ANDRÉ TORRE
JEAN-BAPTISTE TRAVERSAC
Editors

Territorial Governance

Local Development, Rural Areas and Agrofood Systems

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Introduction

André Torre and Jean-Baptiste Traversac

As custodians of tradition, entrusted with the mission of ensuring the continuing survival of memorial areas and the permanence of social and productive relations, rural areas and farming activities occupy a special place in the imaginations of European citizens. Nevertheless, rural specialists have long stressed that the changes that affect contemporary economies and societies also run through these spaces and contribute to their evolution, sometimes in a radical way (Cloke et al. 2006; van der Ploeg et al. 2000).

The transformation of farming methods, the mutations in the agrifood industries and their links with distribution, the demographic repopulation of rural areas and the new activities taking place there, the demand for nature and protected areas, the increasing role played by agricultural activities in sustainable development: these are all changes a reality of which nobody today disputes. The socio-economic upheavals in rural zones and changes in people's conception of the countryside and of nature are a subject of consensus for sociologists and economists, as well as for specialists in town and country planning. All agree on the need to reconsider the place of rural areas, to rethink their dynamics and to ponder their metamorphoses, their future and the role they play in contemporary society.

But these changes are also a source of contradictions. The vision of "new rural territories" is a result of the desire expressed by an increasing number of consumers, often from urban areas, anxious about environmental issues, to preserve natural areas. But at the same time, this fantasy of a countryside made up of open spaces echoes other preoccupations of the self-same actors. They want to consume authentic food products, products from "good" farming practices with sustainability as a vocation. And there is also a wish to develop the use of rural areas for leisure activities: not so much to produce anything in these places, more to create a space for residential, recreational or tourism purposes.

These opposing Manichean visions do not stand up to deeper analysis. Rural areas are no more homogeneous than the populations that live there; both are

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subject to major changes, tensions and diverse and often contradictory evolutionary processes (Perrier-Cornet 2002). The processes of development depend on a complex assemblage of planning projects introduced by local decision makers and local authorities, as well as the actions of various groups of private participants or associations, not to mention the projects of the populations living there, visiting or adopting them as reference areas. And they further involve remote participants and rules and laws from the national and international spheres. The resulting effects: agglomeration on the one hand, centrifugal forces on the other hand, combine and sometimes clash. The need for governance of these territories is then clearly felt within spaces that have been fragmented by divergent motivations and usages, and in rural and periurban areas wrought by power struggles for public and economic management of natural, productive and landscaped infrastructures.

1 Rural Areas Today, Places of Profound Changes

In all the industrialized countries, and particularly in Europe, rural areas have shared the same evolutionary tendencies since the Second World War. They first of all find themselves increasingly dependent on urban areas, with a process of periurbanization (urban sprawl) and linking with neighbouring towns, and by a greater and greater submission to decisions taken by urban populations, including those far from rural zones, whether it be tourists, migrants or consumers of agricultural spaces and products. Furthermore, the rural areas are themselves becoming more and more urbanized, as we can see from the increase in small towns, and the diffuse process of urbanization that is affecting many areas still classified as rural. Two striking results emerge: a downward trend in their traditional productive roles – as revealed by losses in value and in employment in the primary sector, and the increasing assignment of rural areas to housing and recreation.

1.1 Rural Areas, in the Heart of the Driving Development in Industrialised Countries

Despite a strong tendency toward the urbanisation of areas, strong migratory flows toward towns and a reallocation of non-agricultural uses tending to transform rural areas into urban-style developed areas, the countryside is holding a predominant place in terms of the occupation of space in industrialized countries, particularly within the European Union. Rural areas, defined as the sum of predominantly rural regions (here after PR) and intermediate regions (IR), today occupy 91% of the surface area of the Union of 27 and hold more than half the population (European Union 2009). The position of the countryside is strong in all the member-states and all the regions – even without taking into account the figures for the 12 new members from the East, with their accentuated rural character – though comparison

between member-states does show large divergences. Some countries are highly urban (Belgium, the Netherlands, Malta, where more than half of the population lives in a predominantly urban region – PU), while others are mainly rural (Cyprus, Luxemburg, the Czech Republic, Slovakia, Bulgaria, Estonia, where more than half the population live in mainly rural areas – PR + IR) (European Union 2009).

What Are Rural Areas as Defined by the European Community?
The definition of rural depends on a unit of measurement of the area and how it is made up. European Commission reports on the evolution of rural areas take the OECD definition for defining rural areas is based on the population density of the smallest spatial units, the rural communes, taking the region as a scale of statistical aggregation (e.g. NUTS3 or NUTS2) (OECD 1994, 2006).

- Predominantly rural region – PR: if more than 50% of the population live in rural communes, defined as having fewer than 150 inhabitants/km^2
- Intermediate region – IR: where 15–50% of the population lives in rural communes. If there is an urban centre of more than 200,000 inhabitants representing more than 25% of the regional population in a predominantly rural region it is reclassified as an intermediate region
- Predominantly urban region – PU: where less than 15% of the population lives in a rural communes. If there is an urban centre of more than 500,000 inhabitants representing more than 25% of the population of the region in an intermediate zone, it is reclassified as a predominantly urban region

In demographic terms the main characteristic of rural zones is the low population density: 41 inhabitants/km^2 on average in predominantly rural regions against 561 inhabitants/km^2 in predominantly urban regions. For rural regions, large divergences exist between Member States, from 10 to 12 inhabitants/km^2 on average in predominantly rural regions in Finland and Sweden against 83–185 inhabitants/km^2 in PRs in Germany and the Netherlands. There are no great differences in the presence of elderly populations in the PRs compared with the PUs (a deviation in the proportion of over 65 s of 0.2 points on average in 2007 and a progression of the order of +1.5% between 2000 and 2007), apart from in certain countries: Greece, Bulgaria, Portugal, and Sweden. Moreover, regions that are relatively dynamic demographically have not a more marked urban or rural character (European Union 2009).

Centrifugal forces are at the origin of the development of rural zones. The low level of migration between urban and rural labour markets, local property tax differentials, land consumption by companies and housing and the cost of moving assets allow expansion in industrial activities. To these factors can be added the differential in the cost of labour in favour of rural regions. Salaries and incomes in PRs are lower than in PUs, from 21% to 46% less according to the Member-States, essentially through differences in levels of remuneration and qualifications

(Huiban et al. 2004). While finance, real estate, commerce and industry services remain essentially urban, agriculture and food activities together with intermediate-good industries, are preferentially implanted in rural areas.

Many rural regions, sometimes under pressure from local residents, are turning deliberately toward recreational and service activities. The growing clusters of inhabitants within small country towns, the ageing of the population and the greater attention given to health care are driving the creation of a large number of personal service activities. At the same time, the attraction of rural areas leads to the creation of many jobs linked to tourist, nature or leisure activities as well as personal services. This is the case in countries where the activities of those who produce and rural development policies are clearly directed towards a diversification in the activities of farmers, as in Great Britain, the Netherlands, Belgium and Denmark.

Nevertheless, there does exist a strong strategy for intensive agricultural in a group of countries that may be called the agricultural hub of Europe – France, Spain, Italy, and in a lesser measure, Germany, Poland and Romania, who remain attached to an orthodox way of increasing productivities. This is born out by the programmatic of agricultural policy made during the budget planning of the second pillar of the CAP. In France the share of axis 3 relative to the diversification of activities in rural areas –farming one or not – is of the order of 8% of the total budget, while in the Netherlands it is 28% and in Romania 25% (European Union 2009).

Rural spaces are areas for both living and employment, and provide 55% of jobs in the Union and 27–43% of added value. The rate of unemployment is higher on average (8.3% in 2007) than in PUs (7.7%). The difference in incomes is also very large, in whichever state in the Union. For an incomes index of 100 in the Union, the average for PUs is 130 whereas it is only 70 in PRs. There, the tendency is toward an increase in the proportion of industrial employment to the detriment of agricultural employment, in particular by the development of tourist and residential activities. The "mature" zones in the centre of Europe are seeing the proportion of turnover of industry and services remaining constant or progressing moderately (from −1.2% to 1.8%), whereas the peripheral regions, in a catching-up effect, are increasing at a rate of 2.2–3.3% per year. This old trend, which began with a rural exodus to supply labour demand in urban zones, is continuing with a loss of jobs in agriculture, following a strong increase in the productivity of agriculture labour.

1.2 The Weakening of the Preponderant Position of Agricultural Activity in Rural Areas

In most countries of the EU, rural areas were for a long time mainly agricultural, despite large variations, for example when comparing the situation of France, under the strong grip of agriculture, with that of the Netherlands or Belgium, where there has historically been a sharing of space with other activities and occupants. The assimilation of rural space to agricultural space, incarnated for example in policies

concerning farming activities above all, was primordial. Not only did farming occupy the main part of rural areas and model the landscape and land use, but farmers dominated these areas, whether by activity or decision making, for example in local councils or government of rural zones.

With the end of the Second World War came a strong balancing movement in the industrialized countries, limiting the place and the role of farming, including in rural areas. It was first of all the farming economy that saw profound changes. The quest for productivity increase through heavy investment led to an increase in farmed surfaces, to the setting up of standardized food production and the massive introduction of mechanization, fertilizers and pesticides with heavy consequences on jobs and the environment. There resulted a dual movement of increasing size of farmed land areas and a steady decline in their number. With the increase of labour productivity in agriculture there were fewer and fewer farmers in the countryside. Eventually farming lost its dominant position in the rural world, faced with the rise of new activities such as industry, services and tourism, brought about by changes in tastes and people's expectations of rural areas.

Various studies have shown that although farming today still plays a structuring role, it no longer has a preponderant role in the growth of developed regions (Shucksmith et al. 2005; Rodriguez-Pose 2004). Its position is continuously weakening while at the same time the farming profession inclines to become transformed under the impact of changes in methods of production induced by agricultural policy orientation and globalization of markets. In most European regions the large drop in agricultural employment has been partially compensated by an increase in rural employment in industry and services. The share of industrial

Saxenian and Hsu 2001; Porter 2000). Here, it is about encouraging the development of complementary corporate network, based on cooperation between local actors, enhancing a geographical proximity. Beyond those two development means, still current today, other perspectives seem ready to be found for the rural area industrialization, especially concerning the SMI.

Indeed, the observation of about twenty SMI, located in non peri-urban rural area and which don't concern high technologies, offers the possibility of a new path. The studied companies are not strictly issued from the land, without necessarily being urban importations. They rely on local factors, but are not limited to them, since they also take part in national and even international dynamics; it is precisely the articulation of those local and global dimensions that could be their strength.

Despite of the variety of their industrial sector and of their geographical location, those SMI have common features. What lead us to see them as belonging to a same form, characterized by a speci c pro le of entrepreneur and by exible operating procedures. Former urban executives, creators of their own activity, have behaviors and value systems far from the traditional SME owners' ones. The functioning of these SMI is marked by their managers' representations. Indeed, the performance of these small enterprises would come from four main directions: specialization in some niches in the market, the technical exibility, the integration in both local and national/international inter- rms networks, and the work mobilization. These features sketch a speci c form of SMI, which differ from the independent traditional SME close of craft industry, as much as local productive systems. These SMI differ from the domestic convention, in which companies rely on manufacturing traditions and on networks based on the trust related to the geographical proximity. Instead, they would concern new productive models. So, rural spaces would not necessarily be pushed aside from new kind of entrepreneurship. Technological changes and the evolution of communication and transport systems, play an important role in the boom of this type of enterprise. In addition to these aspects, the advantages of a rural area, as outlined here, are relatively surprising. They are in a natural environment, attractive to some entrepreneurs, and they are also a part of the socio-cultural capital of the rural workforce.

We will endeavor to analyze the distinctive features of these SMI and the way they come within the scope of the rural area, especially by asking ourselves about the factors which have contributed to its development. First of all, we will clarify our method and the characteristics of our sample. Then, from the main elements coming out from the latter, we will successively tackle the entrepreneurs' pro le, the development strategies of the companies and their human resources management mode.

2.2 SMI in a Non Peri-Urban Rural Setting

The studied companies are spread all over the national territory in the non peri-urban rural area. They do not belong to the food-processing sector. They were established by their current executive, and they are job-creating. They have a quite

unusual pro le of independent SMI, especially concerning the rural space. If this case study shall not be representative of the current situation of the SMI in rural area, it is yet representative of the fact that small industrial companies can develop in this area.

Our study deals with a sample of 21 SMI, selected among a hundred or so SME that we have surveyed, during the research made between 1988 and 2001, we have systematically kept the SME located in rural area, outside periurban area. The subject of these research was not the rural development, they were about companies who had bene ted of a job creation grant. One of the speci city of this sample is to only keep companies which are job-creating, since it is according to this criterion that the grants are allocated. Thus, this selection mode allow to focus on expanding SMI.

We remind that several works have noticed a movement of non agricultural companies creations in rural areas, since the beginning of the eighties, in France (Bontron 1991; Julien and Marchesnay 1988; Joyal and Deshaies 2000) as well as in other countries, like in the United States (Nelson 1998). But to our knowledge, studies and quanti ed data miss in order to assess the extent of this phenomenon. So, our case study would come within the scope of a more general movement, but the fact would remain that we would have to assess its extent through a larger-scale survey, what is beyond the framework of this prospective study (Table 2.1).

SMI have been observed directly, on the basis of interviews with their executives. For the most part, they have just been created: 18 among them were established by their current executives during the 1980s/1990s. Three are takeovers. Nevertheless, these takeovers are similar to companies creations, because it consists in buying out bankrupt companies which have been radically transformed: new buildings, change of production; for example, a car parts subcontracting company became a sonar expert at the international level, with new buildings and three quarters of the staff were renewed.

These SMI have an average of 35 employees and belong to various industrials sectors. Only one of them belong to the food-processing sector, producing biscuits; one pertains to the service sector, with activities of processes development for industry. The others are, for the most part, are dealing with semi-processed goods production (technical parts and sets, special packaging, material transformation). We nd four cases of consumer goods: watchmaking, automobile (SUV manufacturing), joinery, biscuit factory. None of these companies is in the position

Table 2.1 Distribution of the SMI by industrial sector and by number of employment

Sector	Employment				
	<10	10–25	26–50	50–200	Total
Engineering	2	1	3	2	8
Electronics and IT	1	1	1	1	4
Processing of plastic	1	2	1		4
Processing of special material		1	2		3
Wood industry		2			2
Total	4	7	8	3	21

of an usual subcontractor, which would be ful lling carrying out functions for contractors. Fifteen PMI have their own products and six are specialty subcontractors.

The studied PMI are spread over the whole national territory, in communes distant from big urban centers. Only four of them are settled on the outskirts of small cities (Sens, Fontenay le Comte, Montbrison). For the most part, they are located in less industrialized sites, even sites where the company is the only industrial activity. They do not belong to any local productive system.

Thus, the companies within our sample have particularly marked common characteristics, despite the diversity of their industrial sector and their location. This convergence is much more obvious when we examine their social and productive speci cations.

2.3 Rural Neo-Entrepreneurs

The managers of these SMI are not local entrepreneurs strictly speaking, unlike the common idea of executives in rural area, especially when it comes to business development. Outside the standard pattern, they also are quite outside the model of the boss in the traditional SME. Referring to the model of the “expanded family circle” (Bunel and Saglio 1979), the boss of a traditional PME can be de ned as corresponding to a paternalistic managerial power and to family values, where the possession of the capital is seen as a property passed on from generation to generation.

2.3.1 Qualified Executives Living Town

Of urban origin for the most part, these entrepreneurs, for a half, are not born in the region where their company is established. So, relationship to the rural area is not signi cant. Even if for some there is a correspondence between the place of birth and the workplace, it is in the widest sense, meaning a region and not a commune. As a whole, these entrepreneurs’ careers show a huge geographical mobility: many of them lived in other regions, even in a foreign country in some cases.

The usual picture of a business manager heading such small companies refers to a pro le of a person with a low level of education, who hold the positions of foreman or of technician. And yet, this case is very rare: we are mainly in the presence of seniors executives: 86% of them have a level of quali cation higher than the A-Level, and among them 61% have a diploma higher than the A-Level. Knowing that the entrepreneurs’ level of quali cation has increased since the middle of the seventies, it clearly appears in the cases we have observed. To make a comparison, the INSEE (the French national institute of statistics and economic studies) shows that, in France, entrepreneurs had a level of quali cation higher than the A-Level for 40.6% of them in 1994, and for 39.3% in 2006.

(In 1979, entrepreneurs had a level lower than the A-level, in 81% of the cases, in the study of Bunel and Saglio 1979.)

Consequently, the director's pro le coming out here seems very speci c, it could seem signi cant of a social change. Indeed, these executives who have an advanced degree (even from prestigious high schools), giving up their executive function to establish their own companies in their 40s, did not seem to have to adopt a withdrawal position. So, the movement towards a return to the SME would be signi cant of a modi cation of the value system. These executives have a distinctive representation of the company, where the big business is not the ideal reference model and the small the mediocrity one. To the contrary, the SME is shown has a favored place for the actual exercise of the managerial power, opposed to the "structure complexity and to the big business rigidity".[1] The choice of the company establishment, whether it is frequently due a desire to return to the roots, even if they are more elective than real, seems related to a attraction for the natural environment. The latter has often been determining for the choice of setting-up place, sites having been judged relatively equivalent according to the productive resources and to the local aid system that are frequently present in these rural areas. This attraction for the nature can be seen in the conception of the building, where a care for the natural environment is obvious: a company is settled in an old rustic restored farm; an other one's workshop is made up with huge glass walls with a view on the forest. We notice that this interest for the nature seems to correspond to a certain urban executives category, better than to the traditional rural SME's bosses one.

2.3.2 An Entrepreneur Profile Specific

Even if these entrepreneurs show themselves to be critical concerning big businesses, nevertheless they do not reproduce the traditional family model of SME. Their companies does not seem to be highly related to kinship: members of family working in these companies only represent a third of the cases, and only a quarter of the managers' wives are involved in the activity; they often exercise an activity requiring a higher quali cation: education, medicine, etc. The very big majority of these managers do not consider that their children may succeed them. These entrepreneurs see their company more like a tool than a legacy property. Whether according to them the possession of the capital is still a guarantee of autonomy, this ownership is often shared out: in two thirds of the cases, companies have a collegiate committee. Partners, with complementary competences, are often co-founders who chose themselves according to af nity criteria, within circles of friends, colleagues or former students. Since they join their forces to create a company, these executives are part of a phenomenon, quite new, that have been observed elsewhere. (According to the INSEE, the created companies are less and less sole proprietorship ones, with only 52% of the cases in 2006 in France.)

[1]We put in brackets actors' comments throughout the text.

So they do not reproduce at all the model of a family SME. Besides, they reject the "boss" term that they associate with the latter. Referring to themselves as "directors", in this way, they appeal to an other type of legitimacy. They show themselves to be critical concerning the bureaucratic rigidity of the big businesses where we cannot do anything without going through the hierarchy and where everyone is just a cog, as the traditionalism and the narrow-mindedness of the family SME. These directors introduce their company as a "team" in the "success of our company? It is because we are a team". This representation of the company seems to correspond to the cultural distinctive features of this social subgroup of executives. The latter value the autonomy and the return to more convivial principles, while rejecting individualism. Their ideal company is a model of a "human-sized company" which success cannot be something else but collective.

For this model of support lasts, the great majority of these entrepreneurs do not consider that the company might exceed a size of 50 employees. Therefore, according to them, the activity development must be done by creating satellite companies, some kind of autonomous near-subsidiaries, sometimes giving birth to micro-groups. This principle has already been put in practice by a third of them. This concern about maintaining small units also correspond to the search of a bigger productive exibility. The company must be able to adapt itself and, to do this, avoid centralism and concentration, in order to run, with a minimum of risks, niches market which, when they disappear, affect only one satellite. These SMI have been in line with a movement of development of micro-groups observed during the last decades. This, the INSEE notes that there are 37,151 micro-groups in France in 2006 against 22,174 in 2003 and 726 in 1987. More than 50% of the companies constituting these groups have less than 20 employees and 89% have an average size of 44 employees. This rm structure seems to come under a logic differing from the cooperative movement, the objective here is to avoid the rigidity of the concentrated structures, in an industrial, nancial and legal point of view (Donckels et al. 1987; Davidsson et al. 2005; Levratto 2007).

So, the general development draws an entrepreneur pro le quite original, executives going back to the rural area and to the SME, "rural neo-entrepreneurs", which characteristics are not to be link with a speci c local area, but to a category of executives in search of other ways of life and other ways to practice their professional activity. In that regard, executives are not irrelevant to the movement of the SME enhancement that was born during the 1980s–1990s and a managerial press have spread about it. Especially relying on the analysis of this literature, Boltanski and Chiapello (1999) have identi ed this conception to the emergence of a new capitalism spirit: "the city of project". It refers to the neo-management, distancing itself from bureaucracy and big centralized industrial structures. It is based on principles valuing mobile and exible activity, with a management through objectives and a networked organization. It gives a central role to the human resources mobilization. Then, it seems that rural areas are not deserted by new entrepreneurship forms. These executives' company vision played a leading role in the orientations given to these SMI.

2.4 Adaptive Companies

Whether the studies SMI are rapidly growing, the reason of their performance is not related to the real implementation of products or processes innovations. It seems to lie in a speci c logic, implanted as soon as their creation: bidding on the product quality, the commercial strategy of these SMI closely articulates with an ingenious development of the technological resources. The speci city of their production is not related to the rural areas. Without being limited to value links of geographical proximity, these SMI come within the scope of both local and global networks; these companies performance would result of this double anchor, in the most part.

2.4.1 Niche Market Strategy

To de ne their markets, directors opted for strategies that could assure as much autonomy and competition as possible. Generally, they tried to avoid captive subcontracting situations, estimating the dependence to the contractor too restrictive. For the very most part, these SMI have their own products. The ones which make specialty subcontracting are viewed as suppliers mastering the conception and the manufacturing know-how. These entrepreneurs bidden on high added value products, thus leaving aside mass consumption products that they consider too highly competed and requiring heavy and rigid equipment. Their competitive strategy consists in playing the specialization card, bidding on the product quality rather than on the low price, as well as on the service and the adaptation to the client demand. Favoring a exible productive model, based on quality and service, these SMI would be in line with what Veltz (2000) identi es as a "new industrial world", in which companies performance lies in their ability to be reactive facing the evolution of the international competition criteria where quality, variety and innovation play a decisive part.

The originality of their product does not strike a discerning eye, because it is frequently based on exclusive astuteness and original adaptations: so, one of the SMI manufactures glass cobblestones which shape allow an assembling unequaled until now; an other one is the world specialist in "silent" hydraulic pump; a third one in "form memory" materials. These SMI are specialized in a particular product: "Our specialty? The rare bird". So, these companies differentiate themselves from the others in the market through product micro-innovations. With this policy, these SMI move away from dependence relationships, because they position themselves de facto as products makers. This strategy is about highlighting niche markets in the gaps left vacant by the competitors; these niches, which are not limited to a local market, assure them a national coverage, and an international one for some of them. We notice that these former executives, unlike some traditional SME bosses consider all the possible means of commercial development without any reluctance.

Such a strategy of small specialized niches requires, in order to last, the company to be very mobile on the market, in order to move in accordance with the opportunities, constantly adapting products and processes (with small investment costs). So, this strategy appears as related to the model of technical implementation speci c to these SMI, relying on exibility and constant ingenuity.

2.4.2 An Ingenious Development of the Techniques

The care about avoiding rigidity has often been one of the leading criteria at the moment of the choice of the productive equipments. Open to the new technologies, this former executives moderately appeal to them (about 50% of the equipment pool). The observation of these manufacturing processes shows a strange coexistence between them and older techniques. For example, in the same workshop, we nd a computer-aided design (CAD) system and a classical mechanical lathe or manual welding machines. If such an eclecticism may surprise, it does not appears without rationality. Beyond the fact that it is less costly, these two techniques of different generations have a common character which is their modularity. It means that each machine is viewed as a unit which does not necessarily depend on a whole, unlike those of the intermediate generation (simple automatism of assembly line type). This type of equipment offers the advantage of being able to fractionate the investments according to the current assets, since each machine can be bought individually. Furthermore, this bigger autonomy of the techniques explain that these small businesses of rural areas may operate in the absence of any close industrial environment, because of their lesser dependence to processes.

The association of these techniques, whether it can appear as unorthodox, does not less give rise to unseen makeshift jobs, to very discreet innovations, which compose a part of the industrial secrets capital of the company. The resort to these equipments allow to carry through the niche market strategy. Indeed, the techniques used characteristic is to permit high level and exible productions (they permit to modify the product without changing the equipment and to manufacture individually as much as in limited series). It is by developing these possibilities that these SMI offer specialized products that can be modi ed at the clients request.

We note that whether some have hoped from new communication technologies which had to permit the development of the teleworking in rural areas, it seems that we underestimated the revitalization abilities of SME in these areas through the use of new production technologies. Indeed, the latter, more autonomous and exible, are integrable into very small businesses, which can since then reach a high performance level, even if they are isolated on the territory. However, the role of the new communication technologies is important for the expansion of these companies, as well as the development of the transport infrastructure. Both proceed to a kind of opening up of the rural space: they facilitate the access to the information as well as to the markets; they support the expansion of inter-companies networks by reducing the problem of the geographical distance. For example, the

SMI nds through Internet a new client company located in Germany, then the director goes in the company in order to better de ne their needs. "It's a problem of being in the countryside, there is always the internet and highway and an airport nearby. There is much more time than crossing the Paris region".

2.4.3 An Articulation of Local and Global Networks

The inter- rms networks, which these SMI are in line with, show a con guration different from those we have analyzed in the case of the local industrial system of Oyonnax (Raveyre and Saglio 1984). More endogenous to the site, they are essentially based on cooperation relationships – competition between local companies, in the same sector of plastic transformation. The study of the privileged relationships that the SMI of our sample sustain with other companies lead to show an other networking exceeding the local level, with the articulation of two types of networks: local and global.

The most developed networks are vertical, with national/international clients and suppliers. They contribute to assure the products quality and the technical ef ciency of these SMI. Indeed, the relationships with the clients are close in order to bring an answer adjustment to the demand particularities. Likewise, relationships with the various industrial partners, whether they are suppliers or subcontractors, are often strong, in the aim to reach the mastery of the whole operational sequence. For example, in order to de ne a machine which design is in progress, exchanges information with its "partners" located in other regions: its supplier, programs designer, its subcontractor, parts manufacturer, and its client. As the information can round-trip between all these actors. On the other hand, some employees of the SMI stay at the partners'. It offers to the partners a better mutual knowledge of the techniques and know-how of each. These practices, most often not formalized in explicit contracts, essentially rely on interpersonal agreements. Here, the nature of the exchanges is related to services: technical and commercial information, advices, etc. This way, these SMI offer themselves the opportunity to better t to the companies upstream and downstream to their manufacturing and to their clients. They can also access to diversi ed knowledge and services they could not afford to manage alone. Finally, that is to say: they offer themselves the opportunity to mobilize resources without increasing their investments and freeing themselves of the geographical proximity.

These SMI are also stakeholders in horizontal networks, between local "SME colleagues". Many of them appeal to their proximity counterparts (from various production sectors) in order to face their fabrication variations in terms of quality and quantity. To answer to the clients demands, sometimes various and punctual, it happens that they temporarily rent material, premises or workforce to neighbor SME; in return, on occasions they "give a hand" to the latter. For example, a SMI specialized in plastic transformation, usually manufacturing small products, temporarily rents a neighbor company's warehouse to answer to an order of sailboat hulls.

The appeal to the vertical networks contributes to the technical effectiveness and to the products quality, the one to the horizontal networks help assuring the productive exibility and the companies mobility on the market; two aspects getting to the core of these SMI functioning. This unusual articulation of networks would be one of the performance factors of these SMI, both deep-rooted in the local space and integrated to the national space (and to the international one for some of them). Unlike the traditional local industrial systems limited to a geographical space, theses companies show a network articulation close to the one observed in cases of high technologies companies, with an network architecture combining local and global links; as "small world"-type (Watts and Strogatz 1998; Zimmermann 2002). At the local level, these SMI networks deal with punctual adjustments; they are based on neighborhood relationships, so on a geographical nature proximity. At the global level, the networks connections deal with the partners who are directly involved in the product manufacturing (whether they are suppliers or clients). These networks allow the circulation of information and knowledge; they support various adjustments and inter-organizational learning. So, in these networks, it is the organizational proximity that counts, beyond the geographical distance. So, as Rallet and Torre (2004) (and Torre and Rallet (2005) have shown it, the organizational proximity turns out to be a more important support for the knowledge circulation and for the mutual learning than the physical proximity.

2.5 Work and Employment Flexibility

The human resources management of these companies is marked by a search for constant exibility and adaptation of the labor factor, in order to reach the companies objectives in terms of quality, technical exibility and responsiveness to the demand. In this, in many respects, it resembles to the post-fordian new organization of work forms, bidding on the abilities mobilization (Zari and Olivier 1999), where employees have to show autonomy, initiative and adaptation. And yet, unlike some presupposition, it seems that these practices nd a particularly favorable environment in the French rural society.

2.5.1 Development of the Versatile and Autonomous Capacities

In these SMI, most part of the employment is made of specialized and quali ed workers. Whether the average education level is not high, employees have yet to carry out versatile and autonomous capacities. That nature of the tasks can be relatively varying: depending on the quantity and the nature of the client demand, the organization of work is likely to be modi ed as well as the employees breakdown in the operational sequence. Such a mobility of the employees within the company requires versatile knowledge, every one of them can be lead to hold different positions which do not always t to their original quali cation. It may

concern employees of various levels: thus, a technician accomplished a maneuver task during 1 week, because there is a rush. We notice that the versatile and autonomous capacities rely on a technical culture belonging to the same family than the pre-fordian model one – related to farming and crafts – and which, de facto, would be particularly adapted to the post-fordian contemporary new modes of production.

The quali cation and wave level in these companies is not lower than elsewhere. For the met directors, the search for the lower cost for workforce comes after, most part of the time, its quality. Indeed, for them, it is not about manufacturing standard products with specialized positions, but product of quality requiring the mobilization of the employees capacities. What means, in their idea, enough attractive salaries. This logic marks the gap with a model of industrial settlement based on the search of a low-cost workforce in countryside, corresponding to a convention of a market nature.

Recruitment of employees and workers is mainly local, but not in the hidebound meaning. Employees live in an average zone of fty kilometers from the premises. We can see here an effect of the evolution of the rural lifestyles during the last decades, where the mobility of the population has considerably increased. Technicians and executives, for their part, often come form other regions. Sometimes, they can be recruited through the national network of partner companies of the SMI. One of the issue met by these SMI, especially those located in very small township, may be to nd personnel corresponding to the companies needs, notably for the most specialized and high quali cations. We notice that this issue seems less related to internal factors than to speci cations of their environment. Indeed, the lack of sociocultural equipments and of services (day-care centers, hospitals, cultural and community centers, etc.) of some rural spaces looks like a problem for many employees concerning their expectations and need outside the work.

2.5.2 Employees Mobility and Mobilization

The workforce management relies a lot on the informal regulation modes of the working time. Frequently, we make more hours during the evening or the weekend. If the overtime is rarely paid, getting rest days is often the rule. Taking days off for gardening, picking in the family farm or practicing leisure activities. Very often, it is made in an informal way, through inter-individual “accommodations” between employees and directors. In addition, it is often the duration of the labor contract that varies, with repeated appeals, additionally, to xed term contracts or part-time ones. These practices seems to be facilitated in rural area, because the population of this area, due to the common pluri-activity of the households or to the leisure possibility related to the nature, would accommodate more easily with this variation of the whole working time.

This exible organization of work, requiring inter-personal agreements and employees capacities, would rely, for a part, on a subjective mobilization of the

employees. The representation of the company as a "team", given by the directors, would likely stimulate the personnel involvement. Indeed, this representation looks like a valuing of the communication and the adherence. Unlike the model of the traditional family SME, of the "expanded family circle" (Bunel and Saglio 1979), the director (here the entrepreneur) does not show himself as a father, but better as a kind of sport leader who must lead the group in a fight toward success. This consensual image moves the place of the conflict, from the employer/employee relation, they come to the company/environment one. The employee relation is vanished by this representation where the legitimacy of the management is more about adherence, valuing both autonomy and solidarity, would likely be more a continuance of the cultural heritage of the rural population, than of the classical urban working tradition. We are not here in a case of values and norms sharing withing a local social community – i.e. institutional proximity – as it is seen in some traditional local productive systems, but more in front of a possible socio-cultural congruity between these neo-entrepreneurs and the rural population. (It would remain to explore this hypothesis and to study in which measure and following which terms employees agree or put up with this form of organization.)

Then, the management of work mode, observed in these SMI, combines tradition and modernism, interpersonal arrangements and adherence to the company's project. In this, this type of management, belonging to the family of the new participative management modes, bidding on employees flexibility and mobilization, seemed to adapt itself well to the contemporary rural areas presenting mixed cultural characters. We can put forward, as an hypothesis, that the rural workforce, linking a cultural and technical pre-fordian heritage to modern lifestyles based on mobility and pluri-activity, would appear as a flexible potential of the management of work. What could have been presupposed as a problem for the development of companies in phase with the current performance criteria, appears here as an asset.

2.6 Conclusion

The directions chosen by these SMI, at the commercial, technical and labor management levels, show a consistent whole, confers to these companies a particular functioning mode which essential characteristic may be defined as a global capacity of adaptation. It appears as in ingenious development of the possibilities given by the state of the market, the techniques and the workforce. The study of these SMI reminds that beyond the established models of development, it would be wrong to underestimate the dynamic and innovative possibilities of adjustment, each time unusual; even if their eclecticism may surprise. The functioning mode of these companies has been marked by the values system of these directors of a special type. These senior executives, who consider without any reluctance technical innovations and commercial openings, could have found

in rural areas some possibilities of industrial development that traditional entrepreneurs seem still unable to perceive. The reasons of their companies performance would then be less related to the objective resources which others could miss, than in the elaboration of original solutions for which their real heritage seems mostly sociocultural.

If this case study leads to draw the outlines of a new form of SME, yet, this one would be an exclusiveness of the rural areas, even if it seems to find here a favorable environment. SME of similar types have been observed in urban areas or in other countries (Joyal and Deshaies 2000; Marchesnay 2004). These SME appear as a flexible form of business, bidding on the employees mobilization and the integration in inter-firms networks, mixing local anchorage and global links. It appears that this form of SME is an integral part of new contemporary socioeconomic patterns: based on values related to the neo-management by projects, they would be in line with immerging network convention. They would represent an original version in the world of the SME and rural spaces. Without focusing on valuing a geographical proximity based on communities limited to a local space, as in the traditional productive systems, this form of SME combine this with a proximity on a world-wide scale.

The rural world would not be neither neglected anymore by the new entrepreneurship, nor doomed to the industrialization types previously known. This case study, which shall not be representative of the state of the rural SMI, essentially allows, by revealing things, to find some leads regarding the current development possibilities for the SME in rural areas. This possibilities seem to be less related to a type of activity than to evolutions of a global nature: a social change in a certain category of entrepreneurs, the development of new technologies, the changes in competition criteria give more spaces for quality and diversity.

The advantages of the rural areas, as drawn here, are relatively disconcerting. The first one would rely on the sociocultural qualities of the rural workforce which, by relating a cultural and technical heritage ante-fordian with modern lifestyles based on mobility and pluri-activity, would appear as resource for flexible work management, putting up relatively well with the post-fordian management modes. Another aspect must also be mention, aspect not much usually considered as an industrialization factor: the natural environment. Indeed, it seems that the attraction exerted by this one on some new entrepreneurs, due to their particular vision of the “quality of life” (inside and outside work), has played a significant role at the time of the choice of the implementation place.

If we can put forth the hypothesis that new development perspectives are opening to SMI in rural areas, now it would be about carry on the thought by expanding the observation. A quantitative study would be useful to estimate the phenomenon scale, and also an international comparison. In addition, several leads remind to be explored: it would be about wondering concerning the type of products likely to fit or not to this form of industrialization, to check out the rural spaces which are the most attractive for these companies and to better understand the social dimension of the phenomenon, notably from the point of view of the population living in countryside.

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Chapter 3
The Modalities of Territorial Embeddedness of French Cooperative Groups

Maryline Filippi, Olivier Frey, and André Torre

Abstract The article aims to analyse the modalities followed by French cooperative groups seeking to implement a territorial embeddedness process. It attempts to clarify issues relating to the significance of this territorial dimension along with cooperative groups' strategies and behaviour. The text starts with a brief literature review elucidating the notion of territorial embeddedness and distinguishing it from the territorial circumscription, while presenting the specificities of this concept for cooperatives. It then processes national statistics databases and comes up with a spatial topology of French cooperative groups. The second section offers a set of indicators that can be used to measure and test territorial embeddedness, validated by a survey of 15 of France's leading agricultural cooperative groups. We demonstrate that, along with geographic location and statutory perimeter of action, territorial embeddedness also reflects three other main criteria, to wit: where the agricultural cooperative runs its operations; where its members are located; and where they receive the outputs and services that they are offered. There is no doubt that cooperative groups construct territorial embeddedness on the basis of a joint activation of relationships with their members – but it is just as clear that this construction varies depending on the extent of a group's integration into particular branches and markets.

3.1 Introduction

The financialisation of the economy and the volatility of agricultural and energy prices are all elements that have impacted the restructuring of French agribusiness companies – and the agribusiness branch as a whole – by pushing towards an ever greater globalisation of trade and strategies. Agricultural cooperatives, representing

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nearly 75% of all farmers, have become major actors in the development of rural spaces. Over the past 30 years, they have steadily modified their organisational structures in response to changes in the economic environment, namely by developing into corporate groups replete with subsidiaries (Nilsson 2001). Whereas most cooperative started out as simple collectors of agricultural raw materials, they (and notably their commercial subsidiaries) have moved progressively into the transformation business.

This structural change raises questions regarding cooperatives' actions in the territorial spaces where they have operations. French law requires that such entities act within the confines of a strictly defined territorial circumscription. This territoriality constraint is a typically French specificity (Chomel 2006) and a key influence on agricultural cooperatives' operations. Some are particularly attached to this modus operandi, especially in the wine sector (Guillaume 2004). Because of this constraint, groups' activities will vary depending on the situation in the geographic area to which they have been assigned. In other words, cooperatives must analyse their territory's present and future prospects before they can devise a suitable long-term strategy (Cariou et al. 2005). This connection to a specific space is what differentiates cooperatives in France from other kinds of companies (Filippi 2004; Cook and Chaddad 2004).

At the same time, a process of subsidiarisation (and trend towards the establishment of down-stream production subsidiaries) has impacted cooperatives' organisation, thus their relationship to a given territory. This process results from changes in the agricultural sector's economic context and from organisational transformations affecting subsidiaries' adaptation. Co-operative groups in France received a fillip from the enactment of two laws dated 3 January 1991 and 13 July 1992 that notably sought to reinforce their equity capital position (Filippi et al. 2006). Certain groups have revenues of several billion euros today and sometimes own more than 100 subsidiaries in France and abroad. This raises the issue of their territorial policies, notably the embeddedness factor. The question is whether agricultural cooperatives can still be considered "close" to their territories once they develop organisational structures that are increasingly distended in spatial terms, and which have taken them further and further away from their members.

The purpose of this article is to analyse the modalities of territorial embeddedness followed by French cooperative groups, i.e. to identify the significance of the territorial dimension in agricultural groups' strategies and behaviour, in light of the rise of subsidiarisation strategies and growing integration of downstream branch activities. The research methodology is statistical in nature, offering a spatial topology for such groups. This is supplemented by an analysis of the 15 leaders, compiled using annual reports, press reviews and interviews with cooperative presidents. Analysis of cooperative groups' spatial positioning relies upon a territorial embeddedness indicator matrix produced using different parameters that reflect the varied nature of the different modalities by means of which the territorial connection is activated. Our results demonstrate that territorial embeddedness strategies mobilise economic, social and environmental dimensions in the way that they structure collective action at the local level through the involvement of different stakeholders.

