

# Chapter 1

## The Complex Force Field of Traditional Food Systems: Setting the Scene

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### 1.1 Introduction

Europe has many market niches where traditional forms of production are still dominant. The geographic variety of Europe certainly stimulates the existence of diverse niches with a clear local colour and identity. Even in the age of mass production and consumption such pockets of often place-bound products have not disappeared. Rather, they are enjoying a comeback, as the public at large is increasingly looking for goods with indigenous or specific qualities. Traditional production modes – as one of the valuable legacies from the past that are socially and economically active throughout history – appear to have a strong chance of survival. History was responsible for generating several – currently – low-tech activities whose survivors still have a place, albeit sometimes modest, in our contemporary society. This holds in particular for the food sector, which has gained much popularity in recent years. In this book a new vision of the traditional food sector is suggested: it is both a container of valuable knowledge and information and a transmitter of creative production processes over time, based on an established structure of small firms (SMEs), most of them embedded in local environments. It is undoubtedly a challenging task to bring technical and organizational innovation to places where the industrial model can only be applied with difficulty. The attempt to apply it generates debates on local social cohesion and rural sustainability.

The present volume addresses the importance of traditional food production against the background of dramatic changes in the European scene: the urban-rural dichotomy with cities playing a major role as knowledge creators and rural areas fighting for the survival of local identities or for keeping their role as low-tech production areas or as promoters of self-employment in a high-tech low-tech dilemma.

These arguments for the significance of this book are currently receiving ongoing attention, particularly now that the Common Agricultural Policy (CAP) is once more becoming the subject of heated public debate.

Recently, the European Commission has presented its ideas about the medium-term outlook for the CAP and the prospects for rural development in the European Union. The Commission will soon present the CAP Health Check, a package of instruments to transfer funds, before 2013, from agricultural direct payments to

the rural development budget. This is a clear sign of the priority given to rural development and the creation of a diversified context for the rural world.

For the moment, the enthusiasm that brought those responsible for agricultural and rural development in the European Commission to confirm that it will be necessary to concentrate more money on rural development policy and refocus CAP is being underlined and justified by new determinants in the world markets: 1) Variations in market prices for cereals have stopped being the effect of surplus crops and instead result from future Indian and Chinese consumer trends; 2) Bio-fuel or other bio-energy programmes can solve part of our energy problems by offering a complementary solution to a global package of alternative energy usage; 3) Expected climate changes, like drought in many regions around the world, and also in Europe, demand fast and reactive market responses to sudden productive catastrophes – the storage and nucleus of local production can represent instruments for covering sudden market imbalances; and, finally; 4) The agriculture of the 21<sup>st</sup> century needs to be able to manage scarce water resources, not only to show more respect for nature, but also to learn once again to locate production in its natural environment.

Policy makers are using their power to persuade actors to adopt a more responsible attitude and are planning to create, what they call, ‘tailor-made’ support measures to reduce existing production bias. It is a long-term gamble which requires the proactive involvement of all relevant parties. Single payment entitlements, decoupling, modulation, and cross-compliance are the new instruments for a two-step model in which the European Commission expects to create a grubbing-up scheme as well as to annul planting rights. In this particular context, what is the future for traditional food production?

Traditional food production can have a bright future, providing it is possible to include it in such fixed goals and adapt the sector to benefit from the proposed list of instruments. The wine sector, for example, will have to submit to the end of the planting rights in 2010, and the outlets provided by distillation schemes, which currently allow surplus production will be over. While this represents a gain for good producers, it is a clear loss for the others; on the contrary, pig production will be encouraged to use private storage – a hope for many traditional meat processors, who would not survive if they were not able to maintain very strict quality controls; also, milk quotas are expected to end in 2015 – in this case, increases in dairy production will tend to be directed to exports – a probable advantage for big companies but a challenge for small firms which will need to label and increase the spectrum of new products.

Such changes demand urgent discussions with all the actors involved, including traditional producers, and concerning the respective traditional productive forms. Segmentation, labelling, and other marketing techniques demand more than ever organizational and technical innovation. These innovations can not be neglected by the sector and should be rapidly brought to the fore – not from a central stage but rather from decentralized forums. Our rule as researchers and technicians is to provide analytical tools to better understand the ongoing constraints in this sector and those specific opportunities that in a changing context always arise.

This book centres on the question: What difficulties does the traditional food sector face as it tries to adjust to the world's global trends? Are there any new market opportunities for European traditional food products in the international scene? And if so, how can a rural production region find a clear profile in Europe's sustainable development? In order to respond to these and related questions, a set of scientific articles were prepared by experts from various countries to introduce the reader to the varied world of traditional food production. Most of them address market segmentation and consumption niches as firms' strategic alternatives for survival. In the particular case of food assets, and in spite of the existence of new consumption patterns, consumers' preferences are still moving towards quality standards related to their past memories. Thus, historical identity and cultural heritage appears to have remained as the guardian of such production systems in many regions in Europe.

