The aptitude to promote value creation in GI areas through the adoption of rural development policies[206]

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Abstract: The research into financial opportunities to promote value creation has been a key topic in the literature concerning geographical indications. In this framework, a relevant set of opportunities is offered by the rural development policy (Rdp) of the European Union. However, access to Rdp is not easy: therefore, value creation through consumption of Rdp is the result of an individual and collective entrepreneurial process within a GI area. This paper intends to look into different adoption strategies of Rdp to promote value creation along a GI food supply chain. Our results confirms, on the one hand, a higher aptitude to create value through Rdp on behalf of farms working inside GI circuits, while on the other, the set of measures consumed by farms generate the impression of lost opportunities in terms of value creation.

Keywords: value creation, rural development policies, geographical indication

Introduction

The object of our paper is the consumption of rural development policies for value creation. Thus, the paper aims to test value creation through the access to rural development policies (Rdp) by farms working within an area with a geographical indication (GI).

The research of financial opportunities to promote value creation is a key topic in the literature concerning geographical indications. Barjolle (2006) stresses the importance of the capability to gain access to financial support in order to promote value creation of quality products and to promote integrated rural development. Searching for financial opportunities, namely, for examples to access to Rdp, is an entrepreneurial behavior, through which farmer takes on risks and exploits an opportunity in order to stimulate the farm's growth (Adinolfi *et al.*, 2013). Therefore, in our paper we consider value creation through access to Rdp as the result of an entrepreneurial behavior. In effect, as stressed in the literature on rural entrepreneurship, the identification and the exploitation of opportunities (entrepreneurial alertness) are recognized as key competencies in entrepreneurship (Man *et al*., 2002). Therefore, *a proper entrepreneur is engaged in active, dynamic and competitive economic striving, in a continuing pursuit of opportunity* (McElwee, Bosworth, 2010). Against this background, value creation includes different perspectives: Prahalad (1993) is enlightening in recognizing that value creation may fill a performance gap (based on restructuring processes) or an opportunity gap (based on revitalization processes). As a matter of fact, recent trends in rural development policies have addressed farm strategies towards both kinds of strategies with special provisions for the second, by encouraging processes of farm boundary shift (van der Ploeg *et al.*, 2002; Pacciani *et al*., 2001).

Adding value through geographical labelling and indication is a key strategy in this framework (Fay, 2011) and should raise economic benefits for farmers adhering to the GI. As a consequence,

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farm strategies are sustained by specific investments aiming at value creation, which should distinguish farms in GI contexts from farms outside GI areas. Besides, one relevant factor in performing specificity of geographical indications is to be attributed to the collective dimension. This dimension is evident in the definition of the strategies to develop products with geographical indication (GI) and to grant persistency of localized food systems based on typical products. According to Barjolle and Sylvander (2002), the effectiveness of the collective strategy depends on the capability of each local actor to "appropriate the collective process". Moreover, collective action raises economic power along the food chain, thus fostering higher capabilities to increase the farmers' economic performance (Jeanneaux, Blasquiet-Revol, 2012). On the other hand, as mentioned in the abundant literature, the acquisition of GI is a starting point, that should be supported in time. To this end, farmers working inside a GI area could benefit from a set of measures of political economy to adopt either supply chain strategies or integrated territorial strategies (Belletti *et al.*, 2002). This strategic behavior should be the result of shared strategies linking geographical and organizational proximities (Rallet, Torre, 2004).

This paper presents a methodological approach seeking to infer the aptitude of buffalo farms localized within a PDO area towards Rdp. After a brief theoretical background, an empirical test is suggested: we investigate buffalo farms working in the production area of "Mozzarella di Bufala" PDO cheese. The analysis tests individual and collective actions aiming at value creation through access to Rdp.

Rural development policies for value creation: an analytical framework

As Schmitz (2005) points out, a relevant task for policy makers lies in indentifying and sustaining, through policies, more profitable activities aimed at increasing farmers' added value. Recent rural development policies surely accomplish this objective by providing farmers with a set of opportunities (EC, 2008). As a matter of fact, supply of Rdp makes funds available to sustain value creation through measures either for farm structural adjustment or for increasing the quality of agricultural products and, finally, to diversify farming activity.