The article begins with a brief review of literature to clarify the notion of territorial embeddedness and distinguish it from the territorial circumscription while presenting its specificities for the cooperative sector. It then goes on to offer a spatial topology of French cooperative groups, manipulating national statistical databases towards this end. The second section offers a set of territorial embeddedness measurement and testing indicators, validated by a survey of France's 15 largest agricultural cooperative groups. We demonstrate that cooperatives' operations involve a great deal more than geographic location or statutory perimeter alone. The foundations underlying their embeddedness strategies may be the same, to wit, relations with owner–members, but they clearly differ from one another in terms of how they activate this embeddedness, which will depend on the type of production in which each is involved and the positioning it has taken in the marketplace.

3.2 Territorial Embeddedness, An Ambiguous Notion – Especially for Agricultural Cooperatives

Corporate embeddedness issues materialise within a framework defined by the activation of localised resources and territorial construction processes. In the case of agricultural cooperatives, this is a particularly delicate process because of the effects of the territorial circumscription, which activates an institutional connection to a territory. Cooperative firms, owned by members and featuring a statutorily defined territorial circumscription, are subjected to a territoriality constraint that is one of the key elements in their identity, unlike commercial companies. Questions exist, however, about the facts of this embeddedness, particularly in the wake of subsidiarisation processes and the spatial extension of groups' zones of activity. This is because cooperatives are dependent on their initial location – the decision to exit a territory is not only harder for them than for a commercial company, but above all it is more complicated to implement. Exit costs are very difficult to evaluate for companies whose activity is connected, by definition, to a particular geographical space. Thus, the territorial circumscription has often been perceived as an obstacle to development, one that must be overcome through a process of subsidiarisation and the constitution of cooperative groups.

3.2.1 From Localisation to Territory

Doubts about the localisation of companies and their activities have been progressively replaced by an emerging construct of the notion of territory. In his analyses of manufacturing districts and the external effects thereof, Marshall (1890) highlighted the role that territory plays in industrial organisation. In particular, he demonstrated that an industrial organisation characterised by the existence of

a network of small companies, often highly specialised ones connected to one another through commercial and/or non-commercial relationships, is capable of operating efficiently. The reasons explaining the success of these systems like, their "industrial atmosphere" or the "secrets of industry are in the air", have long been considered more intuitive than anything else. The usefulness of Marshall's industrial district concept is its analysis of a particular territory's ability to endogenise development, based on cooperation and trust relationships rooted in the interactions between geographically proximate actors (Torre and Rallet 2005). Seen in this light, localisation in a given space should not be confused with the notion of embeddedness in a territory: being geographically proximate does not suffice to create a connection and/or construct a territory.

A proximity approach would suggest analysing territorial construction processes via two main components that have helped to define embeddedness:

– geographical proximity, which is more than mere physical distance insofar as it is also conditioned by commercial and non-commercial social interactions, and by the temporality of economic and social phenomena (Colletis et al. 1999). For Torre and Rallet (2005), geographical proximity is not an objective fact but the result of individuals' opinion of the nature of the distance that separates them from one another. Thus it depends on transportation infrastructure but also on the price of transportation and the nature of the land and ground. For individuals, this means incorporating the different parameters affecting the notion of distance, with geographical proximity possibly being viewed as a temporary phenomenon in a framework of brief encounters.

– organised proximity, which is based on inter-actor relationships. Torre and Rallet (2005) see this as an organisation's ability to get its members to interact. The organisation facilitates interactions, including for external entities, by pursuing a belonging and similarity logic. Belonging occurs when two members from a given organisation are close to one another in the sense that they interact and because these interactions are facilitated by the rules or behavioural routines that they follow. Similarity implies that two individuals are close to one another because they share one and the same systems of representations or even identical objectives.

Thus, territory can be defined as something that covers both geographical (permanent) and organised proximities, as Torre (2008) has shown in the case of clusters. Other spaces not derived from this initial definition also exist, however. They include online communities of practices, which are characterised both by strong organised proximity and by the absence of any geographical proximity connections. As apprehended by the Proximity School, territory is more than a simple space or a receptacle for economic activity. Rather, it is a "dynamic construction resulting from interactions between different stakeholder actors" (Boschma 2005). What we are dealing with here is no longer an ideal-type or a model that can be imitated and sometimes reproduced, but instead a moving construction, one that is constantly being renewed under the influence of the interactions between local actors and external forces. In accordance with Zimmermann, we will define territorial embeddedness as the process of construction of a system of interdependency in a given geographic area, with the embeddedness incorporating both the

territory's geographical dimension and the system of local relationships established there. Because of globalisation, companies are subject to rising tensions between this embeddedness at the local level and the nomadism characterising many corporate activities (Zimmermann 2005). Thus, the role of institutional, economic and social structures has become very important in renewing their connection to a given territory.

3.2.2 Issues Relating to the Territorial Embeddedness of French Agricultural Cooperatives

Analysing agricultural cooperatives' embeddedness is tantamount to studying the way in which they activate their statutory territorial embeddedness. This is because members hold the registered capital of these companies, which possess a statutorily defined territorial circumscription. Thus, unlike commercial companies, cooperatives are subjected to a strict territoriality constraint (Filippi et al. 2008). This refers to the perimeter within which they collect products or provide services, a scale forced upon them by member–contributors' localisation. At the same time, questions remain about the reality of this embeddedness, especially in light of cooperatives' ongoing process of subsidiarisation and the spatial extension of their competencies.

This territoriality constraint, which restricts cooperatives' field of action, is a key element in their legal framework. It is defined in article 2 of standard French statutes for agricultural co-operatives as a geographical area – called a "territorial circumscription" – that is indivisible and continuous, and where the cooperative can undertake its corporate mission irrespective of the branches or sub-branches of activity involved. When viewed in this light, territorial circumscription defines a specific geographic area and crosses producers' authorisation to join a particular cooperative with their exercising a productive activity corresponding to said cooperative's economic activity (winegrowing, dairy, etc.). The area in question can be comprised of townships, counties or provinces. But in no way does it restrict the cooperatives' access to different markets. Depending on their mission, cooperatives are free to buy or sell goods in markets outside of their territorial circumscription.

We believe that a cooperative's process of territorial embeddedness should be separated from the territorial circumscription aspect per se, which ultimately constitutes just one factor in the localisation of the cooperative's constitutive elements. A cooperative is forced to work within a circumscription – which is therefore insufficient in and of itself to explain the cooperative's territorial embeddedness strategy. For embeddedness to occur, there needs to be, at the local level, relationships both between different members, whose farms cannot be delocalised (Nguyen et al. 2004), and also between employees associated with the parent-cooperative and its subsidiaries. This is because the territory of an agricultural cooperative is more than a geographic zone defined by territorial circumscription alone (a mere receptacle hosting economic activity) but should be considered instead as something constructed through actors' actions and which therefore results from the

interactions between the cooperative and other stakeholders located in the territory, i.e. cooperative members, governments, retailers, other agribusiness interests, people inhabiting this territorial circumscription, cooperatives working in other sectors, private companies and regional authorities. Ultimately, the territory of a cooperative is comprised of the intertwining of several strata, with different actors intervening at different levels. The interactions between cooperatives and stakeholders can therefore be analysed in light of all the actions being implemented to encourage such interactions. Even if the predisposition to embeddedness is more pronounced for cooperatives than for commercial companies, to accurately describe agricultural cooperatives' territorial embeddedness strategies we need to look at the detail.

In addition, the development of agricultural cooperatives has tracked changes in the socio-economic environment, and notably the evolution of French agriculture, with all of its crises and adaptations (Conseil Supérieur de la Coopération 2001). It also translates the consolidation trends that have occurred in the mass retail and agribusiness sectors. Galliano (1995) has highlighted the growing importance of groups in the French agribusiness landscape and Deneux et al. (1999) have analysed their manifest concentration in the mass retail sector. Agricultural cooperatives have started to modify their organisational structure in response to changes in economic environment by building fully-fledged corporate groups. According to Koulytchizky and Mauget (2003), whereas development processes began in the 1960s, the cooperative groups themselves really took off in the wake of two laws dated 3 January 1991 and 13 July 1992, aimed notably at augmenting agricultural cooperatives' equity capital (Filippi et al. 2006).

Given these groups' often extra-territorial growth – particularly where this involves commercial companies freed from any territoriality constraint – the question is whether territorial embeddedness remains a relevant concept. The territorial embeddedness of cooperatives and co-operative groups might be a foregone conclusion insofar as their statutes impose territorial constraints upon them. Their commercial law subsidiaries, on the other hand, help them to throw off these statutory chains since they are free to establish operations wherever they want. In this case, a cooperative is no longer solely focused on its territorial circumscription, meaning that its original connections with its members and territory will start to weaken. Hence the need to analyse the modalities by means of which relationships are constructed between co-operatives and their territory at such times as they expand in the shape of corporate groups. If cooperative groups are effectively pursuing territorial embeddedness strategies, in what form might this be expressed?

3.2.3 A Spatial Typology of French Cooperative Groups

Understanding agricultural cooperatives' territorial embeddedness requires a clarification of subsidiarisation processes that might appear to contradict this territorial connection. To ascertain whether this subsidiarisation process is a way for

cooperatives to overcome the territoriality constraint or, instead, if agricultural cooperatives preserve some kind of connection to their territory even as they develop in the shape of a corporate group, we have undertaken a spatial topology of cooperative groups, using different national databases covering companies and their groups (Filippi et al. 2007a).

The first criterion is the localisation of corporate headquarters, whose significance is measured by the number of employees. We have analysed cooperative groups' connections to a particular space by using databases derived from France's LIFI Liaisons Financières ("Financial Connections") survey and from its EAE Enquêtes Annuelles d'Entreprises ("Annual Corporate Surveys") of the following sectors: Agribusiness, Retail, Manufacturing and Services – all for the year 2003. The study covered cooperative groups employing at least 50 persons. The population was comprised of 204 cooperative groups with 111,945 salaried employees, one-third of whom worked in Group Head cooperatives, 8% in subsidiaries featuring cooperative statutes and 59% in commercial subsidiaries.

The results of this applied analysis have revealed the significant influence of the Group Head on the overall localisation of group activities, while distinguishing three categories of cooperative groups based on the spatial relationships for each.

- Group Head (GH) dominated, where more than two-thirds of the group's employees work in the GH and fewer than 20% are located outside of the county where the GH operates.
- Local groups, where more than two-thirds of all group employees are located in subsidiaries found in the GH County and more than 80% of group employees also work here.
- Multi-local groups, where at least 20% of group employees work outside of the GH County (Table 3.1).

It is noteworthy that nearly 74% of all cooperative groups have local roots (e.g. number of groups with dominant GH plus local groups), and that these cooperatives continue to dominate other companies in their group by piloting and orienting the overall group strategy. In most cooperative groups, either the GH cooperative is dominant or else group subsidiary headquarters are mainly located in the same county as the GH (57.6%). It can be easier to exercise control where a smaller number of subsidiaries is involved than is the case in a large group, with subsidiaries' geographical proximity to the GH clearly resulting from a general desire to reduce distances and cut operating costs. In this instance, economic, financial and productive functions are located within a limited perimeter, thereby facilitating logistics and reducing transportation costs. The groups where the vast majority of salaried employees work for the parent-cooperative are even more dominant since almost none of the employees are situated outside of the region where the group operates. This leads to the conclusion that co-operative groups have kept their activities highly embedded, whether this means concentrating work in the GH or pursuing subsidiarisation strategies in commercial companies located in geographical proximity to the dominant GH (Filippi et al. 2007b). The criterion of geographical proximity remains a crucial factor in their

Table 3.1 Typology of cooperative groups' spatial integration in 2003 (Filippi et al. 2007a)

2003 Classes	Number of groups	Average number of firms controlled	Total number of employees	Average number of employee per cooperative group	Distribution of group employees (in %)					
					Group Head	Same county	Same region	Adjacent region	France	Abroad
Groups with dominant GH	*84*	3.8	16,959	201.9	85.9	11.7	1.8	0.6	0.0	0.0
Local groups	67	7.5	23,347	348.4	*36.0*	*57.6*	3.0	1.3	1.6	0.5
Multi-local groups	53	17.6	*71,639*	1,351.6	16.5	*30.5*	*15.7*	*15.5*	*16.5*	*5.2*
Total	204	8.6	111,945	548.7	31.1	33.3	10.9	10.3	10.9	3.4

Sources: INSEE; LIFI; EAE Manufacturing, Services, Agribusiness, Agricultural Cooperatives, Trade, 2003

organisation. The trend towards extending a dominant GH perimeter of action, thus its territorial domination, involves either spillover or spatial contiguity effects.

In addition, although multi-local groups only account for ca. 25% of the total number of co-operative groups (e.g. 53 groups), they employ more than 60% of all employees (e.g. 71,639 employees). Given their importance in terms of employees and their multi-level spatial organisation, these groups would appear to raise questions about the original connection tying a cooperative to its territory. In general, they are big and control a greater number of companies on average than the two preceding categories (17.6 subsidiaries), while more than half (around 55%) of their employees work outside of the county where the cooperative operates. Given this category's importance in terms of employee and subsidiary numbers, it seems useful to analyse it in greater detail and consider any links to territorial considerations and potential strategies of territorial embeddedness (or the absence therefore). This is the goal of Sect. 3.3 below.

3.3 The Territorial Embeddedness of France's Leading Cooperative Groups

Given the significance of multi-local groups and the key role they play in France's cooperative agriculture sector, it could be useful to analyse them in greater detail via case studies to determine whether their development policies (notably internationally) remain compatible with the need for a cooperative to incorporate the local environment and integrate its territory. In other words, it is important to question the possible relationships that these groups may maintain at a local level, as well as their potential territorial embeddedness. Describing embeddedness on the basis of jobs being located in the headquarters of the Group Heads and/or their subsidiaries may provide information on positioning defined in a geographical space, but it says little about the underlying territorial construction processes. To elucidate cooperative groups' different modalities of embeddedness, we have decided upon a case study approach and devised a matrix that analyses territorial embeddedness on the basis of indicators that help to illustrate agricultural cooperatives' territorial strategies. This will show how these groups integrate territories and construct embeddedness.

3.3.1 The Territorial Embeddedness Indicator Matrix

The modalities for activating cooperative groups' embeddedness imply complex relational processes between actors (Filippi et al. 2008). The interactions between a cooperative and its various stakeholders (including members, government, local communities, rival companies or residents of the cooperative's territorial circumscription) are the elements that shape its territory. In other words, agricultural

cooperatives construct their ties to a territory through a conjunction of three dimensions: productive activities; local environment; and territorial sustainability policies.

This being the case, we suggest an analysis of territorial embeddedness factors for cooperative groups rooted in an analytical matrix combining three main families of embeddedness indicators (see Appendix 1).

1. Valuation of cooperative members' outputs, which can be assessed using local productive investment indicators along with product and service indicators.
   - *Local productive investment indicators*. Investments in local productive tools help to reinforce economic activity in the territory where the cooperative runs operations while also generating jobs there. Building or acquiring factories can be very expensive. This reflects various kinds of long-term strategic visions that will be beneficial for the territory in comparison with the sometimes overly short-term visions pursued by certain commercial companies that have no qualms about abandoning a territory if it is no longer sufficiently attractive.
   - *Product and service indicators*. Among the indicators most often used to illustrate an agri-business company's attachment to its territory, there are the French AOC or IGP certification systems that attest to the origin of a product and which, with their ability to bring actors together around a particular project, can also integrate a local dimension into companies' strategies. It should be noted, however, that these quality indicators are specifically associated with certain kinds of production.
2. The cooperative's integration into its local environment, which can be measured thanks to local partnership and tourist project indicators.
   - *Local partnership indicators*. These relate specifically to dialogue and consultation with stakeholders in the territories where the cooperatives have established operations. This is an important part of an embeddedness strategy since better knowledge of stakeholders can lead to collaborative arrangements between actors operating within one and the same territory. This encounter between geographical and organised proximity can be expressed via joint ventures, research partnerships and joint memberships in competitiveness alliances.
   - *Tourist project indicators*. This allows for investments in rural tourism, a growing business. The organisation of a tourist route focused on a product like wine or wheat requires collaboration between actors from different backgrounds, ranging from farmers to local communities. A project of this sort both reinforces economic activity within a zone and promotes dialogue between actors who might otherwise not meet one another. Cooperative members can also offer bed and breakfast facilities and the cooperative can help, for example by listing them on its website. The same applies to industrial tourism, involving factory or silo visits.

3. Group action on sustainability, assessed via environmental policy indicators.

Rising awareness of the environmental imperative and the effects of climate change mean that it could be useful to include certain environmental policy indicators likely to translate agricultural cooperatives' involvement in environmentally-oriented approaches. Although these indicators do not reflect territorial embeddedness per se, they illustrate cooperatives' awareness of the outlook for their territory – even when the cooperatives do not always mobilise around specific collective projects or actions. We have chosen to combine all environmentally-friendly actions: ones involving members and the cooperative (i.e. the implementation of more environmentally-friendly practices); and ones involving cooperatives and other stake-holders through various collective actions (i.e. creation of a biofuel factory).

We hypothesize that all cooperative groups have a territorial embeddedness strategy that is destined to evolve, and that to obtain a more accurate picture of the full range of problems and issues that each faces, a distinction must be made between the main sectors where each group intervenes (a group working in the dairy sector, for example, does not have to contend with the same problems as a grain specialist). To achieve greater simplicity and visibility, we chose the six sectors that are most representative of French agricultural cooperatives: grain, dairy, meat, sugar, wine, and fresh produce (fruit and vegetable). In addition to these six sectors, we added the distribution activities that a number of cooperative groups have been progressively developing in the form of farm supply stores (like Gamm Vert).

3.3.2 Drivers of Territorial Embeddedness Among French Cooperative Groups

To elucidate agricultural cooperative groups' different modalities of embeddedness, we have produced case studies covering 15 such groups (see Appendix 2 for further detail). The choice of using this approach for leader companies belonging to the family of "multi-local groups" is justified by their presence on different territorial levels and by the complexity of their organisational form, which is likely to lead to their moving a certain distance away from their initial territory. Research and compilation efforts using annual reports and press reviews revealed a number of generic characteristics for these agricultural groups. This preparatory phase was followed by individual interviews with group presidents.

The embeddedness indicators, i.e. a typology supplemented by our indicators matrix, showed how the groups in question integrated their respective territories to construct embeddedness. The groups may all have been pre-disposed to implement territorial embeddedness strategies, but these would differ depending on the kind of production involved. What came out is that spatial integration is not only a legal constraint but also a source of economic advantage, one reflecting a number of strategic issues and political choices. The findings have therefore uncovered – given the varied nature of territorial embeddedness modalities – strategies differentiated based on the particular type of activity.

3.3.2.1 The Link with Members Is the Catalyst of Each Territorial Embeddedness Strategy

Initial findings revealed that the groups play a major role in rural territories. All relied on local foundations to construct their territorial embeddedness, for three main reasons:

- Most headquarters were located in rural areas, translating a desire both to be close to farmers and to maintain activities in these zones

Asides from big cooperative unions like InVivo, Sodiaal and Socopa – whose headquarters were established in Paris due to the need for a readily accessible decision-making centre to service the many cooperative-members (or shareholders) they represent – all of the groups surveyed had their headquarters in the French provinces. Furthermore, asides from Tereos (Lille) and Agrial (Caen), none were found in any of France's 25 largest metropolitan districts. In short, cooperative groups are undeniably associated with the countryside. For instance, Haut Mauco, a hamlet of slightly more than 700 inhabitants located in Southwest France's Landes County, hosts the headquarters for Maïsadour, a cooperative producing more than €700 million in revenues. Similarly, Limagrain, a global leader in seeds, is run out of Chappes, a township in Puy-de-Dôme County with only 1,200 inhabitants.

These cooperatives were created in response to farmers' desire to pool their resources and it is therefore unsurprising to discover that they have set up in rural areas – even though these spaces have long symbolised the "digital divide" that exists between the city and the country-side, typified by the slow arrival of new technologies and particularly the Internet. Despite these difficulties, the cooperative groups that we studied were able to create a lifestyle and find financial incentives allowed them to recruit highly qualified executives.

- Groups are often comprised of large numbers of farmer-members, helping to maintain agricultural activity in these zones while consolidating the groups' own integration into the local economic system

Regardless of their size and sales, these groups remain the property of their members. French legislation governing agricultural cooperatives requires that they be located in a precisely defined geographical area. As such, even for cooperative groups with an overseas presence, "shareholders" remain focused on the territory. Thus, the decisions taken by a structure representing more than 10,000 farmers located within a specific geographical area – and who act simultaneously as its customers, suppliers and owners – will necessarily be influenced by the local environment. Whereas the principle of "one man-one vote" is supposed to prevail at General Shareholders Meeting, in reality decisions are made by individuals who are very attached to their local region, if only because they run a farming business there. Moreover, if a group decides to build up its international profile by opening a subsidiary abroad or acquiring a foreign company, some of the profits generated by this activity will be recycled back into local channels in the form of discounts or dividends paid to members. Clearly, significant disparities remain in terms of

membership size, notably between a group like Terrena, which has 25,000 members, and CV-C Nicolas Feuillatte or Cooperl, which have five to ten times fewer (unsurprisingly they also have a much smaller territorial circumscriptions as well as members specialising in a single productive activity).

Ownership of the cooperative's registered capital reflects geographic criteria, even in those instances where the group is controlled by more than one cooperative. Thus, at InVivo, a union of agricultural cooperatives, each member has one vote at the General Assembly. At Socopa, registered as a limited liability company, votes are weighted by the proportion of total equity capital owned by each of the shareholder-cooperatives. Over the past few years, an increasing number of commercial or cooperative structures have been controlled by several co-operatives at once. In addition, alliances between cooperatives are increasingly frequent, usually involving the creation of jointly controlled commercial companies (Filippi and Triboulet 2008). With these new structures, where no one owns the majority of voting rights, the different partners' territorial strategies have become interdependent. As Filippi and Triboulet (2008) have demonstrated, geographical proximity plays a major role in most inter-cooperative alliances, which are generally built along regional or inter-regional lines.

- The strong links that groups maintain with members cement their territorial embeddedness strategies

Members' triple status as cooperative's owners, customers and suppliers means they play a particularly important role. Maintaining this status quo is an overriding objective to ensure the long-term survival of a cooperative or cooperative group. For this reason, groups are usually driven first and foremost by a desire to serve members' interests and pursue specific actions aimed at consolidating this loyalty. Our case studies show that cooperatives and cooperative groups' connection with the membership cements their relationship to a territory. It is by permanently renewing this contact with members that groups can prioritise local concerns, even as they remain focused on any opportunities or changes affecting their situation.

A number of actions that are specifically geared towards members are part and parcel of co-operative groups' embeddedness processes. One is commercial in nature and occurs when a group monitors members' outputs and decides ex post to initiate a new activity that will offer members new outlets. Conversely, some groups try to influence members' production activities by convincing them to enter new businesses. One example was the investment that several grain cooperatives in Southwest France made to help members start up a duck *foie gras* business. In just a few years, these cooperatives became branch leaders, having persuaded producers to diversify activities with the argument that this would stabilise their agricultural income. Another example is risk insurance or technical consultancy, activities aimed at securing outlets for members while ensuring that there are always a sufficient number of agricultural raw material providers to optimise the cooperatives' own industrial tool. By implementing a plan to assist young farmers, groups ensure the renewal of their membership. One side-effect of this action is that it helps

to maintain sufficient supply levels, due to the expansion of existing factories or the building of new industrial assets in the local region, a solution that has the added benefit of securing outlets for the cooperative's associates. Lastly, some of the groups studied implemented a communication campaign specifically dedicated to raising the profile of their products' cooperative origins.

3.3.2.2 Embeddedness Is Activated in Different Ways, and This Diversity Reflects the Cooperatives' Integration into Their Branches and Markets

Cooperative groups are present in many markets and the diverse nature of their activities intimates a wide range of forms of territorial embeddedness. Their impact on and presence in a given territory will vary depending on the sector and type of production involved, meaning that each territorial embeddedness process is almost unique. Thus, although AOC or IGP certification processes may connect a particular type of meat or cheese to a given territory, the same approach will not work with wheat or corn. In short, cooperative groups' embeddedness strategy will differ depending on whether they specialise in livestock production like meat or dairy or fresh produce, like grains, sugar, wine or seeds.

- Territorial constraints have different effects on livestock and fresh produce production

Unlike crop farmers, livestock growers must always care for their animals. In recent years, groups working with livestock have also had to deal with various beef and poultry-related health crises, with the recent economic crisis having harmed pork production, for instance. For livestock specialists, the sources of differentiation are vertical in nature, ranging from livestock births to product transformation to consumer brand management. The main constraints associated with these businesses stem from the need for large numbers of employees. Note that the locations of these employees (and of the different tools associated with the transformation process) translate the territorial embeddedness of the cooperatives in question. At the same time, these are strategies that necessarily revolve around a search for external growth, featuring concentrated structures (Socopa) and an international positioning. For consumers, this embeddedness is visible in the advent of the IGP territory-based quality certification process. In short, for groups with livestock activities, territorial embeddedness strategies mean two possible directions. On one hand, the strategy may focus on the territorial image that the product conveys, i.e. via its AOC or IGP label. Otherwise, the strategy may revolve around local partnerships with cooperatives or neighbouring companies. Such partnerships are generally decided along territorial lines and necessarily strengthen the territorial connection, insofar as they bring actors together while securing outlets for farmer-members.

By its very nature, fresh produce production is rarely tied to a specific territory, with the exception of wine and a few categories of fruit or vegetables. For example,

no grain production benefits from a quality label like France's AOC or IGP systems. As a result, the territorial strategies of groups whose main activity is grains, sugar or seeds will not focus on product origin but instead on the permanent search for added value. Groups in this category will draw other groups and cooperatives out of their regions of origin by getting them involved in large-scale innovative projects like bio-fuel factories, research centres and holding companies – but also by taking part in different competitiveness alliances that may be present in their own regions. The only exceptions are winegrowers, for whom their production's geographical origin is a very important source of added value, and who therefore see territorial embeddedness as something that is highly natural. The end result, in this instance, is significant geographical proximity to members.

- The example of polyvalent groups and farm supply stores

The rise of groups associated with different types of production has often been viewed as a response to members' polyvalence, thus as a service that the cooperative should provide. In corporate strategy terms, associating livestock and fresh produce production can be seen as an attempt to rationalise costs. With the exception of territorial strategies that have been influenced by both types of production, groups in this category have often built up farm supply store networks, an activity allowing them to reduce risk since by alleviating weather-related uncertainties. These stores were originally meant for their farmer-members alone, but by opening them to the general public, cooperative groups have been able to benefit from the current boom in outdoor leisure pursuits.

By building such stores in rural areas, cooperative groups are helping to maintain economic activity in these spaces. Farm supply stores are also places where exchanges occur not only between farmers and cooperatives but also between farmers and other local residents. Thanks to increasingly widespread store networks that help to weave an economic fabric throughout a local region, cooperative groups are now in touch with more and more farmers and other country folk. It is by targeting the latter group at first, followed by people who live in the country but work in the city and lastly people who live on the outskirts of major metropolitan areas, that these farm stores have been able to expand their reach. The success of this model in France clearly derives from stores' historical and territorial roots as emanations of cooperatives or trading companies – both seen as trustworthy institutions in French society.

3.3.2.3 Territorial Embeddedness and the Other Dimensions of Cooperative Groups' Activity

We have just seen that cooperative groups' territorial embeddedness is largely embodied in their members and other territorial stakeholders. Agricultural cooperatives' embeddedness can also be combined with further activities undertaken by stakeholders, albeit ones that are conducted at an extra-territorial level or relate to sustainability issues.

- Nomadism and embeddedness are not mutually exclusive – interlinking the global and local levels

In the same way as the modalities of cooperatives' embeddedness will differ depending on the type of production in question, the connection that they establish between the local and global levels can assume various forms. This results in differentiated behaviour relating to their management of the fit between various territorial levels.

Cooperative groups' positioning in distant geographical zones, and even their development of activities complementing the ones undertaken by their base, is still viewed as a service that they are supposed to offer members. In other words, strategies for integrating other production zones, and even for operating abroad, are usually grounded in local determinants. Groups specialising in grain and sugar production, for example, have a definite tendency to link their overseas development to their local embeddedness. This strategy can be explained by the fact that they are more comfortable financially than polyvalent groups or livestock specialists. However, it also reflects retailers' demands that a cooperative be able to supply products that are out of season in its original zone. An example is Agrial, asked to supply carrots and salads all year long. Some cooperatives operate in markets that are now globalised and must position themselves in other geographical spaces (like Téréos in Brazil or Champagne Céréales in Ukraine). Under these conditions, what we have witnessed is not a delocalisation of activities but a veritable international repositioning, one built upon local foundations and therefore involving a defence of members' production – always with a view towards defending their interests. The purpose of the strategies that these groups pursue through their international activity is always to bring any and all value added back home to members, hence to their territory of origin. It remains that the groups must still explain why they need to position themselves on different territorial levels. In short, territorial embeddedness is constructed through an inter-linkage of the local and global levels.

- Corrective actions in favour of the environment and sustainability

Our interviews demonstrate that there has been a considerable rise in the number of actions taken for environmental reasons. This is not a recent phenomenon, although it is worth noting that agricultural cooperatives have started to pay greater attention to their environmental foot-print, with many devising concrete plans in the wake of France's Grenelle Environmental Summit. By so doing, they are acting as innovation leaders in the battle to reduce greenhouse gases. Whether this means always focusing on the performance and productivity of the group's industrial tools and members' farms or investing in innovative new technologies like bio-gas and bio-fuels, when bringing large numbers of actors together around such green projects cooperative groups are simultaneously reinforcing their own territorial embeddedness.

In addition, more and more consumers pay attention nowadays to the conditions in which the food they eat is being produced. This focus can raise animal welfare or environmental protection issues. When agricultural cooperatives implement a range

of environmentally-friendly actions, they are not only demonstrating their attachment to the local territory but also potentially creating a situation from which they might one day be able to derive new income, supplementing the sums that members already receive. Thus, in addition to the financial aspect, these are unifying actions that mobilise all at once the groups themselves, their members, local authorities and potential (financial or corporate) partners. Environmentalism is a new path for agricultural cooperatives to explore, one allowing them to bring a range of actors into various projects, but above all creating new sources of added value for members' benefit. Heavy investments can be required, but agricultural cooperatives do have the advantage of working on a looser time scale than commercial companies. In short, these new activities are opportunities to expand agriculture's importance so that, above and beyond its key sustenance role, it can also become a real driver of territorial structuring and conservation efforts.

3.4 Conclusions

The present article has analysed the modalities of territorial embeddedness followed by French cooperative groups. Implementing a spatial typology and a matrix of embeddedness indicators – and applying them to an analysis of French agricultural cooperatives – it shows that these cooperatives' territorial embeddedness cannot be understood solely in light of the statutory criterion of their perimeter of action but also depends on three main elements derived from the indicators matrix:

- The geographical zone where the agricultural cooperative operates (perimeter of action, defined in the cooperative's statutes)
- Members' location (and their organisation – all elements derived from producers' voluntary membership in the cooperative)
- The location of different outputs and services provided to members (the cooperative's tools, relating to the activities undertaken by its members and itself)

It was also revealed that cooperative groups work along identical lines, focusing on the geographical zones where they run operations – areas that are held together by the cooperative's membership. At the same time, their territorial embeddedness strategies will vary depending on how they integrate their branches of activity or the market positioning they assume.

On one hand, the connection that members maintain with the cooperative's tools (factories, silos, etc.) is key to the construction of territorial embeddedness. It is important for agricultural cooperatives and other producer groups to "use their members to control the upstream side of their value chain and foster group development". The idea here is to activate the connections between the cooperative structure and its membership, with a view towards developing a sustainable productive policy. What this requires, however, is both a mastery over relevant agricultural technical systems as well as members' trust in the way

that the cooperatives exercises the power delegated to it when making strategic choices. This connection is what structures the different production branches and has become indispensable, for instance, to the implementation of traceability and certification procedures.

On the other hand, production activities vary from one group to another and explain the differentiation in territorial construction modalities. For instances, a cooperative that specialises in livestock production will feature more territory-related quality indicators as well as a greater number of employees working with geographically proximate production tools. Conversely, groups specialising in grain and sugar production will develop local partnerships covering shared transformation tools and culminating in "territorial development projects" (i.e. bio-fuel factories). Whether they specialise in livestock or fresh produce, agricultural cooperatives will try to activate local potentialities via collective actions that may – or may not (projects, etc.) – involve explicit (AOC or IGP) references to a particular territory. "Keeping pace with members' output" and "watching market competition" are two objectives that will help to conserve value added within the local territory. Additionally, sustainability actions and a greater environmental focus will affect members' operations as well as the collective action framework that mobilises a territory's other stakeholders.

Constructing territorial development implies associating with other territorial stakeholders like other companies or local communities. It is no longer possible to apprehend farms solely in light of the products they produce. Nowadays, consideration must also be given to their competencies regarding, for instance, the sustainable management of outputs (eco-products and new functionalities). A cooperative's relationship with other local actors therefore constitutes a key aspect of how it integrates its branch from a territorial perspective. Rising environmentalism will bolster agricultural cooperatives' actions within their branches and territories. This constitutes a new link between the local and global levels and will therefore renew localisation strategies, such as they can be found in other sectors of activity.

Appendix 1: Simplified Table of Embeddedness Indicators

Cooperative's valuation of members' output		Cooperative's integration into local environment		Cooperative's sustainability actions
Localised productive investment indicators	Product or service indicators	Local partnership indicators	Tourist project indicators	Environmental policy indicators
Construction/extension of factories in the region	Production under AOC/IGP certification system	Joint-venture located in a geographically proximate perimeter	Tourist route	Brought up to production tool standards
Takeover of factories or subsidiaries abandoned by private companies	Organic production	Minority stakes in regional companies	Bed and breakfast	Biomass investment
Renovation of local productive tools	Innovation packaging	Relations with external supplies/industrial customers from the same region	Visits to farms or group's productive tools	Investment in renewable energy (biomass, solar, cogeneration plants)
Young farmer start-up grants	Specific production or local products	Participation in competitiveness/rural excellence alliances Joint projects with other regional actors (laboratories, universities)		Quality approach with an environmental vocation (Agriconfiance, ISO 14000)

Appendix 2: List of Cooperative Groups Surveyed

2007 Corporate name	Ranking among French agricultural coops	Group sales (€mio)	Group sales (€mio)	HQ county	Number of members	Number of employees	Main activities
INVIVO	1	3,636	2,800	75	283 Coops.	1,794	Grains, supplies
TERRENA	2	3,311	3,100	44	25,000	10,610	Polyvalent
TEREOS	3	2,378	2,277	59	12,000	16,006	Sugar
SODIAAL	4	2,200	1,955	75	9,727	3,637	Dairy
SOCOPA SA	5	2,000	1,940	75	Nine shareholder coops	7,100	Meat
AGRIAL	6	1,724	1,520	14	10,000	6,715	Polyvalent
COOPAGRI BRETAGNE	7	1,567	1,453	29	16,000	4,300	Polyvalent
CECAB	9	1,440	1,313	56	8,000	6,680	Polyvalent
CHAMPAGNE CEREALES	10	1,172	1,103	51	8,800	2,750	Grain, supplies, flour, malt-house
LIMAGRAIN	12	1,137	1,093	63	600	5,976	Organic health, flour, seeds
COOPERL HUNAUDAYE	13	1,051	1,008	22	2,500	2,600	Meat (pork)
EPIS CENTRE	14	1,092	964	18	8,400	1,681	Cereals, supplies, flour, malt-house
EURALIS UNION	16	1,026	829	64	15,000	3,133	Polyvalent
MAISADOUR	17	709	617	40	8,000	2,650	Polyvalent
CV-C NICOLAS FEUILLATTE	50	185	169	51	5,000	213	Wine

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Part II
Governance of Local Development in Rural Area

Chapter 4
Strategies for Sustainable Regional Development and Conditions for Vital Coalitions in the Netherlands

L.G. (Ina) Horlings

Abstract The question that is addressed in this chapter is how processes can be stimulated in rural–urban areas which contribute to sustainable development? How can capacity to act be realized? Our hypothesis is: Specific informal networks in the form of *vital coalitions* between private and public actors can contribute to innovation and sustainability in rural–urban regions. We focus on the role of bottom-up initiatives like associations, interest groups, business communities, the coalitions they form with public actors and the strategies they follow towards sustainability, based on eight Dutch cases. The theoretical framework is derived from the Urban Regime Theory. The chapter offers insight in the conditions for creating capacity to act and stimulating vital coalitions in regional development processes.

4.1 Introduction

A large part of the Dutch countryside consists of regions under urban influence. In these "*rural–urban areas*", the quality of the landscape is under pressure. Specific landscapes, characteristic land uses and their particular flora and fauna are disappearing (RIVM 2002). Physically many of these areas are still dominated by agriculture, but the declining economic situation together with the increase in farm scale, are threatening the quality of the small-scale landscape.

Environmental, social and regulatory problems are closely interrelated, and bring about a process of *rural transition* in these regions. The increase in scale of various rural functions (agriculture, water, housing, infrastructure) creates an erosion of regional boundaries. Spatial planning therefore faces difficulties in fulfilling its integrating function.

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A complicating factor is that what constitutes an adequate size for regional development can be quite variable, depending on geographic environment, natural resources and amenities, skills and infrastructure (OECD 2006, p. 114).

Traditional regional planning procedures can only provide part of the solution to the integration challenge and the complex rural issues are proving difficult to manage for the current institutions. Although there are a lot of governmental organizations active in the rural arena, there is no one body which has exclusive decision-making power. This is why the situation is perceived as constituting a gap in Dutch regional governance (Van den Brink et al. 2006).

Hajer and Zonneveld (2000) argue that the Dutch planning system cannot deal with the complex and interwoven problems posed by scarcity of space in the Dutch regions.

Van den Brink describes the example of self-referentiality of government, the so-called "urban–rural divide", in the context of the rural–urban landscape. The urban–rural divide is caused by the division of responsibility for spatial policy between urban planning departments, housing departments and rural development departments, not only at a national level but also at provincial and municipal levels (Van den Brink et al. 2006).

The trend towards decentralization throughout Europe gives new responsibilities to sub-national levels. At the same time greater attention is also given to place-based policies, which means there is an increased focus on the role of local entities in the implementation of such policies. Bottom-up approaches are being encouraged in several countries. However, in various European countries local and regional partnerships are facing a number of potential obstacles such as the complexity, rigidity and fragmentation of national and supranational policies which impact on rural development (OECD 2006, p. 114, 127). This leads to questions such as what constitutes the obstacles to cooperation and coordination at the local level of rural policy and what are the most effective mechanisms for enabling different local actors to work together?

The challenge in rural–urban regions is to develop new economical investments as bases for regional development, in combination with spatial quality. This transition process requires a re-orientation in the type of vertical and/or horizontal alliances or coalitions (both private–private, public–private and public–public) involved in agricultural production and rural development.

But the question is how to accommodate new alliances between sectors and activities such as agriculture, rural tourism and related consumption and nature protection? In other words: How can processes be stimulated in rural–urban areas that contribute to spatial quality and sustainable development? How can capacity to act be realized?

Our hypothesis in this chapter is: *Specific informal networks in the form of vital coalitions between private and public actors can contribute to innovation and sustainability in rural–urban regions*. Vital coalitions can be seen as self-organizing initiatives, formed by for example associations, interests groups or business communities who cooperate with public actors in order to set their agenda's and reach their goals. We focus on the role of strategies towards sustainability followed by these bottom-up initiatives and the coalitions they form.

Questions that are addressed in this paper are:

1. Which strategies for sustainable regional development can be distinguished in Dutch practice, illustrated by current regional projects?
2. What are stimulating and hindering (regime) factors in these projects?
3. Which types of coalitions can be distinguished and what are conditions for vitality?
4. What are the implications of the above for governance?

The aim is to offer insight in the organisational and institutional conditions for creating *capacity to act* in regional development processes. There is a sense of urgency for that, especially for regional governments. Tops (2007) describes how governments are seeking a new relationship between collective and individual responsibility on the part of their citizens. Forms of interactive policy tend to deteriorate into dead-end debate. These problems in regional governance cannot be explained from the perspective of networks alone, but require a regime approach and a perspective on creating "enabling power" (Tops 2007). Citizens need to be given more responsibility and the opportunity to take it. "Vital coalitions" need to be sought, new relationships between government and society (Tops and Hendriks 2004).

