MOVING
MOuntain Valorisation through INterconnectedness and Green growth

Policy Brief

CLUSTER V
Value and Quality products

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Policy Brief Cluster "V": Value and Quality Products

MOVING is a 4-years Horizon 2020 funded project whose main objective is to build capacities and codevelop relevant policy frameworks across Europe for the establishment of new or upgraded/upscaled value chains that contribute to the resilience and sustainability of mountain areas, using a bottom-up participatory process that engages value chain actors, stakeholders, and policymakers. The project is developed in 23 European mountain regions. Some additional objectives are:

- Establish a European-wide Community of Practice (CoP) on Mountain Value Chains, including actors from the Agricultural Knowledge and Innovation System (AKIS), value chain and policymaking stakeholders and society.
- Develop a conceptual and analytical framework based on the understanding of mountains as Social-Ecological Systems, describing and interpreting the diversity of mountain value chains, and assessing their contribution to the sustainability and resilience of mountain areas and population.
- Provide visual tools to raise awareness of the Agricultural Knowledge and Innovation System (AKIS), value chains actors, civil society, and policymakers on the diversity of land use and production systems of mountain areas, the threats they face, the bio-physical assets they can mobilise, their sustainability, and their resilience to climate change.
- Study the configurations, strategies, dynamics, and value distribution of different value chains in the main European mountainous areas to assess their contribution to sustainability and resilience.
- Develop in-depth, participatory, critical benchmarking of clusters of mountain value chains to identify enablers and blocking factors affecting the sustainability and resilience.
- Carry out foresight exercises to capture and anticipate the long-term trends affecting mountain areas, co-constructing shared visions and strategies for a balanced mix of public and private goods.
- Elaborate an evidence-based and performance-focused policy roadmap and policy design toolkit for the next generation of policy interventions to enhance the connectivity, sustainability, and resilience of mountain regions.

Figure 1. The 7 common objectives of MOVING

During the project development, an in-depth analysis of a value chain in each mountain area was conducted to determine its contribution to sustainability and resilience. Subsequently, the 23 value chains were categorised into five distinct clusters for cross-comparison and benchmarking. Each cluster aimed at addressing a specific challenge: Social and Demographic aspects (S), Innovation and infrastructures (I), Governance, Territoriality and cooperation (G), Nature and ecosystem services (N), and Value and quality products (V). To facilitate the analysis, seven common objectives were established (see Fig. 1), and various participatory activities were carried out. These included a cluster workshop involving stakeholders from all value chains within the cluster and a questionnaire answered by experts from each value chain. This Policy Brief serves as a synthesis overview of the results obtained in Cluster S (Social and Demographic aspects).

1. Synthesis of Cluster V in mountain areas of Europe

Cluster V deals with Value and quality production chains and their impact and effects on mountain environments, including social, environmental, and economic aspects. Value chains (VC) considered within this cluster focus on quality schemes, encompassing geographical indications (GIs), organic production and other specific certification schemes or standards (e.g. OQT Mountain product or products from Protected areas, National standards on ecological tourism). Quality schemes, defined by EU regulatory framework or by National/private standards and almost often certified by third parties, are considered as crucial tools contributing to the development and the economic, environmental, and social sustainability of mountain areas, as well as to the competitiveness of EU food and drinks on local and global markets.

The value chains directly involved in the cluster are the following:

N°	Mountain	Value Chain	Country
09	Eastern Alps	Trento DOC wine	Italy
13	Maciço Noroeste	Douro wine	Portugal
16	Slovak Carpathian Mountains	Bio Honey	Slovakia
17	Betic Systems	Organic Mountain Olive Oil	Spain
18	Sierra Morena	Iberico ham PDO - Los Pedroches	Spain
19	Spanish Pyrenees	Spanish Pyrenees Mountain wine	Spain
21	Swiss Jura	Tête de Moine PDO cheese	Switzerland

Figure 2. *Reference regions that are part of the Value and Quality Products cluster: Eastern Alps (09), Maciço Noroeste (13), Slovak Carpathian Mountains (16), Betic Systems (17), Sierra Morena (18), Spanish Pyrenees (19) and Swiss Jura (21) regions. Source: MOVING 2020*

For each of these VCs, Cluster V analysed their performances in terms of contribution to the sustainability and resilience of their regions through the fulfilment of the set of common objectives developed for all clusters included in WP5 (See Figure 4). Specifically, each of these objectives was assessed through indicators tailored to the cluster and to the specificity of the VCs.