The measures available for farmers are included in the four axes of the regional development rural plan[207], synthesised in the following schemes:

[207] See the European network for rural development (ENRD).

Axis 1: Measure for competitiveness of agricultural and forestry sector: the menu of measures is the following

Promoting knowledge and improving human potential	111	Vocational training and information actions
	112	Setting up of young farmers
	113	Early retirement
	114	Use of advisory services
	115	Setting up of management, relief and advisory services
Restructuring and developing physical potential and promoting innovation	121	Modernisation of agricultural holdings
	122	Improvement of the economic value of forests
	123	Adding value to agricultural and forestry products
	124	Cooperation for the development of new products, processes and technologies in the agriculture and food sector and in the forestry sector
	125	Infrastructure related to the development and adaptation of agriculture and forestry
	126	Restoring agricultural production potential
Quality of agricultural production and products	131	Meeting standards based on Community legislation
	132	Participation of farmers in food quality schemes
	133	Information and promotion activities
Transitional measures	141	Semi-subsistence farming
	142	Producer groups
	143	Providing farm advisory and extension services
	144	Holdings undergoing restructuring due to a reform of a common market organization

Axis 2: Measures to protect environment and the countryside

Sustainable use of agricultural land	211	Natural handicap payments to farmers in mountain areas
	212	Payments to farmers in areas with handicaps, other than mountain areas
	213	Natura 2000 payments and payments linked to Directive 2000/60/EC
	214	Agri-environment payments
	215	Animal welfare payments
	216	Non-productive investments
Sustainable use of forestry land	221	First afforestation of agricultural land
	222	First establishment of agro-forestry systems on agricultural land
	223	First afforestation of non-agricultural land
	224	Natura 2000 payments
	225	Forest-environment payments
	226	Restoring forestry potential and introducing prevention actions
	227	Non-productive investments

Axis 3: Measures to improve quality of life and to promote economic diversification in rural areas

Diversify the rural economy	311	Diversification into non-agricultural activities
	312	Support for business creation and development
	313	Encouragement of tourism activities
Improve the quality of life in rural areas	321	Basic services for the economy and rural population
	322	Village renewal and development
	323	Conservation and upgrading of the rural heritage
	331	Training and information
	341	Skills-acquisition and animation measure with a view to preparing and implementing a local development strategy

Axis 4: Leader

Implementing local development strategies	411	Competitiveness
	412	Environment/land management
	413	Quality of life/diversification
	421	Implementing cooperation projects
	431	Running the local action group, skills acquisition, animation

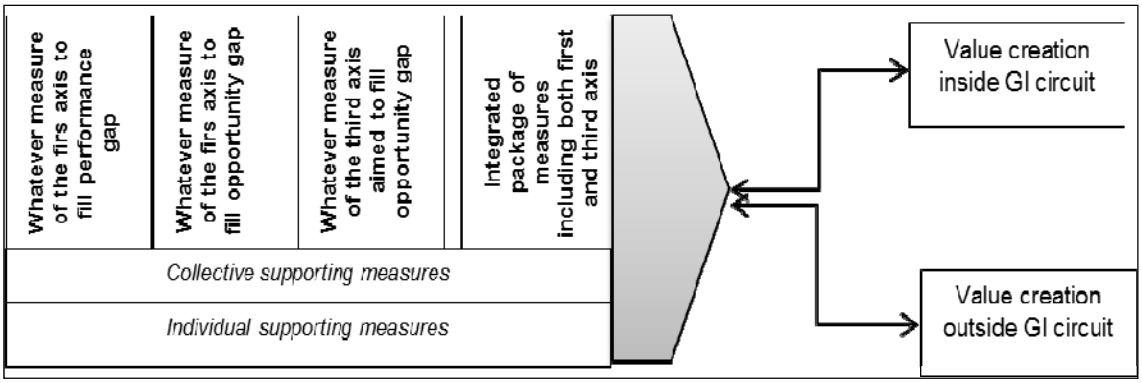
Source: INRD

Our paper is set against this background: the theoretical framework is based on the basic concept of Porter's value creation (Porter, 1991; 1985). He defines value creation as a process of adding value to a product through processes of qualification, valorization and addition of subsidiary services. By adapting Porter's scheme, we consider as value creation a process of access to Rdp with the object of raising the value of agricultural products. By discriminating between farms working within a GI and those outside GI area, we put forward an approach for giving account of value creation through consumption of Rdp. Following Prahalad's (1993, p.41) analysis, value creation is realized by filling up two gaps:

1. "Performance gap, i.e improving performance across a wide variety of dimensions such as quality, cost, cycle time, productivity and profitability;
2. Opportunity gap, profitably deploying resources to create new markets, new businesses and a sense of broad strategic direction".

