rural areas (an objective mainly pursued by TQ strategies).

The two strategies represent very different strategic approaches and degrees of actors involvement; nevertheless they are not separated as they can exert reciprocal activation effects, as it happens with practical experience in paths carried out by local actors, often integrating the two different approaches.

Some case studies analysed by the Authors (Pacciani *et alii*, 2001) have pointed out how different individual projects can converge around a typical product, giving rise to collective valorisation projects. Empirical evidence confirms that the strategy of RPR, easing the persistence of and the reproduction of specific local resources, can represent the basis of full TQ initiatives; and that the TQ strategy may strengthen the production system of the typical product, and therefore stimulate the activation of a Regulation strategy.

The paths of valorisation, analysed in a dynamic perspective, may have different configurations and results, also depending on the effects deriving from the defence and the creation of the reputation rent associated to the product and to the different possibility of appropriation of the benefits of valorisation.

If the starting of the valorisation process is often linked to one of the two strategic outlooks, very often the network of (local and non local) actors involved in the valorisation changes along time and other interests arise (Casabianca and de Sainte Marie, 1997); variations in the direction and intensity of the strategies come from this. The co-existence of strategies can give birth to conflicts on the role of typical product, on its definition, on the contents of the Product Specifications (in particular on the boundaries of the area of production and on the aspects tied to the production process).

The case analysis underlines another important aspect, connected to the role of the “non local” actors in the valorisation process, as scientific institutions (university, research centres), non local components of the supply chain (i.e. mass distribution firms), extra-local political actors and – a very frequent case – consumption associations at a super local level. In the previous pages we have assumed that the development process is “endogenous” if it is activated and directed by local actors. Empirical evidence has shown that the role played by non local actors in the activation and realisation of product valorisation strategies may be of

great relevance, also in an endogenous perspective, if the local community has the capacity and possibility of decomposing and reinterpreting the exigencies of the locality, maintaining their autonomy in the management of the local development path.

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