Most firms that produce traditional foods belong to the low-tech sectors. They perform their business under very difficult global constraints and harsh competitive requirements. So, also in their case, innovation is crucial, and it may promote local prosperity. But this simple observation may become rather complex: if these firms are located in learning regions, they have to meet the prerequisites for technological apprenticeship not only in their historico-cultural past but also in an adjusted and modern business environment. Collective action and network interdependencies can be introduced in order to perform functions such as research, selection, codification, transformation, control and other procedures which together represent very constructive knowledge flows able to transfer know-how to firms and local consumers. Traditional food production may, therefore, account for a significant share of income generating capacity and, most of all, an opportunity for many regions, some of which lagging behind within the European Union or other parts of the world.

## **1.2 Aims and contents**

The book explores the potential importance of the traditional food sector, including its involvement with so many varied consumers across the world. To stimulate this sector to adopt new strategies focussing on innovation and efficiency involves a simultaneous consideration of technological change, social efficiency and environmental responsibility.

This volume is divided into three main parts which map out the most important issues and challenges.

After the introductory Chapter 1 by Teresa de Noronha Vaz and Peter Nijkamp, describing summary the complex force field of traditional food systems, Part I *Sustainability and European Rurality* then proceeds to focus on the justification for a sustainable European rural world, against the background of globalization processes.

Part II *Traditional Markets and Globalization* illustrates how traditional food production has in the past adapted to new circumstances and is now ready to adapt in the future to new consumer requirements and to large scale markets.

Finally, Part III *Mass and Segmentation in Traditional Food Markets* argues that, as a result of marketing restrictions, several food products are introducing specific characteristics that are similar to the traditional attributes, from the perspective of market segmentation, in order to improve product quality and increase sales. In such a strategy, firms acquire local identities and may develop new, sometimes even significant, responsibilities towards the development of their local environment, in line with environmental sustainability.

In conclusion, the book aims to clarify serious questions related to survival strategies and the necessary compromises faced by traditional food production. On the one hand, market pressures and technological innovation call for the rapid modernization of established production structures, while, on the other hand, serious constraints related to social and environmental sustainability require careful reflection and the responsible participation of the firms. The various case studies in this book serve to highlight all the above-mentioned issues.

In the first chapter of Part I, Chapter 2, Jean-Louis Rastoin, in his contribution on *'Is the World Food System Compatible with Sustainable Development?'* critically reviews the intensive agro-industrial model (in particular, the way it is financed, concentrated, specialized and globalized). Although providing remarkable results in terms of product prices and food safety, such a model generates many negative externalities that in the long run will threaten the food equilibrium of the population and the ecological balance of our planet. The author uses the concept of sustainable development to offer a new orientation on which researchers are invited to work: a definition of a new food basis; the design of shorter and more diversified productive and marketing systems; and a proposal for proper governance models on a regional, national and international scale.

As a complement to the previous reflection, next in Chapter 3, *'Sustainability and Agri-Environmental Policy in the European Union: A Meta-Analytic Investigation'*, Katrin Oltmer, Peter Nijkamp, Raymond Florax and Floor Brouwer introduce several environmental aspects of agricultural land use, which are closely connected with the justification for the survival of traditional food production. Both the assessment of the environmental effectiveness of agri-environmental policies in the European Union and the need to draw lessons from comparative case-study research in this field constitute the main research tasks of their study, in which meta-analysis is used as a suitable tool for the policy assessment of agri-environmental initiatives in the EU.

Then, within the scope of this first part on rural sustainability, several additional concepts related to sustainability in an EU context are introduced: rurality, governance, and cultural heritage. Rurality is largely discussed in Chapter 4, entitled *'A Comparative Analysis of Rurality at the EU level and Turkey'*, where Aliye Ahu Gülümser, Tüzin Baycan-Levent and Peter Nijkamp present a study that aims to compare and evaluate the degree of rurality of the EU Member States, while particularly identifying the place of Turkey, which as yet is not a Member State. Several selected rural indicators are used for comparison and evaluation of 26 countries (EU-25 and Turkey), based on Eurostat and World Bank data.

Multidimensional classification technique and factor analyses are also used to define Turkey's rurality in the European context.