Measures for farm competitiveness (first axis) and farm diversification (third axis) will be analyzed: more precisely, the first axis will be the main focus in order to consider measures for value creation of the first type (performance gap); the second type of value creation (opportunity gap) will be analyzed through measures of both the first and the third axis. Besides, with the purpose of fully taking into consideration Porter's scheme, thus taking into account support services, measures for farms advising, training and information (111+114) will equally be considered. Figure 1 evidences a possible pattern of analysis:

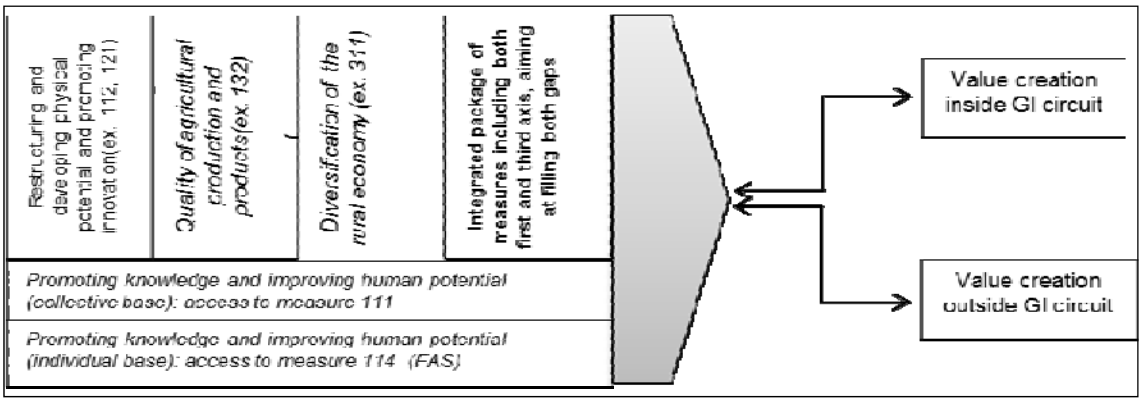
Figure 1: Value creation through Rdp.



Source: our production

For each step of value creation a corresponding set of measures has been individuated, as shown in figure 2:

Figure 2: Measures of Rdp for value creation



Source: our production

Materials and method

In order to look into the farm's aptitude for value creation, our empirical analysis will follow a two-stage methodology. The first stage features in the context of impact analysis of a GI and refers to objective methods and, more precisely, to synchronic evaluation (Paus, Reviron, 2010). To this end, we analyse the consumption of policy, that is to say the farms' capability to obtain funds, paying special attention to measures aimed at promoting value creation. By comparing buffalo farms working within GI and outside GI circuits, we will test the access to Rdp for value creation and we will try to infer the capability of creating value by gaining access to Rdp. According to Prahalad's scheme, a second stage concerns the distinction between value creation aimed at filling a performance gap and value creation aimed at filling an opportunity gap. To this end, a qualitative analysis based on direct interviews with a sample of farmers and with privileged witnesses has been carried out in order to check the type of investments realized by farmers. Therefore, our empirical analysis focuses on the first and the third axes, including measures of investments through which an authentic entrepreneurial activity is achieved.

The area under study is the Amaseno Valley, in the region Latium (Italy)[208]. The database, mainly from the region Latium, comes from both secondary and primary sources and it concerns the

[208]Municipalities taken into account are: Maenza, Priverno, Prossedi, Roccasecca dei Volsci (province of Latina); Amaseno, Castro dei Volsci, Giuliano di Roma, Vallecorsa, Villa Santo Stefano (province of Frosinone).

amount of farms funded within the Rdp between 2007-2013. It provides useful feedback on measures funded subdivided into axis and actions of intervention.