Furthermore, the conclusions drawn from the study of the above-listed VCs were further tested and discussed with other VCs based on quality products (e.g. Queijo Serra da Estrela PDO, Sjenica lamb PDO, Speyside malt whisky from Scotland, Taleggio PDO cheese and other derived dairy products) during the Workshop 'Unlocking the Power of Mountain Value Chains', held in Hungary from 6 to 8 November.

2. Challenges addressed

2.1. Communication and valorisation of the whole values underpinned by the quality schemes

The EU-regulated quality schemes mentioned above aim, to a different degree and in different ways, to preserve a diversified set of quality features. PDO and other geographic-based indications schemes aim to highlight and protect the cultural heritage and territorial identity of the value chain and, in a few cases, add some limitations to the production process in order to

maintain traditional methods and some sensorial quality element (i.e., wine or oil). The EU quality schemes based on production methods, on the contrary, i.e. organic, aim to limit environmental impact in all production steps, thus improving the environmental performance of the value chain, but they do not always cover all the aspects that highlight the specific value of a certain mountain value chain (i.e. some aspects of animal welfare, landscape preservation). All the aspects of production are defined in the product specification for EU geographical indications and quality schemes, a comprehensive document narrating the history of the product, its values and the reasons behind differentiated quality, while for organic production they are stated in the pertinent EU regulation. Other quality schemes involved in the cluster are related to Protected Areas standards and only in a case the use of the optional quality term “mountain product”.

Albeit with some limitations, the VCs analysed showed a contribution to the protection of natural and local specific resources, landscape management, biodiversity and welfare of farm animals besides community growth and employment, diversification of rural economy, food security, food safety and traceability. Despite the variety of public goods that quality systems allow to be produced and the efforts to fulfil quality schemes requirements, few of them are adequately valorised and can obtain a fair price.

In fact, all quality schemes imply a traceability system and a third-party certification, which mean additional efforts and costs in terms of work for recording operation and fulfilling certification requirements as well as the economic cost of certification by a third-party control body. This bureaucratic, management and economic burden may be acceptable for producers only if the economic value of the product is paying them back, making a difference compared to non-certified products. However, in some of the cluster VCs, the asymmetry between the efforts required by the certification and the limited acknowledgement by consumers result in a decreasing interest in participating in quality schemes. In fact, many small producers in mountain areas (but not only) decide not to certify their products. That happens because the certified product acquires a higher value, which translates into higher selling prices that consumers, especially the local, are not willing to pay. Therefore, several producers prefer to not adhere to the quality scheme even if the product complies with the criteria for certification, and sell it at lower prices to guarantee a minimum economic return. In these cases, the sale of the same product with no certification while exploiting the PDO's reputation, have been identified as the cause of product devaluation.

Simpler VCs, such as Betic organic olive oil, where the number of operators that can be included in the certification system is limited, there are fewer complications and costs compared to more complex VCs, like those of animal products, where the number and the diversity of actors along the VC are bigger. In the context of small PDO/PGIs, defined by both limited production volume and a smaller number of operators, managing costs, including those associated with producer groups, certification or promotion proves to be challenging for producers. This challenge is particularly marked when competing against non-certified local products, both within and outside the supply chain, that enjoy the same reputation without adhering to the requirements of the geographical indication (GI).

The reflections on the willingness of consumers to recognise producers' efforts in ensuring product quality through quality schemes, along with the factors discouraging producer participation in these systems, have pinpointed the challenge of effectively communicating the comprehensive value supported by quality schemes, including not only the sensorial quality of the product but also all the public goods that a product under a quality scheme potentially delivers.

2.2. Success and risk of Industrialisation of the VC, leading to a distance from the initial values of the product (trade-off)

VCs that obtain good success in terms of the reputation of the products and of the area, which translates into good prices and market opportunities for the products, are pushed to enhance the quantity produced and to intensify the production methods. If not properly managed, this risks leading to a negative industrialisation of the processes hampering the sustainable use of local resources and, in the long term, may put at risk the reputation of the product and of the area, with negative impact also on tourism, for example. This trade-off has been identified mainly for some quality cheese, where the GI specifications were not sufficient/efficient in protecting the basic original values of the VC.

A similar development path, negative for the sustainability and resilience of the VC and the local community, takes place when the push to increase the amount produced and decrease production costs leads to outsourcing the main ingredients (i.e. milk) from other areas, where also the production methods are different.