The next sections will describe the following subjects. First we will go into the methodological aspects (Sect. 4.2) and describe the analytical framework (Sect. 4.3). The context of Dutch regional development is introduced in Sect. 4.4, including four scenarios for regional development, followed by the description of eight regional cases (Sects. 4.5–4.8), illustrating these scenarios. Section 4.9 summarizes which stimulating and hindering factors the initiatives face; some but not all factors refer to the relation with the current regime(s). The conditions for vital coalitions derived from the empirical projects are the subject of Sect. 4.10. The Sects. 4.11 and 4.12 deal with the question: can a new rural paradigm be witnessed in Europe and what are the consequences for policy? In Sect. 4.13 the conclusions are summarized and some research questions are formulated.

4.2 Methodology

The empirical material is derived from information on eight Dutch cases. Private actors play an important role in these projects, creating new coalitions with public actors. The projects are initiated outside the formal policy context and can be seen in this sense as forms of self organization. The cases ensure a range of contextual variation in terms of:

- Location in the Netherlands in regions with different physical characteristics
- Size of the project, varying from a new business till a regional planning process
- Cooperation between entrepreneurs, varying from a joint business and a partnership to informal cooperation and coalitions with public actors
- Sectors involved, such as agriculture, recreation and the medical sector
- Scenarios for sustainable development

The data are derived from literature and various documents about the projects including several evaluations and monitoring reports; a visit to the projects (TransForum 2007a, b, 2008a) and interviews with private initiators of the projects, sometimes more than once. The interviews with respondents were structured loosely around topics like sustainability goals, networks, hindering and stimulating factors, and resources.

All of the projects, except those in the province of North-Brabant, were co-financed by TransForum, a foundation established by the Ministry of Agriculture, Nature and Food Quality and the Innovation Network, to stimulate innovation in the agro-sector and the countryside. TransForum stimulates projects in the Netherlands by co-financing the input of knowledge (TransForum 2008b). One project (Overdiepse polder) was supported by Habiforum, which was established by public and private organizations to put multifunctional land use into practice and financed by five government departments.

The cases are listed in Table 4.1. They pursue new regional strategies, developing agendas that can be seen as expressions of different scenarios for the rural Dutch countryside, as described in Sect. 4.4:

- Increasing the of scale of agricultural production
- An ongoing decoupling of agricultural production from the physical conditions
- Multifunctional agriculture: diversifying agriculture with services such as nature and landscape management, water management and recreational and care services
- Rural–urban integration

Table 4.1 Regional projects in the Netherlands initiated by private actors

Project and province	Scenario	Private actor
Overdiepse polder (North-Brabant)	Increasing scale of production	Interest group Overdiepse polder
Sjalon (Flevoland)	Increasing scale of production	Business group Sjalon
Industrial ecology: the new mixed business in (Limburg)	Decoupling of agricultural production from the environment (industrial ecology)	Business group new mixed business
Northern Frisian Woods (Friesland)	Multifunctional agriculture	Association Northern Frisian Woods
Agricultural care and quality products in Waterland (North-Holland)	Multifunctional agriculture/ rural–urban integration	The organizations Landzijde and My Farmer
Regional Innovation Centre Arkemheen Eemland (Utrecht)	Multifunctional agriculture/ rural–urban integration	Eemlandfarm/ Regional Innovation Centre
Regional Branding of the Green Forest (North-Brabant)	Rural urban integration	Regional Co-operative Association Green Forest
New Markets approach in Heuvelland (Limburg)	Rural urban integration	Orbis Medical and Healthcare Group

4.3 Analytical Framework

As an analytical framework we use the concept of regimes. Regimes are interpreted in a number of ways such as forms of public–private cooperation, organizational networking, sets of rules within innovation theory, and policy arrangements (see for example, Klijn and Teisman 2000; Rip and Kemp 1998; Arts et al. 2000; Van Tatenhove et al. 2000).

The regime concept in this chapter is based on the theoretical background formed by Urban Regime Theory in which the regime concept indicates ways in which configurations of private–private, public–public and public–private coalitions are formed by and in turn structure urban development agendas (Davies 2002, 2003; Dowding 2001; Goodwin and Painter 1997; Lauria 1997; Stone 2002). According to Stone, a regime can be defined as "*an informal yet relatively stable group with access to institutional resources that enable it to have a sustained role in making governing decisions*" (Stone 1989, p. 4).

We have defined vital coalitions as "*a form of active citizenship and self-organisation in which citizens and/or private or public actors take the initiative to act on behalf of a common concern or interest*". The hypothesis is that certain combinations of influential actors under certain conditions can organize acting capacity and change the status quo (Horlings et al 2006). This may even affect the institutional setting (regime) of regional development. Vital coalitions start as relatively small initiatives but can have multiple effects, e.g. making people active, combining institutions that have never worked together, or mobilizing energy within a region.

While regimes are the expression of a relationship between state and society at the system level, vital coalitions are the expression of the same developments at the level of concrete projects. Vital coalitions can be seen as self-organized networks of actors that potentially can be the starting point of a system change. Vital coalitions can be distinguished from other forms of cooperation between government and social organizations: vitality refers to energizing and productive networks, focusing on informal relationships and able to create new political power. The key characteristics of vital coalitions, which have been derived from research in a local, urban context are (1) a sense of urgency (2) entrepreneurship and leadership (3) a stimulating governmental role (Tops 2007).

In theory, vital coalitions are temporary. They can "fade-out" due to a loss of vitality, or lead in two different directions. Firstly, vital coalitions can adapt to the rural regime. Rural regimes are self-referential systems that have an inherent resistance to change. This resistance can find expression in forms of fixation. Examples include principle-fixation, goal-fixation, and form-fixation. Procedures and routines can be seen as form-fixation. Bang (2004) sees the threat of a politicization and incorporation of conventional practices of civil society. This creates a dilemma for private initiatives: in order to reach their goals and create room to manoeuvre they have to participate in institutional structures. The result can be high "transaction costs" with the attendant risk of vitality loss.

Secondly, vital coalitions have the potential to contribute to the development of new regimes by challenging the current regime and "rules of the game", and introducing new ways of thinking. This may ultimately lead to the breaking down of the rural regime, leading to new, more culturally-oriented regimes (Horlings et al. 2009). Additional empirical research is needed to throw more light on this assumption.

4.4 Regional Development in the Netherlands and Scenarios for Rural Development

In the described cases and the other Dutch regional projects mentioned in Table 4.1 different visions and images on sustainability are used. We see a distinction between agendas, reflecting different scenarios for rural, sustainable development. These scenarios can be seen as ideal types. In practice also mix forms occur.

Which problems do the described projects address? How do they react to the current situation? To be able to answer this question we have to give some clearance on the context of regional development in Dutch countryside.

The Dutch rural area is man-made. The polders in particular reflect the rational place-making philosophy of spatial planning. The quality of Dutch landscapes has been influenced not only by land reclamation, but also by rural land development and reconstructuring programmes. Agricultural land was reallocated and consolidated after the second World War, creating the conditions for mechanized, intensive and highly-productive Dutch agriculture.

Since then technological innovations have led to the decoupling of agricultural production from the local environmental conditions that strongly influenced farm production (Van der Ploeg 1992). Examples are greenhouse horticulture, which is de-coupled from the soil, the "closed" animal housing systems in intensive pig and chicken farming and genetically modified crop varieties that are resistant to herbicides (Horlings 1996, p. 26). The negative sides of the dominant post-war development model are well-known: lowering incomes, environmental damage, problems with animal welfare, loss of landscape quality and biodiversity and loss of confidence in food quality (Marsden 2003; Wiskerke and Roep 2007).

For decades it remained possible to manage the countryside, as long as spatial planning and agriculture had parallel interests and agendas. Societal demands on the countryside did not conflict with the actual development of regions. The "Green Front", a national agricultural regime in which policy, research and extension services worked in unison, had a strong influence on the agendas in rural areas, and for decades agriculture and countryside development were almost synonymous.

This changed when the issues of sustainability, urbanization and increasing societal demands all came together. From the 1980s rural residents were given increasing influence in rural land development projects (Driessen 1990). The environmental problems associated with agriculture as well as animal diseases

and food scandals affected the image of farming and the interests of market-oriented agriculture clashed with the public perception of the countryside and animal welfare. During the outbreak of foot and mouth disease for example, citizens and farmers protested against the killing of non-vaccinated cows in the Netherlands (Van der Ziel 2003). Food quality and safety became more important and agriculture had to re-earn his "license to produce". Not only consumers but also holiday-makers expressed their demands, expecting space, quietness and an attractive landscape.

Large parts of the Netherlands can be seen as "metropolitan landscapes". In these metropolitan landscapes, the urban–rural dichotomy is no longer valid (Wiskerke 2007). Urban functions like housing, business sites and recreational services enter the rural arena while rural functions adapt to urban demands, resulting in a growing intertwining of urban and rural activities. These areas have a growing importance for recreation and tourism. Due to an urban agenda that is becoming more dominant, and the reaction of agriculture responding to this agenda, the countryside is undergoing a transformation from a domain dominated by agriculture to a domain dominated by the consumption demand of the growing urban middle class, often described in symbolic and cultural terms (nature, authenticity, freedom, etc.). The notion of a "consumption countryside" illustrates this transformation (VROM-raad 2004, p. 227).

Agriculture is still the dominant land user in terms of hectares, but has to accept new interests and investors in the rural arena. This causes tension in regions where rural space is reorganized or reconstructed.

As a result of the described developments, four scenarios for rural development are emerging in the Netherlands. The effect of each scenario on sustainability depends of the concrete implementation and regional characteristics in practice. The following scenarios will be explained in the next sections, illustrated by cases.

1. *Increase in scale of agricultural production*. This scenario reflects not a sustainability strategy as such; however, by increasing the farm scale, the production costs as well as the use of artificial manure per kilogramme of product can be lowered.
2. *Development towards an ongoing decoupling of agricultural production and the environment*. This scenario can be seen as a continuation of the paradigm of rational, mechanized and intensive agricultural production. Chances for a decrease of environmental problems are created by clustering different businesses, creating closed loops of energy, waste, water and minerals.
3. *Multifunctional agriculture* which involves new functions and services such as nature- and landscape management, or the production of regional quality products, tourism, healthcare and water management.
4. *Rural–urban integration*. This "post-productive" perspective can be seen as a network approach trying to link actors and functions of cities and the countryside.

The first two scenarios are congruent with the dominant instrumental regime that was dominant in the Netherlands for decades, although new environmental goals have been introduced since the eighties of the last century. After the second World

War, research, extension and policy were strongly connected and generated a powerful agenda, planning instruments and research programme. The European agricultural policy encouraged the scaling up of production.

This regime ceased to function properly when environmental issues came to the fore and gave way to a struggle between discourses. None of the new discourse-coalitions has become so influential yet that it can be defined as a new regime, at least not on a national level, although discourse coalitions have been shaped successfully in some regions for more than one election period (see for example Mommaas and Janssen 2008).

In the next sections we will describe some experiences with regional development in the Netherlands in the last decennia which show new forms of arrangements and coalitions on the regional level.

These projects can be seen as illustrations of the scenarios described above. The projects introduce new agendas on the regional level. The concrete expression of these agendas in practice is strongly influenced by regional characteristics, problems and opportunities and the institutional context.

Within the described project different coalitions have been formed. These coalitions face stimulating and hindering factors. Table 4.2 gives an overview of these factors.

4.5 Innovative Large Scale and Soil-Based Agriculture

The focus in this scenario is on the enlargement of soil-based agricultural enterprises, such as horticulture and the dairy sector. Key elements are mass export- and market-oriented production and the use of external inputs. Increase in scale can lead to "social decoupling", an erosion of the family-based structure of agriculture.

Increase in scale fits in a tradition in the Netherlands but some new elements in this strategy are introduced the last decennia such as:

- More extensive land use in order to lower the nitrogen-loss per hectare, adapting to mineral regulation
- Co-operation between agricultural and other agribusiness-sectors, creating efficiency
- Vertical integration of businesses, to gain more control on the food chain

The increase in scale of agricultural production can function as a tool in reconstructing the area and can be combined with sustainable goals. The case of the Overdiepse polder is an example of this strategy.

4.5.1 Overdiepse Polder: Farming on New Terpen

An innovative example of the increase in scale way, is the project Overdiepse Polder, an area of 550 ha and 94 inhabitants in the province of North Brabant between a canal and the river Bergsche Maas.

Table 4.2 Regional projects, stimulating and hindering aspects

Project	Goals and Sustainability	Coalitions	Stimulating aspects	Hindering aspects
Overdiepse polder	Creating possibilities for water storage by placing farms on *terpen*. Focus on planet (water) and profit	Cooperation with the local council and the province and links with knowledge institutes	The plan adapts to the trend of climate change and policy goals aimed at creating "room for rivers". Stimulation role of individuals on the level of the municipality and province Power of the media Commitment of the Secretary of State (In)formal networks	General regulations like the obligation to store manure don't fit with the specific situation The environmental impact procedures required alternative plans though the actors had already agreed with the farmers' plan Increasing differences in interests between farmers Long duration of the process
Sjalon	Focus on profit and people but also planet aspects. The goal is to enlarge the scale of agricultural management and to increase incomes	Between entrepreneurs of different sectors of the agri-business Cooperation with the local council, province, knowledge institutes and an advisor	Leadership of one farmer with passion	Lack of competences of local council and bureaucracy Different opinions on regional image Tension between co-operation and loss of independence of the entrepreneurs Bureaucracy towards leaseholders High prices of land
Northern Frisian Woods	Focus till now on planet: quality small-scale landscape and manure, and regional self	Combination of four associations of farmers Cooperation with NGO's and multi-level	Research by knowledge institutes Strong business community, commitment between	European and national policy on manure Weak link with regional economy

(*continued*)

Table 4.2 (continued)

Project	Goals and Sustainability	Coalitions	Stimulating aspects	Hindering aspects
	regulation Second step: more focus on profit	governments Close long-term interactive cooperation with a knowledge institute (Temporary) permit of the agriculture minister	farmers Power: direct access to the (former) agriculture minister Monitoring of effects Use of communication/ media	
Green Care	Focus on people and profit aspects	Smooth cooperation till now with chain actors and local council and education centre. City-countryside coalition Linked to the national Taskforce "Versatile Countryside", supported by the government	Adapting to the trend of new concepts on health and care Access to knowledge Synergy between the strategy and the city-branding of Amsterdam as sustainable city	Differences in vision of actors and reluctance of the Agricultural Union
New Mixed Business	Focus on profit and planet (environmental aspects)	Coalition between entrepreneurs, cooperating with the local council, and research institutes.	Support of local government Technological innovation Support of a practice oriented knowledge advisory institute	Finding the binding factors between new partners is difficult Lack of acceptance Citizens protests against intensive production Possibilities for receiving governmental permits Financial risks (investments)
Branding the Green Forest	Focus on profit (regional economy) and planet (quality of the landscape)	Business community of agricultural and non-agricultural entrepreneurs	Social coherence in the region, efforts of volunteers Passion and leadership of	Difficulties to build the bridge between "red and green" actors Difficulties to overcome the

		Cooperation with local councils and commitment of the province	the initiating entrepreneur	rural–urban divide Fragmentation of regional initiatives and projects
New Markets Heuvelland	Focus on profit: creating PMC's and relation with landscape	Between entrepreneurs on the level of projects Cooperation with the province Informal contacts with regional stakeholders	Cooperation between sectors Developing new product-market combinations Combining economical product-market combinations with spatial development	Different agendas for the region and clashing interests Differences to combine new markets with landscape quality No strong business cooperation on regional level Tension between entrepreneurs logic and governmental logic (Historical) rural–urban divide Not integrated provincial policy

The polder was selected a search area for water retention to buffer the greater volumes of water and peak river discharges in the Bergsche Maas river, which are expected as a result of climate change. A sustainable solution to ensure flood safety is a combination of technical solutions (like dikes) and spatial measures. Spatial measures as in the "Space for Rivers" programme, aim to lower water levels upstream. The government's plans for water storage in this region focused on this strategy and created a clear "sense of urgency".

The Overdiepse polder interest group, a group of 16 farmers and one recreational entrepreneur drew up their own plan to meet this requirement. Their starting-point was that sustainable farming in this area means that half of the farmers can continue farming and the others will have to stop farming or move elsewhere. The plan is to build each of the farm buildings on a new *terp* (a traditional earth mound thrown up as refuges and for farmsteads in areas liable to flooding) and make provisions for flooding expected on average once in 25 years.

Increasing the area of each farm will allow production to be "extensified". The project also contributes to sustainability in the sense that it provides an answer to the rise of water levels and the project accommodates the adjustment to general manure legislation. Profit aspects are limited; the focus is on continuity of farming in the future. The group has formed a coalition, by working closely together with the government department responsible for watermanagement and public works, the local council and provincial officials.

4.5.2 New Organisational Arrangements: The Sjalon New Large Farm

To enlarge the scale of agricultural practice also new organizational arrangements can be established, like the project Sjalon illustrates. *Sjalon* is Dutch for a surveyor's staff and the symbol for the group of agricultural entrepreneurs that started this initiative. The group wants to scale up several arable farms into a single "New Large Farm" of 600 ha in the North-east polder (part of the province of Flevoland), based on efficient labour and mechanisation. Their assumption is that by cooperation between farmers more continuity in farming can be established.

The aim of the project Sjalon is to create a new form of cooperation between agricultural and non-agricultural entrepreneurs, aiming at a more profitable primary production, more cooperation in the agricultural chain and delivery of societal services. The entrepreneurs will still be stay land-owners but the management will become collective.

The group wants to base their activities on people, planet, profit, though economical sustainability is leading. Profit means in this sense: staying abreast of the latest technological developments and the investments these require. The People aspect focuses on good working conditions, work pleasure and meaningfulness for the arable farmers involved, and creating employment for the youth. Planet means aiming at high-efficiency arable farming with a low environmental impact.

The group invests in commitment of external organizations, like universities, governments, knowledge institutes and partners in the agricultural chain who can process their products.

4.6 Decoupling and the Industrial Ecology

Over the last century the relationship between farms and their surroundings has disintegrated, which has been described as "decoupling". In the future an ongoing process of decoupling is expected in the form of intensive farming on industrial sites and new types of agro-industrial production.

Changes for sustainability can however be created, based on industrial ecology principles, by clustering (multi-sector) intensive farm businesses at one location. Advantages of this scenario include lower transport costs, more efficient use of energy and the exchange of resources and waste streams between sectors.

A regional aspect in the model is the aim to use waste streams from arable production as input for intensive meat production. Reducing environmental damage by technological control mechanisms, closed systems and intensive land use are also important characteristics of this scenario.

4.6.1 The New Mixed Business

An innovative example of this scenario is the concept of New Mixed Business near the city of Venlo. The participants in this "New Mixed Farm" develop new forms of cooperation as well as different types of technological innovation. This project is still in a planning phase. The proposed new complex will be extraordinary large for the Dutch context. As well as a co-digestion power plant and chicken slaughter-house, the New Mixed Business will provide housing for 35,000 pigs and 1.2 million chickens. The concept is based on clustering different agrisectors to minimize transport distances, reduce fossil energy use and close energy, minerals, water and water loops, with several production chains clustered at a single location to reduce transport of animals. The bioenergy plant will recycle manure and organic waster, producing energy and heat for the use on the farm and for the sale of green energy to other businesses and to the national grid.

The concept focuses on profit (economical efficiency) and planet aspects, like reducing the environmental problems and a better animal welfare.

The project asked permits to build the Farm at the local government, but faced restrictive regulation and repressive instruments, such as regulation about building heights. The project also faced obstacles like fear, resistance and lack of acceptance of citizens. In this region the local socialistic party formed a coalition with citizens who didn't want this business "in their backyard".

The technical concept of sustainability clashes with the values of citizens concerned about landscape quality and animal welfare. As a response the council carried out a sustainability research. On July 8 the council gave NGB the permission for a location in Grubbenvorst, on the condition that farmers meet some additional sustainability criteria. The entrepreneurs perceive these new juridical constraints as unfair.

4.7 Multifunctional Agriculture

In this vision, agriculture focuses on multifunctional sustainable land-use. The goal is to maintain/develop the quality of agricultural landscapes while preserving such values as tranquility and open space. Sustainability goals focus on landscape and nature protection, water management and a lower input of chemicals and minerals. European rural policy and instruments like INTERREG and LEADER+ reflect this perspective. Food production is seen as just one of the functions of agriculture, combined with societal services. Agricultural provides in this strategy "green and blue" services like nature and landscape care, agro-tourism, day-care for special groups of people, and water storage.

4.7.1 The Northern Frisian Woods

A well-known example is the Association Northern Frisian Woods (NFW), a group of 750 farmers who have adapted their farm management to reduce mineral inputs and benefit nature and the landscape, ruling the National Landscape together with other organisations and the province. NFW is a combination of four farmer's associations which see themselves as initiators and producers of "farm-oriented regional development". They work in an area of approximately 55,000 ha on the joint development of agriculture to safeguard the landscape and ecological features and generate an acceptable income for farmers in the Northern Frisian Woods. The goal in the project Northern Frisian Woods is to combine landscape, nature and environment in a "regional characteristic way", to deliver long-term, socially and economically sustainable agricultural management.

The key is to achieve natural and environmental objectives through a collective approach at the regional level, which will also create opportunities to increase biodiversity and the quality of recreation. They use different fertiliser distribution methods and act as a single legal entity where one environmental permit is sufficient. The group wants to develop a regional contract as framework for regional steering.

The farmers address planet aspects by lowering their mineral losses at the regional level and maintaining the small-scale landscape in 85% of the area. Profit and people aspects are less included till now.

The challenge in the near bye future is to develop the region economically and to broaden the "farmer's steering" to "regional steering" in cooperation with governments and NGO's without losing the initiative or getting institutionalized.

4.7.2 A Regional Innovation Centre in Arkemheen Eemland

The Eemlandfarm in the province of Utrecht is an educational and multifunctional farm. The focus on the Eemland farm is on planet aspects (sustainable land-use) and profit (professionalization of multifunctional agriculture). A multifunctional farm in itself is not innovative, but the company is also a motor for developing new rural concepts and coalitions on different spatial scales. The entrepreneur, who was also the initiator and chairman of the agricultural nature association in this region, started a national "rural–urban cooperation" together with other nature associations; the goal is to share ideas and resources, so that new initiatives do not have to start from scratch.

The Eemlandfarm was reconstituted as a Regional Innovation Centre on 5 March 2008. Its purpose is to collate expertise to answer questions that arise in practice and to stimulate innovation and integration with student education by establishing a "Rural Academy". The entrepreneur was the driving force behind a conference at the Eemland farm on "The city in search of farmers" where the agriculture minister was presented with the Amersfoort Agreement on implementing concrete projects to strengthen the relation between the built-up area and surrounding green areas.

4.8 Rural Urban Integration

The rural domain is no longer exclusively for food production but in some regions transformed into a "consumption landscape" to meet people's demands. This is part of a broader trend referred to as the "experience economy" (Pine and Gilmore 1999). Rural experiences embodied by regional quality products, walking in the countryside, attending country fairs and regional festivals, and an interest in dialects and cultural history are expressions of this trend. The landscape is increasingly becoming the "experience space" of the urban society.

In this scenario new actors enter the rural policy arena (VROM-raad 2004). The goal is to establish multi-sector networks and designing new concepts based on rural–urban alignment and alliances between agricultural as well as non-agricultural entrepreneurs and to attract new investors who contribute to landscape quality.

The competition between regions is growing and they are becoming increasingly dependent of the image they communicate to make themselves more distinctive. One of the strategies regions pursue is regional branding, following the trend of city-branding. Branding is the development and marketing of regions around their core values, both in a physical sense (quality of the landscape) and in an economical, social and cultural sense. An example is the branding process in the Green Forest.

4.8.1 Regional Branding in the Green Forest

The Green Forest is situated between the cities Hertogenbosch, Tilburg and Eindhoven in the south of the Netherlands. The challenge is to strengthen the regional economy combined with preservation of the landscape quality. Entrepreneurs are expected not only to use but also invest in the landscape. There is attention for the people aspect in the sense that cooperation and voluntary work is valued high in this region. In 2006, 2007 and 2008 a large Regional festival was organised to show the inhabitants of the Green Forest the activities and attractions of the region.

A group of entrepreneurs developed the concept of branding commercially and formed a commercial co-operative association. The aim is to develop broad sustainable criteria on business as well as product level. The first step is to realize agreements with farmers about nature care and development. The project in the Green Forest also wants to develop new relations with the triangle of cities around it: Den Bosch, Eindhoven and Tilburg. The province has adopted the branding strategy as part of their policy.

4.8.2 Rural–Urban Contracts in Waterland

This urban inspired vision starts from the view that the boundaries between urban and rural functions are eroding. Sited for healthcare facilities and housing are being sought in the countryside, while farmers co-operate with urban partners to stimulate sales of their regional products. In this sense a sustainable strategy means the creative use of urban economic driving forces (profit) to maintain the quality of the cultural landscape and current land uses (planet).

An example is the region Waterland near Amsterdam, where the organisation Landzijde (Dutch for Landside) initiated the project “Green Care Amsterdam”. Landzijde is a commercial business and knowledge centre on farming and care, that coordinates the placing of a variety of clients needing day-care at 87 farms.

In the project Green Care Amsterdam the farmers, organized in Landzijde, work together with the city of Amsterdam to provide care, shelter and day-activities, especially for people with psychological problems and reintegrating drug addicts. The project also makes farms suitable for special education needs through a learning program. An alliance was established with researchers on “care farming” at the University of Wageningen and the department of psychiatric research at Radboud Universiteit Nijmegen and the University of Amsterdam, to monitor the health effects.

There is a strong personal connection between the agricultural nature association, Landzijde and the food project “My Farmer”, which resulted in the opening of a co-operative supermarket in the centre of Amsterdam in 2008, selling regional products from Waterland. The left-wing alderman of Amsterdam supports the project because it fits well within Amsterdam’s city-promotion and its recent food strategy of the city, inspired by the London’s food strategy.

4.8.3 The New Markets Approach in Heuvelland

The quality of the landscape in "metropolitan areas" is under pressure. How to maintain the environmental quality and values of landscapes? The strategy New Markets tries to link economic developments to spatial networks and to attract large rural and urban entrepreneurs to invest in the landscape. The aim is to develop new markets based on alliances between different sectors such as food, recreation and care, combining economical investments (profit) with landscape quality (planet).

"Heuvelland", which means land of hills, is a metropolitan landscape in the south of the Netherlands between the cities of Maastricht, Heerlen and Sittard. The project started in 2003 to improve the recreation economy of the region by identifying new potential markets.

The outcome of the first step, desk research, was translated into "*opportunity maps*", a new and innovative method to identify and visualize new opportunities for development by combining potential economical markets with spatial networks (ZKA and van Tilburg 2005). The maps were presented to entrepreneurs during "round table meetings", organised by LIOF, the development organization in the region.

The outcome of this phase was the identification of five development opportunities. A group of interested entrepreneurs was assembled for each of these opportunities. One of the themes was "Healing Hills", a coalition between Orbis, a regional medical and healthcare concern, and the hospitality company Château hotels, linking the natural and cultural values of the rural area (hills, meadows, woods, convents) to healthcare. They signed a contract with a natural insurance company for two holiday and healthcare packages allowing surgery patients to recover in a 3- or 5-star hotel set in an attractive landscape.

The Heuvelland project as a whole was actor oriented rather than plan-oriented and concentrated on entrepreneurs who wanted to act and think strategically. The group of selected entrepreneurs was kept small in order to reduce complexity in the field of action; only those who had a stake in the problem and were willing to help to solve it were recruited (Mommaas and Janssen 2008, p. 31). This "selective mobilisation" approach is rather new in the Netherlands, where broad consensus seeking negotiations between interest groups, are part of a long Dutch tradition.

4.9 Stimulating and Hindering Factors in Regional Cooperation

The cases show which obstacles in regional cooperation. Some of the obstacles already mentioned in Table 4.2 can be traced back to the working of regimes, narrowed to the institutional (policy) context. Hindering obstacles turned out to be:

- *Organizational policy constraints*. In some projects, such as Heuvelland, a fragmented provincial governmental organisation with different departments for "red" and "green" policy obstructs cooperation. Another obstacle is the

difference between the situational logic of entrepreneurs and the institutional logic of governments. Public and private action work to differ time horizons. Entrepreneurs often find the rate of implementation to be too slow and often feel they are not being given enough support owing the passive or a reactive role of government. In some cases, like the Green Forest, regional policy initiatives a fragmentation are fragmented.

- *Institutional obstacles* caused by general laws and regulation on national and European level, not adapting to the specific situation or regional characteristics. This is illustrated clearly in the case of The Northern Frisian Woods. General procedures and rules such as environmental impact assessments or the obligation to build manure storage buildings often do not provide an adequate response to a situation in transition, as the case of the Overdiepse polder shows. Also contracts of semi-governmental organizations such as the State Property Department (lessor) in the case of Sjalon turned out to be a legal obstacle.
- *Clash of different agenda's* for the region. It can prove difficult to compile a joint "storyline" for the region, for example in Heuvelland, due to different public and private interests.

However, the institutional policy context does not just throw up obstacles. For example in the cases of Northern Frisian Woods, Sjalon, Green Forest and Heuvelland, provincial authorities stimulated part of all the process by providing subsidies or other support to elements of the private agenda's, the New Mixed Business received financial assistance from the national government, and local councils took a positive attitude towards the Overdiepse polder and Landzijde initiatives.

Success or failure of the coalitions is not only due to regime-power. Other factors obstruct private co-operation between private actors, which is complicated by different interests, cultures, motivations and personal factors. In several projects entrepreneurs formed a business community to combine resources and gain power, but they have different interests and want to retain their autonomy. In the case of Sjalon it took a long time to align independent entrepreneurs around the concept of a single company. This problem also arose with the New Mixed Business and they chose to maintain the different companies under one "umbrella concept".

Also cooperation with public actors and forming public–private coalitions is difficult because of their different motivations, roles in the economy, governance mechanisms and organizational cultures (Klijn and Teisman 2003). According to Noble and Jones (2006), who analyzed public–private partnerships, three *types of distances* influence the process of co-operation. *Autonomy* distance is the reluctance to form a partnership and sacrifice the organizational sense of autonomy (Cook 1977, p. 74) as well as personal control. Private or public actors may believe that their own organization already possesses the necessary resources or expertise to perform on their own. *Cultural* distance is when initiators are reluctant to engage in the process of searching for a partner organisation in a sector they often know little about, and may harbour pre-conceived notions. We see this form of distance in the cases where agriculture co-operates with other sectors, such as recreation or the medical sector. *Cautionary* is the natural caution people experience when working

with any new partner whose credibility, reliability, trustworthiness, competence and integrity are as yet improved. Governmental actors in particular are often perceived by entrepreneurs as not being trustworthy partners.

Two important stimulating factors for co-operation on the regional level are informal networks and the leadership of private actors who can mobilize people around a joint agenda (see also Horlings and Beckers 2009; Horlings 2010).

4.10 Types of Coalitions and Conditions for Vitality

The cases illustrate different forms of coalitions and a variety of mechanisms. Three types of coalitions can be distinguished, although they overlap in practice (Table 4.3). Which form of coalition is appropriate depends of the problem definition and the regional situation. We do not yet know which type of coalition will be most effective in the long run because most were formed only in the last few years.

To what extent can the described coalitions be defined as *vital* coalitions? With vitality we mean energy and productivity to create capacity to act in order to change regional agendas, realize goals or change the formal or informal "rules of the game". The projects are vital in the sense that they influence local or regional agendas, for example in Waterland, Northern Frisian Woods, New Mixed Business and the Green Forest, and are to a certain extent able to create room to manoeuvre to realize (at least partly) their goals. In most cases they participate without adapting

Table 4.3 Types of coalitions

Type of coalition	Characteristics	Examples	Goal
Business- oriented coalitions	Coalition between different (agricultural or non-agricultural) sectors	New Mixed Business, Sjalon, New Markets approach	Create win-win situations based on joint interests in economical development
Rural–urban alignment	Coalition between entrepreneurs and consumers/ inhabitants of cities	Branding the Green Forest, Regional Innovation Centre, Green Care in Waterland	Create new linkages and commitment between producers in rural areas and citizens by producing products and services
Steering coalitions	Coalition between groups of entrepreneurs, governments (and NGO's) at the regional level	Overdiepse polder, Northern Frisian Woods	Negotiate and influence government decision making by participating in formal and informal organizations, ad-hoc project groups or more permanent steering groups.

the dominant regime in their region, but pursue their own innovative path. These project suggest that there are three crucial elements for vital coalitions. First, a strong "business community" (co-operation between private companies) with a joint agenda in which private initiators with passion work as "leaders of change". Second, a sense of urgency in the region, creating synergy between private initiatives and public goals and plans, combined with good timing in order to create a "policy window". Third, working in formal/informal multilevel networks, negotiating "behind the scenes" and making use of power and the knowledge of research institutes.

"Changing the rules of the game" has so far been "a bridge too far" and the current institutional context *has been challenged but not changed*. For example the Northern Frisian Woods has been questioning national and European manure and fertilizer regulations since the beginning of the 1990s and the New Mixed Business was still negotiating the current regulations in 2010.

How do the agendas of the initiatives contribute to sustainability? It is too early to say what the concrete and measurable effects of the described projects will be in terms of sustainability. The coalitions mostly define sustainability in a broad sense, including People, Planet and Profit aspects. However, in practice most projects focus on economic aspects and the People aspect is generally underdeveloped. In some projects sustainability seems to be little more than "window dressing" to legitimize the project, rather than being an integral framework for development.

The only project that is being systematically monitored for sustainability till now, is the Northern Frisian Woods (Van der Ploeg et al 2003). Their approach has led to a robust reduction of nitrogen losses (Renting and Van der Ploeg 2001), 30 farmers are trying to go further and reduce their ammonia emissions to below the legal standard (TransForum 2007b), the soil biology has improved (De Goede et al. 2003) and 850 farmers, covering 85% of the area, participate in nature and landscape schemes.

It would be instructive to have a system for monitoring the sustainability of all the projects on the regional level. An example is the monitoring method for sustainability developed by Telos (2002).

4.11 To a New Rural Paradigm?

Rural development is a multi-level, multi-actor and multifaceted process (van der Ploeg et al 2000). According to Marsden (1998) four key spheres reflect the diversified or "differentiated" countryside. They illustrate the degree to which different rural areas are developing contrasting strategies of adjustment and compromise with both the increasing scale of production and the wider economy.

The spheres reflect different dynamics, which are generated locally and externally, different production and consumption relationships, and different production and consumption relationships and different degrees and types of regulation:

- Mass food production
- Quality food markets
- Agriculturally related changes
- Rural restructuring

Despite the uncertainties associated with the common agricultural policy, the growing health concerns of consumers and the potential effects of the liberalization of global food trade, mass market food production still dominates the rural land base (see also Marsh 1997). The majority of farmers are hooked increasingly into the vertically food chain which is dominated by the power of the corporate retailers and manufacturers. These sets of interactions and relationships, are national and global in character and are subject to technological changes which demand intensive production economies of scale (Marsden 1998).

The Overdiepse polder and Sjalon projects illustrate the importance of economies of scale. The New Mixed Business project shows the global vertical links of the food chain driven by technology development. The Green Forest project targets at quality food markets, which can be seen as a reaction to changing consumer preferences and the introduction of quality criteria in food supply chains.

The agriculturally changes in recent years, generally defined as agricultural diversification, involve farmers undertaking new activities like nature, water and landscape management, day care and tourism. The projects Northern Frisian Woods, and Green Care Amsterdam are an example of this diversification. These developments are highly location specific, based on specific growth in non-local and non-agricultural markets, and require new connections and networks for their development.

In many rural areas the main restructuring of the land base has little to do with the agricultural sphere. Here extra-agricultural processes, such as housing exploit the redefined rural resource. The housing market becomes more regionalized and the spatial patterns of recreational behaviour of citizens cross urban boundaries (Mommaas et al. 2000). As the expansion of urban activities and the housing market drives a suburbanisation of work and supply functions, rural areas are becoming part of a field in which urban–rural boundaries are disappearing (Verwijnen and Lehtovuori 1999); they are no longer outside the city, but lie "in-between" urbanized areas. In these rural–urban regions, urban and rural activities are becoming increasingly interwoven and local planning is more amenable to inward investment and development. An example of restructuring, not based on agriculture, is the described New Markets approach.

4.12 Governance Implications

What are the implications of the differentiated countryside for rural policy? As Marsden (1998) states, rural restructuring processes are highly influenced, both in type and intensity, by the varying institutional and regulatory structures and

processes developed in the differentiated countryside. Given the complexity of supply chains and competing development processes in rural areas, the countryside needs to be defined as different kinds of space, as a series of local–non-local network configurations. As a result any "integrated" rural policy will therefore have difficulty integrating the different development processes and supply chain links into the differentiated rural spaces. A consequence of this can be that the differentiated countryside requires regionally differentiated development regimes.

A condition to spatial policies that incorporates urban and rural areas can: "*attempt to maximize the synergies (for instance production–consumption linkages, value streams) between urban and rural places within a regional context and be more realistic about the degree to which rural areas can capture economic and social value from rural products, services and resource use*" (Marsden 1998, p. 116).

Flemming also mentions the need for more rural–urban incorporation. He argues for more attention to the mutual dependence between of the rural and urban economy in rural research, and a shift of focus to more *exogenous* factors such as the knowledge economy, innovation systems, competence building, regional specialization and the like (Flemming 2007). Some Americans describe this as the need for new rural policy (Drabenstott et al. 2004, pp. 97–104).

In its report The New Rural Paradigm, the OECD identifies a new, multi-sector, place-based approach to rural development which seeks to identify and exploit the varied development potential of rural regions through new industries such as rural tourism, manufacturing or ICT. Such an approach requires the development of new collective governance arrangements to better integrate a broad range of state and non-state actors, horizontally at both the central and local levels, and vertically across all tiers of government. The core of this new label is closer interlinkages between the rural and urban economies and recognizing the close interplay between rural development and regional development in general. Some regional cases in the Netherlands illustrate this new approach, such as Heuvelland and the Green Forest.

4.13 Conclusions and Research Questions

A promising perspective for establishing new arrangements in rural–urban regions are vital coalitions, innovative forms of informal cooperation between private and public actors that create capacity to act in regional processes. In the described Dutch cases new coalitions were established and private initiators play a leading role in these projects. The coalitions have some common elements such as the introduction of new agendas, a focus on informal multilevel contacts with governments, co-operation with knowledge institutes and the use of different forms of power.

How vital are these coalitions? The coalitions create capacity to act to realize their goals (at least in part), but still face the bureaucratic context of regulations and procedures. The current institutional context is *challenged but not changed,* by the

initiatives, at least not at the time of writing. Not all the hindering factors relate to regime-power, as some problems arise from co-operation between private actors and the types of distances between organizations.

Based on the described projects, we distinguished three types of coalitions: business-oriented coalitions, rural–urban alliances and steering coalitions. Important conditions for vitality were found to be (1) a strong "business community" (co-operation between private companies) with a common agenda in which private initiators with passion work as leaders of change; (2) a sense of urgency in the region, creating synergy between private initiatives and public goals and plans, and good timing in order to create a "policy window"; (3) formal/informal multilevel networks, negotiations "behind the scenes", the use of power and the knowledge of research institutes.

The contribution of these coalitions to sustainability is not evident in all cases and the People dimension of sustainability is underdeveloped. Systematic monitoring of the effectiveness of activities within the projects in terms of sustainability within the projects could give more detailed information in the coming years.

The question remains if vital coalitions have the potential to contribute to the development of new regimes, ultimately leading to the breaking down of instrumental rural regimes and the establishment of new, more culturally-oriented regimes. We see indications for such as change. However, to throw more light on this assumption more detailed analysis of the regional processes is needed and over a longer period.

