

## Padua 2017 Abstract Submission

### I want to submit an abstract for:

Conference Presentation

### Corresponding Author

Stefano Solari

### E-Mail

[stefano.solari@unipd.it](mailto:stefano.solari@unipd.it)

### Affiliation

University of Padua, Department of Economics and Management

### Co-Author/s

| Name               | E-Mail   | Affiliation         |
|--------------------|--|---------------------|
| Valentina Zufferli | <a href="mailto:valentina.zufferli@uniud.it">valentina.zufferli@uniud.it</a> | University of Udine |

### Keywords

Traceability; embeddedness; territorial denomination

### Research Question

The role of traceability in reinforcing consumer value and agriculture value added

### Methods

We develop a model based on transaction cost economics and we collect and analyse statistics on the development and diffusion of traceability in PDO Italian wines.

### Results

Traceability is more and more used to supply information to the consumer and to protect the territorial embeddedness of production.

### Abstract

Wine is one of the most culturally sophisticated alimentary products and one that is uniquely related to the territory of its production. When we drink a glass of wine, we do not “consume” a beverage: we assess a whole world of symbols, experiences and human efforts connecting a land to its culture. This connection allows us to identify a wine as a special territorial product and deserving of some specific form of regulation relative to other kinds of food. This regulation would also possibly allow us to distinguish wine from “beverages with the taste of wine” (regrettably sold as wine). Therefore, the regulation of wine becomes an effect of the intersection of different sectoral rules: production standards to guarantee healthiness, European agricultural policy, European competition policy, specific sectoral technical standards, international trade agreements, international regulations on trademarks... The consequence is that in order to understand the long run evolution of rules in this sector, we should consider a wide variety of forces and pressures that arise from quite a variegated set of areas. The vertical chain of production of wine is not long, even if some more specific producers of intermediate goods have emerged in the last years (specialized technicians, suppliers of musts, etc.). However, distinguishing between the three fundamental steps is relevant: production of grapes, the winemaking process itself and the trading activities, all of which are characterised by non-coincident interests. A problem that is relevantly affecting the European wine industry and that has characterized the last thirty years of regulatory evolution is the over-production of wine. At the same time, consumption has fallen substantially from the 1970s to the 1990s. This issue has been framed for many years as a problem of agricultural policy, which has imposed aids to reduce vineyards and to distil excess production. On the other hand, low quality consumption falls, but the increase in high quality consumption does not compensate for this. Finally, US, Australian, Chilean and South-African producers tend to increase their production, as they enjoy a lighter regulatory framework and low costs of production, sometimes copying typical European tastes. As a consequence, European producers shift production to higher quality standards and tend to increase export, but they meet with difficulty in increasing their

market because of these competitors. This situation has led European institutions to frame the regulation of this sector increasingly more as a standard industry, with the relative efforts for competitiveness, rather than as a qualitative agricultural production. This fact has contributed to making embeddedness a competitive asset rather than a quality requirement useful for educated consumption. Traceability can therefore be interpreted as an institutional innovation that is oriented toward improving and preserving real embeddedness.

In this paper, we would like to first point out the main economic theoretical points that help to frame the problem of regulatory evolution. Second, we will highlight the contradictory interests behind political pressure to defend the European wine industry in relation to territory. We will then briefly illustrate the evolution in norms as a consequence of this type of framework. Finally, we will point out the emerging frontier of regulation that has emerged incidentally, which could be able to clearly conjugate competitiveness and embeddedness of production to help local development.

This sector is characterized by at least two crucial interactions between conflicting interests. The role of retailers also seriously affects the way these interests are regulated. The first conflict is that found between the vine grower and the wine producer. The second conflict of interest to be regulated is between the wine producer and the consumer. The way in which the rules certify the product is consequently crucial. The idea of traceability of the aliment along the production chain has been developed in order to grant openness for the consumer by making the chain of processes resulting in the final good traceable. This allows identification of the steps that have caused harm and solution of the causes of such damage. Traceability therefore affords the possibility of reconstructing the history of the product from all of its production filière.

The process of reform of European wine regulation has been directly affected by the need to reinforce the institutional framework supporting European producers. It is not so much a consequence of WTO negotiations as it is the result of the pressure of medium-large producers who face competitors in foreign markets. In this way, large producers took advantage of PDO certification to qualify their wines against the other quality systems of their competitors. As a consequence, regulations have reinforced the zone-based type of denomination; on the other hand, this regulation does not oblige producers to be embedded in the territory. The DOP system has consequently been emptied of its sense of territorial embeddedness.

Traceability, born from safety regulations in a process of regulatory “abduction”, emerges in this context. As a voluntary procedure, it can overcome the risk of loss of sense of PDOs (DOC). At the same time, it constitutes a precious opportunity to stimulate consumer learning and a more responsible way of consuming wine. It may well support a policy of reduced production and increased qualification of the product, which will be possible by acknowledging the cultural nature of wine rather than its industrial aspect. Traceability, nonetheless, retains some problems of information asymmetry if tracking information is available only after purchase via the internet.