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WS - 3

**Feeding the Planet and Greening Agriculture:  
Challenges and opportunities for the bio-economy**

**Supply Chain Analysis and Innovation I**



**To use or not to use protected geographical indications?  
An analysis of firms' strategic behavior in Tuscany**

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# Introduction and aims

## Rising importance of protected Geographical Indications (GIs)

Growing interest and high expectations towards GI products and protection tools.

- ❖ To protect fair GI producers against imitations and usurpation of the GI
- ❖ To support firms' differentiation strategies on the market
- ❖ To promote environmental and social sustainability, and rural development

## Economic literature

- ❖ Notwithstanding the enthusiasm for (P)GI, still lack of research.
- ❖ Often more problems than opportunities
- ❖ One particular problem: often low use by firms



## Aims of the research

- ❖ Evaluation of the effects of the GI protection through the analysis of a case-study related to a PDO product in Tuscany.
- ❖ Analyze how firms take decision whether and to what extent to use PDO/PGI.

# Methodology

Two sets of motivations can lead firms to decide whether to use or not to use the protected GI:

1. entry barriers for using the protected GI, in the form of higher costs for accessing the system:
2. decisions on the basis of the production and marketing strategy



## Tuscan Pecorino PDO

- ❖ analysis of the “logic” followed during the GI protection, and the contents of the PS;
- ❖ some semi-structured interviews with a sample of Tuscan Pecorino-cheese PDO dairies (12 out of the 17 registered cheesemakers)
- ❖ Interview to the director of the Consortium.

# Pecorino Toscano DOP



## The production system and the PDO

- obtained the PDO protection in 1996
- widely produced in all Tuscany
- milder taste as compared to other famous Italian Pecorino cheeses

## Product Specifications

A wide range of different typologies were sold as Tuscan Pecorino-cheese

The PS aimed at including all production areas and product diversity

The rules on production methods were not highly detailed, excepted for:

- ❖ Both milk production and cheese processing must take place in Tuscany\*
- ❖ Native lactic ferments must be approved by the Consortium

# Results: Entry barriers

The research compared Tuscan Pecorino-cheese PDO to a similar Pecorino-cheese

There are **no significant cost differences** linked to the production process.

In particular:

- Initial investments for PDO production: not relevant;
- Raw material: not relevant;
- Milk processing and cheese production: not relevant;
- Labeling/marketing: relevant

Certification procedures and membership fees to the Consortium give rise to some differences between the two products

The amount of extra costs to bear for branding their products as PDO seems not able to explain the level of use of the PDO

# Results: High heterogeneity of processing firms



In 2013, the 17 registered cheesemakers handled 53 million of liters of sheep milk, 60% of which suitable to produce Tuscan Pecorino-cheese PDO, but only half of this milk has been processed to obtain Tuscan Pecorino-cheese PDO.