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Chapter 5
Governance, Rural Development and Farmers' Participation in Irish Local Food Movements

Áine Macken-Walsh

Abstract As exponents of the "post-industrial" and "post-productivist" economy, it is accepted that many of the economic activities in line with the contemporary rural development agenda (as supported by the EU LEADER programme, for example) do not have a mainstream agriculture "tag". It is envisaged that the governance approach to rural development, by providing a mechanism for the participation of a variety of local sectoral stakeholders, gives rise to an increased capacity to appraise and tap into nuanced local development resources. Particular forms of economic activity, which concentrate to a large extent on high value-added food production, tourism activities and the valorisation of natural resources have emerged in line with the contemporary rural development agenda and arguably represent a new *status quo* in the rural economy. In the bureaucratic and academic literatures, the "newness" of what is described as the knowledge-based culture economy continues to be emphasised, as if in reflection of the persisting challenges that arise in the transition from "labour and material value to design value". This paper presents an Irish case-study to explore the socio-cultural factors that frame "conventional" farmers' engagement in "alternative" local food movements, which have gained prominence within the context of the contemporary rural development agenda.

5.1 Introduction

The EC Lisbon strategy recognises the governance and rural development approach, pioneered in EU member states by the LEADER[1] programme, as a key instrument for the "restructuring of the agriculture sector" and for "encouraging

[1]LEADER: *Liaisons Entre Actions de Développement de l'Economie Rurale*.

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diversification and innovation in rural areas" (CEC 2005). The integrated (multi-sectoral) approach to rural development is recognised as being capable of pursuing a route towards "a higher value-added, more flexible economy" (CEC 2005). Moving away from a sectoral to an inter-sectoral approach, the contemporary EU rural development agenda relates to a diverse range of potential rural economic actors. In the context of the contemporary rural development agenda, entrepreneurs who engage in "indigenising" the local economy (tourism; organic and artisan producers) are the new pioneers, with traditional agricultural producers often in the position of having to adapt to new development rules in order to avail of a diversified range of rural development funds. Since the inception of governance and rural development programmes in Ireland in the early 1990s, it is acknowledged that farmers have been "slow" to engage in routes of income generation alternative to farming (Conway 1991; Teagasc Rural Development Commodity Group 2005). Mindful of the principles of governance underpinning the contemporary rural development model, it is important to pay attention to the dynamics of how farmers, an increasingly vulnerable social group, are garnering influence in determining how local development agenda are taking shape.

Against the backdrop of numerous economic and socio-economic studies, *Teagasc,* Ireland's Agriculture and Food Authority, initiated a research project in 2006 to explore the socio-cultural factors that surround farmers' decision-making processes. The aim was to provide a qualitative baseline study in the Irish context of the socio-cultural context of farmers' disinclination towards and estrangement from contemporary rural development initiatives. A case-study approach, using qualitative interviewing and participant observation techniques, was undertaken to shed light on farmers' subjective perceptions and experiences of traditional and contemporary income-generating activities. In this paper, farmers' occupational barriers to engagement are explored through an analysis of farmers' production-oriented cultural capital. Farmers' estrangement from local food movements is problematised from the perspective that such movements are influenced more by forces of consumption than production. Finally, some consequences arising for the governance and rural development model are highlighted.

5.2 The Governance and Rural Development Model: Principles and Products

The governance-based approach, espoused by models such as the EU LEADER programme, represents the contemporary blueprint for rural development across the EU. The EU model of governance and rural development is described as operating on the basis of two principles: hierarchical decision-making structures replaced by mechanisms involving representatives from a wide range of governmental and non-governmental groups (principle of partnership); and decision-making taking place

as close as possible to the site of implementation (principle of subsidiarity) (Osti 2000, p. 172).

Employing a participatory approach to rural development, the governance and rural development model is claimed to have a number of key advantages, among them the capacity to "enable a better understanding of the area and its living strength" (CEC 1988) and to provide both "an innovation, and a lever of innovation" (LEADER European Observatory 1997). It is envisaged that by providing a mechanism for the participation of a variety of sectoral stakeholders at the local level, the governance and rural development model gives rise to an integrated approach and thus has the capacity to tap into nuanced local development resources. Operationalising governance and rural development programmes such as LEADER requires the active participation of local development stakeholders and a central challenge, thus, is to "invent new (participatory) institutions which not only can mediate and get beyond conflict by providing representation to a wide span of local interests but can be an effective means of developing local economies" (Curtin and Varley 1997, p. 142).

Similar to how intensive forms of agriculture and fishing are synonymous with productivist models for agriculture and fisheries, distinctive forms of economic activity have become mainstream in rural development culture and arguably represent a contemporary *status quo*. Because contemporary programmes for rural development are characterised as being part of the "post-industrial and post-agricultural" economy (CORASON 2009), the scope of activities funded under such programmes is inevitably confined to those which are appropriately oriented. The CORASON EU 6th Framework research project, which employs a cognitive approach to understanding the dynamics of expert and lay knowledge, describes the contemporary rural economy as encompassing four main areas of activity:

- New forms of agriculture (including organic and non-organic food production)
- Small-scale food processing
- New forms of rural tourism
- New forms of managing complex natural resources
- CORASON (2009)

The notion of the "culture" economy is manifest in rural development discourses and practices that surround tourism, artisan foods, and the development of linguistic and artistic commodities (Cloke et al. 2006; Lowe et al. 1998). Cawley and Gillmor (2008) describe the culture economy approach as "capitalising on the distinctive features of rural areas and cultural practices by commodifying them for commercial purposes rather than seeking to pursue scale economies in production" (p. 145). As an exponent of the contemporary rural development policy approach, it is recognised that the LEADER programme does not have a mainstream agriculture (or fisheries) "tag". In the bureaucratic and academic literatures, the "newness" of the knowledge-based culture economy continues to be emphasised, as if in reflection of the persisting challenges arising in the transition from "labour and material value to design value" (Ray 2000).

5.3 Presentation of the Case Study

There is a paucity of qualitative research in recent years on the implementation of governance and rural development programmes in Ireland to determine the types of actors who typically become involved and the nature of development activities that such programmes support.[2] The dynamics of locally-influenced development models are known to be complex and further layers are added to the complexity in the context of such models being used as a policy instrument in responding to supra-local paradigmatic shifts (for instance, the transition to post-productivism) and particularly oriented rural economic activities and products. Farming is understood as a "socio-cultural practice" and a "way of life", and not just a technical or income generating activity (Vanclay 2004, p. 213). Non-economic influences such as collective values, tradition and forms of knowledge underpin how capital is subjectively ascribed by farmers to the various social and cultural aspects of their income-generating activities. Bourdieu's (1993, 1996) theory of capital framework assists in understanding the social, cultural and social dynamics of farming. The theory identifies three forms of capital: economic capital (material wealth); social capital (benefits that are accrued from membership in social networks); and cultural capital (how prestige is attached to matter and action) (see also Burton 2004a).

It is acknowledged that the "cultural turn" has been slow to influence studies in agriculture where quantitative methods, positivism and economic rationality tend to dominate analyses of farmer behaviour (see Barnett 1998). Burton (2004a) notes that inflexible models of behavioural analysis employ a simplistic approach to understanding behaviour, while "new" methodological approaches emerging with the "cultural turn" in other areas of social science focus on "the importance of understanding language, meaning, representation, identity, and difference" (Barnett 1998; Valentine 1999). The methodological approach of this study is broadly informed by theories of existential rather than economic rationality where the focus is on individuals' subjective experiences of, and agency with, the outside world. Primary data collection techniques employed for this study involved the design and implementation of qualitative field research exercises which were conducted among farmers, key informants and rural development practitioners. Unstructured and semi-structured interviewing and participant observation methods were used to explore interviewees' subjective views and the context surrounding their poor engagement with contemporary rural development programmes. Narrative-type accounts were produced to portray the diversity of factors influencing interviewees' world views and associated decision-making processes (see Gubrium and Holstein 1995, 2001; Wengraf 2001).

In total, 45 interviews were conducted with farmers, key informants and rural development practitioners. The majority of farmers interviewed were men. Interviewees were identified in adherence to the principles of grounded theory

[2]Kearney et al. (1995) published an evaluation of LEADER I; Curtin and Varley (1997) published research on area-based partnerships in Ireland in the early 1990s and on community action (2002).

(see Strauss 1987; Strauss and Corbin 1990), where the author came to interact with individuals in the localities and sourced interviewees through an iterative process. Some of the rural development practitioners were known to the author and others were identified and contacted through the agencies to which they were affiliated.

5.3.1 *Rural Development in Liscannor, Co. Clare*

Since the introduction of integrated rural development programmes to Ireland over two decades ago, farmers have been "slow" to engage in "alternative" routes of income generation outside of farming (Conway 1991; Teagasc Rural Development Commodity Group 2005). Economic models developed by *Teagasc*, Ireland's National Food and Agriculture Authority, anticipated farmers' exodus over time from non-viable farming enterprises in response to changing policy and market circumstances. Despite the growth in rural development programmes that promote and support diversification of mainstream farming enterprises and broader rural economic diversification, *Teagasc*'s annual National Farm Survey (NFS) continues to present the persistence of a high number of non-viable farms. It is becoming increasingly evident that a high proportion of farms in Ireland are dependent on off-farm income (Fig. 5.1). Recently published data show that 30% of farms are viable in Ireland, and without off-farm employment, 70% of farms would be in a vulnerable position (O'Brien and Hennessy 2008). While it is so that farmers are engaging in off-farm work, they are primarily engaged in work in the construction and services industries rather than engaging in on or off farm rural enterprises (Fig. 5.1).

These national-level statistics are also represented in the District Electoral Division (DED) of Liscannor, West Co. Clare, where qualitative research was

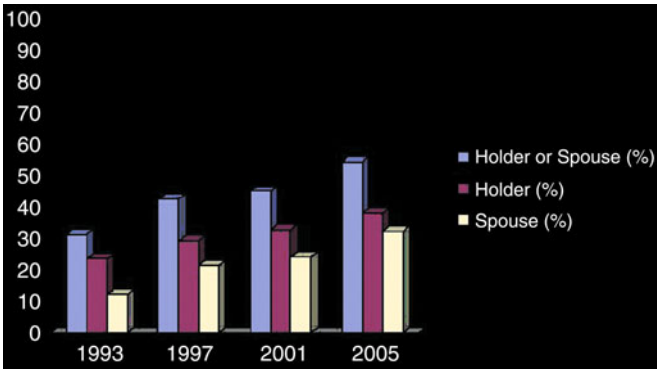

Fig. 5.1 Percentage of households with off-farm jobs (1993–2005)
Source: Teagasc National Farm Survey (NFS) data, presented in O'Brien and Hennessy (2008)

conducted among members of the farming community for the purposes of this study. Liscannor has an area of 1,355 ha, and the 2006 Census of Population records a total population of 282 in the area (decreased from 352 in 2002). Although Liscannor is on the West coast, the local economy has a low dependency on mariculture. Co. Clare has a relatively high dependence on agriculture, however, and the amalgamate value of agriculture, forestry and fishing as a percentage of the total Gross Value Added (GVA) in Clare is almost twice that of counterpart percentages for the Mid-West and in Ireland as a whole (Clare County Library 2000). Farmers remain marginally the largest socio-economic group (15%) in Co. Clare (Clare County Library 2000) (Fig. 5.2).

According to the 2000 Census of Agriculture undertaken by the Central Statistics Office (CSO), there were 41 agricultural holdings in Liscannor and a total of 56 Annual Work Units (AWU) were expended on farm work in 2000. There are three main development support agencies that interact with farm households within the Liscannor area: Teagasc, the Irish Agriculture and Food Authority; the Smallholders' Initiative, and Rural Resource Development (RRD) Ltd, which has implemented the LEADER programme in Co. Clare since its inception in 1992. Teagasc offers a comprehensive range of farm advisory and education supports to farm families in the Liscannor area. These concentrate in the main on business and technology, good farm practice, rural development, and adult education. The mission statement of the Smallholders' Initiative is as follows: "to work with small scale agricultural producers and their families to improve the economic potential and social conditions of the household" (Pobal 2009). In Co. Clare, Rural Resource Development (RRD) Ltd. has administered the LEADER programme since its inception in 1992. Between 2001 and 2008, the company administered a total of €3,204,991 m. to LEADER project beneficiaries in Co. Clare. The company engages in a wide range of rural development supports to assist capacity building in the community and voluntary sectors, the development of natural resources, and the "creation of innovative rural social and economic

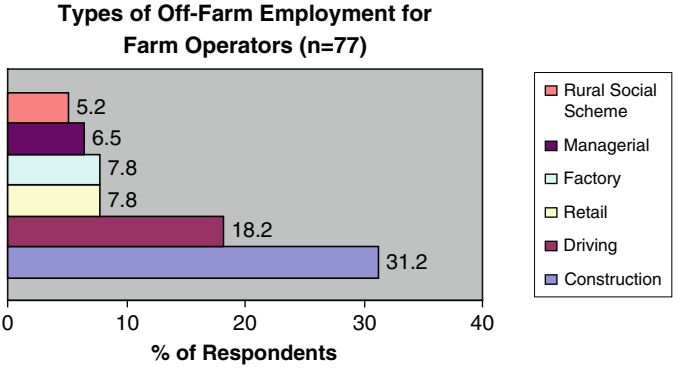

Fig. 5.2 Types of off-farm employment for farm operators in Co. Clare (2005)
Source: Bogue (2006, p 7)

solutions".[3] In the last programming period (2000–2006) a single farm family initiated a LEADER-funded project in the Liscannor area.

5.4 Subjectivity, Agency and Rural Development

The majority of farmers interviewed for this study claimed to have little or no interaction with or awareness of the activities of local governance and rural development programmes. Rural development workers and representatives of farmer interest groups alike referred to a general disassociation between farming on one hand, and "rural development" activities on the other:

Farmers don't think rural development is for them

If you ask farmers if they know what LEADER, is would they know?

It is acknowledged in the literature that there are problematic issues of representation and agency in how the contemporary rural development agenda has taken form in Ireland and elsewhere in the EU. It is apparent that particularly oriented interest groups and organisations (as well as their members) are perceived to have a remit in "rural development" while others are not (see Kovach and Kucerova 2006; Macken-Walsh 2009). Most of these perceptions reflect a context of transition from forms of sectoral development that are focussed on the production of primary commodities to a "post productivist" model where "alternative" forms of rural economic activity are promoted. In Italy, Osti (2000, p.176) notes that the primary interest groups influencing LEADER rural development partnerships are tourism operators and shopkeepers' association while farming organisations are often "bewildered from losing their privileged channels of influence". In the case of Ireland, it has been noted that farmers' participation in rural development interest groups amounts in cases only to tokenism (Macken-Walsh 2009) and that the rural development debate is prone to being "hi-jacked" by a number of limited conceptions of what the term potentially signifies in the broader sense (Boyle 2008). Inevitably, the ways in which certain rural economic activities tend to be associated with certain types of agency and disassociated from others holds consequences for how different occupational groups are represented in the development process.

It is apparent from the qualitative data collected for this study that "rural development" is perceived as an ambiguous and elusive term by the farmers interviewed. It was observed that "*for farmers, farming is rural development*" and from another point of view "*rural development has by-passed farmers, people think it has to do with everything but farming*". Combined, these perceptions represent a central antagonism arising in the interchange between farming and contemporary rural development. On one hand, there is consistency among farmers' understandings of their farm enterprises as being a major component of the traditional rural

[3]See www.rrd.ie.

economy. On the other hand, there is a prevailing conception that farming enterprises are somehow estranged from "rural development" as it manifests itself contemporaneously. A significant aspect of this estrangement can be understood as arising from the clash that exists between the forms of cultural capital that have emerged at the core of contemporary rural economic activities and the peculiarity of farmers' occupational identities and associated forms of cultural capital.

5.4.1 Farmers' Occupational Identities

The research findings of this study pointed to a central similarity among members of the farming case-study group: a strong social and cultural attachment to their occupation. Farmers attributed significant importance to the community-based networks, conventions and practices (social capital) that underpinned their farming practices and livelihoods (see Macken-Walsh 2009). Farmers also referred to forms of cultural capital in how they ascribed prestige to aspects, or indicators, of what it is to be a "good" farmer (see Burton 2004b). As discussed in Macken-Walsh (2009), farmers interviewed for the current study were found to subscribe to forms of cultural capital that are interactive with nature and physical territory rather than those which are reflective of market forces or consumption (see also Burton 2004b; Burton et al. 2008).

Echoing Burton's (2004a, b) and Burton and Wilson's (2006) research in the UK, farmers interviewed for the "Barriers to Change" project gave their perceptions of what it is to be a "good farmer" as strongly rooted in agricultural production practices. Inevitably influenced by a trajectory of intensive productivist policies, farmers interviewed for this study did not see how their productivist skills and farm management practices linked up with local food movements, involving ventures such as organic farming or direct sale of small volumes of produce. The chemical, mechanical and technological characteristics of modern industrial agriculture were perceived as having little or no relevance to the design-branded small-scale initiatives that are synonymous with local food movements:

> *There is a cultural divide. Farmers see farmers' markets as a retrograde step*
>
> *Serious group of farmers don't identify with organics.*
>
> *We farmed more or less organically years ago, now they want us to go back to it*

Local food movements in line with the contemporary rural development agenda predominantly involve some form of service and/or processing. Of the skills required for rural enterprises outside of farming, such as the processing of raw agricultural produce to create high-value added and the actual selling of agricultural produce, farmers expressed that these were not activities they were "used to", or activities they wished to engage in. The perception of food markets and the production of artisan foods as being "not for farmers" and "not suitable for farmers" was prevalent in the data collected among farmers:

Farmers are not salesmen or production managers. They only know farming and don't have marketing skills to sell and develop their products

All of that is a different ball game to what I've been doing all my life. . . . I'm not going to go and stand down there is the square and sell. It's a joke!

However, in this regard they commonly made a distinction between themselves and their spouses:

My wife maybe could go down that road, she's good at cooking and all, but I'm afraid it's not for me

One of the girls would be great at that. They'd love it. But me, no way.

In Ireland, women have traditionally undertaken responsibility for household food processing, vegetable growing, the rearing of poultry, egg production, and marketplace selling (see Clear 2008). Contemporarily, farm spouses and offspring have taken on roles that reflect new bureaucratic and information technological challenges. With the bureaucratisation of farming, women have assumed central roles in undertaking the wide array of administrative tasks that have come hand in hand with farm modernisation. It is apparent at the local level that women have garnered far more agency in "alternative" food production and rural economic diversification than they have heretofore in farming. While there has never been a female president of the main Irish farming organisations, the current chairperson of the Irish Organic Producers' Association (IOFGA) is a woman. In recently published research on farm-based tourism enterprises, Haugen and Vik (2008) note that women have greater "motivation" to engage in such enterprises in comparison to their male counterparts (see also Garcia-Ramon et al. 1995; Sharpley and Vass 2006).

5.5 Local Food Movements and Ireland

It is noted in the literature that Ireland is without a strong local food culture (Fonte 2008). In Fonte's (2008) study of the expert and local knowledge underpinning local food production in Europe, four case study countries, Ireland, Scotland, Sweden and Germany are found to be "characterised by an export-oriented agriculture, food provision organised by large supermarkets, and the lack of a strong local food culture". In relation to the Irish case, Fonte notes, "A local food culture is not at all diffused and most Irish people regard food as fuel" (Fonte 2008). Share et al. (2006) observe a similar food culture in Ireland: "regardless of the massive changes that have taken place over the last fourteen centuries, the Irish diet is still to a significant extent based on milk, grain, legumes and meat" (p. 379).

Current literature on the sociology of food production in Ireland, however, fails to note that while many Irish rural households may not have traditionally sold domestic produce at local market places, this is not to suggest that food production and processing were not well established practices. The data collected for this study gave evidence of a strong tradition of domestic processing in Liscannor farm

households, representing less an income-generating practice and more a diverse food-source, primarily of pork (domestically preserved by salting); "black pudding"; mutton; rabbits (skinned and hung); eggs; butter; "brown bread" (a baked bread of sour milk, flour, bread soda, and bran); "griddle cake" (a white bread alternative cooked in a griddle pan); rabbit stew; and poultry (traditionally stuffed with potato). The traditional method of cooking poultry was in large cast iron pots ("ovens") which were covered with hot coals in the ground. The sea was also traditionally recognised as a diverse food source, primarily through harvesting different types of seaweed: *sleamhchán*; sea grass (dilisk) and carrigeen; as well as shellfish such as bairneachs, periwinkles, sea-urchins, and crab. While many of the Liscannor inhabitants interviewed for this study were continuingly producing and processing such food, none were engaged in its sale. It was claimed by Liscannor inhabitants that the knowledge and skills required for the production and processing of traditional Irish food were going into decline and were not actively being passed on to younger generations.

An attribute common to local food movements in Liscannor and in wider Ireland is the presence of a diversity of ethnic food products (see Macken-Walsh forthcoming). It has transpired that indigenous Irish food products have failed in the most part to link up with local food movements, while internationally renowned extra-local food cultures have gained prominent representation and large market shares in the Irish artisan food industry. Mediterranean products such as Italian olives and sun-dried tomatoes, French-inspired cheese products, and Italian home-cured pork products, have become icons of local food movements in Ireland, and have in such a sense become "conventionalised" within the artisan foods industry. While Liscannor households' tradition of food production and processing is rich and indeed reminiscent of many of the food traditions that are at the core of the artisan food industry in Ireland and elsewhere in Europe, they remain marginalised to the industry and confined to the domestic sphere.

The marginalisation of indigenous food culture in how local food movements have taken form in Ireland is arguably caused in part by the absence of a widespread tradition of market-place sale of domestically-produced food. The weak agency of farmers as a social group in rural contemporary rural development and artisan food spheres is also implicated. There is a broader phenomenon that sheds light on the disconnect between traditional production and processing practices and contemporary local food movements, however, which is articulated in Pratt's (2004) thesis on the "spectacularisation of consumption". Here it is argued that domineering forces of consumption in the context of the culture economy have the effect of obscuring the role of production.

Tovey (2006) research on local food movements in Ireland points to distinctive cultural ascriptions of the producers who become involved, noting that "Some of the most prominent "local food" actors, even if they are farmers or growers, see themselves as part of a consumer movement than a rural producer movement" (Tovey 2006). Fonte (2008), using the concept of the "reconnection perspective", analyses European local food movements as serving primarily a social function by creating a space where consumers can meet with each other and with the producers

of the food they are purchasing. The reconnection perspective is understood as providing a means for the consumer to feel an increased sense of reconnection to, and control over the quality of what they buy, where they buy it from, and from whom. There is less emphasis in the literature, however, on with whom or what the producer or grower is reconnecting. It stands that producers engaged in the direct sale of food are understood as advocates of the consumer-oriented reconnection thesis, valuing the same kinds of cultural capital that are intrinsic to the food culture in which they are engaged. Placing those engaged in traditional primary production somewhere outside of this culture are their very different forms of cultural capital, which reflect production practices rather than consumer experiences (see Macken-Walsh 2009).

5.6 Conclusion: Implications for the Governance and Rural Development Model

The governance and rural development model is intended to represent a shift towards more a democratic form of local development, where the facilitation of local people having key roles in the "design and implementation of development interventions" is emphasised (Ray 1999). Through local inhabitants' active participation, the development process is expected to have the capacity to uncover localities' unique resources and cultural commodities for the purposes of creating high value-added and innovative rural economies (CEC 1988, 2005). Cultural economies such the artisan food industry depend in particular on the value-added that arises from "exploiting any local distinctiveness" (Moseley 2003b, p. 48).

The task of achieving the transition from labour value to design value in the rural economy is a difficult one, considering "rupture, periodization and formations" associated with transitions to culture economies (Pratt 2004) but also because of the emergence of a *status quo* that can eclipse traditional production-oriented occupations and identities. In the case of Liscannor, as well as elsewhere in Ireland (see Macken-Walsh 2009) the presence of a *status quo* in contemporary development products and its transgression of the local distinctiveness that is expected to provide "design-value" for local development products, poses difficult questions regarding how the governance and rural development model is succeeding at present in its task of indigenising the rural economy and uncovering its nuanced potential. A threat looming over governance approaches to developing the culture economy is the "spectacularisation of consumption" and the resultant obscuring of production by forces of consumption (Pratt 2004). Irish farming families remain a highly vulnerable group, economically, socially and culturally, and are in critical need of strengthened agency for grappling with changing paradigmatic directions for EU rural development.

Policy transitions inevitably present challenges at the socio-cultural level and findings of this study affirm that members of the traditional farming community are continuingly estranged from initiatives such as local food movements, which have

emerged as an icon of the contemporary rural development agenda. While many farm households have not traditionally engaged in market-place selling, that is not to signify that Ireland is "without a strong local food culture" (Fonte 2008). Domestic food production and processing activities traditionally represent a diverse family food source and a prominent activity in Irish farm households. The occupational estrangement being experienced by farmers to an extent lies in misperceptions of farming as a "one man" operation. The gendered and familial aspects of farming and food production must be systematically targeted by contemporary rural development programmes to explore more holistically forms of existing indigenous capital.

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Chapter 6
Spatial Analyses for Policy Evaluation of the Rural World: Portuguese Agriculture in the Last Decade

Eric de Noronha Vaz, Teresa de Noronha Vaz, and Peter Nijkamp

Abstract The scope of this paper is twofold: addressing a specific problem concerning the effectiveness of the CAP, it develops an extensive empirical and methodological framework able to serve as a model-policy lesson for the rural/agricultural European future. The paper aims to contribute to the understanding of structural land use changes that are occurring in rural environments, by using novel methodologies related to Geographic Information Systems (GIS). The land use change analysis developed in this study is associated with a pre-selected set of policy issues and supplies a retrospective view of the application of the Common Agricultural Policy (CAP) for the Portuguese case. The evaluation of the respective impacts from a spatial perspective raises questions such as: 1) What are the trade-offs of rural activity in different sectors and regions? 2) How do such trade-offs cope with urban proximity? and 3) Which activities or strategies are best able to balance the needs of rural and urban communities?

The application of our model shows the extent of land use change in the country and, in particular, when related to the irrigated surface and vineyards. It also demonstrates a reallocation of agricultural production to town proximity, reducing energy costs. But, the major conclusion of the work is that the use of the CAP financial support has accentuated the asymmetric distribution of crops in Portugal.

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6.1 Theoretical Foundations

Globalization as well as increasing incomes in various countries in our world have changed the consumption and production of food products in such a way that the World Trade Organization (WTO) and the European Union (EU) have argued in favour of lower national protection and regulation also for agricultural products.

Since June 2003, the CAP has completely changed the way the EU has supported its farm sector to meet the market needs and to promote more awareness of environmental impacts of agricultural production techniques, as well as of food and animal safety. In order to achieve these goals, the selected key elements for this reform were:

- A single farm payment for EU farmers, independent of production – with limited production-related payments to avoid abandonment of production. This payment is linked to respect for the environment, food safety, animal and plant health, and animal welfare standards
- A strengthened rural development policy – new measures to promote the environment, food quality, and animal welfare and to help farmers meet EU production standards
- A reduction in direct payments for bigger farms – to finance the new rural development policy
- A mechanism for financial discipline – to ensure that the farm budget fixed until 2013 is not exceeded
- Some revisions to the previous market policy of the CAP:
  - Asymmetric price cuts in the milk sector
  - Reduction of the monthly increments in the cereals sector by half, with the intervention price maintained
  - Lastly, reforms in the rice, wheat, nuts, potatoes and dried fodder sectors

Because of long-term policies, producers in most European countries have, to a certain extent, tailored their products to new markets, either by introducing new products for new sets of clients, or by innovating the existing products in order to adjust to customer preferences. Indeed, we may observe that many farmers are searching for new marketing circuits for their products outside the conventional channels – short circuits in many cases (Aubret et al. 2008).

But, in a situation where 90% of Europe (E25) is composed of rural areas – where half of the European population lives (van Leeuwen 2008) – the European rural features and roots cannot be neglected. However, rural areas have developed different specific characteristics (Gallent et al. 2008) and thus have become multitasking entities (Vaz and Nijkamp 2009b) and urbanized regions (van Leeuwen and Nijkamp 2006), prompting us to wonder whether the CAP might not be able to achieve new, possibly, surprising results by using new policy instruments. For example, now calling on knowledge assets that earlier would not be connected to agriculture but are nowadays relevant when handling production, processing and marketing, we must accept that, in general, there may exist a diversification of

success factors responsible for the positive impacts of the CAP in rural Europe. It seems plausible that this might be the reason why policy makers, in general, are using their power to make actors aware of the need for a more responsible attitude in the creation of "tailor-made" support measures. It is expected that these would enable the reduction of the existing production bias in the agricultural scene, and define long-term goals, involving diverse social participants, even the public at large, and stressing the need for cooperative behaviour.

For the particular case of Portugal, the CAP should have promoted the agricultural sector by achieving increases in the productivity and development of the rural areas. However, despite diversified efforts towards structural aid, we cannot regard the case of Portuguese agriculture as a fully successful example. These activities are not only decreasing as a share of GDP, but they are also decreasing in absolute terms. It is almost shocking to confirm that vegetables production has fallen by about 14%, during the 10-year period considered, while livestock production increased by about 10%.

The available data over that period indicate a deep alteration in the productive system, and, moreover, reflect new trends towards northern European consumption habits. This has taken place in Portugal since the 1980s, and is due to the heavy investment of European distribution chains in the commercialization of food production.

Clearly, serious problems have subsisted as structural difficulties – between 1986 and 2006, the production of the main agricultural products has decreased by 12.6% – so that, in spite of the availability of public aid, agricultural productivity has increased only slowly, as a result of limited technological progress (Table 6.1). Other expectations related to food self-sufficiency or a more balanced equilibrium in the food trade were, however, not achieved (Table 6.2).

Table 6.1 Southern European countries' labour productivity in the primary sector, for the period 1987–1997

Country	1987 (UM/UAL)	1997 (UM/UAL)	% Change
Portugal	4,075	4,900	20.2
Spain	8,653	15,452	78.6
Italy	13,041	22,469	72.3
Greece	6,410	8,656	35.0
France	16,395	28,483	73.7

Source: European Commission, EUROSTAT

Table 6.2 Level of self-sufficiency for the food sector, for the period 1980–2000

Sectors	1980	1985	1990	1995	2000
Agriculture	78.4	75.9	80.8	74.6	74.9
Food industry	93.8	94.1	90.1	85.1	83.6
Food sector	86.7	83.2	86.4	81.3	80.7

Source: INE, Agricultural Statistics and National Accounts

Portuguese consumption, which is increasingly composed of imports, was more significant in the food industry than in the agricultural production, and it has progressively developed into an increasing loss of self-sufficiency, as shown in the data below (see Table 6.2).

Some economic lessons and regional trends underline our analysis: after 1986, and due to the accession of Portugal in the European Community (EC), most of the agricultural commercial flows took place within the European Common Market, with two main consequences. Firstly, there was an increase in consumption levels of food and a consequent rise in associated imports. Secondly, international food distribution chains located gradually in the country and accessed a great part of the Portuguese population, starting in the big towns, but soon locating in the small ones too. Both factors drove Portuguese consumption patterns towards those of the other European countries, at a time when producers and industrialists were still not ready to move into new productive processes and new commercial chains as explained in Cunha (2000) or Vaz and Urban (2000).

Over time, farmers have slowly acquired a deeper understanding of the importance of commercial channels and marketing mechanisms for the whole process of agricultural and rural development. The role of national policy makers became crucial to speed up this process and facilitate the way farmers should learn to organize themselves around such common interests. A great deal of these efforts are geographically concentrated in towns or nearby, but, in our opinion, they take far too much time to spread into the peripheral hinterlands. This view will be confirmed later in Sect. 6.2.2.

Following Girão (2001), the evolution of Portuguese agriculture at an aggregate level does not allow any conclusions to be drawn regarding the major trends of the sector, even including those that may have resulted from innovative processes. By disaggregating possible determinants of growth, the econometric results observed by the present authors show a stationary tendency for all vegetable production variables. Still, when they exist, the few detected growth factors relate to livestock production, particularly to pork, poultry and milk production, just as has been verified empirically.

However, the question arises: Is the agricultural sector in Portugal so inelastic that, whatever policy measures taken, no positive effects are expected for the vegetable production sectors? Or, rather, on the contrary, could the policy instruments have brought much better results if they had been used more efficiently?

From our point of view, Girão's (2001) excellent work lacks a regional or spatial perspective, a limitation associated with the sector approach. Indeed, the two above-mentioned questions represent two extreme positions and do not cover the entire array of factors that combine to determine the success or failure of the CAP instruments in the country.

To sustain this argument, after introducing a justification on the theoretical ground of the subject, the empirical approach uses, in Sect. 6.2.2, GIS applications to track the development of the Portuguese agricultural sector as well as its consequent land use changes. The main observation is done between 1990 and

2000, for the agricultural classes of non-irrigated arable land, permanently-irrigated land, rice fields, vineyards, fruit trees, olive groves, and pastures. Further to this goal, in Sect. 6.2.2, the growth intensity of the considered crops is considered in terms of towns' proximity.

In order to completely analyze the dynamics of rural change in Portugal, we have observed in Sect. 6.3, the effective changes in the use of land for agricultural purposes during the period when the CAP was operating at its fullest extent. From a regional perspective, each of the five Portuguese regions reacted differently to the application of the same CAP instruments, some agricultural classes more able then others to take advantages of CAP policy measures and from town proximity.

6.2 The Methods of Analysis

Fortunately, we have in Europe extensive land use data. In general, the comparison between the databases CORINE Land Cover 90 and CORINE Land Cover 2000 – the first step in the proposed methodology – provides results for European, national, regional or local levels. In this study, however, the analyses were undertaken for both the regional and the sectoral dimension at the national level, and the corresponding changes were related to the agricultural policies which were implemented during the 10-year period considered.

While tracking the development for all Portuguese rural areas (except for the Portuguese islands), it was possible to find out how they have followed the evolution of the agricultural sector by subdividing the identified agricultural areas. These have been classified into arable land (non-irrigated arable land, permanently irrigated land, rice fields), permanent crops (vineyards, fruit trees and bushes, olive groves), pastures, and heterogeneous agricultural areas (annual crops associated with permanent crops, complex cultivation, land principally occupied by agriculture but with significant areas of natural vegetation, and agro-forestry areas).

6.2.1 Land Use Change

Land use change is a phenomenon that has been very rapid in recent years as a result of human action on the natural environment. One example of land use change and environmental endangerment concerns urban growth, which jeopardizes cultural and natural landscapes (Vaz and Nijkamp 2009a). The use of Geographic Information Systems (GIS) supports our analyses and provides spatial databases for monitoring land use change in Portugal.

Developed for the whole Europe in the 1980s, the CORINE Land Cover (CLC) system will serve as our data set. This database is of great importance, as the initial project CORINE Land Cover 1990 (CLC90) had a successor, CORINE

Land Cover 2000 (CLC00). The comparison of the data for these time periods allows a dynamic assessment of land use/cover change for the relevant decade on the basis of 25 ha resolution cells. Both data sets have been combined in order to benefit from the main advantage of GIS as tools to analyse, maintain and manipulate spatial data (Longley et al. 2005) permitting the accurate determination of spatial phenomena.

At the 1:100,000 scale, three levels can be separated for CLC. At the more general level, we may assess artificial surfaces, agricultural areas, forests and semi-natural areas, wetlands and water bodies. Subsequent disaggregation of these classes leads to 44 available classes, which adopt the common CORINE nomenclature (Paínho and Caetano 2006).

We have next synthesized CLC90 and CLC00 by filtering only the desired land classes. The existing CAOP (Carta Administrativa Oficial de Portugal – Official Administrative Portuguese Map, IGP) allowed us to define NUTS II boundaries and assemble a conversion of the original vector data into a raster format in pixel units. Raster format data allowed the quantification and establishment of relative percentages per class giving us a cross-tabulation matrix of change regarding the CLC90 and CLC00 comparison. This allowed the quantification and observation of the dynamics of change regarding the agricultural classes of non-irrigated arable land, permanently-irrigated land, rice fields, vineyards, fruit trees, olive groves, and pastures, as pointed out in Table 6.3.

It should be noted that there are some reservations concerning the method used. GIS is able to identify those changes which have occurred in the use of agricultural land between 1990 and 2000. This means accepting that the generalization of certain CORINE Land Cover presented classes due to the Minimum Mapping Unit (MMU) of 25 ha may lead to a slight ambiguity in the assumption of land use change (LUC). This paradigm of LUC comparison is always present and should be considered from the perspective of the scope of study. In our case, as spatial dynamics is assessed at national level, we conclude that the MMU does not interfere much, as the study itself is performed more at a macro-scale.

Table 6.3 Changes in farmland in Portugal for the period 1990–2000 (in relative percentage)

Land classes	Pixels		
	CLC 1990 (%)	CLC 2000 (%)	Variation (%)
Dry lands	100	*105.81*	−5.81
Irrigated lands	*161.48*	100	61.48
Rice fields	100	*106.84*	−6.84
Vineyards	*116.18*	100	16.18
Fruit trees	*104.72*	100	4.72
Olives	100	*102.73*	−2.73
Pastures	*108.10*	100	8.10
Total	*101.27*	100	1.27

Equation given by: $(100) - [(100 \times \max_{pixclass})/n_{pixclass}]$, where $\max_{pixclass}$ represents class with maximum quantity of pixel count while $n_{pixclass}$ the subsequent class with lesser pixels

6.2.2 Proximity to Towns

A comparison of CORINE land cover sequences with social statistics of population per urban area allows us to deploy quantitative selection criteria of rural dynamics having from the perspective of the influence of urban centres upon agricultural development. This concept relates the direct attribute of spatial proximity, as well as the clear concept of spatial enthalpy formation around urban areas, to the concept of the distribution of agricultural production in the peripheral areas of Portugal.

Von Thünen's agricultural land use model has clearly inspired our approach. In addition, we have assumed that all agricultural land use activity maximizes productivity by locating at the most convenient distance from the market and that the major factors which determine increases in productivity are related to production costs and market prices. Although the relationships between agricultural land use and market distance may be very difficult to establish in the contemporary context, we should not neglect the strong link between the transport system and regional agricultural land use patterns, as proposed in the nineteenth century by Von Thünen – our model searches for such patterns.

In order to develop our analyses, we have used as instruments of spatial cognition a set of agricultural classifiers, in particular those already used in Sect. 6.2.1,[1] and all those cities in Portugal with a population of over 10,000 inhabitants. Spatial nests were encapsulated by creating Euclidean distance buffers from 5 to 50 km divided in 5 km intervals from the vector point-defined urban centres. These spatial classes allowed the observation and quantification of surveyed agricultural classes, so as to establish a relation between agricultural CORINE-identified raster classes and town proximity. The results were converted into a matrix in which CORINE land cover's agricultural classes became observable for each of the Euclidean distance buffer layers (distance classes). Decomposition of such a matrix was made not only for CLC2000, but also for CLC90, in order to assess the overall tendency of CORINE land cover's variation with regard to spatial distance to urban centres (Resulting from CLC200 – CLC90). Thereby, we were able to create a temporal, as opposed to a static, comparison, which assessed the evolution of agricultural classes in a dynamic context. Because of their correlation matrix, raster format data are elegant solutions to understand such dynamic processes. Thus, conversion was used for rural assessment and quantification of surveyed CORINE data, while buffer distances were considered as vector shape files. The use of such formats as rasters and vectors for different circumstances and in GIS is well-documented and widely acknowledged (Longley et al. 2005).

[1]Arable land (non-irrigated arable land, permanently irrigated arable land, rice fields), permanent crops (vineyards, fruit trees and bushes, olive groves), pastures, heterogeneous agricultural areas (annual crops associated with permanent crops, complex cultivation, land principally occupied by agriculture with significant areas of natural vegetation, and agro-forestry areas).

6.3 Dynamics of Rural Change

6.3.1 Policy-Oriented Impacts by Sector and Region

Since Portugal's accession to the EC in 1986, the CAP has been the main instrument to promote both rural and regional development by means of increasing production of agricultural activities. Those CAP measures, practised over the decades, have been the bastion of growth and development for so many European agricultural regions, but, curiously, and as already discussed, in Portugal, they did not produce the same expected positive results.