In the Chapter 5, on '*Governance and the Determinants of Local Economic Development*', the authors, Paulo Alexandre Neto, João Almeida Couto and Maria Manuela Natário, argue that the dynamics of territorial governance structures create a virtual geographic space and promote synergies and competitiveness, and therefore the ability to decide, adjust and regulate the agricultural territory depends on competent and efficient governance systems. These systems have an important role to play in the territorial innovation process, all the way down to the choice of projects, regional policies, regulation and/or organization of local activities. The authors present the results of an empirical research project by using an extensive set of firms located in the 'Raia Central Ibérica' Region, in the border area of Central Portugal/Spain, in order to measure the entrepreneurs' satisfaction with the sub-regions' governance systems and their respective impacts on local innovation levels. Their empirical study concludes that the imbalances may be attributed to the lack of common identity, government/public intervention, and cooperation.

The first part of this book ends with a discussion regarding cultural heritage, in Chapter 6. Presented by Edina Szlanyinka, in '*The Role of Cultural Values in Rural Development*', the concept is developed by focusing on the links between rural development and gastronomic tourism. It addresses the economic potential that gastronomy can offer in the development of rural areas, as well as in the possibility to maintain the important heritage brought by local gastronomy. The use of local cultural and human resources and traditional material factors are mobilized in this chapter to defend the role of gastronomy as an instrument of cultural economics and rural development.

Part II of the book addresses traditional markets and globalization. It aims to illustrate how traditional food production has been able to historically adapt, both to meeting consumers' requirements and to entering large-scale markets. The various chapters point out the far-reaching changes that in the traditional food system have undergrown, while at the same time introducing some of its production systems into the industrial-scale model.

Starting with an overview of the old production forms, Chapter 7, entitled '*Meat Processing in Ibero-American Countries: A Historical View*' and written by Javier Mateo, Irma Caro, Ana Cristina Figueira, Daphne Ramos and José M. Zumalacárregui maps out the profound changes in the processing paths in the meat sector that have occurred since pre-historic times. The authors argue that the ancient techniques for preserving meat have been kept enshrined in the cultural food habits of the population, in spite of some changes in the appearance, flavour and other attributes that may have altered traditional products over the centuries. They also speculate on how meat consumption must have been a milestone in human evolution. Drying, smoking, fermentation and salting were prehistoric techniques for preserving meat. Nowadays, in most European countries, a large part of the basis for traditional meat-product processing comes from these cultures,

although the appearance, flavour and other attributes of products may have been subject to changes and diversification throughout time.

The next four chapters of Part II illustrate the expansion of internal European markets with respect to large-scale production of traditional food products. The introduction of the euro, intended to foster exchanges within the European Union, also promoted more intense competition between firms through market integration. This was assumed to advance, simultaneously, the specialization and efficiency of European agricultural production. Whether this potential could be exploited depends strongly on the characteristics of the markets, i.e. on the extent of market power or the existence of barriers to external trade. An indication of the degree of EU market integration is given by, for example, the joint movements of the national product prices. Time-series models, especially co-integration techniques, are typically applied for analysing market integration.

As an example of the determinants influencing the supply side of integrated markets, the product of butter is investigated in Chapter 8 '*Market Integration and Market Power in the Internal EU Market for Butter*'. Here, Heinrich Hockmann and Éva Vóneki apply these techniques to the intra-EU trade in butter. They deal with issues such as the extent of market integration in the EU-15; the level of price transference amongst the EU countries and the causes for this phenomenon; the way market integration performs in peripheral regions; and particularly the experiences of the EU-10 during the accession process. The results of this empirical analysis are used for a first assessment of the organization of the internal market for butter. The conclusion discusses to what extent the findings can also be transferred to other agricultural traditional products.

Some European consumption patterns are observed in the subsequent three chapters. Chapter 9, by Cecilia Alexandri and Cornelia Alboiu, describes '*The Romanian Food Consumption Model in the context of the European Union Integration*'. In this case, the peculiarities of the food demand, common to many European less-developed countries, are the central concern. In the description of the Romanian situation, the existence of a dual food consumption pattern is revealed. Food consumption in the rural areas has peasant household production as its main source and is characterized by less diversification, seasonal cycling, and is still based on a subsistence economy. Because of this rural food consumption seems less correlated with the usual economic variables viz. incomes and food prices. The authors point out an apparent paradox in this dual model. Although rural incomes are lower than the urban incomes, food consumption in rural areas is higher than food consumption in the urban areas.

Chapter 10, '*How Could Traditional Consumption Stimulate the Bakery Industry?*', by Iuliana Ionel, offers a complement to the previous discussion and a thorough analysis of one of the leading sectors within traditional production and urban consumption in Romania: the milling and bakery industry. With global investments in technologies surpassing \$100 million, firms are now developing new production and marketing strategies. The full segment consolidation process is forcing big operators to expand, either by diversification, or by approaching new

market segments. The branch comprises about 6,500 enterprises, of which only 75 produce on a large scale.