**The potential of the PDO is under-utilized**

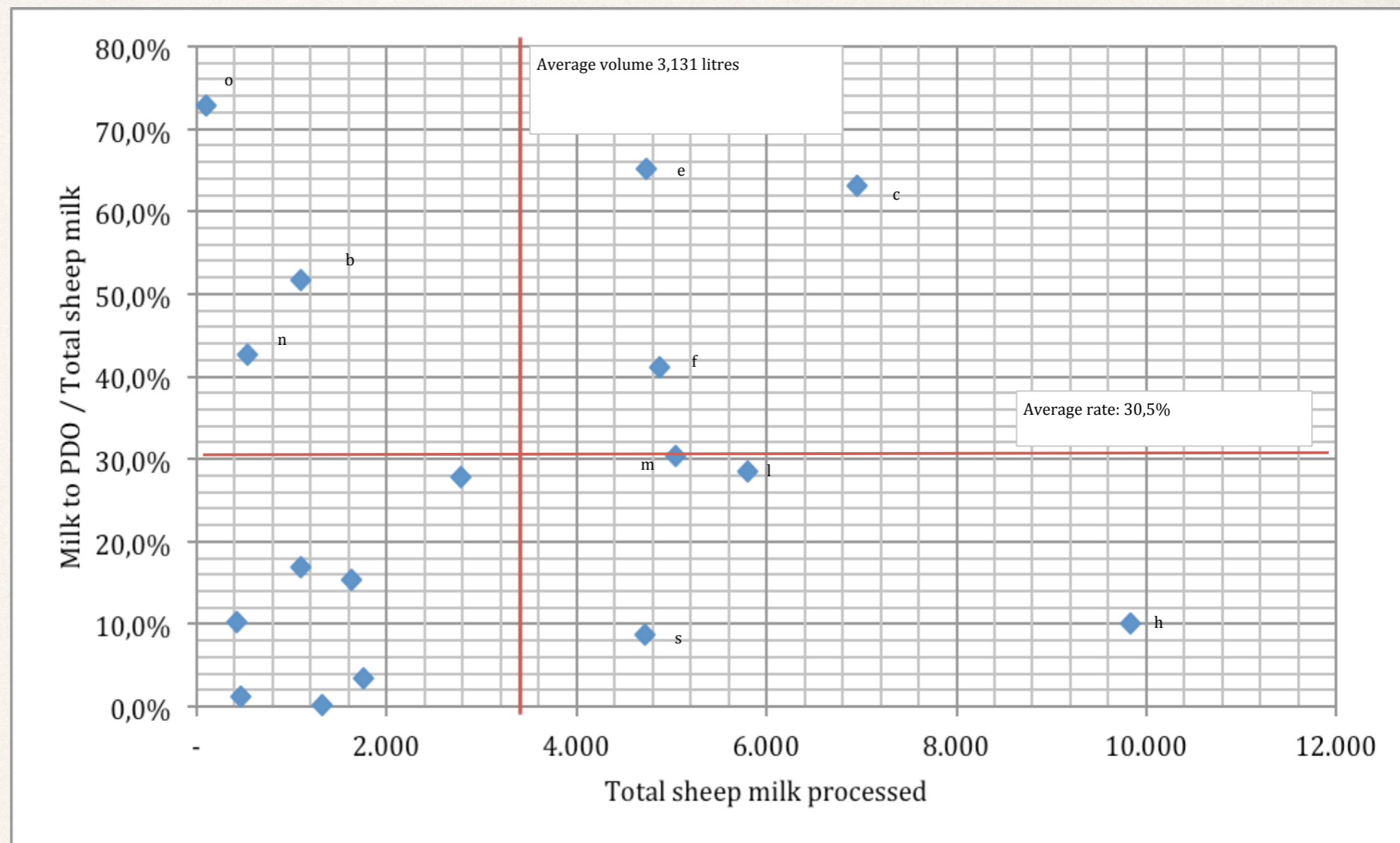
**Various motivations support the choice of using or not PDO, mainly linked to firms' marketing strategies and trading policies rather than to the dimension of the cheese factory.**