Frequently, some have argued that the CAP was specifically formulated for Northern Europe, as it included protective policies towards products such as cereals and milk rather than those with more southern characteristics such as wine, olives or horticultural products. However, others, who are aware of the nature of the overall policy context in Portugal, suggest that not only has there been a restrictive tendency resulting from the absence of an adequate support system specifically for Mediterranean products, but, more important, also a fragile governance structure has lacked those contributions so essential for modern agriculture. Marketing and improving cooperative efforts are two examples of a range of important tools which should have been promoted by a clear national political will and strategy.

In this chapter, we observe the effective changes in the use of land for agricultural purposes in the period when the CAP was operating at its fullest extent in the country and formed the basis for the reform measures. After this period, and after 2003, new policy instruments have become effective: single payment entitlements, decoupling, modulation, and cross-compliance were the new instruments for a two-step model in which the European Commission expected to create a progressive framework, as well as to dismantle planting rights in order to achieve more sustainable rural development.

It is essential to understand the double effect resulting from the land use change for the observed period: 1990–2000. The reform, starting in 2003, has completely changed the way in which the EU supports its farm sector. In a trial to give EU farmers the freedom to produce what the market needs, the vast majority of subsidies are being paid independent of the volume of production and in conformity with the goals of sustainable development, even if this includes land abandonment. Thus, today, the bigger are those areas of farmland that have been used in the past, the greater the advantages for the present and the future. Therefore, to understand how land use change has occurred may become crucial for the effective evaluation of, and future prospects for, Portuguese rural areas.

Accompanying Annex, Fig. 6.1 illustrates the land use changes which have occurred in Portugal, in the period 1990–2000. We calculated the total areas of arable land (non-irrigated arable land, permanently irrigated land, rice fields), permanent crops (vineyards, fruit trees and bushes, olive groves), and pastures. The observed changes show the different propensities of regions to adapt to the

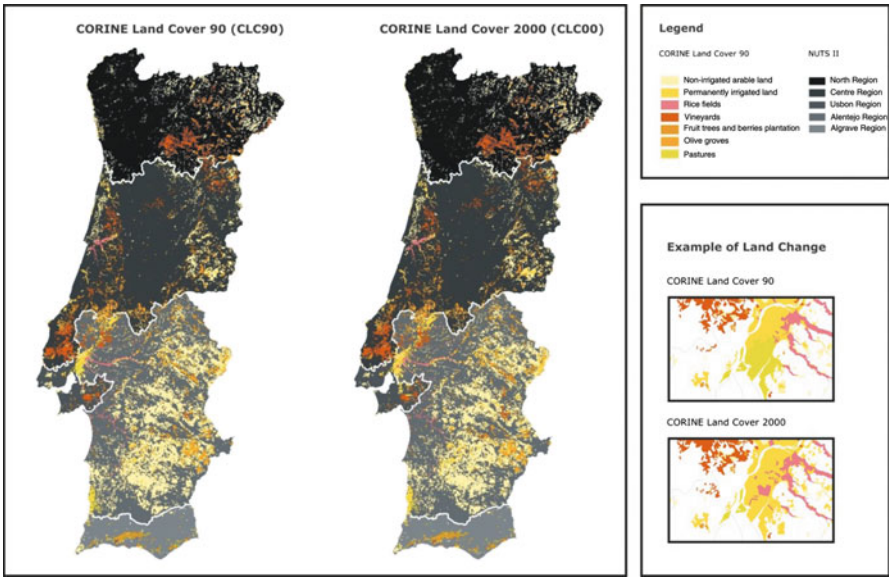

Fig. 6.1 Land use changes in Portugal (1990–2000)

same CAP instruments, which indicates distinct tendencies for each one of those agricultural sectors.

Considering the five NUTS-II Portuguese regions of Portugal – North, Centre, Lisbon and the Tagus Valley, Alentejo and Algarve (excluding the islands) – we can draw various interesting conclusions:

First, close observation of the land used for agricultural activities by region shows that the application of the CAP has had a clear positive impact on the area of new irrigated fields in the central and southern part of the country. The increase in vineyards indicates a clear choice for quality wine: the North, Alentejo and Algarve have greatly increased their cultivated area. This supports the idea that wine production has significantly expanded in the Douro area, which has been strongly competing to produce brands recognized for their quality; in this region, contrary to the rest of the country, the irrigated areas have decreased. Growers of fruit trees also took advantage of the CAP in the northern region.

Secondly, in all regions (with exception of Algarve where citrus fruits occupy most of the agricultural land), non-irrigated annual crops have a major dominance. Alentejo is clearly the region with the highest percentage of dry land. Nevertheless, during this period, the amount of irrigated land in this region has doubled, providing an enormous opportunity for new crops. Still, Alentejo is the only Portuguese region that decreased its farmed area on account of a reduction of dry lands and much less pasture. As the total cultivated area has decreased from 75% to 70%, it is evident that the region was not able to fully benefit from the FEOGA support systems. When comparing the data for all regions, we realize that both North and

Algarve (eventually) were the two regions to take, in general, the most advantage of these systems.

Thirdly, land use in the Lisbon region has clearly changed: the use of the CAP instruments has resulted in a transfer of land use from non-irrigated to irrigated crops and the reallocation of areas devoted to olive plantations and pastures to rice fields and fruit trees. This region, which contains the Tagus Valley, has experienced the most extensive change in the allocation of land to different crops. It may be opportune to explain that this region is the home of the tomato processing industry, which may suggest the presence of a potential cluster related to the food industry in the long run.

It is also interesting to detect how pastures have decreased during the observed period, with exception of the Algarve. This result does not match with the developments which have occurred in the diet that is now much richer in dairy products. Açores, one of the group of non-observed Portuguese islands, is in fact the greatest producer of milk and butter. Not including the production of this region may explain the obtained data. In addition, intensive cattle production is a possible justification for the result. The results for the Algarve are tricky: using CORINE methods to track land use change is very reliable, but satellite imagery cannot distinguish the actual use of the cultivated areas. For instance, the classification for pastures would be confused with that of golf courses – a newcomer in the land use choices of the southern region. Although this has nothing to do with the financial supports for agricultural activities, we should bear in mind that it represents an interesting case study related to new trends in rural environments.

Finally, the use of water for agricultural activities is increasing in Portugal. Although in that country non-irrigated annual crops are those which have a major presence, there is, nevertheless, a significant decreasing tendency to grow non-irrigated annual crops in all the Portuguese regions. Indeed, permanently irrigated lands have increased significantly in Lisbon, Centre and Alentejo, justifying the flourishing production of a few horticultural crops. The new infrastructure Alqueva in Alentejo will allow that region to become in the future one of the Portuguese regions that will grown more crops on irrigated land.

In general, the traditional Portuguese rice fields have remained almost unchanged for the observed period, although they have been relocated to the Lisbon region. In spite of hard international market conditions with wines coming from the "New World" (Gatti et al. 2003), the wine production has increased significantly in Portugal, although it is concentrated in only a few regions. The main reason for this is that land for vineyards is restricted by government licensing and does not follow market pressures. Both cases indicate that a more rational and productive production process started its way during the observed period, creating the expectation of a few, but positive, impacts for the following years.

Even though the EC has developed a large number of supports for indigenous trees, the effects of such instruments on the cultivation of olive trees were not effective, except for the Algarve. The used surface stayed almost constant in most of the country.

The use of land changed significantly in the Algarve where there has been a very important increase in irrigated lands and also vineyards. However, all this is at the cost of much less use of dry lands.

Briefly, an overall view of the global data shows that, for the decade 1990–2000, the land used in Portugal for agricultural activities has expanded only very slightly in most of the five considered regions: 3.32% in the Northern region, 0.79% in the central area, 0.15% in Lisbon and the Tagus Valley, and 3.03% in Algarve. Alentejo, the historical agricultural region devoted to cereals and cattle, slightly decreased its farmed area. When considering each of the agricultural sectors, dry land culture has given way to vast increase in land used for irrigated crops: vineyards in particular, and pasture lands and fruit trees in a more reduced form.

6.3.2 Policy-Oriented Global Impacts by Town Proximity

The application of the methodology suggested in Sect. 6.2.2 of this study allowed an evaluation of how intensively the considered crops grow in terms of distance to the nearest located town. Figure 6.2 shows the relative percentages of each product class for the year 1990, which have been analysed using the same aforementioned classes: non-irrigated arable land, permanently irrigated land, rice fields, vineyards, fruit trees and bushes, olive groves and pastures. With the exception of non-irrigated pasture lands and olive groves, all the other classes were concentrated within a distance of 10–20 km from towns; vineyards may extend up to 30 km, decreasing fast soon after. In the case of rice fields and pastures there is a bimodal

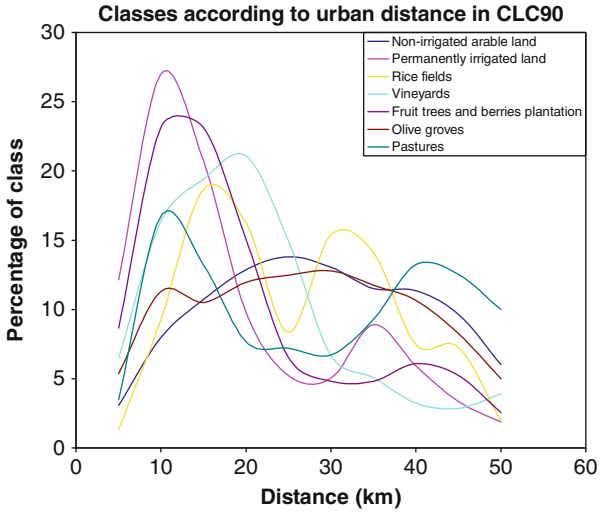

Fig. 6.2 Evolution of classes in CLC90

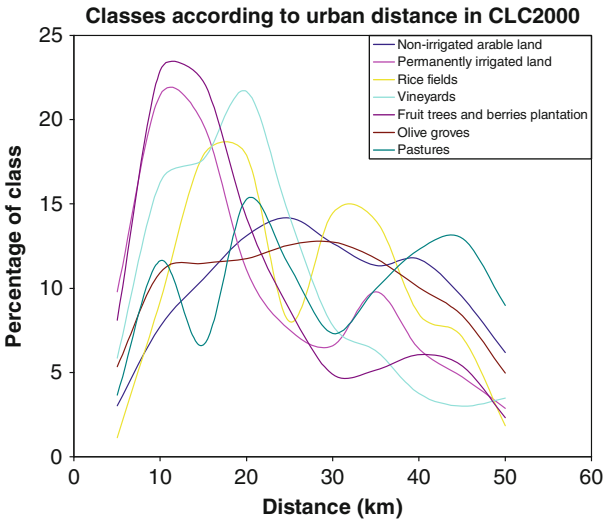

Fig. 6.3 Evolution of classes in CLC2000

distribution with the highest concentration points at 15 km and 30 km for rice and 10 km and 40 km for the pastures. Anyhow, after 50 km these types of land use decreases to less than half a percent. Figure 6.3 shows that for the year 2000 those earlier tendencies have remained almost unchanged, although in general, the results indicate a tendency to concentrate production even more near to the towns – this meaning within a distance of less than 30 km.

From Fig. 6.4, which represents the variation which has occurred during the considered timeframe (1990–2000), we observe that:

1. Land use change has taken place differently for the different products.
2. Non-irrigated crops have decreased significantly along the different distances considered, mostly at a distance of about 30 km from town centres and have not been substituted by other crops.
3. Nearer to towns those non-irrigated crops have been substituted by irrigated crops, vineyards and fruit trees, almost exclusively.
4. Hinterlands located far from towns (far representing a distance over 40 km) have lost intensity in the use of land.

6.4 Final Considerations

Our study confirms, from a different perspective, those conclusions already drawn by Vaz (2008a). The application of the CAP in Portugal did not bring the results that policy makers and farmers would have wanted or expected. A few agricultural products however, did survive an internal economic policy that for decades

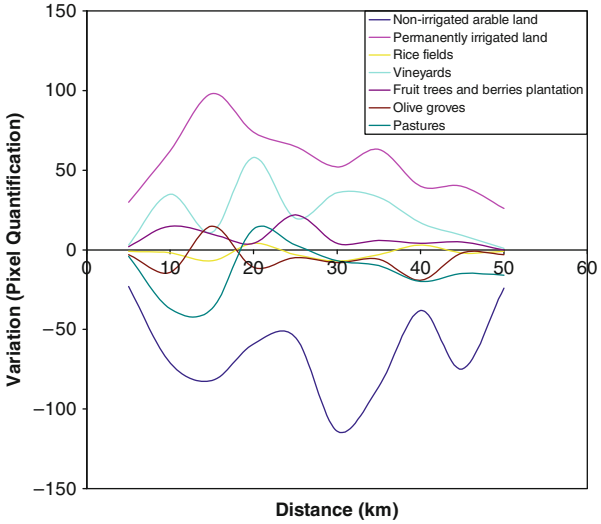

Fig. 6.4 Variation in classes (CLC2000–CLC90)

promoted services ahead of industry and which profited from the financial support of the European Community.

The results shown in Fig. 6.1 represent the effective area used for agricultural activities in Portugal but they mean less than they would have done if increases in productivity had matched those of the other European countries, which was not the case.

To make a justification or claim responsibility for these results is not possible, unless we pursue the real causes for this situation. Could it have been the lack of strategies linking the food industry to agricultural production? Could it have been because most of the producers were unable to combine forces and create those structures required for commercializing their goods, in spite of the specific European support schemes given to producer organizations? Notwithstanding all this, the CAP has completely transformed the extent of the irrigated surface, and wine and a few fruits were able to adapt to the new market tendencies.

In more detail, we can assume that the land use changes suggest a positive reallocation of agricultural production to those areas close to towns where marketing possibilities are better. Moreover, this reallocation reduces energy costs.

The major conclusion of our work is that the use of the CAP financial support has accentuated the asymmetric distribution of crops. This phenomenon should be further investigated in other activities taking place in the rural areas, such as cultural events, extreme sports, or tourism.

This conclusion is evident, since towns as market places provide those services and tools to use financial support. But we have just demonstrated that their efficiency decreases with distance. Hence, in terms of policy impacts, our results

call for a specific effort not to use indiscriminate short-term financial support: it is necessary to evaluate the risk of asymmetric development or to create other complementary instruments for those hinterlands that will progressively lose.

Specifically for the Portuguese case, the trade-offs between political help and structural change in the decline of agricultural production has not occurred, exactly as foreseen some time ago by Girão (2001). Most of the positive impacts in the sector resulted from international market trends and farmers' self-awareness in pursuit of more effective organizational forms. However and fortunately, the CAP now has a new vision, searching for alternative forms to better sustain the rural world no longer based solely on agricultural production.

The multitask functioning of rurality (see Vaz and Nijkamp 2009a) and multi-functional agriculture (van Huylenbroeck and Durand 2004) should be faced in Portugal as a major challenge and a possible solution to maintain population in those distant hinterlands that once were mainly used for agricultural production. Apart from agricultural activities, in the Portuguese rural areas, other factors should be pursued as tools for sustainable development. As demonstrated, small towns have a major role to play and their interfaces with the new upcoming multitasking activities should be important examples to follow and monitor.

Our contribution aimed to open up prospects for a much better understanding of rurality when all those factors which contribute to its sustainability – much broader than just agricultural activities – will be evaluated using the methods described here and a long-term strategy period could enable targeted policies. The upcoming CORINE Land Cover 2010 provides new possibilities, while the matching of such data with urban growth and knowledge flows in peripheries may help even further. Hence, this paper sheds also some light on how new trends in the rural world may be analysed in future.

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Annex: Changes in Agricultural Land, 1990–2000

	Types of land cover	Pixels 1990	% CLC 1990	Pixels 2000	% CLC 2000	%Variation
North	Dry lands	15,274,079	44.95	14,996,963	42.72	−1.81
	Irrigated lands	2,300,579	6.77	2,269,421	6.46	−1.35
	Rice fields	0	0.00	0	0.00	0.00
	Vineyards	7,826,307	23.03	8,975,078	25.57	14.68
	Fruit trees	2,486,244	6.32	2,716,682	7.74	9.27
	Olives	4,507,380	13.27	4,565,293	13.00	1.28
	Pastures	1,582,459	4.66	1,582,619	4.51	0.01
	Total	33,977,048		35,106,056		*3.32*
Lisbon	Dry lands	1,324,335	3.90	982,054	2.80	−25.85
	Irrigated lands	1,061,423	3.12	1,853,100	5.28	74.59
	Rice fields	294,938	0.87	333,559	0.95	13.09
	Vineyards	1,064,852	3.13	1,111,742	3.17	4.40
	Fruit trees	66,779	0.20	58,879	0.17	−11.83
	Olives	53,638	0.16	40,873	0.12	−23.80
	Pastures	774,485	2.28	267,035	0.76	−65.52
	Total	4,640,450		4,647,242		*0.15*
Centre	Dry lands	14,798,109	43.55	14,239,093	40.56	−3.78
	Irrigated lands	3,086,741	9.08	3,749,816	10.68	21.48
	Rice fields	1,214,193	3.57	1,223,383	3.48	0.76
	Vineyards	8,828,776	25.98	9,235,840	26.31	4.61
	Fruit trees	3,536,422	10.41	3,604,428	10.27	1.92

(*continued*)

	Types of land cover	Pixels 1990	% CLC 1990	Pixels 2000	% CLC 2000	%Variation
	Olives	7,810,756	22.99	7,526,179	21.44	−3.64
	Pastures	620,847	1.83	631,089	1.80	1.65
	Total	39,895,844		40,209,828		*0.79*
Alentejo	Dry lands	83,800,186	246.64	77,960,361	222.07	−6.97
	Irrigated lands	5,610,184	16.51	11,265,299	32.09	100.80
	Rice fields	4,069,514	11.98	3,779,804	10.77	−7.12
	Vineyards	2,800,732	8.24	3,816,999	10.87	36.29
	Fruit trees	595,240	1.75	688,492	1.96	15.67
	Olives	15,423,883	45.40	14,879,431	42.38	−3.53
	Pastures	2,191,896	6.45	1,103,688	3.14	−49.65
	Total	1.14E + 08		1.13E + 08		*−0.87*
Algarve	Dry lands	1,249,355	3.68	1,099,069	3.13	−12.03
	Irrigated lands	231,919	0.68	295,215	0.84	27.29
	Rice fields	4,968	0.01	0.00	0.00	−100.00
	Vineyards	68,972	0.20	143,693	0.41	108.34
	Fruit trees	2,823,058	8.31	2,921,376	8.32	3.48
	Olives	13,112	0.04	16,623	0.05	26.78
	Pastures	141,112	0.42	194,037	0.55	37.51
	Total	4,532,496		4,670,013		*3.03*

Source: Own calculations

Chapter 7
Governance and Contested Land Use in the Netherlands

The Case of the Drentsche Aa

Severine van Bommel, Noelle Aarts, Esther Turnhout, and Niels Roling

Abstract This chapter investigates, theoretically as well as empirically, the way in which initiatives aimed at territorial governance work out in practice. The concept of territorial governance has increasingly received attention in policy plans as well as in the policy science literature. So far, little is known about how espoused shifts towards territorial governance manifest themselves in practice. By analysing the shift in governance in the Drentsche Aa in the Netherlands, this chapter sheds light on what happens when the espoused shift to territorial governance is applied to concrete situations, in which different dilemmas and opposing forces are at play. It shows that territorial governance in the Drentsche Aa area is struggling with tensions between regional multi-actor practices and hierarchical policy practices. We conclude that shifts in governance indeed occurred in this area, but that they manifested themselves in practice as hybrids between area based hierarchy and multi actor initiatives. As such the shifts are not as straightforward and unambiguous as sometimes thought and/or aimed for in literature, but instead their manifestation in practice is complex, ambiguous and context dependent.

7.1 Introduction

In the Netherlands, the concept of territorial governance can increasingly be recognised in policy practice as well as in the policy science literature. In policy science literature, it makes sense of a number of important societal trends. One of

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these trends relates to a changing role of the state, which is thought to shift from top-down regulation to bottom-up facilitation of policy processes, involving not only state, but also non-state actors such as NGOs, businesses and citizens in area based policy governance (De Bruijn et al. 1993; Glück 2000; Van Kersbergen and van Waarden 2001). In policy practice, the concept of territorial governance is not only used to refer to this societal trend but also as a normative standard to judge the quality of an area based policy practice. The idea is that the actual steering capacity of the state is limited, especially in complex situations in which multiple "realities" and interests lead to competing claims on natural resources. Therefore non-state actors should be given more influence on policy to increase the legitimacy of the policy processes and outcomes, as well as the efficiency and effectiveness of policy implementation (Verbeeck and Leroy 2006; Turnhout and Van der Zouwen 2011). Thus in the Netherlands, territorial governance as a general term referring to the management of human affairs slowly takes on a normative meaning referring especially to participatory democracy.

As from the early 1990s, Dutch nature and landscape policy, increasingly aimed at territorial governance in an attempt to improve the quality of policy practices. It started with the so called "Spatial Planning and Environmental Policy" (ROM policy in Dutch) which was introduced in 1992. The ROM policy aimed at reconciling economic activities, residential activities and the environmental functions in an area in order to guarantee liveability and environmental quality. The ROM projects actively tried to achieve this by means of negotiation among important actors such as policy makers, companies, inhabitants, etc. In the mid 1990s, territorial governance was also introduced in the National Structure Plan for Green Areas[1] (VROM 1995), which emphasises interactive and participatory processes in "Strategic Green Projects". The so-called Management Program (LNV 1997) also fits in well with this approach because it tries to involve private landowners in countryside stewardship, in addition to the traditional conservation organisations. Building on these experiences, the policy document "Nature for People, People for Nature" (LNV 2000) finally explicitly expresses the ambition that people should be able to access and use natural areas and that actors should take responsibility for the management, protection and development of natural habitats. To this end, the document encourages cooperation between government and societal actors (LNV 2000). In addition, it expresses the explicit desire to take people's opinions into account when designing and managing natural habitats.

Although attempts at territorial governance in nature policy have definitely been made, it remains unknown what happens when the espoused shift to territorial governance is applied to concrete situations, in which different dilemmas and opposing forces are at play. It can be expected that state institutions and international treaties and market forces have not suddenly vanished or are rendered meaningless. Territorial governance initiatives will have to somehow function side by side or perhaps within the limits set by other policy coordination mechanisms, such as the state and the market but how this works out in practice is

[1]Structuurschema Groene Ruimte.

unknown. The aim of this research was therefore to investigate by elaborate case study, how espoused shifts towards territorial governance manifest themselves in practice.

To do so, we will first elaborate on the approach relevant for studying the shift to territorial governance in Sect. 7.2. Section 7.3 then presents a comparative, historical overview of governance in a case study area. In Sect. 7.4, we will analyse this situation. The article concludes with a discussion of the theoretical implications of the case study for territorial governance in Sect. 7.5.

7.2 Approach to Investigating Shifts to Territorial Governance

Although theoretically the concept of territorial governance is not new, as we have seen above, its popularity has undoubtedly grown in the last decade because of the growing interest to deal with complex contexts marked by controversy and competing claims on natural resources, interdependence, and multiple perceptions, in which hierarchy and incentive proved less effective (Ison et al. 2007). To investigate the way in which espoused shifts towards territorial governance manifest themselves in practice, we turn to the work of a number of governance scholars who have described similar trends.

In governance literature, we can distinguish approaches similar to territorial governance such as network steering (Powell 1991), policy networks (Rhodes 1997), public–private partnerships (Wettenhall 2003), corporate governance (Williamson 1988), multi-actor governance (Bogaert 2004; Van der Zouwen and Van Tatenhove 2001), multi-level governance (Hooghe and Marks 2001; Van der Zouwen 2006), good governance (Rosenbaum and Shepherd 2000), and societal governance (Kooiman 2000). We realise that there are substantial differences among these approaches. Despite these differences, the approaches have in common that they argue that there is a shift in policy practices, from hierarchy (based on state institutions) to network (based on a network of actors, among which non-state actors). All these approaches emphasise that there is a development towards an increasing involvement of non-governmental actors in policy making (markets and civil society). As a consequence of this trend, decision-making processes resemble networks in which governmental and non-governmental actors are interdependent among each other. Policy processes and interactions among actors are increasingly located outside the classical institutions of the nation state and inside informal settings, and more ad-hoc and temporary situations.

If we interpret territorial governance as an area based on multi actor governance process, we can investigate the way in which shifts towards territorial governance manifest themselves in practice. Following literature, in the past, we can expect to encounter a hierarchical governance context characterised by a single actor that could unilaterally define problems and aims, make decisions and have them

implemented. The means of policy (that is, the instruments of policy) and ultimate ends to be achieved (that is, the policy objectives) would be determined by some central agent, usually government (Jordan et al. 2005). The autonomy of the central, expert-guided government would be taken as the point of departure. This context would be based on top-down regulation and decision making in which, on the one hand, rules and decisions would be made by policy makers or by juridical order but in which, on the other hand, rules and decisions could also be the outcome of majority voting (Koppenjan et al. 1993; Teisman 1995).

As opposed to the past, we could expect to encounter a territorial governance process now. As mentioned before, this territorial governance can be defined as a mode of steering in which the role of the state changes from top-down regulation to bottom-up facilitation of horizontal cooperation, which involves non-state actors, such as NGOs, private parties and citizens (Kooiman 2000; Pierre 2000; Pierre and Peters 2000). The means and ends of policy are determined by societal actors and governmental actors together. The multiple actors involved in policy processes manage different responsibilities and political engagements and pursue different, often conflicting, interests (Koppenjan et al. 1993; Van Kersbergen and Van Waarden 2001). Territorial governance is based on the assumption that interdependence among stakeholders leads to incipient realization among them that they must come to some agreement if anyone is to have satisfactory outcomes. New challenges emerge in terms of mobilization of local actors, exploring spaces of negotiation and agenda setting for policy formulation and implementation.

In the research reported here, we are interested in these shifts in governance, or combinations of them, that can be recognised. We want to investigate to what extent the widely held beliefs about the shift to territorial governance are actually corroborated by empirical evidence, and how unique or new such shifts are from a comparative and historical perspective. We feel there is a need for conceptual clarification of the ways in which the shifts in governance are rendered operational in practice. At the same time, there is a need for more rigorous empirical and historical analysis of observed or presumed trends.

This leads to the following research question:

> What happens when territorial governance is deliberately used to resolve a seemingly intractable resource dilemma marked by competing claims?

We addressed this question by means of a case study of the establishment of the National Landscape De Drentsche Aa. The Drentsche Aa comprises a network of small streams that originate on plateaus of glacial and eolian sands in the Province of Drenthe, in the north of the Netherlands. Together these brooks constitute one of the last relatively unspoilt river systems on the North German Plain. The area is considered unique in terms of bio-diversity, landscape and natural beauty. Because of the unique characteristics of the area, the regional branch of the State Forest Service has taken various initiatives to protect it. In the 1960s, the State Forest Service took the top down initiative to protect the parts of the area as a nature reserve. Later, in the 1990s a participatory process was started to nominate the entire area as a "National Landscape". The Drentsche Aa is an interesting and

relevant case study because it provides us with the opportunity to investigate and compare the governance context at these two moments in time. As such, the case study allows us to gain insight into the way in which the shift in governance manifested itself in practice.

The empirical material presented, was collected in the context of a big research project reported in Van Bommel (2008). The analysis presented here is based on a media analysis (170 newspaper clippings), archive research (75 documents), transcripts of 74 open interviews and 12 multi stakeholder meetings.

7.3 Governance in the Drentsche Aa

7.3.1 The Drentsche Aa Water Meadows Become a Nature Reserve (1960–1975)

In the early 1960s, the landscapes and the biodiversity that pre-fertiliser and mechanisation farming had generated were threatened by agricultural modernisation, including the heavy use of fertilisers, pesticides and machinery, land "rationalisation", drainage, river canalisation and so on, that swept across age-old landscapes all over Europe. A number of State Forest Service officials in the Province of Drenthe feared that this would pose a major threat to the preservation of the biodiversity-rich water meadows along the brooks that make up the Drentsche Aa and they took the initiative to fight it. They decided to develop a nature conservation plan and submit it to the Ministry of Culture and Spatial Planning. But before doing so, they asked the RIVON to provide a scientific basis for their plan. The RIVON had been established in 1955 as part of the State Forest Service, the largest landowner in the country, with the aim of supporting the management of its nature reserves with sound scientific and professional advice.

During the formulation of the plan, the State Forest Service officials also invested in building good relationships with the Provincial Government. They knew that in order for their plans to become successful they needed to involve policy makers. During an interview, one of the now retired State Forest Service officials said:

> "*We contacted the Province. Contacts between State Forest Service officials and policy makers hardly existed at that time. As we wanted to be involved in the planning of the area, we contacted the Commissioner of the Queen in the Province and the elected Provincial Deputy. In Drenthe we were obviously quite successful. At that time, I used to have a weekly appointment with the Provincial Deputy and a monthly appointment with the Commissioner of the Queen*" – State Forest Service official, interviewed on 8 November 2005 in Heino.

Soon, the State Forest Service officials developed a close relationship with the Commissioner of the Queen and other provincial officials. They kept them up to date and informed them about their plans for the conservation of the water

meadows. The Commissioner of the Queen and the other provincial officials became enthusiastic about the plan and supported it.

In the summer of 1963, the final version of the nature conservation plan, called Stroomdallandschap Drentsche Aa[2] (State Forest Service 1965) but usually referred to as the Gedachtenplan[3] was submitted to the Ministry of Education, Art and Science (OK and W in Dutch). Nature conservation came under this ministry because, at that time, the cultural element of conservation – which, in a broad sense, included aspects of the sciences, the arts, and recreation – was dominant politically.

The Gedachtenplan argued strongly for the establishment of a 2,100 ha reserve to protect the biodiversity-rich water meadows along the brooks making up the Drentsche Aa. The State Forest Service representatives used arguments and theory from the RIVON to legitimate their preservation. But the Gedachtenplan was more than just a scientific report. The representatives of the State Forest Service also strategically included a section on the potential recreational value of the area to emphasise the societal relevance of the protection of nature and landscape.

The ministry forwarded the Gedachtenplan to the Provisional Council for the Protection of Nature, asking for its advice. This was the usual procedure at that time. The Provisional Council advised the ministry to accept it. When the ministry's response was too long in coming, the enterprising State Forest Service officials, together with the Commissioner of the Queen in Drenthe, requested a meeting with the Assistant Secretary of the Ministry of OKandW in 1964. During this meeting, the Commissioner of the Queen declared that the Province of Drenthe supported the plan. The Assistant Secretary then decided that the ministry would buy the brook meadows for the benefit of the State. The State Forest Service – which already owned some small pieces of forests in the area – was charged with the management of the areas that needed to be purchased (State Forest Service 1965).

Immediately after the plan was officially published, the farmers opposed it. They were angry that the policy-making process had bypassed them. This is illustrated by the following quote:

> "*The severe indignation and concern that was expressed after the publication of the report is largely due to the "about us, without us, against us" politics*" – Drents Landbouwgenootschap, 1967, p. 34.

Farmers argued that their interests had not sufficiently been taken into account by the nature conservationists in their Gedachtenplan. Furthermore, the farmers feared that the Gedachtenplan would hinder the ongoing land re-adjudication procedures, i.e. the state-supported land development' of the plateau's wityh arable farming in the area, including drainage, infrastructural development, etc. These procedures were fully prepared and the farmers were afraid that they would now

[2]Watercatchment landscape Drentsche Aa.

[3]Thought piece.

be severely delayed. The farmers questioned whose interests were in fact served by the implementation of the Gedachtenplan. The farmers also feared being hemmed in by nature conservation and no longer being able to respond adequately to pressures from the market, in terms of crop choices, investment, new technologies, expansion, etc. Farmers argued that the Gedachtenplan would have serious negative consequences for their livelihoods.

At first these protests were largely ignored, but then an upheaval followed during which the farmers agreed among themselves not to sell any land to the State Forest Service. During an interview, a now retired State Forest Service official responsible for buying agricultural plots remembers:

> "*We had an exact overview of all farmers in the area and the land that they owned. We knew exactly which farmer owned which piece of land. When I started working in the Drentsche Aa area in the late 1960s, I started by visiting a different farmer every day. With my Amsterdam mentality I thought I would come and conquer the Drentsche Aa. Well, it did not work that way. After 6 months I was begging my superiors to please assign a different area to me. I could not even get a single penny or a single hectare from these farmers. And well, the agricultural land that I wanted was of a very low quality so I could not offer them all that much for it either*" – State Forest Service official, interviewed on 14 June 2005 in Yde.

Following this set-back, the Ministry agreed to make additional funds available (10 million guilders, equivalent to 1 million per year over a 10-year period) that would facilitate the purchase of the ancient brook meadows and hay lands in the broad glacial valley bottoms. The agricultural value of brook meadows was estimated between €570 and €3,600 per ha. The brook meadows were purchased at €1,800 per ha more than the going price: i.e. at from €2,370 up to €5,400 per ha (Bakker and De Vries 1983; Ernst 1976).

The farmers became divided. Individual farmers were willing to sell their water meadows. They were too wet to farm with the heavy equipment that farmers had begun to rely on. The extra payments proved a real incentive. It became relatively easy to acquire the lands involved. Decisions could be quickly made by the small number of people involved. Soon SBB became the largest landowner in the area by acquiring about 3,500 ha of brook meadows, 12% of the total water catchment of 30,000 ha. Many farmers in the area resented the purchase of farmland for purposes of nature conservation and considered those who sold out as "traitors" to the farmers' cause.

From this point onwards, the nature conservationists and the farmers seemed to have come to a truce. But the apparent peace was misleading. Beneath the surface, the conflict continued to simmer. Farmers continued to feel hemmed in by nature and were afraid that the reserve would have negative consequences for their future farm development. Nature conservationists continued to feel that the modern intensive type of farming posed a threat to the conserved areas. Tensions remained and, although divergent views were not always expressed openly, they continued to inspire mutually antagonistic feelings between nature conservationists and farmers. This hidden conflict remained unacknowledged in the 1980s and early 1990s. The conflict would resurface again in the late 1990s, which we address in the next section.

7.4 The Drentsche Aa Area as a National Landscape (1993–2007)

7.4.1 The Multi-Actor Platform

In 1990s, the Provincial Government nominated the Drentsche Aa area as a National Park (i.e. an area dedicated to nature conservation). They soon found that the Drentsche Aa was the subject of a fierce conflict between farmers and conservationists that dated back more than 40 years. Farmers fiercely opposed this proposition. The designation would have meant that all land use in the park area would have nature conservation as its sole purpose. Many farmers considered this nomination plan an outright threat to agriculture in the area. There was much public protest against the perceived elitism of the policy makers and experts who wanted to declare the Drentsche Aa area a National Park. As a result, the Province hastily shifted its tactics. Instead of a National Park, it now aimed for a National Landscape ("a National Park with extended objectives" that allow multifunctional land use). To avoid open conflict and gain public support, a multi-actor platform was created in 1999 to negotiate the design and management of the Drentsche Aa area as a National Landscape. The platform included representatives of the Ministry of Agriculture, Nature and Fisheries, the Province of Drenthe, the State Forest Service, the Farmers' Union, the BOKD (representing the interests of small villages), and the tourist industry.

In the first 1.5 years, the multi actor platform negotiated what to do with the Drentsche Aa area. They decided to go for a National Landscape nomination instead of a National Park nomination.

> *It was clear to everyone that the Drentsche Aa area is not a National Park in a strict sense. The Drentsche Aa area is more than a strict nature reserve such as other national parks in the Netherlands are. Agriculture and villages are an integral part of the area... Therefore we have chosen to call it a National Brook and Village Landscape Drentsche Aa instead of a National Park* – Chairman of the multi actor platform in Arcadis 2002, p. 5.

Its report, the BIO Plan, i.e. the plan for Design, Management and Organisation of the National Landscape (Arcadis 2002), was accepted and on 4 December 2002 the Minister of Agriculture, Nature and Fisheries, officially declared the area a National Landscape ("National Brook and Village Landscape, the Drentsche Aa"). The Committee that now guides the implementation of the National Landscape is virtually the same as the Deliberation Committee that prepared the BIO Plan.

The National Landscape formula was chosen deliberately because, in a national park, all land use is dedicated to nature, whereas in a National Landscape multi-functional land use is accepted to a certain extent. Therefore the label, National Landscape, was thought to lead to less resistance than the label, National Park.

After taking this decision, the multi actor platform had to elaborate on the meaning of a National Landscape. They had to do so in little more than a year because the national government required them to. Although the national government had

indicated that they supported the new nomination, the Drentsche Aa area was among the first areas in the Netherlands to be nominated as such. There was little Dutch experience of what being a National Landscape entails. The multi actor platform therefore faced the challenge of giving meaning to this new concept in the form of a so-called "Management, Design and Organisation Plan" (called Beheer, Inrichting en Ontwikkelingsplan or BIO Plan for short).

The BIO Plan was completed under time pressure by a major Dutch consultant (Arcadis) and is based on the idea of "Conservation through Renewal". It uses the existing landscape as point of departure and aims at collaboration among involved parties to develop the area on the basis of what has emerged in history. The source of inspiration is cultural history. The BIO-plan elaborated separate plans for five functions: water, agriculture, nature, recreation and living, each with a vision for the future. In the end, there was no time to address the conflicting interests of nature conservationists and the farmers and bring their views together. This resulted in a collection of sectoral statements as there was no time to bring the different sectors together. The BIO Plan therefore did not discuss the history of conflict between nature conservationists and farmers and did not pay attention to the solutions for the contested land use.

7.5 Bargaining Without Wanting to Compromise

Efforts were made to use participatory methods that involved local actors in the writing of the Bio Plan. The assumption was that if the local actors were well informed they would understand and appreciate the plan. Several information and discussion evenings were organized to inform local people about the BIO Plan. Some local actors took this opportunity to hold decision makers accountable. Instead of public support for the BIO Plan in terms of understanding and appreciation, however, the participation of these farmers in the information and discussion evenings led to frustration.

> *During one of the first discussion meetings that I joined, a provincial official told me: "whether the Drentsche Aa area is called a National Park or not, we will just implement our policy plans anyway". That is what he told me straight to my face. He was honest, but I always keep this in the back of my mind. The province has laid a certain claim to this area whatever we say or do* – Farmer, interviewed on 11 Augustus 2005 in Tynaarloo.

Local actors throughout the region shared the view that the multi-actor platform did not intend to share any responsibilities with them. They were allowed to have a say in the matter, but it remained up to the members of the multi-actor platform whether or not their say would be taken into account. This gave them the feeling that they were not respected and that their input was not taken seriously. As a result, the local actors distanced themselves from the plan and felt increasingly disconnected from it. So despite the attempts to actively involve the local actors in its formulation, the BIO Plan did not achieve the desired legitimacy and recognition.

On the contrary, reporting to local actors aggravated feelings of disconnection and alienation.

The Farmer Union's representative on the Committee also criticised the BIO Plan. Although it reaffirmed time and again, that there should be space for farmers in the area, and that the Drentsche Aa could not maintain its character without farmers, the BIO Plan offered very little in terms of concrete prospects for the farmers.

> "*We need much more discussion on agriculture in the Drentsche Aa region. At this moment, the discussion focuses mainly on multifunctional agriculture. It seems that some people assume that conventional agriculture is not feasible. This does not correspond to the way my constituency experiences the situation*" – Farmers' representative, Meeting of the Preparation Committee on 8 October 2001.

The representatives of the NLTO Farmers' Union on the Committee were young farmers who had taken over conventional (intensive) farms from their fathers. They were full-time professionals who had survived the scale enlargement and learned one lesson: survival means being able to be more competitive than the Belgians, Germans, and one's neighbours. They knew that they were totally dependent on exports and hence on competitiveness within Europe, where all farmers had equal access to subsidies. This should not be taken lightly. The moment the professional farmer feels he is hemmed in and has lost his space for responding to pressures from the market, in terms of crop choices, investment, new technologies, etc., he believes that he will not survive (Van Bommel and Röling 2004). The farmers' representatives did not want farms that made their income from nature management, or other compromises. When it came to multi-functional farming, they feared that the supply would be much greater than the demand. They wanted farms that could adapt to the demands of that market without being hampered by regulatory frameworks to protect nature.