Finally, the second part concludes with Chapter 11 on '*Consumer Decision-Making with Regard to Organic Food Products*', by John Thøgersen. The work proposes a method to explore the consumers' level of acceptance of new types of food products in the design of future global markets. A survey in eight European countries is used to present a model of consumer decision making and behaviour with regard to organic food. The author found that the justifications given and the reasoning behind choosing organic products are quite similar across countries, but that behavioural intentions are predictive of behaviour only in the northern European countries; this not being the case in southern Europe. This is an interesting framework to better understand the difference in consumption attitudes between northern and southern Europe.

Part III of this book is also very challenging, because it is based upon the evidence that, as a result of marketing restrictions, many production modes, among which several food products, are based on specific characteristics that are similar to traditional attributes in a segmentation strategy geared to better sell or improve product quality. In this process, firms acquire local identities and may develop new, sometimes even strong, attitudes towards growth and development in a local setting.

To confirm these general arguments, in Chapter 12, Teresa de Noronha Vaz analyses '*Local Honey Production: Export or Indigenous Growth?*' She offers a brief overview of the situation related to the European production and trade of honey. This essay draws attention to the limited opportunities related to the specific market for honey production and trade. Even though within the EU all Member States have to import honey to meet internal consumption, this product is subjected to different trends in its production process. A significant amount of honey is produced under conditions of scale economies, but much of the growing demand is directed to very narrow market segments, characterized by specialization requirements and high quality standards. Honey serves as an excellent example of technical innovation in a traditional food product system, demonstrating the importance of sales guarantees in commercial circuits and long-term contracts with small producers.

There is a subtle continuity between Chapters 12 and 13: honey production is a less regulated market and has a more disperse production process than the contemporary olive oil production process. In '*Market Dynamics and Policy Reforms in the Olive Oil Sector: A European Perspective*', Samir Mili explains the degree of maturity of the olive sector in Europe and presents an overall evaluation of the market change and policy reform processes. Using a SWOT analysis, the study investigates the economic profile of the sector and its expected evolution. The analysis is performed with a systemic approach to market and policy changes, under the general hypothesis that they are governed by a series of economic and regulatory factors for which little empirical evidence exists, or which still are the subject of a public debate whose outcomes are not clear. It is also assumed that,

while some of these factors act at a global level, others may vary across countries and even within countries amongst different players, which means that there is a wide spectrum of possible strategies and courses of action for the future of many producers and regions, located in the Southern part of Europe, which rely on the incomes originating in this sector.

There are a number of conflicts emerging from the coexistence between scale production and market segmentation. The pressure of very large companies and multinationals drives small firms to exploit the historical and cultural values of products that are embedded within a specific region. This phenomenon is very explicitly pronounced in the Belgian brewery sector, where small speciality brewers have to find strategies to survive in the shadow of the world's largest brewer. Chapter 14 explores the strengths and weaknesses of the regional initiatives for European labelling as tools to safeguard traditional methods. In '*Traditional Beers in a Global Market Economy*', Tessa Avermaete and Gert Vandermosten describe the struggle of the small firms fighting for advantages in a competitive world. The study is based on general facts and figures of the brewery sector and in-depth interviews with brewers and experts.

From the perspective of industrial modelling, there is a dynamic progress that is particularly expressed in Chapter 15 and is related to the different levels of maturity in the food production processes. To illustrate this aspect, the chapter on '*Protected Designation of Origin, Sustainable Development and International Policies: A Survey of DOC Wines from Emilia-Romagna*', by Silvia Gatti, revisits the wine sector as a case of international competition facing the recent breakthrough out of the 'New World'. The very detailed overview of the multiple actions taken in Emilia-Romagna to guarantee environmental sustainability in the region during the process of wine certification is based on available data related to organic farms and enterprises. The wine, produced in one of the most well-developed traditional production processes and a fully matured traditional product in international markets, is analysed as an environmentally-benign product, active in promoting regional development.

In Chapter 16, to close the third part of the book, Teresa de Noronha Vaz and Peter Nijkamp, provide some evidence to justify the renewed social role of segmented markets. In '*Large-Scale Production and Market Segmentation: An Uneasy Relationship*', theoretical and empirical references are used to justify emerging organized diversified structures that may comprise community supported agriculture, farmers' markets, urban agriculture, and regional food labels.

Finally, serving as a general conclusion to the book, Chapter 17 '*Traditional Food Production, Market Segments and Rural Sustainable Development: A Synthesis*', by Jean-Louis Rastoin sheds light on some of the doubts related to the necessary compromises faced by traditional food production: if, on the one hand, market pressures and technological innovation call for modernity in the productive processes, on the other hand, the constraints related to social and environmental sustainability in Europe require new approaches and creative interfaces.