# Results: High heterogeneity of processing firms

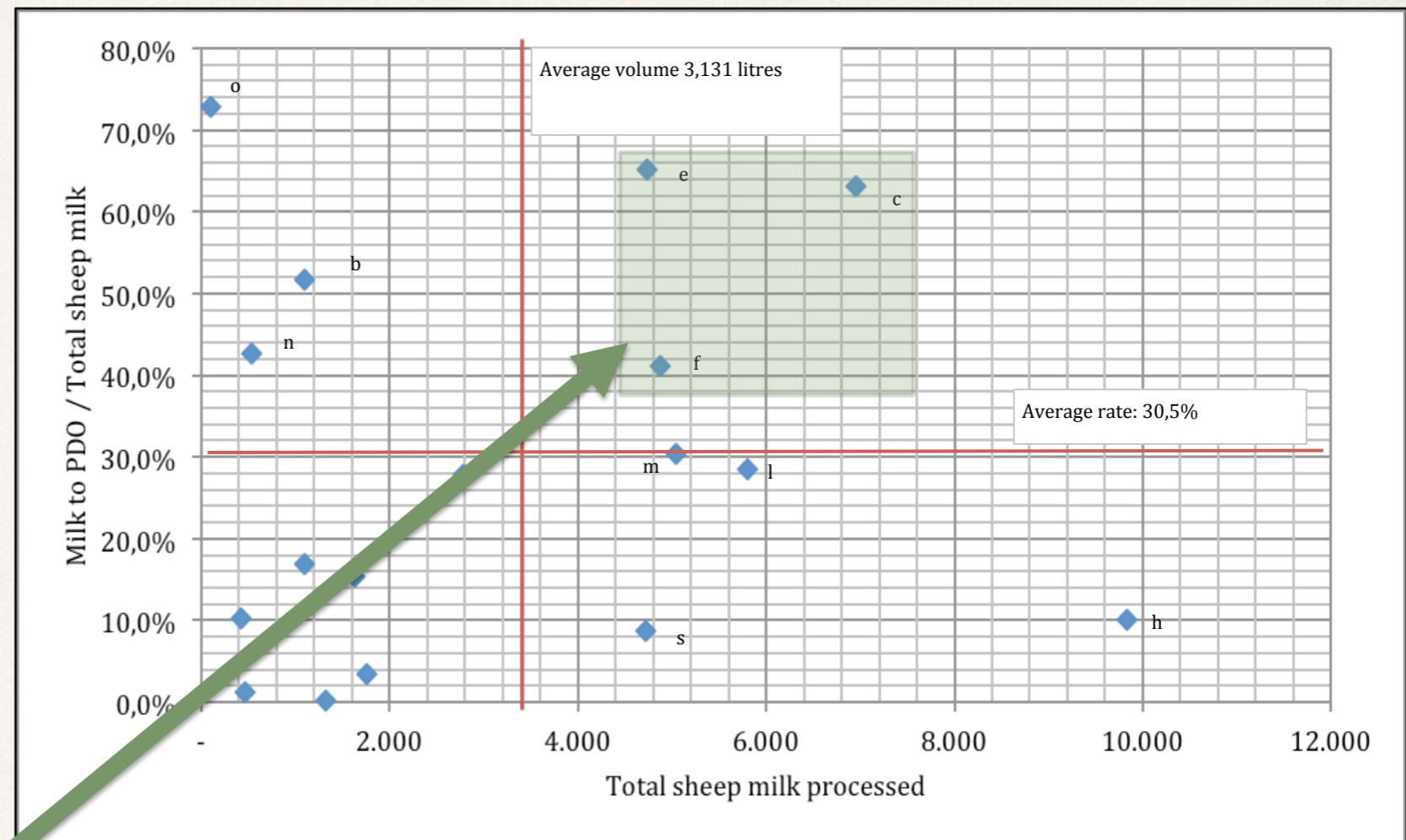
The 17 firms are represented according to two variables:

- the total volume of processed sheep milk
- the relevance of the PDO



Four main typologies of firms can be roughly identified, which correspond to strategic orientations.