The State Forest Service representatives were annoyed by the insistent demand for space for intensive agriculture by the farmers' representatives. They felt threatened by the farmers' resolve to resist until their demands were met. The unique and precious herbal flora in the brook meadows, and its 40 years of turbulent conservation (the intractable conflict with the farmers), had instilled a strong awareness among the State Forest Service staff of the vulnerability of the nature under their protection. This awareness had, in turn, instilled a deep suspicion and antipathy with respect to modern agriculture that was seen as a major threat to their unique area. The State Forest Service was subsidised under a national scheme to revive rare flora and fauna. The rarer the vegetation and the more that vegetation adhered to the criteria set nationally, the higher the payment. Hence, the State Forest Service had strong incentives emanating from the national level to fight for conditions that allowed meadow orchids, black rapunzel (Phyteuma nigrum) and other rare plants to flourish. Hydrological research from the University of Groningen had provided the State Forest Service with new ammunition. It had shown that the rainwater that infiltrates on the plateaus charges the seepage on which the rare vegetation in the water meadows depends. As the plateaus are used

for intensive farming, the State Forest Service feared that the pollution associated with these modern farming practices would resurface as seepage in the water meadows. A time bomb was ticking away. So the incentive structure (payment for acreage of vegetation types), and the conviction that its rare flora required nutrient-poor conditions and that any compromise with farmers implied its destruction, led the State Forest Service to the opinion that there was little room for modern agriculture in the Drentsche Aa area.

The formal negotiations, for some time, amounted to little more than bargaining without wanting to compromise. The process became stalled, and provided an instance where multi-actor negotiation seemed to be failing. This is no surprise, given the external incentives for both farmers and nature conservationists NOT to come to an agreement, what with farmers having no option but to stay on the treadmill, and the State Forest Service depending for its funding on the extent of rare vegetation it manages to produce and protect. The BIO Plan was, therefore, no more than a set of sectoral statements with the farmers not even agreeing with the statement about agriculture.

7.6 Official Platform By-Passed by Local Initiatives

In the meantime, while negotiations among representatives with official mandates were bogged down, their constituencies were experimenting with all kinds of creative ideas. A number of agricultural entrepreneurs saw possibilities to enlarge or specialise their enterprises. Some decided to sell their farms and move to other parts of the country where sufficient land was available. Others decided to experiment and invest together, for example in collective meadow ownership and management.

> "*I'm prepared to invest in a farm with suckling cows, in which the agriculture is subservient to nature, landscape and water. However, I am a businessman, and I require security over a long period of time for all of my major investments*" – Arable farmer from Amen taken from NLTO and Alterra, 2005.

At first, the actors on the official formal platform ignored these local experiments. On the formal platform, the official NLTO position was still that part-time and multifunctional farming would dilute the voice of the conventional intensive farm interest, a position that obviously did not represent the interests of the many hobby farmers, part-time farmers and multi-functional farmers in the Drentsche Aa area. Furthermore, numerically, part-time farmers and hobby farmers now form a larger category than the professional farmers (Van Bommel and Röling 2004).

More and more initiatives emerged in which farmers organised things themselves, sometimes with other actors in the countryside sharing similar problems or similar ideals, explicitly avoiding government involvement. As a result of distrust they did not want to be dependent on subsidies or other bureaucratic procedures. At a certain moment, the local developments overtook the developments on the

platform and it became clear that the position of the NLTO did not represent the interests of local farmers at all. As a result, it was decided to make use of the creativity of local actors. The official position of the multi-actor platform became that it wanted the local actors themselves to be active and take responsibility. It now sees its own role as helping to open doors that would otherwise remain closed. The creative solutions that exist at the local (field) level form and shape the specific implementation of the BIO Plan. According to its chairman:

> "*Let's stop talking and start doing. We have nice plans but now we need people to generate projects. Come up with those ideas! We cannot change the world by just writing plans and visions. So we need people to formulate projects. I am a kind of director; I try to find those people*" – Chairman of the Deliberation Committee, interviewed on 6-12-2006 in Groningen.

The Deliberation Committee did not want to play first fiddle anymore. Instead, it wanted to create conditions and provide the means for fulfilling them.

7.7 Shifts in Governance in the Drentsche Aa Area?

We stated earlier that we wanted to study what happens when territorial governance is deliberately used to resolve a seemingly intractable resource dilemma marked by competing claims. In this section we will analyse our empirical data by linking it back to theory on governance. This will allow us to get insight into the manifestation of territorial governance in practice.

7.8 The 1960s and 1970s: Predominantly Hierarchical Policy Practice

In the 1960s and 1970s, during the formulation of the Gedachtenplan and the related decision-making, the State Forest Service, the RIVON scientists, and the Ministry of OKW played important roles. The Gedachtenplan was developed at the provincial level by the State Forest Service and then submitted to the ministry. Decision-making power rested with the ministry. The actors involved were all traditional governmental policy actors or scientific experts. The latter provided the input and the governmental policy actors had the decision-making power. Thus, governance in this context can be interpreted as a predominantly hierarchical. However, at the same time it is interesting to note that there was concern about public support: the State Forest Service officials had to show that their nature conservation plan was relevant for society in terms of recreation and tourism. This concern about public support points towards some multi-actor influences, but the way in which the concern about public support was addressed was very much in line with the previously established hierarchical approach. The State Forest Service officials

formulated and implemented policy by means of which they protected the interests of tourists, without the involvement of tourists themselves or tourist representatives. Farmers were excluded from the formulation and decision-making process even though they would have wanted to be included; neither were their interests represented in the decision-making process.

The implementation of the Gedachtenplan involved negotiations between nature conservationists and farmers. However, the state still had a great deal of influence on the outcome of these negotiations. It made additional funds available for the land to be purchased by the State Forest Service for more than the market price, which proved a real incentive, and this made it relatively easy for the State Forest Service to acquire the lands. The formulation and implementation of the Gedachtenplan was approached as if there were consensus on the goal (protection of biodiversity), as well as on the knowledge for reaching this goal. Despite the concern about public support, the decision-making process was first and foremost a top-down process in which decisions were made by policy makers. We can interpret this as a hierarchical context (top-down approach) with multi-actor influences (concern with public support).

7.9 The Late 1990s and Early Twenty-First Century: Predominantly Multi-Actor Policy Practice

If we compare this situation to that prevailing in the late 1990s and early twenty-first century, we observe considerable changes in the number, as well as in the type of actors involved. During the formulation of the BIO Plan, new non-traditional policy actors who had been excluded from the decision-making process in the past – such as the BOKD representatives and farmers' representatives – became involved alongside the more traditional policy actors such as policy makers and State Forest Service experts. These actors all had their own goals and interests, and therefore it became clear that the goal of biodiversity protection in the Drentsche Aa area was contested and political. The involvement of new policy actors suggests that the context changed towards increasing territorial governance.

However, when we look carefully at this situation, not all actors had equal influence on the outcome of the process. Despite the multi-actor setting that was deliberately created, the policy goals were still determined by traditional policy actors. They explicitly took the existing policy as a framework for negotiation, thereby restricting its scope. Actors whose views were not in line with the existing policy, such as the intensive farmers, were not able to benefit very much from the formulation of the BIO Plan. This suggests that the multi-actor context was quite hierarchical. This is confirmed when we look at the information and discussion evenings. The organisation of these evenings was based on the assumption that well-informed local actors would understand and appreciate the BIO Plan as well as the National Landscape. Although the evenings may have been intended to give

local actors influence on the outcome of the policy process, in practice it did not work out that way. In response, local actors decided to by-pass the formal platform and organise things themselves. As the formal multi-actor platform could not deliver the solution to the problems they were experiencing, they explicitly avoided it. Through self-organisation, they created space alongside it to define their own problems, goals and the knowledge required to reach those goals. This allowed them to invest jointly in creative solutions to solve their problems.

So, all in all, a formal multi-actor negotiation process was created to involve non-traditional policy actors in the policy process, but, because of dissatisfaction with it, processes of self-organisation in which the non-traditional policy actors decided to create their own space for change occurred outside the formal platform. We can interpret this territorial governance context as a predominantly multi-actor context with hierarchical influences in which processes of self-organisation emerged when the formal multi-actor negotiation process lost credibility with local actors.

7.10 Conclusion and Discussion

In the Drentsche Aa area the governance context changed from a hierarchical context with multi-actor influences to a multi-actor context with hierarchical influences. We can conclude that the shift in governance did not result in a clear transition from hierarchy to territorial governance. Instead, we observed mixed or hybrid contexts in which various governance practices existed side by side. What is particularly interesting is that the effort by the Provincial Government to use territorial governance as a means to resolve serious resource dilemmas failed miserably partly because it was not willing to let go of its control. In the end, it could not break the stalemate, and local actors took initiatives alongside the formal deliberation platform. These were then taken as implementations of the BIOPLAN. After formal territorial governance failed, the final outcome suggests that more informal territorial governance took over. Meanwhile, it cannot be denied that the strong opposition to farm modernisation over a period of half a century has preserved a unique area from destruction.

This research shows that shifts towards territorial governance are not as straightforward and unambiguous as sometimes thought and/or aimed for. This research has shown that shifts in governance indeed occurred, but that their manifestation in practice is complex and ambiguous. The specific manifestation turned out to be the outcome of power struggles over cognitive and political authority leading to inclusion of some and exclusion of others, that finally gave rise to a "local movement" over which formal actors had little control.

Recent literature on governance, participation and expertise supports our conclusions. Boonstra (2004) and Van der Zouwen (2006) show that officially instigated shifts in governance are not always perfect. Boonstra (2004) shows that

interactive policy-making initiatives in three areas in the Netherlands had to function within boundaries set by policy frameworks. She reveals that the regional and local initiatives did not always correspond with these existing frameworks. Van der Zouwen (2006) in her study of the Yorkshire Dales, Doñana and the Veluwe, shows that, despite involvement of non-governmental actors in policy processes, the policy processes are often still dominated by governmental actors. They determine not only who takes part and who does not, but also what is done with participants' input. Pierre and Peters (2000) also argue that "government organizations remain a part of the networks in these emerging models of (territorial) governance, but they are conceptualized as dependent on the other actors to the same extent that those actors are dependent on government (organisations). This easily leads to a blending of public-sector and private-sector resources . . .. An increasing number of hybrid organizational formats appear to have materialized as components of the governance framework". Jordan et al. (2005) also argue that "by now, it should be apparent that government (i.e. hierarchy) and governance (i.e. territorial governance) are actually much more intertwined than is implied by some governance theorists". This implies that at the heart of the new territorial governance some very old assumptions of hierarchical governance may still reside. In the Drentsche Aa, we have seen a similar outcome, until local actors began to go at it alone. But what is most interesting about this, is the way in which such a hybrid manifests itself in practice and the consequences that this hybrid has.

It is important to realize that territorial governance is an ideal type, that is, a non-existent thought experiments to tease out core aspects. If we forget this then a hybrid form of territorial governance can easily lead to disappointment if, for example, the room for negotiation turns out to be more limited than expected. Attempts at territorial governance can easily be put aside as unsubstantiated and empty rhetoric. Such criticism will only frustrate actors who view themselves as operating in good faith and to high professional standards. Rather than viewing hybrid forms of territorial governance as unfortunate flaws, we feel that in practice the emergence of complex mixtures between area based hierarchy and multi actor initiatives are inevitable. Therefore, rather than trying to undermine innovative and important public initiatives to shift the form of governance, the intention of this chapter has been to draw attention to the specific practices in which territorial governance is negotiated, in order to acknowledge, explore and scrutinise their character and, as necessary, open them up to wider debate and enquiry.

What seems to stand is that resolving policy dilemmas, marked by complexity, controversy and competing but interdependent claims on natural resources, do seem to require some form of territorial governance in which official actors have to relinquish some of their control. Formal attempts at territorial governance as a sneaky way to maintain control, at least in this case, seem to have served the goal of nature conservation against very initially powerful farming interests, and created a new context for multi-functional land use that serves that goal.

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Part III
Geographical Indication as a Tool of the Governance of Agrifood Chains

Chapter 8
A Brazilian Perspective on Geographical Indications

John Wilkinson and Claire Cerdan

Abstract This chapter presents a review of the principal examples of GIs approved or under negotiation in Brazil. It discusses how the emerging profile of GIs in Brazil has been influenced both by the specific State and Federal legislation adopted in Brazil for GIs and by the institutional structures put into place for GI promotion and recognition. It also situates initiatives around GIs in the context of broader strategies for territorially-based development. Through a comparative analysis of the GIs already approved and those in process of negotiation the paper draws preliminary conclusions with respect to the forms of justification emerging in the Brazilian case, the profile of beneficiaries and initial implications for territorial development strategies. The analysis is conducted within an evolutionary perspective on the institutionalization of GIs in Brazil understood as a collective learning experience, which permits readjustments and even new directions.

8.1 Introduction

In this chapter, we present an analysis of the current dynamic of GIs in Brazil. We argue in the first place that GIs in Brazil must be understood in the light of the country's broader agro-food system whose peculiarity is that it combines a globally dominant agribusiness with a strong and politically well-represented family farm sector. This is reflected institutionally in the existence of two Ministries dealing

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respectively with agribusiness (MAPA) and family farming (MDA). While territorial and quality market development strategies for family farming are promoted within the MDA, the responsibility for GIs is located in the MAPA. We analyse the implications of this institutional originality in the light also of the role played by the National Institute for Industrial Property (INPI) responsible for registering GIs in line with Brazil's adherence to the TRIPs agreement. We review also the State-level initiatives, which have been key in promoting GIs with a particular focus on their potential for the family farm sector. We follow this discussion with the presentation of an overview of the GIs approved and under consideration in the INPI, identifying their producer profile and their institutional supports. We conclude by considering a number of case studies aimed to highlight the special features of Brazilian GIs in this first phase of their institutionalization.

8.2 GIs and the Dynamic of Brazilian Agrifood Interests

In line with its previous membership of international agreements on GIs and its adherence to TRIPS, Brazil adopted legislation on Geographical Indications in 1996 defining two types of GI, one an Indication of Provenance (IP) and the other a Denomination of Origin (DO). The latter demands that the qualities of the products/service in question be due exclusively or essentially to the natural or human geographical environment. The former stipulates that the geographical origin be notorious as a source of aspects of the products or service in question without further specification. Brazilian legislation, it should be noted, covers both products and services.

Through the Normative Act 134 in 1997 and the Resolution 75 in 2000 the National Institute for Industrial Property (INPI) defined the requirements for registering GIs. Four Brazilian requests, all IPs have been conceded; 4 (3IP, 1DO) have to comply with different requirements; and 4 (3IP, 1DO) have been rejected.[1] In 2005, Decree no 5.351 created a department of Intellectual Property (DEPTA) and within this, a unit to promote and accompany GIs, in the Ministry for Agriculture (MAPA) identified with agribusiness, rather than the Agrarian Development Ministry (MDA) responsible for agrarian reform, family farming and rural development. Within the Federation, however, different States, stimulated largely by international cooperation programmes with Europe, developed GI initiatives and even legislation as from the nineties. The status of such initiatives is now unclear since without INPI approval they cannot be marketed as GIs outside their respective States or exported as GIs. Without the perspective of more than local markets the costs of establishing and sustaining a GI are prohibitive. The existence of these State-level initiatives since the

[1]A small number of third country requests have already been recognized and others are under consideration.

beginning of the 1990s, however, reflects the emergence and growing importance of strategies based on the qualities of origin.

To evaluate the significance of GIs as a strategy in Brazil it is necessary to examine the broader dynamic of its agriculture and rural development and the peculiarities of its institutional structure. With the end of the dictatorship and the inauguration of the New Republic in 1988 many of the political and social demands central in the early 1960s were taken up again by class-based organisations, political organisations, social movements and leading ONGs. Among these was the demand for agrarian reform and with it the vision of an alternative agricultural model based on the family farm. This movement was sufficiently strong to gain a separate Ministry (MDA) and have the status of the family farm ratified by Congress in the Agricultural Law of 1991, which still prevails despite strong opposition from agribusiness interests. These agribusiness interests, on the other hand, were seen to be the antithesis of a family farm development strategy, being identified with large-scale monoculture based on mechanization and chemical inputs and exclusively oriented to exports.

Such a characterisation could readily be questioned. Many of the key modern agrifood chains have depended primarily on supplies from family farmers – milk, white meats, tobacco – and in many others the family farm has maintained a considerable share – corn, soy and even beef. In these activities the family farm incorporated the technological package of the green revolution and was directly involved in exports. Nevertheless, by the 1990s scale economies were making themselves felt, a process accelerated through a combination of the occupation of the mid-west frontier primarily by large-scale commercial operations, regional integration with competitive partners in the Mercosul, internal market deregulation, and the liberalization of foreign trade.

From this point on, integration into the dominant agrifood chains as a family farm strategy was replaced by the quest for autonomous development and market models. A National Family Farm Programme (PRONAF) was put into place, which has gained in resources, scope and expertise over the years and continues in effect today implemented by the MDA. This latter Ministry is divided into three components: agrarian reform (INCRA), a Secretary for family farming (SAF) and a Secretary for territorial development (STD). The SAF has most political weight and resources through the PRONAF programme. While the main beneficiaries of the PRONAF programme remain the family farm sectors integrated into agribusiness, the MDA's programmes have been centred on the promotion of alternatives in close alliance with the social movements oriented around the family farm strategy. These include: organics, agroecology concerns, the promotion of artisan activities, the identification of traditional food activities, Slow Food, fair trade and alternative agri-forestry models. There has been much discussion and experimentation with alternative certification schemes, the promotion of appropriate sanitary legislation (put into practice at municipal and state levels), the development of a family farm trademark, together with other initiatives to develop an alternative institutional framework for family farming (organizational and juridical forms, taxation systems). These activities have been concentrated in the SAF. The SDT, for its part, has

adopted a global strategy of territorial development, heavily influenced by a view of family farming as dependent on the broader dynamic of the local economy. The country has been mapped to identify its territorial potential and a total of 118 rural territories are now receiving public support for the consolidation of development strategies. In a similar manner, INCRA and researchers on agrarian reform have increasingly focused on the land settlements not only in terms of their internal dynamics, but also as key components in local and regional development.

In addition to the different units of the MDA, the Environment Ministry (MMA) is heavily involved in territorially-based policies both in relation to areas of conservation and to the protection of genetic resources and traditional knowledge. The Brazilian organization for the promotion of small and medium enterprises (SEBRAE), for its part, straddles the "agribusiness × family farm" divide, supporting both product chain and territorial analytical frameworks and strategies. In the more recent period, however, it has been a leading promoter of development strategies based on "local productive arrangements" (APLs), an application to Brazilian conditions of notions of clusters, local innovation systems, and industrial districts along the Italian lines.[2] In the 1990s SEBRAE, which has large resources and an extensive national network of staff, made a turn to the rural sector and is currently very active in the promotion of alternative special quality markets: organics, fair trade, Slow Food and GIs. As we will see, the Pampa Gaucho GI was heavily dependent on SEBRAE's initiative. SEBRAE has published a book specifically on GI's and another with the instigating title: *Moving Territories* which also includes a chapter on the concept of *terroir*, indicating the priority which it is currently giving to strategies based on origin products.

As can be seen, territorial strategies have emerged as a consensus in the different Federal bodies dealing with family farmers and small-scale rural activities, and the same tendencies are present at State and municipal levels. At the same time, the fact that explicit support for GIs is located in the MAPA, rather than the MDA, and also in SEBRAE leads to an association of GIs with the more entrepreneurial small farm sector in a position to exploit niche markets. It is perhaps significant that the MDA did not take specific initiatives in relation to GIs in the same way that it promoted organics, fair trade, and Slow Food, allowing the issue to be located in the MAPA, where as we have seen, it is a unit of a department dedicated to broader intellectual property issues, within the framework of agribusiness. Nevertheless, the institutional initiative of establishing a unit in MAPA has been followed by vigorous training and promotional activities.

On the other hand, Brazil remained neutral in the WTO dispute on IGs between the European Union and the United States and Australia, and agribusiness representatives look with mistrust on strengthening GI legislation, focusing on its negative impacts for a range of products currently using GI names with the addition

[2]This approach has been developed in particular by Cassiolato anf Lastres, see *Globalização and Inovação Localizada* (1999) within the "local systems of innovation" approach associated with Lundvall, A.

of a "type of" qualification. Such mistrust was sharpened in the wake of the EU-Mercosul negotiations. At best therefore GIs may be seen by agribusiness as a possible strategy within the "turn to quality" (Allaire and Boyer 1995). The coffee IP in the State of Minas Gerais, CACCER which we will discuss below, would fit this description well being an example of a business initiative identifying the value of a GI for upmarket access into the US and Japan.

With no specific promotion of GIs within the MDA and with no proactive stance being adopted by INPI until 2006, when it installed a unit with staff specifically responsible for accompanying the registration process, it was to be expected that there would be a very low response to the new legal framework for GIs created in 1996. In addition, one would also expect that such initiatives as emerged would depend on unusual levels of entrepreneurialism. The exceptions here would be the States of Santa Catarina and Minas Gerais, both heavily influenced by European models and cooperation agreements, where important initiatives involving family farmers were promoted. In the case of the southernmost State of Rio Grande do Sul, which gave rise to the first IP the decisive institutional stimulus was provided by the unit of the national agriculture research system, EMBRAPA, whose wine competences are located in this State. In the Northeast, international cooperation, principally CIRAD in articulation with EMBRAPA has been responsible for introducing the notion of GIs for artisan cheeses and products deriving from goats and sheep (Guimarães 2005).

The Northern Amazon region has experienced a very different dynamic. Here development strategies have been predominantly influenced by international cooperation on sustainability issues by social movements based on demands for the right to maintain extractivist practices, by business initiatives involving components of corporate social responsibility and by fair trade alternative networks. A GI strategy has been mooted in the case of the original producers of guaraná, the Sataré-Mawé tribe, and GI possibilities in the region are now being investigated within the framework of the Biodivalloc project (Cormier-Salem et al. 2005). An international debate on the relevance of GI strategies for the protection of biodiversity and traditional knowledge is currently underway (Dutfield 2005; Boisvert 2006). Although in specific cases a GI strategy would seem to be appropriate, as in the case of guaraná or different manioc flours, there is scepticism as to its relevance as a strategy for protecting traditional knowledge as such, since its coverage is restricted to specific products and their processes. Nevertheless, this concern reflects a broader trend to the justification of GIs in terms of biodiversity.

Brazil has recently awoken to the importance of protecting its biological diversity as an economic resource, particularly as a result of the patent taken out by a Japanese company on the tropical fruit *cupuaçu*, preventing Brazilian exports of this product to Japan. A long campaign led to the revocation of this patent and Brazil has now published a list of names of flora and fauna originating in Brazil, elaborated in the ambit of the MAA. In a similar vein, by federal decree *cachaça* has been declared a Brazilian generic term for distilled sugar-cane. *Cachaça* as we will see is the product which has advanced most in the definition of an artisan institutional and marketing framework, and has either achieved or is negotiating GI protection in regions of

special reputation – such as Paraty in Rio de Janeiro and Salinas in the State of Minas Gerais.

From this brief overview we can conclude that GIs are very ambiguously positioned in Brazil. The Brazilian "agro" sector is traversed by a tension between its "commodity vocation", reinforced by an explosion of demand for a wide range of agricultural and mineral commodities from the South, especially China, and the possibilities which the "quality turn" may offer. Previously the "quality turn" option received support from the segmented markets and more demanding access requirements of the Northern economies, but now the main incentives from the North are for biofuels investments leading to an enormous expansion in sugar-cane plantations and oils-for-diesel crops. To date, the agribusiness sector has been mobilised more on issues of new minimum quality standards, the disciplining of the informal sector, still very strong in many products, and strategies to increase its commodity competitiveness. The adoption of transgenics has been seen to be strategic to achieve this goal so much so that the sector has at least condoned if not promoted their illegal diffusion. In adopting this strategy it has rejected any proposals for zoning or efforts to explore possibilities of "peaceful co-existence" between transgenics, conventional and organic agriculture. Brazil has become a very active player in world trade negotiations, assuming leadership of the G20 along with India and largely defending agribusiness interests. It has successfully challenged both the US (cotton) and the European Union (sugar) within the forum of the WTO. While not taking an active role on GI negotiations its spokespersons have positioned themselves against a strengthening of the TRIP's regime.

On the other hand, the sophistication of food services (restaurants) and the expansion of specialised retail outlets are stimulating the creation of short "quality" chains. At the same time, global NGOs, new economic social movements and articulated global policy networks are promoting an increasingly diversified range of "quality" certification systems. Tendencies in the same direction can be seen in the rapidly growing adherence to principles of corporate social responsibility. It should be noted also that different strategies are being adopted even within agribusiness. A number of crushers and traders have bet on the viability of conventional rather than transgenic oils and grains commodity chains and have begun to develop segregated/traceable supply systems. Perhaps more surprisingly the same is also occurring in the emerging nutraceuticals sector. In Rio Grande do Sul which was the port of entry for clandestine transgenic soy varieties from Argentina and the scene of the greatest mobilizations and conflicts, Bunge and Dupont, through their joint-venture Solae, have developed a conventional soy supply chain. Both functional foods and organics keep their distance from transgenics.[3]

The advance of the soy frontier from the Centre-West to the Amazon region has brought into sharp relief the potential incompatibility between the commodity model and biodiversity. Global NGOs, supported by decisions of the judiciary,

[3]BASF, a global leader in agrochemicals publicises its use of organics as inputs for its functional foods sector.

have put an at least temporary break on Cargill's crushing activities in Santarém in the heart of the Amazon. At the same time, negotiations between these NGOs and the soy transnationals have led to a moratorium on soy from areas recently deforested and to the establishment of a Roundtable on Responsible Soy for the implementation of a certification system for soy as a commodity. Even commodities, therefore, must now justify themselves as origin, or rather, "not that origin" products.

GI-based development or competition strategies are therefore ambiguously positioned between an agribusiness eager to confirm its globally competitive commodity status – the basket of the world[4] – and the family farm axis equally determined to consolidate family farming as a viable alternative agrifood model and the basis also of territorial development strategies. Both sides, however, in practice are also pushed in the direction of origin-based quality products by different market pressures and stimuli. The importance GI strategies have assumed for SEBRAE aptly captures this ambivalence, providing as they do an ideal terrain for the SME sector.

8.3 GIs: Current Situation and Emerging Profile

It took some 10 years for a more pro-active institutional structure to emerge in relation to GIs but as from 2006 both INPI and the MAPA established units specifically dedicated to this question. A slowness to regulate the procedures for GIs registration may well have reflected a fear that Brazil would be faced with an avalanche of demands which would place in question many well established brands based on "type of" marketing strategies, particularly in cheeses and hams. Brazil, along with many other countries, has also insisted that the demand for registration be made in the national language (Audier 2003). The expected avalanche, however, did not materialise and our appreciation of the profile of these demands is based on the 21 processes posted on the INPI as of October 2006, as reproduced below. One of the five indicated as in the phase of publication has now been approved – beef from the Gaucho Pampas. Of the 21, 11 are Brazilian and 10 from third countries: 6 from Italy, 2 from France, 1 from Portugal, and 1 from Germany. The stage of the registers can be appreciated in the table below:

Requests for GI registry with INPI	
Submission phase	2
Request for compliance	5
Published	5
Approved	5
Rejected	4

Source: INPI site, 2008

[4]Although it should be noted that India has a similar ambition.

Only one third country request is for an IP (cutlery from Solingen), whereas nine of the eleven Brazilian requests are for an IP. The four rejected requests are all Brazilian, with only one third country request being returned for further compliance (prosciutto de Parma). Those from third countries approved include: Cognac, Vinhos Verdes e Franciacorta and the remainder are in the phase of publication. The conditions for concession of an IP are clearly less demanding and to the extent that there is no evidence that the consumer distinguishes IP from DO in Brazil, this preference for IP status may become a characteristic of Brazilian GI strategies. On the other hand, it may be that the IP is seen as a first stage to achieving a DO. It is too early as yet to draw conclusions either way. INPI, as was mentioned earlier, has now established a unit specifically for GIs which allows it to be proactive in the registering process. On the other hand, GIs in Brazil constitute private rights and once conceded, INPI's competence in the matter ceases and there is no formal follow-up.

This would appear not to be the case, however, for the GI unit in the Ministry of Agriculture. In addition to legal support, it includes in its brief "technical support for obtaining, maintaining, suppressing or annulling the GI certificate for agricultural products". It remains to be seen what this will imply in practice. Nevertheless, MAPA has instructed its State-level units to promote GIs and developed a pilot project in the State of Rio de Janeiro, for the cachaça of Parati, a favourite of the Emperor's as far back as the eighteenth century.[5] At Federal level, it is SEBRAE, responsible for promoting the SME sector, which is most likely to have the strongest influence on the rhythm and profile of GIs. It was responsible for the strategy behind the most recent IP, that for beef from the Gaucho Pampas and is involved in other regions.

As we mentioned earlier, the most sustained efforts to promote GIs have been at State level, directly or indirectly under the influence of international cooperation programmes. In the State of Minas Gerais such an agreement was concluded between the State Governor and the French Cooperation Ministry at the beginning of the 1990s. This agreement was conducted at the highest State levels – Secretary of Agriculture (IMA), the State's rural extension services (EPAMIG) together with its marketing structure (CEASA). In addition to promoting the French model of supply chain coordination, the focus was on the promotion of quality based on origin. Minas Gerais has led the consolidation of an artisan cachaça sector, which has been taken up by a number of other States and now assumes national proportions. The Federal Decree on cachaça as a Brazilian name, referred to above, was a response to the success of State level initiatives in promoting and consolidating a coherently defined and organised artisan sector. Coffee has been another product promoted through the Cooperation Programme, and this has given rise to the first coffee IP (CACCER) to be recognised within the framework of TRIPs and also to the launching of a State GI system for coffee, whose future is currently not at all clear. The most ambitious project within this Cooperation has been the attempt to transform very traditional

[5]The MAPA unit in Rio is also promoting a number of other GIs in the State.

on-farm producers of cheese from raw milk into a GI based on AOC procedures and with the assistance of cheese producers from the French Comte region and technicians from INAO. This led to the creation of an extensive network extending beyond the initial partners to include the University, the Brazilian National Research Council and the Minas Gerais State Assembly, culminating in the voting of a State Law permitting the production of cheese from raw milk by producers attending the law's stipulations. In the wake of this movement, cheese was, in addition, declared a cultural heritage of the State. The validity of this law on artisan cheese production is not at all clear since it would appear to contradict Federal provisions, and States only have legislative autonomy to the extent that they do not breach Federal laws. To date only around half a dozen producers have managed to comply with the new requirements out of a universe of almost 2,000 such producers in only one of the three cheese producing regions involved.

The State of Santa Catarina has been similarly marked by initiatives in support of family farming and artisan agroindustries within a framework heavily influenced, although in a more diffuse fashion, by European and particularly French models. Here, too State legislation in 2002 ratified a range of designations: PGI, DOC, Certificate of Product Conformity (CCO), organics (ORG) and family farming (FAM). These designations are still incipient, but in the case of origin products, here again their status is no longer clear once the criteria for registering such products with INPI were regulated in 2000. A range of products, among which wines and apples, are now being promoted as candidates for GI status with strong support from the State's rural extension organ. Santa Catarina has also seen the development of Brazil's most extensive network of agroecology associations – ECOVIDA – which has developed its own participatory certification system and which has served as a model for those opposing third party systems. Santa Catarina has also seen a very extensive promotion of artisan agroindustries which has served as model for the national PRONAF agroindustry programme. Both these initiatives which have become references on a national scale have a more diffuse territorial reference, the former identifying an alternative agricultural model with a particular social category of producers and the latter looking for a collective identity in terms of a category of products – "colonial" products in this region, but which has its counterpart in other regions – "sertanejo" products in the semi-arid Northeast and forestry products in the Amazon. This association of product quality with the values of a specific social category loosely identified with a broad region which itself is fluidly identified with an agricultural frontier in movement has a strong resonance for those developing GI strategies in close identification with the category of "family farming". While the recent institutional consolidation of GIs at Federal level now redefines the scope of State initiatives, the latter have clearly been crucial in diffusing the values of origin product strategies. In addition, it is largely their campaigning which is currently leading to a reformulation of agroindustry sanitary laws – the new unified system (SISBI) – a precondition for incorporating the family farming sector in GI strategies.[6]

[6]It remains to be seen whether this new system represents a breakthrough for artisan agroindustry.

GI oriented cooperation programmes developed between CIRAD and EMBRAPA have been particularly important in the Northeast, especially in the promotion of typical regional cheeses and meats. More recent cooperation initiatives are now also focussing on the relevance of GI strategies for preserving traditional knowledge and biodiversity. Given the concentration of Brazil international cooperation programmes increasingly in the Amazon region and the growing associated of GI strategies with the protection of biodiversity it is likely that initiatives along these lines will figure more importantly in the coming period. To date, however, broader intervention on issues of issues of sustainability, corporate social responsibility and fair trade whether via certification or alternative networks has tended to prevail over GIs and would be the counterpart of the ECOVIDA and artisan agroindustry networks identified in the South.

8.4 Specific Case Studies

To capture the diversity of GIs in Brazil and explore in greater detail the issues involved we present a summary analysis of specific GIs focussing on three aspects (a) the nature of the market – local or global; (b) the main constraints and/or opportunities; (c) the institutions involved and the type of governance.

8.4.1 Pampa Gaucho da Campanha Meridional Beef

The first case is that of the, *Pampa Gaucho da Campanha Meridional Beef* protected as a recognized Geographical Indication since December 2006 by the Brazilian National Institute of Industrial Property (INPI). Beef is an important product both for global trade and for the domestic economies of South America (especially Argentina, Uruguay and Brazil). A worldwide reputation has been consolidated for high-quality meat from Argentina and Uruguay, based on British breeds of cattle and "Pampean" native pasture. The Pampas are the natural permanent meadows, which cover a large part of Uruguay, Northern Argentina, and the southernmost part of Brazil.[7]

In 2005, Brazil, with a total herd of over 200 million cattle became the world's leading meat exporter. In recent years, Brazil has made an important effort to increase its herd with Zebu cattle (*Bos indicus*), which represent 80% of the total herd. In the two southern Brazilian states of Santa Catarina and Rio Grande do Sul, however, where the climate is more temperate, cattle are primarily of European breeds or crossed with zebu breeds, either for dairy or beef production. In a context where beef is still considered as a commodity, the southernmost state of Rio Grande

[7]For a more detailed analysis see Cerdan et al. (2007).

do Sul (RS) has been increasingly in a difficult position. Access to national and international markets has become difficult as a result of high production costs when compared to others regions of the country such as the centre-west (pre-amazonian) and the North and also by low levels of coordination within the supply chain. In addition, cattle-raising in the South has to compete with soy production and more recently with the huge expansion of forest plantation for pulp and paper.

The project "Beef from the *Pampa Gaúcho da Campanha Meridional*" was established in 2004, through a partnership between private and governmental organizations under the leadership of farmers from the Pampean region. In Southern Brazil, the good quality of beef meat produced on the natural meadows of this border region has been recognized for a long time and identified under the name of "*meat from the border*". The main motivation for a GI for the farmers was to distance themselves from the Brazilian standard of beef production focused on quantity rather than quality by stressing their proximity with the famous beef of the Argentine Pampean region. In this way they would also be protecting their *gaucho* culture, developed from a rural way of life and in an environment revolving around cattle and horses.

For SEBRAE (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas), the Federal institution to promote PMEs, this case was considered as a pilot experience. Its main objectives included the training of its staff, learning how to process a GI demand, visiting GI experiences in other countries, and the development of methods to promote GIs in Brazil. Today, SEBRAE continues to support the pilot experience (Pampean Beef) and is developing new GI projects in this southernmost State such as Confectionary Products of *Pelotas*, rice produced along the coast, and leather from the *Vale dos Sinos*.

From the perspective of the Federal University, this initiative was also an opportunity to develop, along with the local communities, new answers to the degradation or disappearance of native pastures. It should be noted that native pastures have decreased by around 126,000 ha per year between 1970 and 1996, and by 352,000 ha over the last 10 years.

The code of practices was defined and proposed by a group of 15 producers and supported by the SEBRAE and researchers from the university. This code included specifications relating to: delimitation of the area, cattle breeds, animal feed, traceability, and animal characteristics. The GI area covers 13 municipalities; animals must be of European breeds, either Hereford or Angus or their hybrid; the herds are to be exclusively fed on native pastures (*campo nativo*) or improved native pastures. Cultivated winter lots are authorized whereas cultivated summer lots are not. Grain feed complementation is prohibited in the last year before the animal slaughter. In addition, animals must remain free all year. The code of practice defines a set of norms for slaughter, which include the age of the animals (42 months maximum), the rate of fat in the meat (3 mm minimum), the conformation (convex) and the weight (from 180 to 230 kg according to the sex and age) of the carcass. Within the Code of Practice, traceability assumes great importance and a monitoring system has to be established for each animal. Beef traceability and GI certification is central to the production and elaboration

of the Brazilian Pampean Beef GI with the number of the animal written on the tag of each piece of GI meat.

The code of practices for the Brazilian GI "*Pampa Gaúcho da Campanha Meridional Meat*" was created for a potential future market: the European market. The methods of production appear rather distant from local realities and are difficult for all farmers to follow, especially for local family breeders who, to date, are excluded from the group. A year after the official recognition of their product as a Geographical Indication, farmers had still not seen a profit from the valorization of their meat. SEBRAE continues to offer financial support to the organization. Because of these difficulties, the members of the association actively seek new members to make their organization more credible and increase the scale of their production.

8.4.2 Coffee from the Cerrado Region

The second case involves coffee. In the coffee value chain the key role today is played by the large traders and roasting firms of developed countries. Globally the sector has suffered from very low raw material prices due to overproduction, low quality, and origin usurpation. Alternative valorization strategies have emerged inspired by social and environmental sustainability, by high-quality segmentation, and by the geographical origin of coffee.[8]

The certification procedure for the *Café do Cerrado* IP in the State of Minas Gerais was undertaken by the Council of the Cerrado Coffee Producers' Associations – CACCER. This coffee's special features are associated with the particular production conditions of the region (altitude, rainfall of 1,600 mm, and constant temperature of 18°C–23°C). The demarcated region is very large, 155,000 ha potentially involving 4,500 coffee producers. These producers already had a collective label and saw the IP as a way to consolidate their competitive advantages in the international market for speciality coffees.

Although the Cerrado Mineiro coffee has become well known over the last few years it was not a traditional product in this region. Coffee only began to be grown in the region in the 1970s by farmers who had emigrated there from the State of Paraná further to the South. Given that land was cheap here they were able to buy large tracts which facilitated mechanisation and the organisation of production.

The special conditions of the region which we have refered to are responsible for the following characteristics of the coffee (a) an intense aroma with hints of caramel and nuts; (b) a delicate citric acidity; (c) a sweet full-bodied flavour; (d) a long chocolate aftertaste. These taste and aroma traits are recognised by the market. The Cerrado producers have opted to develop a brand associated with geographical distinctiveness as part of a strategy for market segmentation. To achieve this, norms

[8]This summary draws on the doctoral thesis of Mafra (2008).

and production models have been developed in addition to a system for their control and monitoring with a view to establishing credibility in the eyes of the consumers.

The Cerrado coffee producers use advanced technologies and management systems and have successfully organised themselves into associations and cooperatives which cover almost the whole region. CACCER (Council of the Cerrado Coffee Associations) was created in 1992 and represents nine associations and five cooperatives and is responsible for promoting and marketing Cerrado coffee. This form of organisation has strengthened the Cerrado producers politically and has enabled them to establish the traceability of their product, thereby protecting their brand and the regional identity of the product. CACCER covers 55 municipalities with an area of 147,000 ha and represents some 3,600 producers who harvest between 2.5 and 3.5 million 60 kilo sacks of coffee per year some 15% Brazil's total production.

CACCER received the IP in 2004 and became the first coffee producing region in the world to have the right to use this title within the framework of WIPO norms to which the Brazilian Intellectual Property Institute is a signatory. In response to the demand of the world market the Coffee of the Cerrado certification programme includes quality and origin guarantees, the transparency of its production model and the traceability of its product.