It does not mean that quality products should not innovate or aim at higher efficiency, but a proper balance between economic gains and values of the product and its production impacts on the environment and the local community should be thoroughly considered. To safeguard the authenticity of VC should not be interpreted as “no changes” and only “small scale operations” but all the values and impacts should be weighted and considered. It can be interesting to compare the different development of small-scale vine-growing in Trentino (IT) and in Higher Douro (PT). In the Italian case small producers are considered key for quality management and their cooperation or collective effort is supported by local policies and paid by the premium products. As a consequence, small scale farming, often with mixed productions, also including touristic services, manages to be economically sustainable, attracting also young farmers and maintaining a demographic balance. In the Portuguese case small producers only in a few cases manage to have a cooperative structure, while in the majority of cases large companies took over and became the main actor in grape and wine production. This development negatively impacted local population dynamics.

On the other hand, also a rigid, too strict and not dynamic interpretation of original values and traditional practices risks losing economic sustainability and hampering the whole sustainability of the VC. An example of challenge and solution was highlighted during the Cluster Workshop: the Taleggio, PDO cheese from the Italian Alps. Produced in the Taleggio valley, Taleggio PDO cheese progressively got a positive reputation that led to a high market request. Such a high demand and the good price offered attracted big companies that started to produce the cheese in the PDO area but on another scale and with different techniques (producing much less positive environmental and social effects). The competition for small scale farmers became unsustainable from the economic point of view, until a group of small farmers and processors started the production of an ancient type of cheese, typical in the area as well, the “strachitunt”. The retroinnovative cheese obtained through much more restrictive standards, linked to the mountain territory, is acknowledged as PDO that is not only distinguishing it from Taleggio (it is a different type of cheese), but also acknowledging the whole values, including its placement in an Alpine valley.

Another example of the trade-off is the Betic organic olive oil VC, which is based on ancient olive trees that grant a high landscape value to the area but increase production costs. In order to enhance the economic sustainability of the VC, replacing ancient trees with new trees of more recent varieties grown in a modern trellising system could be an option leading to an economic gain, but the impact on the landscape could put at risk the VC reputation and the value of the area. The fact that the VC is in a mountain area may preserve it from intensification as productivity is anyway limited by climatic and soil conditions, but climate change may alter the conditions.

2.3. Governance and power distribution along the VC

A topic highlighted as a challenge is bargaining power distribution (the capacity of one party to influence another, to exert some kind of pressure on the other, or the ability in our specific case to derive greater benefits that are not redistributed equally across the territory and the actors) and inclusion. As a matter of fact, all the VC examined showed a very good level of cooperation among the actors participating in the VC, some better than others. This happens thanks to several form of organisation, for example being part of a producer group, a cooperative or an interprofessional body and also thanks to the cooperation and coordination with other actors of the territory that are involved to some extent in the VC, contributing to it and its development, such as universities or consultancies helping developing new practices, or other types of public and private actors (municipalities, local/regional governments or associations).

However, a trade-off between bargaining power and inclusion emerged, determined especially by asymmetrical relations between actors. In fact, where big cooperatives are present, they have more power over little firms that are not associated even if belonging to the same VC or quality production (i.e. Los Pedroches PDO Iberico Ham), or sometimes there's a lack of trust in the collective organisation due to low level of organisation and coordination and poor managing, thus creating power imbalances and mistrust that may affect or limit the possibility of VC development and evolution.

The survey raised other critical points, namely a) polarised bargaining power unbalanced along the production chain with a clear major power towards the final steps actors; b) food fraud or unclear communication (some similar but non-certified local products mistakenly enjoy the same reputation without meeting the requirements of the GI, as mentioned above).

These aspects can also be seen as consequences of a weak structuring of the producer group that often is very active in the early stages of quality scheme definition but progressively loses interaction and internal dynamics after the recognition or when generation renewal takes place. This social development is also affecting the innovation process, often based on individual initiatives, and the standards update and development, needed as climate change is impacting production but also because positive new techniques and tools become available. A broad continuous involvement of actors in standard/specification definition would also have a positive impact on trust and community identification.

At the same time a fair and transparent profit sharing would be an essential element for long term cooperation within the VC.

3. Policy recommendations

The policy needs of mountain VC does not differ greatly by other remote rural areas where small scale farming is a key element, nevertheless some specific issues were identified.