# Results: High heterogeneity of processing firms

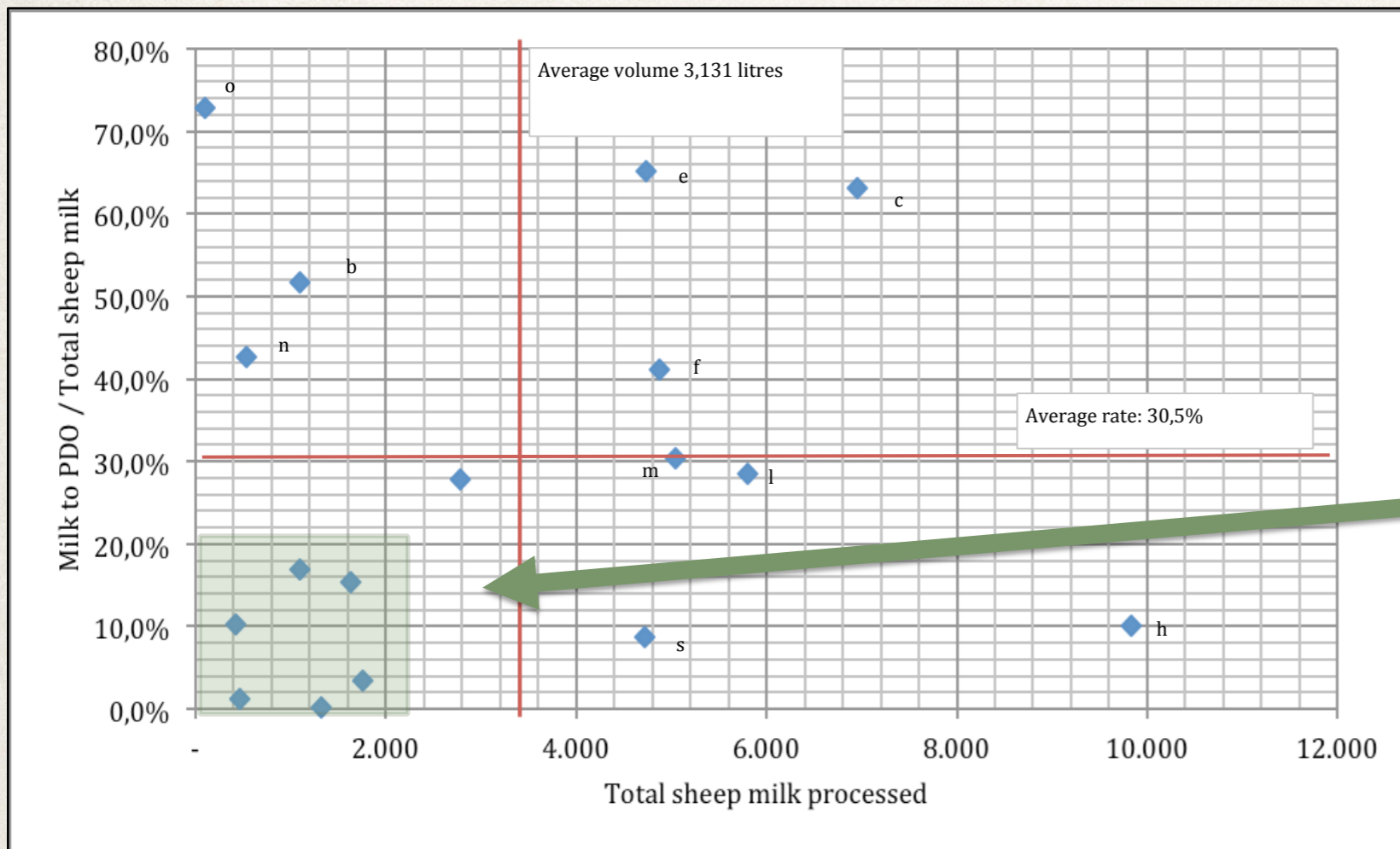


“big and strong PDO users”

- high cheese production volumes and well-organized structure
- Tuscan Pecorino-cheese PDO is the most important product in the assortment
- PDO certification represents the key to enter supermarket channels.