To obtain the denomination farmers must obey the production rules, particularly those related to the preservation of the environment (respect for the vegetation close to water sources and the conservation of these sources, management of the soil etc.), respect for healthy working conditions (use of adequate equipment, individual protection, prevention of accidents), implementation of wage regulations (labour contracts, weekly rest periods etc.) and use of agrichemical inputs in accordance with technical recommendations. The principal preoccupations concern the environment. Sanitary concerns – contamination by pesticides – together with production and marketing rules are governed by international regulations or those established by the principal consumer countries (The US, European Union and Japan).

8.4.3 The São Joaquim Apple

This apple of the Fuji variety and its clones is produced in the south of Brazil in a region of high altitude (more than 1,000 m) where it has developed a good adaptation to the climate and the soil. These conditions confer singular characteristics to the fruit: an intense red colour, an ideal format, an excellent taste (with a good balance between sugar and acidity) and a juicy fruit. The altitude creates a favourable microclimate for the culture of the apple and is unique in Brazil with the cold permitting a natural raising of dormancy. Moreover, the variation of diurnal and nocturnal temperature is responsible for the special coloration and taste of this fruit. Finally, the vegetative cycle is longer than in other regions and this longer maturation allows for a higher quality of the fruit. This fruit is well-adapted to the preference of the Brazilian consumer who likes juicy and red apples. The reputation

of "*Maçã de São Joaquin*" already exists at the wholesaler level. In fact, the companies of the area selling boxes containing 18 kg of this fruit charge between 2 and 5 R$ more than from other areas.[9]

More than 150,000 tons of apples with 70% of the Fuji variety are produced by approximately 1,000 farmers in the region of São Joaquin. Most farmers are small producers with 4–5 ha of orchards. The marketing structure is particularly weak with only some five cooperatives (250 producers) and a few companies having any effective sales organisation. The remaining farmers sell their production to companies from outside the region. These firms buy and pack the apples with their own brand in their area of production. More than 50% of total production leaves the zone without any aggregation of value.

Periodically, especially during years of overproduction, producers explore alternative ways to improve the value of their product. A few producers and technicians are investing in organic production and the organic apple has good sales in the urban markets (Rio de Janeiro or São Paulo).

Some studies have been undertaken and producer meeting organised to establish technical and economic references for the viability of a Geographical Indication for the "apple of São Joaquim", and to discuss likely impacts. These initiatives are being promoted by the most organized producers in conjunction with the local research institute but as yet with no effective organisational centralization of the project.

A strategy for the valorisation of the Sao Joaquim apple is perfectly appropriate. The apple, introduced by German communities has been cultivated in São Joaquim (SJ) for 30 years. Local firms are adopting a strategy of differentiation by quality and would like to focus production on specific quality features, which has led to the proposal for a GI. All agree that the Fuji of SJ has a superior quality at the level of appearance and taste. Moreover these qualities are linked both to climatic conditions and to the family farming system since this permits a more meticulous management of the orchards. Lack of leadership, however, to manage the project has put on hold the construction of an IG for this apple, despite the product's quality and its recognition in the market. If a representative association emerges collective action in this direction may well be feasible.

8.5 Conclusions

As for other developing countries, GIs are a very recent phenomenon in Brazil and it is certainly too early to establish firm conclusions as to their dynamic and significance in the Brazilian context. Brazil as we have seen is polarized between a commodity vocation, associated with large-scale entrepreneurial agriculture and more artisan, territorially based initiatives where family farming would have

[9]The information and analysis in this section is based on fieldwork by one other authors.

a protagonist role. At the same time, tendencies in global and domestic markets have stimulated a repositioning of certain commodity markets in the direction of niche, special quality products. GIs to date have been heavily identified with this latter development (wines, coffee and beef). In the context of weak institutional support the complexity of the GI process has meant that it tends to depend on exceptional entrepreneurial initiative as in the case of CACCER coffee. In all other cases, successful negotiation of GIs has involved heavy support from specific public organizations – SEBRAE in the case of Pampa beef, MAPA in the case of Paraty cachaça, and rural extension and agricultural research system in the case of Vale dos Vinhedos wine. The institutional location of GIs in the Agricultural Ministry rather than the family farm oriented MDA points to the reinforcement of the entrepreneurial character of GI initiatives. It should be noted however that State level initiatives, particularly in Minas Gerais, have made a determined effort to involve traditional small farmers in GI projects. In general, however, the promotion of artisan and tradition-based strategies for strengthening family farming has tended to take alternative routes. On the one hand, there has been a generic valorization of artisan products associated with broad and itinerant regional cultural traditions ("colonial" and "sertanejo" products, from the South and the Northeast respectively). On the other, individual product strategies have been subsumed within a more systemic promotion of territories within which family farming has a strategic role but where development strategies have a much broader connotation, associated with notions of local sustainable development. Within this framework great emphasis is placed on collective learning within an evolutionary perspective. The institutional determinants of GIs by contrast either demand exceptional producer level leadership or become excessively dependent on expert systems, which tend to have a demobilising effect for producer organization. The need, however, to establish a definitive position on questions such as demarcation, organizational form and production norms from the outset tends to inhibit the trial and error which is constitutive of successful collective action.

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Chapter 9
Cooperation and Governance in Wine Territories: A New Institutional Economic Analysis

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Abstract In this chapter we present some of the main figures of the governance process in the wine industry. We define the governance as the voluntarily actions for a private or/and public regulation of the markets. Both parts of local and national entities involved in the governance, public and private, are interconnected in embedded social and economic networks, with multiple enforcement mechanisms to form the base of the concrete transaction framework. This presentation illustrates part of these complexities in the agrofood sector. For our demonstration we firstly remind the mainspring of the collective governance process in the agricultural sector. The contract analysis of the bilateral relations is able to represent a limited part of the governance and unable to represent the complexity of the monetary and non monetary exchange between the different agents involved in the development of the multiple regional, national and international commodity chains. Based on a New Institutional Economics approach, we develop a framework of the governance of these spatially and socially root based industry.

9.1 Introduction to Territorial Governance in the Wine Sector

One of the main figures of the wine sector economics in Europe is its structural characteristics. The atomicity of the production units along the commodity chain is a major determinant of its governance dynamic. When quality and atomicity crossed in an industrial sector, vertical integration will not be an answer to solve the coordination problems. The territorial spreading of the vineyard is a force in favour of the multiplication of the agricultural entities. At the first and the second stage of the commodity chain the absence of increasing yields in the production functions limit the concentration of the vineyard and of the wineries. Moreover

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consumer preferences for variety generate label diversity and by consequences induce a multiplication of the producing units. In concrete terms the wine sphere is a "multipolar world". The dramatic numbers of economic agents create coordination failures of the supply including at the finest spatial level (Montaigne et al. 2007). Picking up the coordination process imply a governance of the agent interactions, for the financial transactions or the non merchant transactions.

The diffusion of the governance concept in social sciences is a recent trend. As noticed by Oliver Williamson economics has neglected during a long period the concrete organisation of the agents for a focus on a virtual representation of the market (Williamson 1985). Even the concept is ancient. The epistemology of the diverse economic schools related to the concept of governance begins by the semantic of the term itself. With roots in almost ten European languages it established to design the whole voluntary process for a regulation of the economic activities. It was spread in particular by New Institutional Economics (NIE) which attempted to provide a complete analysis framework of the institutions. The NIE ambition tend to understand the physic and decision process boundary and the determinants of the market relations from informal strategic alliance to contractual design inside the firm or between independent partners implied in bi or multilateral cooperative interactions (Baritaux et al. 2006).

As we saw in introduction, the notion refers to a process of multi-level and multipolar coordination where many decision centres are. The governance concept refers to a voluntary dynamic of regulation of the transaction and agents relations. It subtends a programmatic, mostly tacit, of the coordination process. This perspective of a proactive management of the market is quasi absent in the neoclassical framework and relatively rare in the heterodox currents.[1] The governance groups together the whole mechanisms allowing the initiation and realisation of the process necessary to the internal or external transactions. It is the institutional framework for an initiation, a negotiation, an execution and an adoption of the transaction (Ménard 2004). The references to these concept draw closer together the management sciences, turned towards action, and economic sciences, adopting a withdrawal perspective.

In economic geography, the governance concept was served with the studies on localised productive systems mainly to enlarge the basic analytical framework on industrial districts to embed the market interactions. In regional analysis, the governance concept considers a set of existing or potential relationship between companies in a local or regional territory that determines the collective model of functioning and economic development. Territorial Governance (TG) can be defined as being not only the territorial government, but all the system of relations between institutions, organizations and individuals, which assures the collective choices and their accomplishment. The French school of the territorial governance concept uses it to highlight the emergence of new development spaces

[1]It is for example relatively rare in the French regulation school focused on the trend of some main indicators.

where up-down politics and administrative boundaries are less prevalent (Leloup et al. 2005).

The aim of this chapter is to test the usefulness of the principal frames of the governance phenomenon to interpret the development of the industry of wine and more generally the trend of the regulation process of the agrifood sector. The second section of this chapter reinterprets the arguments of the political regulation of the wine sector. These social claims for a correction of the market imperfections are the tacit justifications of what could be interpreted as numerous distortions of the competition introduced by public administration and lobbies. The bilateral transaction analytical model has little to say about the complexity of the relation matrix of a territory but still remains necessary to a deep understanding of the individual exchanges. So we associate it to a range of institutional analysis tools based on the game theory suggestions with a systematic empirical confrontation. This chapter is not a general view of the governance mechanisms of the wine territory. Its ambition is to reveal two central points. While economists have mostly limited their studies to one dimension of the organisational matrix of the wine territory, the contractual relation, we demonstrate the necessary differentiation of viewpoint of institutions and geographic spaces of the governance. In the third and fourth section we emphasize these two central points. In the third one we introduce a new perspective of the relationship between institutions, relational matrix and geographic spaces. In the fourth we present the main mechanisms of warranties encountered in the wine territories. In the fifth section we conclude by a proposal on research actions on the present model of territory governance.

9.2 Strategic Arguments for Private and Public Governance of the Wine territories

Until the development of the Organisation Theories, economists became attached even more to the concept of regulation. Whatever the approach, the economic theories mostly progress in modelling the adjustments in price and quantities. The actor play and the intra-firm organisation were unobtrusive, always suspected to vindicate market distortions. It was included as an exogenous parameter of the market game. The paper of the transactional economy of Williamson has changed the perspective of the economic modelling. On that basis during the eighties simultaneous currents of work had designed an industrial economy focused on the practical organisation of the economic activities. The theoretical progress on the firm, the market and the hybrid forms use the efficiency concept to explain the role of the agent organisations to bring together the Monopole Theory. The knowledge acquired contributed to a formal recognition by the economists of an active regulation of the markets by the agents themselves or by third parties. The theoretical justification of the place of an active regulation to compensate for the market imperfections will have consequences on the reasons adduced for the political

economies and as an important feedback on the positioning of the organisational theories as the epicentre of the economic analysis. The market imperfections become strong justifications for a collective action in the respect of legal constraint, especially the transparency of the player's strategies and of the tools of the regulation. These "natural distortions" could be categorised in four parts: risks, asymmetry of information, contractual alterations, and externalities, non monetary consequences of the economic actions (Frison-Roche 2004).

9.2.1 The "Natural Hazards"

Due to structural configuration on the main commodity markets, food and energy assets first, a recent economic literature had reminded in the scientific hall the hazard management when these are related to physic phenomenon or compartmental consideration. In the case of agriculture, the natural hazard, climatic or due to diseases, have significant impacts, not exclusive to the sector, given frequent and huge movements on the commodity markets. Agricultural politics and hazards are indivisible. The hazard in the food sector could conduct to major disasters, hunger state and demographic decline. So a major political goal for the agricultural policies is the compensations of the "natural hazards" to stabilize the supply on a quantitative basis.

This remnant character of the natural pressure is amplified by a specific combination in the association of the three determinants describe before (Boussard et al. 2003). The combination of three types of hazard with an inelastic demand amplify the volatility of the markets, volatility with harmful consequences and contra-indicated in terms of welfare for the consumers and suppliers. The wine industry does not get away from these constraints.

For ages it had been supervised by the public power for many reasons, mainly at the beginning because of the impact of the vine-growing on the crop harvest. The quantitative regulation is a classic instrument of the common market organisation, the modern economy agricultural regulation scheme. The text of the European Community legislation specifically refers to the climatic hazard and structural rigidity of both sides of the market to impose a public policy in this economic field. The EC aim is income stabilisation by influencing market equilibrium through two types of measures. To balance the rigidity of the supply, the EC had quantitative regulatory measures in particular a control on the vine potential by planting right and massive permanent abandon of areas planted with vine (Montaigne and Coelho 2006) and quotas linked to limited yield defined by region. In parallel, to limit the temporary consequences of the climatic accidents, aids for distillation, for must adjunction and for private storage are provided to suppliers. The aim of these instruments was progressively disrupted. They act like an artificial demand. The repetitive uses of these aids shift the market equilibrium. The impact of the CMO measures distillation could be seen at the lower end of the price range (EU 2004).

9.2.2 The Information Asymmetry: Consequences of the Invalidity of the Condition of Perfect Information Flows

A second category of hazard affects the commodity market: the uncertainty on the quality of the raw material or of the final product. In the case of wine, the loss in welfare for the consumer is mostly due to the information asymmetry on quality. The most the information is hidden and costly, the most moral hazard has an impact on the market; the consequences could affect the relation between consumer and producer or the relations inside the commodity chain. The economy of quality inspired by the seminal work of Ackerlof on the market of lemons (Ackerlof 1970) had shown the difficulty of adjustments between supply and demand when the definition and the measure of the quality of the product are costly. The asymmetry of information between merchants and growers, on the quality of the raw materials, grapes or must, is a stumbling block to adopt provisions to implement. These difficulties are a consequence of the scientific and technical incapabilities to find objective parameters of the grape or wine composition (Rousset 2006; Renaud and Couderc 2006). The asymmetry is also present between the consumer of the wine and suppliers. It explains the marketing strategy of producer, by individual brand or collective label to restore consumer confidence.

The uncertainty on quality has negative consequences on the incentives to invest in specific assets. In the wine sector the supply heterogeneity and the diversity of the production districts imply differentiation in quality, specific knowledge to deal with local product. These constraints lead to a plurality of markets and specific contractual relations due to a plurality of conventions adopted by the producer communities and restraint the possibility of global market equilibrium (Anderson 2001).

9.2.3 Offset the Negative Behaviours

One of the main problems of the producer networks in an industry is the presence of free riders able to fail a cooperative strategy. The vineyards are endowed by a reputation, resulting from notoriety effects, strongly attached to the "provenance" label, the geographical indication (GI). Both types of vineyards, from European and New World Countries, are concerned. For consumer information they use GI to label their product. The GI could be extremely precise as it can be very wide. The mention could be from the scale of an estate to the parcel, from a district to a state. These generalization of these practices are attested in the antipodes, in the vineyard of Otago in New-Zealand, just as well as in Burgundy (Kelly 2007).

To maximise the opportunity of cooperation between upstream and downstream firms and to restrain the profits of the opportunistic behaviour, agents proceed by contractual scheme to plan their cooperation. Above all these are transcriptions of the agent preferences and of warranties. About the wine sector the economists have

made an in-deep examination of the contract models. The description of the vine grower–merchant relations is covered by an important literature. The contract designs are of different models in accordance with their localisation, Argentina (Ayouz et al. 2002), Australia (Fraser 2004; Pritchard 1999), California (Heien 2006; Goodhue et al. 2004) or Champagne (Gaucher et al. 2002). The different contracts designs are first segmentation criteria of the industry governance. These are classified in three types:

9.2.3.1 The Written Bilateral Contract

The contract model which had mostly retained the attention of the economists is the written bilateral contract. It is a formalisation of a cooperation need by two distinct juridical entities. The objective is confine in a period of time. The clause are more or less numerous and wide. In the case of wine their objective is mostly to orient the grower practices of yield and vine management to restraint uncertainty on grape quality (Heien 2006; Ayouz et al. 2002). One of the essential parameters of the written contracts in the wine sector, time planning had evolved a lot. The long fixed-term contract, of a common practice during the 1960s and the 1970s, was significantly shortened in the recent years. A long term contract is more sensitive to the ex-post risk of ill-adapted parameters, notably in situation of high exogenous uncertainty. In his dissertation Rousset explains how in the California and New-Zealand vineyards a rapid change in the qualitative paradigm induce the breached of the long-term contracts badly designed to the consumer's demand of the 1980s (Rousset 2004). These contracts were re written for new needs with new contractual designs adapted to the new commitment in investments and allocation of the quasi-rent expected in the cooperation. The written contracts of a frequent use in the New-world vineyards are rare in the European ones. In France, the use of it is confined to a vineyard in particular, in Champagne and is exception in others.

9.2.3.2 The *Interprofessional* Champagne Agreement

In the Champagne vineyard, the regulation of the transaction on the commodity market is inherently collective. The permanent dialog between the upstream and downstream parts of the local commodity chain is formalised by two main ways. The set of the collective agreement on the governance begins with the twentieth century. Specifications on the transaction patterns have to be ordered are an important figure of these agreements. It completes the specification on the classic quality in the AOC regions. Both give evidence on the aim of the "interprofessional" dialog. The history of this exchange is long and complex. A set of well documented thesis tracks the chronology of the different phases of the "collaboration" (Barbier 1986).

In short, the system was initiated by the government officer in the region to solve a price crisis during a period when the Champagne was a bulk wine with little

distinctive attributes. At the beginning of the twentieth century, in 1911, the region faces a grave crisis. The competition in price between the wine of cool climate vineyards, Champagne and Paris region, and the "Midi de la France" turn in favour of the south, dumped by natural comparative advantages. The political representatives, State and Town, where forced to bring together the different parties and to impose an agreement on a fixed price of the grape. The "institutionalisation" of a general organisation of the wine market in Champagne was subsequently made by the occupational forces during the Second World War. The market model established by the German administration, with the consent of the French government in 1941,[2] was an administration of the whole market by a third party, a state representative, which decides about the flow between identified partners of exchanges and the grape prices. This "stalinian" administrative system was partially dismantled by a decision of the European Court of Law in 1989, 50 years later. It still remains a strong organisation of all the agents involved in the production of the AOC Champagne, an administrative tools, the "*Interprofession*", funded by the economic agents themselves, with a state agreement and a state supervisor, "*le Commissaire du gouvernement*", and a system of bilateral relations. Almost 40% of the transactions of grapes are actually negotiated through a contract based on a model promoted by the regional unions of growers and merchants. The efficiency of this contract is settling on similar mechanisms than the ones of the quasi-administrative scheme prevailing before 1989. Merchants and growers are linked by the tightness of the possible universe of relations: There are a small number of International brands (essential for the prosperity of the region) and the Champagne grapes have small substitutes until recent years. However the proximity between economic agents and the confinement of the Champagne space are inadequate to explain the nature of the cooperation and the length of the contract model. Other examples of specific raw material exist in France and there is not example of relational systems of a vineyard region with formalised intention of cooperation with an extensive use of written contract. In Champagne the specificity of the institutional environment shapes the contract. The background policy of the contract stressed by Macneil provides the political explanation of the different vineyards situations (Campbell 2004). The multiple social links between economic agents are the guarantee of their commitment in the transaction. This enforcement mechanism is quite as efficient as the formal contract, perhaps more. It not only reinforces the contract, it generates it. The aristocracies of the Champagne wine sphere developed a set of principle of right actions binding upon the member of the market agents and serving to control and regulate in a proper behaviour. The weberian bourgeois society provides strong and useful political boundaries to the behaviour for the market economy. The written contract is chiefly a formal representation of an intention to cooperate inside certain limits. The right way to cooperate is engraves in the social rules. The institutional environment, norms, practices, social values, legal system, succeed to create an optimal contract with insignificant transaction costs and secure the

[2]French law of 12 April 1941.

transaction by adapted enforcement mechanisms. The market overall is a mixed ball of institutions.

9.2.3.3 The Tacit Contract

The ordinary contractual model encountered in the wine sphere is the tacit contract between two partners. On the core, and sometimes on the judicial perspective, there is no difference between formal and informal contracts. In both cases the contract is compound by the same set of clauses: modality of delivery, payment, and definition of the investments in assets necessary to the realisation of the transaction, in upstream and downstream the transaction itself, and enforcements mechanisms. In the informal contract, but also in the written contract, a large part of the transaction is driven by non written clauses. In the wine sphere the informal contracts are generally concomitant to active spot markets. This option limits the mutual dependency of the parties. It restrains their relation to the situations where both have an interest to transact. The alternative spot market is the safety clause of the tacit contract.

In a synthesis of the different models of contracts in the world wine market, Montaigne, Traversac and Rousset (Montaigne et al. 2007), stressed the importance of the bilateral written contracts in the new world wine. In opposition the more the market is mature, the more the agents neglect these types of arrangements. The developments of written contract correspond to classical example of incitation schemes, intended to surpass the regular level of investments come up against the spot market.

9.2.4 Third Part Legitimacy: The Non Pecuniary Interactions

Let us assume agriculture is multifunctional when counter posing functions besides its primary function of material, food and service productions. The third parameter of the economic regulation which claims for a proactive market governance is the non pecuniary consequences of these, the externality. These could be environmental management, field and vine having a huge impact on the landscape or the ecology. It could be vitality in rural area, vine is a crop using important amount of labour. The economic literature integrates the effects of the non merchant production and exchange through the concept of externality and public good. The non pecuniary assets of the outputs related to these conceptual objects are nowadays asserted to be welfare net creators or destructors, despite the difficulty to present a statistical chart of these economic aspects. Commonly one classified externality in two categories, the positive and the negative. Central to the interpretation of the economic policy is the claim that “externalities can be interpreted as interference between supply and demand”. The spillover of externalities could create limitation in the development of a specific good industry. For negative externalities the authorities could supervise the practices, by sets of norms and recommendation to the agents, and have to assume the cost of the ex-post control. The technical

impossibility of a correction of the externality effects without a change in the surplus of the industry implicates the public authorities. Private third party could manage the change in the industry practices by financial incitation, or des-incitation, through contractual relation with numerous agents. The management of these multiple contract is costly and generally public authorities are most efficient to enforce general rules than private organisation.

In the wine sphere the main positive externality produce are relative to reputation and ecology preservation. Producers and firms are in competition to use the notoriety of a local place in relation with a wine label. Their strategic patterns on the way they could use and increment a label are wide. Some prefer to use it with short term returns. Some prefer to increment the reputation of the label to improve the consumer willingness to pay in the long term. The investments of the different group of interest in quality and promotion would be different relatively to their strategic choices. Consequently State intervention is necessary to arbitrate between the options. Its action is mainly to allocate the share of a GI rent or quasi-rent. This central problematic for the wine sphere in Europe was resolved by a shared public vision of the sector development expressed though common organisation policy since 1987 and reasserted by the 2008 European regulation. This unambiguous position has for principal effect the quasi-absence of contestation in court. In United States or Australia, the GI regulation is based on an administrative regulation. Its role in industry strategy is most ambiguous. The collective investments in the label reputation by promotion are limited. At the firm level the use of GI complement the brand and is not a strategy in its own.

The main negative externality produce is relative to ecological damage. The main public action is to limit pesticide pollutions. All managers agree on the danger for the industry to use huge quantities of pesticides and fertilizers but individually and collectively they are unable to reduce it. They perceive precisely the potential impact of an acuteness sanitary crisis on the wine sales. They precisely know the metabolism of the sequence of public debate and media events. But they have restricted interventions in favour of pesticide reduction. Europe has to act firmly and decide to proscribe thousand of chemical compound in the beginning of the twenty-first century.

In principle the public authorities manage the attribution of a cost and of the surplus to the agents in order of their contribution to the total welfare. In fact the share attributed to a group of interest is mainly related to its political power, or its lack of political power. Lobbying of environmental associations is responsible of the pesticide act. Efficiency of control and lack of control in each part of the European territories depend on the quality of the States services and on the activism of agricultural lobbies. The theoretical off-setting concept called "Hicks–Kaldor" is common practice in the agricultural sector. The form of the public helps is wide. It encompasses subsidies, education, technical infrastructures. In France they are 10 public universities and 20 colleges appoint to wine technology. The regulator acts for the welfare of the industry and of the society.

The development of the wine industry was driven during the last 20 years by the accumulation of reputation capital attached to a collective brand, a Geographic

Indication, in relation with a territory. When the brand is private, the legal framework on intellectual property law and court is sufficient to protect the property right. The capitalisation on a collective brand, with all the constraints of a public good is a more complex problematic (see Chaps. 8 and 10). The enforcement mechanism for the property right attached to a geographical indication brand is these of generic public goods; it involves complex and costly mechanisms of governance where public guaranties are important to reduce transaction costs.

9.3 The Designs and the Orders of the Territorial Governance

An essential figure of the wine sphere is the wide range of organisation constituting its organisational framework (Kelly 2007). Trade unions, union of trade union, vertical unions, public and semi-public marketing orders, cooperatives, union of cooperative, act upstream and downstream, laterally or vertically of the commodity chain. The number and the diversity of the organisation is a first indicator of the specificity of the governance of the vineyards. They reflect various constraint and needs in governance. From a theoretical perspective the organisations are formal strategic alliances. The goals of these organisations are of two categories. The monopoly theory stresses that the objectives of the firm coalition is to adjust supply in quantity or/and in price to maximize the coalition surplus. The anticompetitive perspective is valuable when supply and demand functions have a specific form which allows the coalition to increase profit with supply restriction, especially the markets characterised by weak price elasticity. It's a purely anticompetitive perspective of the strategic logic of the agents. The technical parameters of the grape production gives one few potential critics of the quantitative strategy because of the potential justification of the yield restriction for a quality objective. The inverse relation between quality and quantity is experimentally easy to demonstrate (Giraud-Héraud et al. 2003). These technical considerations had decisive consequences on the wine governance. The control of the production process by the community of producers implies a natural coalition of the supervision in a common entity.

The New Institutional Economics suggests a second perspective of the agent organisation. In the NIE perspective agreement and coalition targets are suggested by economic efficiency. Coalition is a strategic option for better exchange of information and adjustment of incitation.

9.3.1 The Economic Functions of the Producer–Merchant Coalitions

The cartel process (the monopole theory of the organisation objective) implies few requirements in governance structure. The economic literature on the oligopolies, frequent in a lot of industrial sectors, steel and iron, petrol, mobile communication,

teaches us the ability of firm coalitions to decide efficient agreement on price with low investments in term of transaction costs and organisational structures. This suggests that the regular attendance of farm unions and organisations in the wine sphere is not an indicator of cartel movement. For a theoretical perspective based on the institutional economics it is more a revealing of complex and specific needs in the assets allocation. These needs are simultaneously a support for information on the market issues, like statistics on wine supply and demand, information on marketing tools, administrative regulation, etc. Basic and complex information are likely to be costly without specific communication tools managed by collective organisation. Harvest, domestic and export performances, the situation of competing countries, all the economic circumstance statistics are essential to approach the configuration of perfect information (Ménard and Klein 2004). The figures of the sector, the multiplicity of farms and merchants, raise the need of inter-firm information flows. The dense firm networks and the cross functions between competing firms are complex phenomenon's uneasy to perceive by the standard economic tools, mathematical formalisation and econometrics. To catch the astonishing complexity of the governance, we postulate the institutional design could be interpreted as a multidimensional institutional matrix divided in different organisation orders with consubstantial differences between them.

9.3.2 The Technical Division of Labour

The first dimension of the organisation order is relative to the agents categories. The description of these categories in the wine sphere is well documented by a high mediatisation by specialized journalists and scholars.[3] For a detailed description refers to Traversac (Traversac et al. 2007). However the economic analyst faces a lack in statistical data. The data on the number of firm in the wine and spirits sector in France mention a number of 335 firms practising the "*champanisation*" process and 495 in wine process for 2006 for a total of 1,714 firm classified into the spirits sectors (SSP – Ministry of Agriculture 2006). These data are unable to specify the exact number of firm of small dimension. For example the cooperative of less than ten employees are not mentioned. The French statistical services on agriculture publish information related to 232 cooperatives, when the cooperative union declares a total of 744 cooperatives. When the number of wineries mentioned in the official statistics is 495, the number of wine-growers implies in the transformation of their how harvest is about 30,000 in 2007.

So the analysis of the individual firm is hard. If some models of firms are unspecialized, each entity is equipped in assets to maximise an economic function between the three mains of the commodity chain; there is a labour division between

[3]The abundant statistic is due to the fiscal object the wine is. Its inventory is necessary to fixe the excise duties.

three models of firms, growers, merchants and cooperative. Each of them is more or less based on a category of specific physic and knowledge assets. The grower own or rent land to produce raw materials. The merchant trades, manufactures and markets. Cooperatives are building to reduce transformation costs by collective tools on the principle of mutual resources.

The major feature of the territorial entity is that each vineyard possesses its own design of the distribution function between the three types of firms. The commodity chain design is the first order of the organisation at the local or national level.

9.3.3 The Spatial Division of the Vine and Wine Activities

The second dimension of the organisation matrix is related to the scale of the governance. Totally absent of the transactional economic framework, or quasi (Plunket et al. 2008), the physic vector of the exchange is fundamental. The geography of the infrastructure and logistics tools is the physic support of the transaction. They guide and constraint the relation by effects on the frequency of the information exchange and practical modalities of the control of the transaction. Beyond these two factors, there is also the impact of the distance on the transport cost of the physic assets and products. The spatial configuration of the vineyard on the governance has little questioned the economists or the geographers. Boivin defend the thesis of governance as the result of the action of different powers. The indentation of the space in a mosaic of territories is the confrontation of power to structure different levels of political territories (Boivin 2008).

The concrete impact of the distance and localisation on the actor network pushed the question of governance at the core of the localised productive system (Gereffi 1999). To understand and conceptualised the action neither institutional economics nor geographic economics suggest a satisfactory interpretative model. Exchange is regarded as a-spatial phenomenon for the first ones and as transaction cost free for the second. The empirical reading of the vineyard governance allows the analyst to bring together both interpretations. The empirical report of geographers gives evidence for the interpretation of the design of intermediate form of governance of the wine agents (Hinnewinkel 2004; Moran 2000). Different nature of coordination models seem to be adding to at the different space scale. The mechanisms of regulation are different contingent on the spatial scale they are using. They are simultaneously of a different essence and play different role in accordance with the scale where they are busy.

9.3.4 The Governance Orders

The scale had consequences on the concrete modality of the coordination and on the flexibility of the institutions. For instance, law and rules have a national or continental range; whereas habits and customs set up to a little region, mostly at a

small community. In the literature the hierarchy between governance features is frequently a diptych of centralised governance and decentralised governance (Brousseau and Raynaud 2006). In the real economic process of the wine governance, it is possible to distinguish three levels. Individuals are embedded in local order, support of the local community. These orders are embedded in intermediate institutional frameworks. These intermediate frameworks are themselves enclosed in generic institutional frameworks. Examples from wine industry governance are used hereafter to illustrate the function and the features of these orders.

9.3.4.1 The Fundamental Principle of the Governance

The first order, the local institutional order is related to the scale of the domestic and daily governance; the pragmatic level of relation between agents. It is frequently called up by the actors of the wine world as a major and irrevocable parameter for the definition of the norms and rules of technical and transactional routines. The economic and political agents enhance the value of the local habits at the highest level; they include the local habits in the AOC legal rules as a consubstantial character. This character is not limited to a technical aspect required to restraint the AOC boundaries.

We have studied the question of the local order from the technical practices process in the French vineyard.[4] Among the cultural practices, the variety choice appears to be a pertinent indicator to analyse the individual and collective strategic choices of the growers (Anderson 2001; Moran 2000). In the Champagne vineyard the agricultural census points out the evidence of the role taken by the communal limits in the choice of the variety; the village is the decision units. The Marne "département" reveals different territories with a proper productive paradigm. Among these territories, "la Côte des Noirs" and "la Côte des Blancs" are partially delimited by geologic and topographic frontiers. The administrative limits, the communal frontiers are added to the edaphic limits. Two particular phenomenons, we hypothesis they are unconscious, reveal the importance of the village organisation. All the vineyards of these two little regions are planted in red grapes for the first one, Pinot Noir and Pinot Meunier, and in white grapes, Chardonnay, for the second one. The exceptions are village exclusively planted in white or red varieties. In the view of technicians of the collective technical extension, the growers–merchants unions services (CIVC), or of firms, the practices are organised at a communal level from the choice and selection of a clone in a variety, to the harvest calendar. The edaphic heterogeneity of the parcels inside the communal limits will require a more precise scale of decision, but in concrete terms the decision process is planned at the communal scale with adjustments in a individual basis. The crushing is another useful example; the collective investments in material by the growers of a village

[4]Two cases studies were realised in Burgundy and Champagne vineyards between spring 2003 and autumn 2004.

impose to choose the same "pressoir" and consequently the same calendar for harvest. It creates a lock-in effect and ossifies the scale of the decision process. For decade growers have been reasserting the use of the communal scale to organise the grape production. This custom is linked to the need of group of agents with homogeneous preferences to the communal scale, but with possibly heterogeneity between different communes.

> "*The small-scale village trade exists within a dense social network of informal constraint that facilitates local exchange, and the costs of transacting in this context are low. Although the basic societal costs of tribal and village organization may be high, they will not be reflected in additional cost in the process of transacting. People have an intimate understanding of each other, and the threat of violence is a continuous force for preserving each order because of its implication for other members of society*" (North 1990, p 120).

9.3.4.2 A Permissive Regulation with Regards to the Inferior Governance Stratum

The second level of order is regulatory and administrative. Under the authority of the State it is a formal order with generic constraints. In the food sector the kingly nature of the regulation expects to satisfy in first order the generic need of public health; this objective provides the larger community, the citizen-consumers, welfare. Note in the reasons adduced for the Common Market Organisation, considerations concerning the welfare of the producers. Due to the specific modality of the enforcement of the legal rules, the maximisation of the utility function of the firm using public goods could be made at low cost to the tax-payers and firms.

The role of the government is played on two sides. On one hand, the harmonisation of the European policy imposed a common regulation. On the other, States act in favour of their industries to reduce the effects of massive redevelopments that affect most of the primary and secondary sectors.

The European interventions and the information flows are played in a specific manner due to the distance between UE, authorities in the regulation of the food markets, and the agents, firms, associations, local authorities, in charge of the ordinary governance (Gouez and Petric 2007). The most interesting point of the public regulation of the wine sector is the transfer of important pieces of the industry governance to the local agents (Traversac et al. 2006). It is a general movement of the regulation of the agricultural and food sphere where the wine sector had been precursor (Trouvé et al. 2007). Factors mostly linked to the scale of the wine producers and the nature of the consumption authorised early the sector to claim autonomy for its governance. Doing so, it anticipates that it will happen in other rural policy. The changes in the major agricultural sectors escort the change in nature of the agricultural stakes and the public policy with multi-actors and multi-scales. Although their chronology was not identical the convergence of the stakes brings them together.

To record formally the difficulty of the appreciation of the idiosyncratic techniques for the production of fine wines, the public order delegates to the firms, through the control of the State-Members part of its authority for the regulation of

the geographical indications. The habits and customs are really hard to appreciate by the public order. Neither the government nor the court is qualified to be a referee in the private litigation concerning the quality of the wine (Jacquet 2004). In this particular instance the European regulation legitimates the private organisation to conduct actions in a wide range of regulation spaces. In Porto, Champagne, and generally in the French vineyards, a complex system of firm unions and private–public partnerships drive the concrete terms of the collective governance.

9.3.5 Complementary Nature and Contractions of the Different Stratum of the Regulation

Besides the previous examples, we highlight the coexistence of a plurality of vectors of the governance; often the agents pile order upon order. To began the analysis of the spectrum of the institutional forms the economists of the NIE distinguished institutions with low flexibility to the institutions with high flexibility. This dichotomy separates the institutional environment, law and public regulation, social norms, from the institutional arrangements; related to agreement of a private nature (Richman 2005). This framework is useful in most of the studies without being a systemic framework of the agreement on a given space.

The comparative theory of institutions proposed by Aoki goes far in the presentation of a systemic analysis of the institutions (Aoki 2001). To complete the seminal concept of the NIE, based on the importance of transaction costs and bounded rationality, Aoki, following scholars on the historical perspective of the institution and market development suggests a frame of the realisation of the economic game (Greif 1989). He focuses the discussion on the analytic process of the game segmentation and of the enforcement.

9.3.5.1 The Segmentation of the Game in Distinct Prototypes

The interpretation of the interactions between distinct social domains to understand the market is a major difficulty of the governance phenomenon. The political studies on the building of economic policy show the porosity of the economic domains and the multiple entry of the political system; so these are of a major importance to understand effect of the market policy (Okazaki 2005). Moreover the relations between the social exchange domain and the economic domain impact both of these distinct domains. To become understandable the matrix of the possible relations had to be segmented. Following Aoki (2001) we suggest a lecture in six prototypes of game domains.

- The social exchange domain
- The common property domain
- The political domain

- The commercial exchanges domain
- The organisation domain
- A distinction between the different forms of relation in the domain of the organisation segment the organisations as moral entities to the other component of the organisation domain, mostly contracts and firms

The six domains of the game could be classified related to their qualitative differences about the choice process and the stable or unstable character of the group of the agents (Table 9.1).

One of the fundamental hypotheses of the Comparative Theory of the Institutions is to reject all hypotheses about a hierarchical order between the domains of the game. If this hypothesis is held, it would be a restriction of the interpretation of the interrelations between domains. It would discard the possibility of a process of rules definition on the basis of a dynamic process to end in equilibrium. The hierarchical order is a constraint for the subaltern domain. It restricts the potential of a retroaction from the subaltern to the superior domain. However in a theoretical perspective the process of cooperation and enforcement can been built and been prop up exclusively when there are a succession of retroactions. Numerous examples show that actions and retroactions from a domain to another are complex and not given par a predetermine hierarchy.

The domain of the common property is central to understand the wine sector considering the importance of the collective brand. Jacquet (Jacquet and Laferté 2005) describe in the detail the construction in Burgundy of a representation of the quality by the elite of the producers and of the public domains. The mutual benefits of the promotion of the Burgundy as a wine space and wider economic space entitle a fructuous cooperation of different domains of the game, economic agents and public actors. These arrived to combine targets related to the politic game and

Table 9.1 The prototypes of the domains of the game

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="2">Group of agents</td></tr>
<tr><td>Variable</td><td>Constant</td></tr>
<tr><td rowspan="4">Choices</td><td rowspan="2">Symmetric</td><td colspan="2">Social Exchanges</td></tr>
<tr><td>Commercial Exchanges</td><td>Common Property</td></tr>
<tr><td rowspan="2">Asymmetric</td><td>Organisational Domain</td><td>Political</td></tr>
<tr><td colspan="2">Organisations</td></tr>
<tr><td colspan="2">Social Exchanges</td></tr>
</table>

Source: Aoki (2001)

targets in the common property game. We do not limit the relation range between economic agents and public agents to the common property domain. In the political domain the representatives of the unions of the wine industry have a central place. The close relation of the union representatives and local councillors are a necessary condition to allow them to influence the political decision about their industry. Frequently the political trajectories of personalities issued from the wine sector straddling two domain of the game. Different political personalities of the wine sphere developed electoral networks to promote their political career from the domain of the commercial exchange. The economic domain encompasses the political one and one another. Many political actors prop up their political trajectories using the permeability of the domains.

9.3.5.2 About the Nature of the Interdependences

The institutional interdependences could be compared to retrospective effects between the strategies chosen by agents from separate domains. Game theory (GT) is a way to come out of the bilateral relations stressed by the algebraic analysis. GT provides analytical framework to N domains games. The nature of the interdependences between domains is fundamental to explain the dynamic of the governance and the institutional dynamic of the wine industry governance. The materiality of the relation between domains is supported by two types of vectors.

Firstly the unavoidable participation of the same individuals to different domains produces links between them, inside and among the domain of the social exchanges. Economic agents are actors of the community they belong to. They desire to intervene in the public debates, are voluntary members of the charity, economic and political organisations. In this manner the social links of individual relations in their community supports the interdependences. One can notice whereas the importance of the social links in the territorial governance, they were weakly studies. The work of Demossier gives evidences of the deep anchorage of the professional activities in the family organisation in this particular industry (Demoissier 1999). She proves the construction of cross identity relevant of the commercial and social exchanges inside different social circles.