Results

Buffalo sector in the Amaseno Valley

In the Amaseno Valley, 323 farms work in the buffalo sector; 70% of them works inside the PDO circuit, while the remaining percentage acts outside of it. For thirty years, the Amaseno Valley has been undergoing a considerable process of restructuring, with a reduction in the number of farms, counterbalanced by the increase in the number of heads (table 1).

Tabelle 1: Evolution of buffalofarms in Amaseno Valley

Region	var.% 2010-1982		var%2010-1990		var%2010-2000	
	farms	heads	farms	heads	farms	heads
Italy	13,9	607,2	14,1	321,0	8,4	98,0
Latium	-12,7	765,3	-23,6	318,9	-8,5	87,6
Amaseno Valley	-42,7	366,8	-46,4	137,0	-18,4	43,0

Source: data processed from ISTAT

With respect to Italy, in Amaseno Valley buffalo breeding absorbs actually 13,3% of Italian farms and 5,8% of heads (table 2); in relation to the region Latium, the percentage raises respectively to 54,6% and 33,4%, in sensible reduction with respect to 2000. As a consequence buffalo breeding is characterised by small dimension of the farm; however in the last years a restructuring process is evident, with the average herd raising from 37 to 65.

Table 2: Regional and national incidence of buffalo farms and average dimension

	2000		2010	
	farms	heads	farms	heads
% / Italy	17,6	8,1	13,3	5,8
% / Latium	61,2	43,8	54,6	33,4
	Heads/farm		Heads/farm	
Italy	81,0		148,0	
Latium	51,8		106,2	
Amaseno Valley	37,0		65,0	

Source: data processed from ISTAT

The consumption of Rdp

As regards the consumption of rural development policies, table 3 shows that three out of nine municipalities of the Valley have not consumed policies. The percentage of access to Rdp among GI and non GI farms reflects the percentage of GI/non GI farm distribution: if 70% of farms work within GI circuits, 66% adopt Rdp. The highest access percentage and concentration of funds has been found in the municipality of Amaseno, where the most relevant part of buffalo breeding is concentrated. However, against the 50% of farms concentrating in this municipality, the share of funds obtained here reaches the 88%. As a consequence, there is a sort of asymmetric distribution of investments in the Valley, as shown by the average amount of funds obtained.

Table 3: Consumption of Rdp in Amaseno Valley

Municipalities	*Consumption of policy*	*Average investment (€)*	
		GI	Not GI
Maenza	No		
Priverno	No		
Prossedi	Yes	55.727	
Roccasecca dei Volsci	Yes	35.750	
Amaseno	Yes	68.605	161.595
Castro dei Volsci	Yes	1.500	
Giuliano di Roma	No		
Vallecorsa	Yes		1.500
Villa Santo Stefano	Yes	1.500	1.500

Source: data processed database of Latium region

On the whole, 31 farms have been funded. The analysis of the funded measures allows for the bringing to light the strategy behind the consumption of policies. As a matter of fact, a restricted number of measures have been funded, limited to 4 relevant types of investment:

1. the first one is the integrated package for the first settlement of the young entrepreneurs;
2. the second one concerns funds to stimulate farm's structural adjustment;
3. a third type of measures makes reference to the use of farm advisory services, to encourage cross compliance;
4. finally, measures for farm diversification are used, even if on a limited base.

The measure for farm adjustment (121) funds essentially interventions either for the optimization of agricultural processes, for the improvement of farm efficiency and for the upgrading of product quality. Few differences have been found between GI and not GI circuits: in one case investments to improve animal welfare have been adopted by a GI buffalo farm; in another case, investments for farm structural adjustment are linked to strategies of farm diversification (121+311). This happens even in cases of generational renewal, where the purchase of equipment is preferred to any other structural investment aiming at improving added value of agricultural products. No specific measures have been found devoted to the value creation (for example, 132). Measures aiming at supporting agricultural processes have been consumed, within the framework of cross compliance.

The second step of our analysis is the articulation of farms on the basis of value creation, divided up into GI and not GI farms. Table 4 synthesizes our results and distributes the farms under study according type of value creation and to the adhesion to GI.