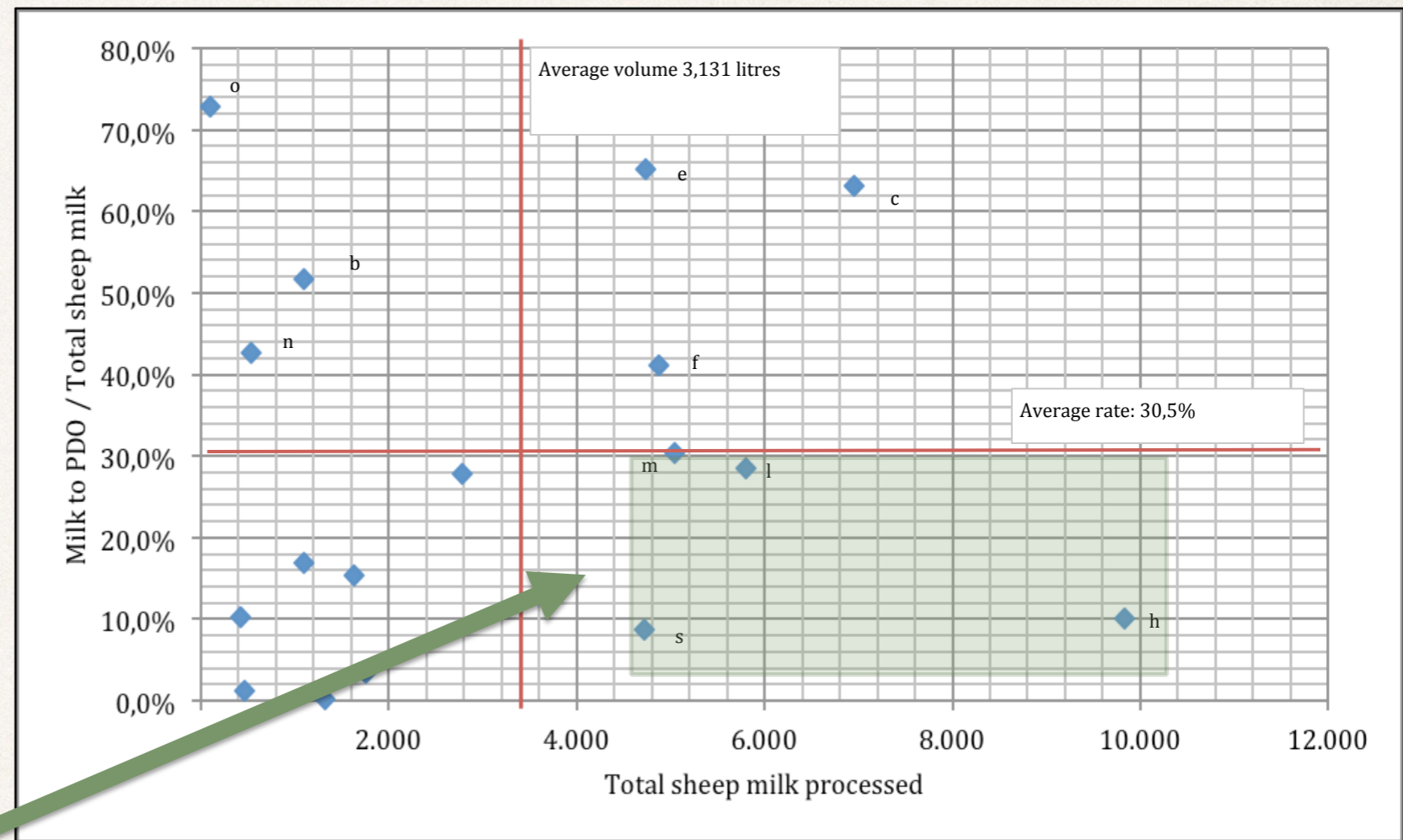
# Results: High heterogeneity of processing firms



“small and low PDO users”

- little share of sheep milk to produce Tuscan Pecorino-cheese PDO.
- PDO production is not important for their business
- small amounts of Tuscan Pecorino-cheese PDO both to enhance supply in their own direct sale shops and to fulfil some buyers specific requests.