- As the sound development of VCs require long term commitment and involves several domains, the development of a **multi-fund approach and a greater interrelation between funds for financing local strategies**, should be encouraged, in order to guarantee the coherence among different policies. The combined policy set should protect local resources and highlight their specific values, not homologate mountain VCs to more productive areas production and avoid the risk that more favourable climatic conditions (due to climate change) in mountain areas lead to intensification not respectful of local resources, with the risk of depleting them in short term;
- Recognises that quality schemes (GIs, organic, mountain product, hey milk etc.) can also be a key factor in obtaining a UNESCO World Heritage label and, in order to promote rural areas, recommends **synergy be created between these labels**, enabling cultural heritage to add value to agricultural value chains and thus to the whole economy of the territory;
- **Provide support to a continuous, participative and dynamic development of quality schemes standards**, for example through skilled facilitators that can maintain/enhance the community engagement and see certification optimization potentials (see next point). A strong governing body of the quality scheme (i.e. GI consortia) could also properly manage a certain degree of flexibility in standards implementation, in order to adapt them to small scale farming but also to climatic variability, without hampering the credibility of the certification. Farming practices and their sustainability/acceptability should be reviewed at least every five years in order to keep them up-to-date and not risk keeping obsolete practices in the product specification that do not adapt to climate change (i.e. irrigation in vineyards).
- **Funds to support the continuous adaptation/update of standards as well as ex-ante and ex-post evaluation of quality schemes** can be supported by Rural Development Plan measures.
- Multiple actors, such as producers' networks, processors, public authorities and research centres, participate on different levels at the quality scheme and its implementation, solving conflicting interests, negotiating quality standards and defining common rules. In this regard, **a supportive legal framework with assistance from local public authorities can back up the community of producers in technical aspects and as mediators of conflicts**. Although the interaction of such heterogeneous actors might be costly in terms of time, in the end, the involvement of all conflicting interest groups pays off and can facilitate empowerment, trust and social cohesion, higher acceptance of common quality standards, co-learning processes on product characteristics and higher use of the quality label after registration;
- **Test a combination of quality schemes** (i.e. PDO/PGI + organic + mountain product) **and interaction with other territorial regulatory tools** (i.e. Natural protected areas regulation) **with a light bureaucratic burden for small scale producers.** For example, adapting the methodology of collective, participatory or group certification. Specifically for organic schemes, the implementation of group certification (as from EC Reg. 2018/848)

should be adapted (as economic limitation and in the required collective trading) to mountain small scale farms and communities. Some pilot implementations in mountain areas could be beneficial also for the regulatory development. Public funds could be allocated not only or not primarily to cover certification costs, but to pay services (facilitators) that support farmers/producers in their certification efforts, also increasing the use of digital tools. Some experiences with Participatory Guarantee Systems (PGS) suggest it can be an excellent tool for guaranteeing (not certifying) new or small scale VCs, with multiple benefits also on the community and communication. PGS can also be a starting point for VCs that can further evolve/increase and reach a stage in which they can implement a certification scheme.

- **Rules for funding promotion campaigns of quality products** (as from Regulation 1144/2014/EU) **should be reviewed in order to allow also for smaller projects aimed at local area campaigning**. Besides, the procedures to access the funds should be simplified and made accessible without the need of investments in the preparation phase, the percentage of financing should be increased in the case of small VCs (small scale producers) especially in mountain areas and using the OQT “mountain product”. Long term and broad communication campaigns would help in making clear the multi sided value and reliability of the schemes and their difference from non-certified products.
- In the definition of specific quality schemes (GI) linked to mountain areas, **the area of production should be strictly defined within the mountain area** (no enlargement to lower areas where production is forcely cheaper and ends up to compete with mountain farming).

Expected impact on Cluster V objectives

The proposed policy interventions aim at the impacts listed below:

- A multi-fund approach and interrelation between funds for financing local strategies can benefit all objectives.
- Quality schemes as a key factor in obtaining a UNESCO World Heritage, may mainly contribute to attractiveness and wellbeing but also to sustainable use of local assets and cooperation.
- The support to a continuous, participative and dynamic development of quality schemes standards are essentially a tool to contribute to human capital, cooperation, ecological resilience and attractiveness and wellbeing.
- The combination of quality schemes and interaction with other territorial regulatory tools with light bureaucratic burden, for example through a Participatory Guarantee Systems, are seen as contributing mainly to sustainable use of local assets and ecological resilience but may strongly contribute also to attractiveness and wellbeing.
- Better ruled and tuned promotion campaigns of quality products with simplified procedures and the use of OQT “mountain product” aim at contributing to ecological resilience as well as attractiveness and wellbeing.
- A better (sometimes stricter) definition of the area of production for GI, linking the product to mountain area exclusively, is a way to contribute to attractiveness and wellbeing as well as to the sustainable use of local assets.

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