- A first interesting result concerns young entrepreneurs starting agricultural activity: the large majority of them (7 out 8) work inside the GI circuits, that is, act along a quality strategy based on typical products of their territory. In 4 out 5 cases, the entry strategy aims at filling a performance gap, that is to rationalize the agricultural process, while the remaining 3 create value through revitalizing the farm (opportunity gap).
- Other cases of consumption of integrated measures stimulate value creation through the opportunity gap: in this context, 71% of funded farms work inside GI circuit; just 3 out of 14 show similar strategies of farm development.
- 2 farms, equally distributed between GI and not GI circuits, have obtained funds from single measures of investment, within either the first or the third axis.
- Finally, non dedicated measures for value creation have been exploited by farms (for example, 132).

Table 3: Value creation through Rdp in the Amaseno Valley

Type of measure \ Type of filled gap		Performance gap		Opportunity gap	
		GI	Not GI	GI	Not GI
Multiple measures of investment (integrated farm package or else)	For generational renewal or first settlement (112+114 (or 111)+121)	4	1	3	-
	I axis (ex. 114+121) I + III axis (ex. 121+311)	1	-	10	3
Single measures of investment	I or III axis (121 or 311)	-	-	1	1
Specific measures for value creation	Ex. 132	-	-	-	-
Single support measures	Training courses*	3	1	5	1
	Farm advisory system	4	3	-	-

*farms having attended training course among the 31 funded farms

Source: our data processing

Preliminary conclusions

This paper has tried to put forward a methodological proposal to investigate processes of value creation through the access to Rdp. In order to adopt a rigorous approach, Porter's scheme of value creation has been borrowed. Moreover, by distinguishing between farms in GI circuits and farms outside, we have classified this special kind of consumption on the basis of the farm's strategy to fill a performance gap or an opportunity gap. Even if a deeper and more rigorous empirical analysis is needed, the preliminary results seem supporting and encouraging us to continue along this way.

The empirical test has confirmed higher aptitudes towards value creation (through Rdp) by farms inside the GI circuit. As a matter of fact, GI farms show higher proclivity to fill the opportunity gap, by creating value through paths of processing and qualification of their products. Therefore, the adhesion to a geographical indication fosters higher levels of involvement for buffalo farms and, due to stronger connection with the institutional framework, higher opportunities to obtain funds provided by Rdp.

On the other hand, further elements of reflections stem from our analysis which should be investigated in future research. A first element points to the asymmetric distribution of the funds in the Valley: almost 90% of funds are concentrated in 1 municipality, where 50% of buffalo farms are located. That means that in this area, geographical proximity engenders organizational proximity and the possibility to benefit a relational institutional context supportive of the processes of value creation through policy.

Moreover, few farms are able to pursue these strategies and, most important, they do not fully exploit the opportunity available from the regional plans for rural development. The complete absence of demand for specific measures of value creation raises serious doubts about the farms' real capability of activating paths of boundary shift. However, it could be of help, and it will be the object of future research, to understand the motivation for concentrating the demand for Rdp on a restricted set of determined measures. In our opinion, the question has to be addressed from a double perspective, which involves both the demand and the supply side. In the first case, the

choice of filling an opportunity gap sets up an innovation with a functional repositioning of the farm. This strategy is resources-demanding and requires, on the one hand, an evaluation of the farm's socioeconomic characteristics; on the other, it requires the farmer to be "familiar" with (Gow et al., 2002). As said before, it is not only a demand problem, but a bias could also be generated on the "supply" side. McElwee (2006) is very convincing on this point when he underlines the scarcity of advice to support farmers' strategies. This explanation is confirmed by social-psychology models applied to understand farmers' conservation behaviour (Beedell, Rehman, 2000). Therefore, we agree with McElwee speaking of a "constrained entrepreneurship", which impedes a full and conscious consumption of Rdp. In this framework it is not surprising that support is more likely to be sought from family and friend networks before public sector agencies. Poor and inconsistent advice prevents many farmers from attempting to expand their business (McElwee, 2005). Hence, processes of value creation within GI areas could be constrained and limited by an institutional context, where support services do not act as a stimulus but as a bond against higher levels of competitiveness of farms working within GI circuits.

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