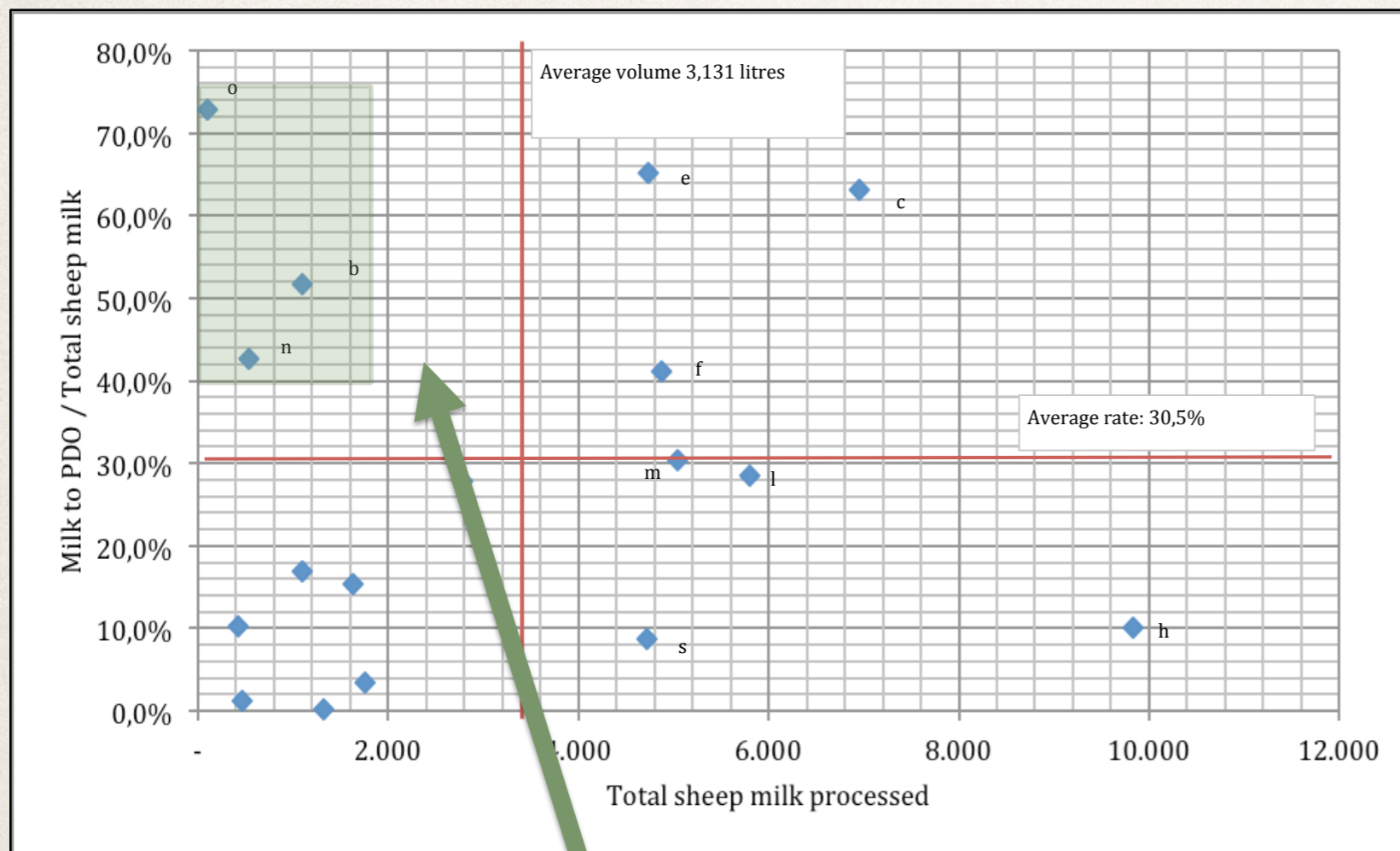
# Results: High heterogeneity of processing firms



“big but low PDO users”

- relevant sheep cheese production but with low use of the PDO.
- many different marketing channels, but less oriented to supermarket chains and more to the export

# Results: High heterogeneity of processing firms



## “small but high PDO users”

- the use of PDO is more linked to tradition.
- do not access regularly the local supermarket chains
- the use of the PDO helped in opening this new channel and in access non-Tuscan markets.

# Discussion and conclusions

Diaries take advantage of Tuscan Pecorino-cheese PDO in different ways, according to own motivations and business strategies

The looser Product Specifications have generated:

“The strong users” aim at the supermarket channels, offering a medium quality



threatening long-term average quality

“The low users” complete their assortment with small quantities of high-quality PDO



not able to signal the highest quality

The result is that average quality level of PDO production is lower than potential, and overall the use of the PDO by firms is quite low as compared to its potential, too.

As a consequence:

- PDO contributed to support the regional dairy sector and the survival of sheep husbandry in Tuscany
- The future of Tuscan Pecorino-cheese PDO is threatened by the aggressive supermarkets' price policies and the raising of more Tuscan territorial-specific quality hallmarks

# Thank you.

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