However the fundamental legitimacy of the interfering of the agents of a domain to another is the marshalian externalities. *In fine* explicitly or implicitly put forward, they are the principal factor of the interactions between domains. The production and the exchange of commodity produce many effects on other domains of the game, e.g. fiscal, pollution, employment. The evidence of the impacts of the commercial domains comparable to externalities are so huge in the food sector; their awareness is generally indirect. Doucet demonstrates the impulse effect of the wine economy for the whole economic sector in Bordeaux region with differentiated effects by small area (Doucet 2002).

In a paper in the function of the wine *interprofessions*, Giraud-Héraud insists on the presumed effect of the reputation to justify collective organization. Despite the

fact that they melt the role of the growers unions and the role of the "interprofessionnal" organization, they don't demonstrate the reality of the collective reputation (Giraud-Héraud et al. 1998). They simply admit the evidences suggesting effects of the agent agglomeration to bear out the coalition.

The reading of the governance models of the vineyards can be supported by an examination of the interactions between the different categories of agents using a frame of the domains of the games. Case studies on the wine sector show that the commercial domain possesses active roots in many domains.

9.4 The Enforcement Mechanisms of the Cooperation in the Wine Territories

The decomposition of the coordination process between agents is initially attached to the identification of the schemes of the information flows in / out of the organisation. It is possible to identify the forms of the type of organization of the firm or the network. Typical examples are these from the Japanese firm or the high-tech network in California. Rousset and al describe how the co evolution of the technical and marketing paradigms in the California wine industry impact the cooperation at a territory level (Rousset et al. 2003). The questions of the information exchange and decision process are of little importance for the wine economists. Their weak interest for this question is due: on the one hand to the absence of analytical tools to treat with rigour the economic effect on the economic performance; on the other hand, to the attention given by the economist to the fundamental problems of the principal-agent relation. To threat the question of the information the identification of networks of institutional entities and individual agents is possible; however the quantification of the information flows and its economic effect is uneasy, especially in the agrofood systems where information is exchange through informal contact. For efficient cooperative process the transactions have to be managed at fair costs and the form of contract to be adapted to the characteristics of the transaction. The incentive and control mechanisms had to satisfy some properties in relation with the characteristics of the goods and the environment of the exchange. The nature of the information channel, the repetition, the frequency, the logistic hubs, the externalities of the transaction have to be considered. It's the endogenous part of the game. We do not detail this part of the industrial organisation considering the importance of the theoretical and empirical work produced by scholars on this subject. We would focus on the second side of the industrial organisation, the "environment effect". Exogenous factors, the enforcement mechanisms of the game could reduce or increase the effects of the endogenous factors. They are determinant factors for the governance game. The nature of these mechanisms is wide. We identify five major categories in the wine territories with a significant impact.

9.4.1 The Interpersonal Trust

The interpersonal trust is a mechanism of enforcement with a high flexibility. It builds up with the repetition of a relation, inside or outside the commercial domain. The confidence takes from a repetition of the bilateral exchanges. In most of the market, personal links structure the exchange behaviours. The implicit rule of the game is the breach of the bilateral relation with a dishonest merchant. The cost of the construction of the confidence is the implicit condition of honest behaviour and consequently the self enforcement of the contractual relation. The repetition of a positive exchange is an indicator of behaviour for the witnesses. The change of the transaction attributes potentially reveals behavioural attitudes; but it never excludes non showed behaviour. The grant to φ relation of dedicated assets creates subordination to φ. The relation dedicated assets induces a potential ex-post cost to the breach of the relation, moreover when the subordination is asymmetric. It is a more or less fragile guarantee of commitment. The exit from the impersonal spot market for the immersion in a communitarian market build warranties under conditions: when parties invest in a long-term relation or when community systems of enforcement are efficient.

The importance of the interpersonal relation is however hardly measurable. There are different potential configurations. Frequent reference to the trust between growers and merchants do not mask the wine market paradox. This paradox is that players don't necessarily meet together. An important part of the transactions are managed practically by wine brokers, about 60% for bulk table wine and about 80% for AOC wines. The interpersonal relation between most of the economic agents could be paradoxically extremely weak during the transaction process and strong outside the transaction process. The most involve agent in the relation is the broker. Baritaux notes the presence of brokers including in seller–buyer long term relationship (Baritaux et al. 2006). Brokers can be considered as a negotiation cost reducing device. Long term contract remain incomplete due to market instability and have to be annually renegotiated with too much cost. The broker appears to be able to manage the transaction and to lower adjustments costs during the annual negotiation process for generic and specific wines.

As example in the Grand cru market in Bordeaux, buyers and sellers know each others and meet frequently, in restaurant, in seaside resort, etc. They explicitly declare that both social and commercial events are trades hall. The social embeddedness plays a key role in the agent's capability to found compromise and agreements with a minimum of conflict.

9.4.2 The Community and the Norms: Basic Properties of a Cooperative Game

Beyond the interpersonal relations the community norms are the principal aspect of the multilateral cooperation process. In the horizontal and vertical networks of

cooperation, the agents share norms. These are relative to technical and about exchanges; the differences in pruning, varieties, harvest, winemaking, correspond to models of products and selected practices. Agents develop representation of products and productive assets in parallel ways, because they share strategies and initial resources. These are the stone of a common identity; little by little common representation of the canonical food or wine builds the features of the community and distinctions with border communities. The identity is necessary for the communication on the product whatsoever wine, steel or electronic game; it is evenly essential for the creation of an efficient market. Above all the communitarian norms concern the ethical perspective; the professional communities do not leave their members free to go their own way and explore every possible avenue of behaviour. The community control is not only an environment propitious to the ex-post conflict arbitration; it reduces the ex-ante cost of screening wide universe of potential partners. If all members share the same norms, voluntarily or not, the relation will be identical with every one of the community members. When these are efficient the codes of the community publicized itself (Torre 2006).

The norms are on the exchange parameters being understood in a large acceptation, certification, label, circulation, payment, etc. These aspects are a major party of the cultural patrimony of growers and merchants. It handles firmly the agents in the social domain as well as in the economic domain. It contributes to the dialectic of the industry governance. Condition on behaviour constraint the agents to claim their membership to the community. The entrants have to pay rights, by the participation to collective actions for example. Our multiple observations on the behaviour of the growers and commercial agents in Bordeaux and Burgundy reveal the importance of the communitarian norms. The practical terms of these norms are on the "cuvée" appreciation during the GI procedures of "typicité" agreement or on the risk of distortion caused by individual merchant payment of bulk wine on the average price for an AOC.

The respect of behavioural rules is enforced by the connexion of agents in community more or less extended and by the advantages they find in it. There are as mentioned before different scales of communication and cooperation. The homogeneity of the community, the dilution of the references, can alter the benefits on transaction of the community membership. Some of them are efficient due to the efficiency of their enforcement process. In Medoc the collective agreement on the cooperative rules is effective because the repressive actions are extremely violent. As example the vine of the deviant growers could be cut up on many acres. Merchants could have the interdiction to buy the wine of a label. The deterrence power of these types of repressive action on potentially cheating members is huge. So the agents in their aggregate pattern seem to understand the imperious necessity of the respect of the rules. Whereas these actions are coated by tact they are efficient. The expression of the deterrent power against opportunistic behaviour is plural. The threat of ostracisms being the most efficient and powerful to maintain a collective discipline, these actions (which may be illegal) based on local information and social pressure are necessary to maintain transaction fluidity in instilling discipline and thereby consolidating collective control and making market more efficient.

9.4.3 The Regulatory Arrangements

The regulation in wine is an old phenomenon in France; specific and common laws constraint the behaviour on essential points. Generic economic and rural regulations are partially under State responsibility whereas the Common market pre-eminence and the European law authority on the economic regulation. Food market regulation is a European Union attribution since the 1970s. The "code rural" – the French food and agricultural act – deals with different aspect of the growers–owners and growers–merchants relations. As famous example the design of the tenant farming contracts has radical influence on the management of the land by farmers. The legislators voluntarily design the tenant farming contract on a long term as an incitation for the tenant to invest in the amelioration of the land, irrecoverable assets. The tenant farming contract implies a real transfer of the property rights for 30 years. This arrangement is enforced specifically for the farming sector by the law and the judicial law. This is enough to stimulate investments by farmers in the vineyard. As other example of the influence of the state regulation on the agricultural economic market we can refer to the regulation of the quality. A fundamental point of the quality wine governance; the regulation of the "Appellation d'Origine Controlée" established the authority of the growers on the quality management. The agents in relation with the land by their property right or by their work have a dominant position on the AOC strategic choices.

The specific features of the legislative and administrative regulation of the wine industry are about four levels. The first one is the European level; the common market organisation enacts general rules. The second level is national; it transposes the European law to the national vineyard with an addition of specific situation arrangements. The preservation of employment in the agricultural sector is a main reason adduced for. There are two other levels in the depth of the vineyard. A small local level, the village, transposed in French administrative delimitation as "a commune" – the littlest administrative level – or the small area vineyard; in previous work we have delimited 378 small areas for the French vineyard. The second local level is the level of the regional vineyard, 11 in France. This spatial dimension is the operational level of the governance; it is the level of the "interprofessionnal" arrangement[5] it is also the level of the generic AOC – regional AOC – the ones with the strongest identity. The origin of the efficiency of the regional governance levels observed for the French vineyard is mostly in the close relation between the vineyard region and the decentralised political level (Table 9.2).

[5]Interprofessionnal arrangement are an equivalent of a marketing board for AOC wines, agreed by the French ministry of agriculture, food and fishery.

Table 9.2 Enforcement mechanisms of the cooperation process in the Agrifood chains

Category of enforcement procedures	Party of the enforcement mechanism	Endogenous rules of the game	Features of the domain
Interpersonal relation	Investments in a bi or multilateral relation	End of the exchanges with the opportunist agents	Costly building of specific assets in counterpart of future transaction costs saving
Information dissemination by third party	Wine brokers	Flexible adjustment of the transaction	Consequences on the endogenous game
Communitarian norms	Agents involved in horizontal and vertical cooperative networks	Ostracism of the deviant agents	Relatively strong impact of the end of the connexion with communication networks Relative homogeneity of the agents sharing the same values
Geographical indications	Coercitive application by third party, State and Growers Unions	Violent sanctions against the opportunistic behaviours	Rise the uncertainty of the gain associated to an opportunistic behaviour Costly control
Legal and administrative rules	Coercitive incitation's by state and courts on contracts	Coercitive power of the public agents	Public ability only on "objectivable" actions and results Asymmetric distribution of the coercitive power The stability of the contractual relation is a strong incitation to invest in specific assets for the grower or the merchant

9.5 Conclusion and Perspectives

Governance is fundamentally a combination of relational mechanisms related to different spatial levels and institutional orders. One of the main learning of this study on the vineyard governance is about the gradation of the governance. The treatment of such problematic is a remnant question for economists. The dualism of the regulation in the wine industry was showed by Bartoli and Boulet (1989) besides the regulation school approach to demonstrate the plasticity of the governance; it was a first attempt to detailed the process of governance. However their dual perspective of an AOC and a table wine sphere reflects a small party of the governance process of the sector regulation. With the empirical lightening of the AOC wine industry we have a look at the change of the vector of the governance on a spatial metric plan in the same way as the change of their institutional form. The concrete process of the governance is gradual; the institutional forms of the organisation of the governance have heterogeneous forms evolving with the spatial

metric. The different levels are functionally managed with non identical terms; it is impossible to dispose them in a hierarchical order, no one of them has a similar efficiency. To apprehend the level of the governance industry it is necessary to model the governance gradation referring to institutional and spatial vectors. In addition the concept of territorial governance has to include the self regulation and the coordination by third-parties inside its territorial systems and external systems.

By interrogating the gradation of the governance we have broaching a stumbling block of the economic theory; considering simultaneous constraints imposed by the interferences of simultaneous strategies of individuals and organisations crossed with differentiated spatial scales. This analytical problematic had no answer in the standard models. The complexity of the mechanisms of control plays a determinant role in the market regulation with stochastic results and they are different considering each institutional and spatial order. Institutions adjust the fluidity of the information and the level of transaction costs, the stumbling block of an efficient division of labour. In-deep empirical and theoretical analysis of both questions is to be developed to increase our knowledge of the industrial organisations.

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Chapter 10
Under What Conditions Geographical Indications Protection Schemes Can Be Considered as Public Goods for Sustainable Development?

Bertil Sylvander, Anne Isla, and Frédéric Wallet

Abstract This chapter questions the contribution of geographical indications for sustainable development of territories from the development of an analytical framework based on a redefinition of the concept of public good. After outlining the boundaries of the traditional approach of public property as it is conveyed by the neoclassical economic literature, we propose an alternative view from the work of Kaul (Public goods: Taking the concept to the twenty-first century. In Drache D (ed.) The Market of the Public Domain. London and New York: Routledge, pp 255–273, 2001; Kaul I, Mendoza RU (2004) Advancing the concept of public goods. In: Providing Global Public Good – Managing Globalization, UNDP, Oxford, 2004) whose hypothesis is that public goods are socially constructed linking the decision, consumption and distribution issues. We then propose to strengthen the operational dimension of this grid by introducing the question of the definition and allocation of rights and the notion of public service principles. Applied to the issue of protection devices and product management in GI, this grid provides ultimately a tool for understanding how GIs contribute to sustainable development of territories through the production of environmental goods, social, economic and cultural goods.

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10.1 Introduction

Generally speaking, when it comes to the food industry, Geographical Indications are signs placed on products which are supposed to attest of the geographic area the product comes from. We know that this kind of trade practice usually develops during eras of economics history when long-distance trade calls for the geographic origin of the product to be precisely identified (Allaire et al. 2009). However, throughout history, we have witnessed in some countries like for instance France, Italy or Spain public policies oriented toward saving geographic labeling for products coming from a particular region if their production processes were strictly defined.

The countries that did develop this kind of policies achieved it gradually putting forward general justifications that we will tackle more in depth later on like for instance the fight against usurpation and fraud, the control and segmentation of the market, rural development and the protection of natural and cultural resources. That is why those countries (North Mediteranean) have been campaigning for a long time to extend its main principles to a worldwide scale (Sylvander et al. 2006). They have specified in international agreements on that topic the requirements necessary to effectively protect those allotted geographic labels. Thus, the Lisbon agreements signed in 1958 currently gather 25 signatories while defining the Appellation of Origin label which tallied 794 products as of 2006. In the same way, the 1992 European regulation – which has been updated in 2006 – defines the Protected Designation of Origin (PDO) and the Protected Geographic Indication (PGI). In March 2010, the European Union had 906 designations registered as PDOs or PGIs (696 in August 2005) that should add the roughly 2,500 European wine designations.[1]

Finally, countries in favor of Geographical Indications (GIs) have managed to include them in the TRIPS agreements about Intellectual Property Rights which are part of the Marrakech agreements signed in 1994. In that frame, GIs are defined as:

> "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin".

The European strategy is supported by some countries around the world and is the subject of criticism by countries with a more "liberal" approach to their economies. They contest those reservations by underlying other principles such as the individual

[1]Italy and France are the countries with the most designations of that kind closely followed by Portugal and Spain. It is interesting to notice that Greece, Germany and the United-Kingdom are submitting more and more applications which is something they did not use to do. PDOs are mainly used for cheeses and vegetal oils, PGIs are used mostly for meat and poultry, fruits, vegetables and cereals, bread, pastry and confectionery and the products based on meat. Cheeses, fruits and vegetables represent more than 40% of all PDOs and PGIs.

property of previous geographic labels, the right of immigrants to use the cultural heritage of their native countries, free trade that GIs are said to limit, etc.

Summarizing the arguments of all sides, we can say that GIs are more or less explicitly assimilated to public goods by the first group of countries while these labels are considered to be private or marketable goods by the second group. The purpose of this chapter is not to analyze those controversies that many have already written about,[2] but to examine the "public good aspect" of GIs and schemes that institute and protect them, to deduct the conditions to be met in order to really assimilate them with public goods and services. Thus the historical justifications invoked to legitimize the product protection under geographical indication have gradually expanded, moving closer to what is now a model of sustainable development.

Countries that defend a public policy about GIs put forward arguments that are most of the time related to the positive externalities that those goods are supposed to produce and, more recently, to their supposedly effects on sustainable development that brings into play a conception of the general interest. Therefore, in order to tackle that issue we need to re-examine the notion of public good. The adopted thought process in this case will allow us to get away from an ontological and residual vision of public goods that is centered on the market in order to adopt an approach which is funded on the procedural definition of public goods. In other words, it will allow us to turn them into social constructions resulting from collective choices with the objective to render an account of the management modalities of GI's constitutional resources.

In this chapter, which is going to be oriented on a theoretical thinking and illustrations, we will first remind the canonic definition of public goods mainly in order to verify that GI products are not part of them; before mentioning the "public good" effect of GIs which is linked with their positive externalities on for instance rural development, the environment or the preservation of resources. Then, we will put forward a *good–law–public service* triptych for the purpose of demonstrating that GI legal schemes have indubitable public goods properties, and also to deduct the *conditions that must be met* in order for GI schemes to "look like public goods". We demonstrate a design of public goods based on the allocation of rights and adoption of procedural logic involving the necessity to consider public goods as social constructs to reflect the public nature of geographical indications. We then emphasize the need to equip the theoretical design of analytical tools reflecting the specificity of public services to understand how the GIs contribute or not – and how – to achieve an objective of sustainable development on territories.

[2]Sylvander (2005), Sylvander et al. (2006), Sylvander and Barham (2009), Thévenod-Mottet and Marie-Vivien (2009).

10.2 According to Canonic Definitions, GIs Are Private Goods

In order to widen up the supreme functions of the State and to give an economic definition of public services, Paul A. Samuelson suggested in 1954[3] the first economic definition of a pure public good, that is, a collective good. It is a good with a collective consumption: it is accessible to everybody and its consumption by an individual does not generate a lesser availability for the others. A collective good contrasts with a private good where, on the contrary, total consumption is divided between all the users and the consumption of one individual prevents another one from using that same good. Thus a good is considered collective or public if it is non-excluding and non-rivalry-inducing. There are very few pure public goods apart from goods like for example a lighthouse. Most of them are mixed goods that are either allotted to a community – with a price exclusion or an entry barrier – those are what we refer to as club goods (Buchanan 1965) or the rivalry characteristic of it leads to a over-exploitation or to their depletion and those goods are considered as common goods (Ostrom 1990).

Taking into account that canonic definition, it becomes clear that GI products in themselves cannot be considered as public goods! Indeed, GI products are part, without any ambiguity, of the competitive and marketable global economy as it has been structured by the Washington consensus that has oriented the global economy towards a neo-liberal path (Allaire and Sylvander 2009). They are elaborated by industrial as well as traditional firms in sectors where some big firms have historically been able to promote goods that were sold on generic domestic markets and sometimes exported. Among those, we can mention the great wines and spirits promoted by firms such as LVMH or Martel or prestigious cheeses like for instance the *Roquefort* or the *Parmiggiano Reggiano*. That sector represents a €19 billion turnover just in France. As market goods, those products clearly do not fulfill the non-rivalry-inducing criterion. Furthermore, the registering of GIs is done for firms that are located in geographically limited areas and that apply precisely defined norms of production. Those two criteria usually exclude the participants

[3]"Therefore, I explicitly assume two categories of goods: ordinary *private consumption goods* (X_1, ..., X_n) which can be parcelled out among different individuals (1, 2, . . ., i, . . . s) according to the relations $Xj = \Sigma_1{}^S X_j{}^i$ and *collective consumption goods* (X_{n+1}, . . . X_{n+m}) which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good, so that $X_{n+j} = X_{n+j}{}^i$ simultaneously for each and every *i*th individual and each collective consumptive good. I assume no mystical collective mind that enjoys collective consumption goods; instead I assume each individual has a consistent set of *ordinal preferences* with respect to his consumption of all goods (collective as well as private) which can be summarized by a regularly smooth and convex utility index $Ui = Ui(X_1{}^i, ..., X_{n+m}{}^i)$ (any monotonic stretching of the utility index is of course also an admissible cardinal index of preference)". (Samuelson, 1954, p. 387)

that do not fulfill them and therefore those products generally cannot fulfill the non-excludability criterion (Filippi and Triboulet 2006).[4] It seems therefore that GI goods are without doubt private goods.

10.3 Do the Externalities that Are Generated by GIs Create "Public Good"?

The countries and industrial lobbies that historically have promoted the GI concept understood early on that protections would have to be justified. Sylvander et al. (2006) have demonstrated that in various European countries four kinds of justifications have been historically used:

- The regulation of trade and competition (industrial property rights and consumer protection)
- Control of supply on agricultural markets
- Territorial, local, regional, and rural development
- Preservation of resources (natural and cultural heritage)

All those justifications are mentioned in the 2091/92 European regulation about the protection of PDO and PGI.

Within the framework of international negotiations, GIs are considered as intellectual property rights as they are defined within the TRIPS agreements. In a liberal interpretation which is close to the one of a brand – individual, collective or certified – it is always about private rights. While in the interpretation of the countries that are campaigning for a *sui generis* system, it is about public rights. That is why they ask for a generalization to all products of the protection that wines and spirits get – article 23 – and for the setting up of a global GI register, similar to the one that WIPO manages within the framework of the Lisbon convention (Sylvander et al. 2007; Thévenod-Mottet and Marie-Vivien 2009). Those authors consider that public rights that are associated with GIs are rights associated with a *terroir* – taken as a localized human community (see Bérard et al. 2008) protected knowledge being shared knowledge that can be protected.

This argument drives the policies about geographic indications established in Europe and in the world over the past century, or so. There is some consistency when it comes to the justification of that progressive construction which is the fruit of an age-long tendency toward globalization. However, the stages and trajectories of different countries are linked with their respective specific contexts. Besides the fundamental question of trade regulation toward intellectual property rights and consumer protection; GI's action networks are developing thanks to their

[4]This idea is also addressed by Torre (2002) when he demonstrates – with the example of Comté cheese – that PDO are club goods formed around a collective reputation, that is to say, with the three attributes that characterize this type of good: volunteering, congestion, and mechanisms of exclusion.

integration in the rural development schemes thus creating a kind of convergence between the policies instruments used in the various presented cases. Besides the contingency in each sector like the example of the crisis in the wine industry due to phylloxera and the frauds that happened afterwards, we can notice some structural determinants about the choice of one policy or of another. The fight against fraud (first justification) happens during a period of market when competition had to be organized. The improvement of quality (second justification) is put forward during a period with surpluses. The introduction of GIs in territory development matches with political actions in favor of rural areas in crisis, at first. Before being part of a new paradigm of agricultural and rural development backed by the evolution the European policies with the "multifunctional European agricultural model", that fits the third justification. Finally, the fourth justification is put forward during international debates about the liberalization of trade with the introduction of the notion of "heritage".

Thus, if GI goods are not public goods as such, the system that recognizes and protects them is able to generate positive externalities that can lead us to put the scheme in the public goods category. However, a definition focused on the effects – in terms of externalities – might seem simplistic. Therefore, we must clarify the theoretical issue surrounding public property when it comes to the rights they define, the procedures that produce what the law and orchestrate its implementation (approach, especially using the concept of public service).

10.4 An Original New Conception of the Public Good

We can argue that the double characteristic of the public good as defined by Samuelson leads to a market failure. Since exclude anybody from its consumption is impossible, the existence of public goods creates "free riders" behaviors. Those behaviors can lead to a depletion of the resource – in the case of common goods like for instance halieutic goods – or to the refusal of all firms to produce a good where they would have no guarantee about the payment. Left to itself, the market leads to an under-optimal rationing that calls for the implementation, in the first case, of exploitation quotas and in the second one, of production incentives or even the decision to carry out the production by the public sector. The phenomenon leads to a suboptimal provision of public good, and some authors stress that the ability to exclude – like in GI – not merely mitigate the tendency toward underprovision (Thompson 1968).

The problem of under-optimal rationing is even more important in the case of goods that produce positive externalities or correct negative externalities i.e. consequences on the well-being of the agents, not taking into account exchanges or transactions (Pigou 1932; Meade 1973). When it comes to GIs, as we have seen it, the externalities can touch rural development – the maintaining of activities in fragile areas for example (justification no 3) or the preservation of environment and biodiversity (justification no 4). Thus, beyond the non-excludability and non-rivalry-inducing characteristics, the public characteristic of a good is the result

of external effects that are linked with collective choices. In other words, the production of a public good will not only be the result of the proper characteristics of that good but also from the effects that society can expect from it taking into account public objectives, that is, an anticipated social order. However, when we are talking about externalities, the pure competitive market does not allow optimizing the collective interest. That idea justifies the existence of specific rules with the intervention of the public sector. The standard theoretical distinction between private and public goods, that we reminded earlier, while staying centered on the figure of market, makes of the second kind of goods a residual category that includes the goods that cannot be part of a market process, which are the goods that are part of the market failures.

Inge Kaul considers that classic approach of a public good to be limited from the analytical standpoint and with a feeble value from a practical and political perspective. More precisely, she underlines three recurrent axis of critic that question the standard definition of public goods (Kaul and Mendoza 2004):

- The first axis defines the ontological foundation of public goods vs. private goods by considering that the properties attached to each of those categories are not made in stone but can vary
- Second, the idea that a good with a publicness consumption potential would automatically let all segments of the population effectively benefit from it and have a positive utility out of it
- Third, public goods are not necessarily provided by the State. In many cases their production is a complex process involving the government but also civil society and firms

10.5 The Good–Law–Public Service(s) "Triangle"

Kaul and Mendoza (2004) argues about the need to change the definition of public goods according to, at least, three main aspects:

- The need for not only a negative but also a positive definition of publicness in consumption
- The need for a public involvement in designing public goods in order for those goods to be social constructions in a world of inequities and disparities, that is a publicness in production
- The necessity to link consumption advertising and profit advertising namely a publicness in the distribution of profits

Public goods are characterized by significant inclusiveness qualities, in other words, they are non discriminatory and available to all. According to that approach, if they are discriminatory then that should be made in order to reinforce their inclusiveness otherwise it is preferable to classify them as club goods or even private goods.

Thus the inclusiveness is linked with the formal properties of a good – in contrast with the substantive properties – and comes from three main origins:

- A deliberate decision of the political power to place or to keep the benefit of a good within the public field
- The non-excludability of the profits of a good, due to economic and/or technical reasons
- The belonging, by accident, of a good to the public field

Redefining of public goods helps to show that the risk is not limited to their under-production but also to their "bad" production namely their inability to fulfill the three criteria of utility of a public good, and thus the expected social order associated with the production of the public good.

In that context, a way to reduce the risk of bad production would be to allow the affected populations a more direct expression about the selection and the characteristics of public goods, in other words, a better adequacy between *publicness in consumption* and *publicness in decision*. Thus the optimal offer of public goods depends on the quality of functioning – consultative and fair – the process of political negotiation and decision-making. The existence of such a political regime of decision-making constitutes an important public good in itself; mandatory in order to match the preferences of the different consumption groups with the decisions on the assignment (which goods to produce and in what quantity) and the design (shape and content) of the good.

Therefore, the question of the optimum level of production of public goods cannot limit itself to the approach based on the revelation of preferences and thus on the construction of a social choice function following a technocratic logic. It becomes necessary to substitute it by an approach based on a participative policy which focal point is to give people a bigger opportunity to participate and to involve them more in the decision-making process. Thus, Kaul and Mendoza (2004) reminds that markets work on decision-making processes that are continuous and decentralized and the providing of public goods can benefit from a similar approach. The whole participation of the key actors and of the stakeholders for each public good should give the opportunity to define the shape of the good in question, to control its production, to evaluate its impact and, if necessary, to make recommendations on its design.

Public goods underline that way the ownership question which in their case is not defined through the excludability and the establishment of clear property rights but through active participation, equity in the process and justice in the policy result through the people that have a stake in the good (Kaul and Mendoza 2004).

With the globalization process, the opening of borders and the increased inter-dependency between countries, international public goods are becoming more and more important. Kaul et al. (1999, p. 11) define global public goods as public goods which benefits are spread over various countries, and present and future generations. The international trade system and within it the TRIPS are included in that category of goods. However, they consider that the current international trade systems lack, in the eyes of many, publicness in the decision-making processes and

when it comes to the profits repartition although they have a high inclusivity level as many countries and a large number of people are concerned.

When it comes to GIs, it is important to underline that Kaul considers the international trade system as well as the TRIPS agreements as global public goods. In that perspective, the PDO/PGI types of schemes and the Certification Trademarks would be public goods, comparable from the standpoints of the social choice that they underlie – for example their contribution to sustainable development – and their degree of publicness in terms of production, consumption and equity. In the same way we can assume that the European and French definition of quality systems are part of those public goods. But this view raises questions and requires deeper analysis. From the perspective of overall consistency of GI systems to global level, the question of their articulation can therefore be asked in a dynamic perspective as we have underlined in the introduction. Lastly, it raises the question of the quality of those goods if we consider that each country or group of countries considers its system to be of superior quality compared to the others.

Nevertheless, we can notice that this approach – although new when it comes to the notion of public good – gives only few elements that can explain the concrete modalities of delimitation and implementation of rights that define public goods. From what rights – that is from what conception of a public good – do public goods result from and what are the achievement means – i.e. public services? By setting the question that way, we define a public good from major social choices that we will ask the economy to assume.[5] Those social choices can be assimilated to Amartya Sen's fundamental rights or to Léon Duguit's general interest concept or even to the common good notion as mentioned by Robert Salais and Michael Storper. Such approach is carrying a new economic rationality (Duguit 1901, 1097, 1926; Sen 2000; Salais 2005).

The link between rights and public goods is anything but simple as a right can require various goods and a good can help turn into reality a variety of rights. Besides, public services – that is the means of achievement of the public good – are not neutral and equally available. Any chosen technique generates its own effects that go beyond the expected ones as they are harbored by an interpretation of the social and by precise conceptions of the imagined regulation model.[6] Lastly, the service dynamic can generate other goods that can lead to new rights or to the destruction of rights.

Thus, we can identify two sources of legitimacy for public/collective action:

1. The one that comes from the general principles that define the right to such a good.
2. The one that is generated by the way power struggles structure the service, i.e. how is collective action constructed.

[5]When Eymard-Duvernay et al. (2006) suggest that all European rules and policies, including monetary policy, should be subject to the pursuit of the fundamental right to a quality work for all European citizens, they are in line with that logical scheme.

[6]We assume an overlapping of rules organized into a hierarchy. On the different kinds of rules and their hierarchy organization cf. Isla (2006).

We can see therefore that the perspectives that were designed earlier help creating a link between the economic characteristics of public goods and the law. The law has hallowed those particular characteristics by giving public goods a special status to which fundamental principles are linked with associated users. Those laws are realized in some countries into what is called "public service obligations" which principles can be declined as such:

- *The principle of equality between users*: any kind of discrimination between users in similar conditions regarding the service is prohibited. Thus the eligibility conditions to a GI must be the same for all the producers and procedures ought to exist in order to guarantee transparency and the right to oppose if legitimate interests are in question.
- *The principle of continuity of the service*: the service must be provided constantly and on the whole territory. Once a GI protection has been established, it not easy to remove it although it is possible if justified.
- *The principle of adjustment or of mutability*: the service must be able to evolve each time collective needs or demands linked to the general interest change. That principle is two-edged (Duroy 1996, p. 192). Granted the adaptability of the service can lead to an improvement – improvement of the indicators in order to fit more strict expectations – but is also means that the user does not enjoy access to a stable situation as he may be subject to more expensive criteria, for example through the evolution of the code of practices imposed to producers for a GI product.

Stéphane Duroy insists as well on the emergence of two new principles: *participation* and *transparency* that forces users, consumers and producers to be part of the decisions taken that shall be justified and made public.[7]

Moreover, in a sector highly integrated to productive operations, it is important to think of the legal schemes, within their public good dimension, in the market framework. For instance, in the case of Roquefort, the protection of the brand does not necessarily mean that production and distribution of the product will take place. We can thus imagine a protection without production which would weaken considerably the public good constructed by the protection scheme. That is why the maintaining of a production potential is part of the law construction process and the basis for the criteria of definition of the GIs. As a matter of fact, professional unions – named "Defense and Management Organizations" since the INAO reform in 2006 – are closely linked to the GI negotiation and rules institution processes so as those general rules would be adapted to local and sectoral conditions linked with the product. That two-level negotiation process is essential as it allows public action to meet collective action – both source of legitimacy – in a search for coherence that contributes to guaranteeing the quality of the public good.

[7]In the specific case of GIs compared to other public services, it is mandatory to distinguish the user – the producer of the certified product – from the consumer.

Lastly, besides the law and its elaboration process, it seems that we ought to integrate within the public goods the public action schemes that participate in the implementation and in the enforcement of the regulation like controls, corrections and sanctions. In historically specified contexts, that implementation has been materialized by the notion of public service that does not necessary have to be carried out by the State as public service or specific tasks that are within the State's competence and can be delegated to private institutions. In the case of GI schemes for instance, the control–correction–sanction activities can be discharged to certification organisms or control and inspection bodies (Isla and Wallet 2009).

We made the hypothesis that public goods were historically and geographically located goods and that they result from a society's value system. There are no natural public goods as would indicate an analysis that would restrict itself to the definition of a "pure economy" in reference with Samuelson's expression.

The utilitarian perception, that is an approach in terms of market failures, does not put forward the issue of cooperation and social construction of referentials and indicators. On the contrary, in an approach where the role of political will is given a major importance, the procedures of construction of those referentials are stressed and thus the actors that participate in such construction are as well. It is an institutional approach similar to the one of Commons or Veblen. Social order is the fruit of collective action and of political and judicial processes. Institutions are a set of working rules that stabilize the contradiction between conflict and cooperation. It is a representation of judicial order similar to the sociology of law used in the Weberian school: active relations between social actors and judicial structures.

In such a perspective, the knowledge necessary to the construction of a social choice function cannot be objective and therefore "potentially known" from outside. The legitimacy of a GI system cannot be deduced from a theoretical model that suggests an optimal dynamic. The knowledge necessary to the construction of a social choice function is proper to each actor involved in the coordination; in other words, only collective economic action can reveal that fragmented and located know-how. The GI system is therefore based on an individual and collective learning process.

Furthermore, when the question of a public good is asked in a goods–law–public services perspective then it is supposed that economic efficiency is not the condition for carrying out common good. The scheme is then reversed and thus it is no longer relevant to wonder whether or not GIs are barriers to competition. On the contrary of what the canonic model of pure and perfect competition suggests, we suppose that prices are no longer the only indicators of the quality of a product while not reducing the analysis on the sole fact that GIs allow to improve the information on the product and thus improve the market regulation in a context of imperfect and incomplete competition. The legitimacy of the GI system in the promotion of a sustainable development will be measured by its capacity to put together procedures, conventions and institutions that allow different interests to be fairly represented and different actors to participate in the construction of referentials and indicators. In short, its objective is to turn conflict relations into cooperation relations (Gabas and Hugon 2001). The quality of the system is measured by its capacity to multiply feedback loops in order to use the knowledge of the actors for

intervening appropriately. Its mission is to provide public information that will be used as a support point for coordination and also to take action in order to compensate for the inevitable failures of private coordination.

As a conclusion to this paragraph we can say that when it comes to the notion of public good, the idea of externality leads us to take into account the social and political construction of general interest. But also the genesis of specific rights and the making and/or maintaining of public action schemes – defining what is called in this case "public services" – while following procedures that are here supposed to be a integral part of the notion of public good. In the case of GIs, we suggest the idea that *products and production manners do not "make public good". Public goods are the fruit of externalities, policies, instrument and procedures that institute and protect them.*

10.6 GI Schemes as Public Goods Following Kaul's Conception and Law Theoretical Analysis

The slow elaboration of a GI policy over the past century in France and Europe has allowed to fine-tune various principles and procedures that reflect some of the conditions that were underlined earlier and are consistent with the notion of public good. A first criterion can be formulated with the procedural (participative) conception of general interest (public good) funded on negotiation and learning following notably Kaul's thought. A second set of criteria is based on the principles underlined by the law, and in particular the principles of equality, mutability and continuity.

- *In terms of the participation process*, we notice that in France the GI policy has been established within the National Institute for Appellations of Origin[8] – INAO in French – which was created in 1935. The decision process is based on negotiations between public authorities and producers representatives, in particular with investigation commissions named by the national committee. Those commissions are managed by the public services of the INAO but the evaluation of applications and reports are made by professionals that must give a legitimate and non-corporate opinion on the basis of a precise knowledge on technical and economic aspects of each considered good.
- The final decision is submitted to a State decree and is subject to long deliberations (an average of 7 years) in which State departments are involved (presenting analysis and positions in terms of economic and rural development policies) as well as consumer's organizations. Nevertheless, we can notice that until now a lack of studies and responsibility conflicts have stopped those authorities from really preparing the question of externalities in particular when it comes to environment and landscape aspects. At the European level, the regulation

[8]In January 2006, the National Institute for Appellations of Origin became the National Institute for Origin and Quality, but the "INAO" acronym has been retained.

2081/92 foresees in its recital positive effects on the majority of public elements identified earlier as "justifications". It calls for a significant level of subsidiary by giving member States the preparation of applications and only predicting an instruction on the form.

- *In terms of equality,* when it comes to the process of constructing a public good, various criteria are taken into account:
  - *The criterion of eligibility and access to GIs*. As a rule, the proceedings submitted within the framework of the European regulation must be the result of groups of actors which reinforces its public orientation. All actors located in the designated area, in accordance with the requirements, have the right to use the PDO-PGI label that thus hasn't really one of the key characteristics of club goods. That principle has been reinforced following a complaint by the "liberal" countries of the Cairns Group that were opposed to the GIs. In spite of the reciprocity and equivalence principles that were in the regulation, the complainants were criticizing the EU for not allowing producers from another country to address it direct requests since they had to pass first through the governments of member States. The WTO required the EU to correct that unequal treatment in 2005 by putting forward the principle of the most favored nation. The EU did it with the regulation 510/2006 that, as a paradox, institutes an unequal treatment toward the European nationals. Inside EU, the situation is less clear since the PDO-PGI policies have been developed from significantly different national backgrounds between member States with a long-standing tradition like France and Italy to others that discover those opportunities like mainly the northern member States. While subsidiarity is widespread, as the later do not have the structures and procedures linked with the GIs we observe large disparities when it comes to implementing the regulation although they tend to decrease recently. However it is evident that in order to make common public goods at the European scale, significant improvements when it comes to the harmonization of GI-related activities need to be made. That process has been facilitated since the Luxembourg agreement of June 23, 2003 that integrates for the first time GI policy into the second pillar of the farming policy (Barjolle et al. 2007). However, from the global public good standpoint, the optimum is not necessarily in the absolute consistency and a balance ought to be found.[9]
  - *The criterion of technical standard*, that generates the mobilization of scientific expertise in the instruction of applications (see the above paragraph).

[9]While mentioning the global context that the TRIPS agreements represent, Kaul and Mendoza (2004) argue in favor of a progressive learning process that would take into account the diversity of initial situations: "*Moving in the same direction is often best achieved through policy pluralism rather than standard approaches. Allowing for policy pluralism increases the transaction costs involved in producing global public goods because it may entail more management support, monitoring, and reporting. Yet these costs could be modest relative to the deadweight losses of excess centralization and standardization. Policy pluralism would also be ideal when there is much debate on the best approach providing certain goods. . .*" (p. 103).

  - *The criterion of equality in treatment*, since all applications must be subject to an opposition procedure in the applying country for the economic actors that would feel prejudiced by the perspective of the reservation of a brand name, and at the European level by the other member countries.
  - *The transparency criterion*, that assumes that the instructions of applications and their results would be made public.
- *In terms of adaptability or mutability*, we notice that GI schemes have evolved considerably over the past century: laws on the repression of frauds in 1905, the law of 1907 that institutes the notion of origin, the one from 1919 that defines wine and its development process, the jurisprudence that creates the delimitation, the law in 1935 that institutes the National Committee for designations of origin for wines and spirits (INAO), the law from 1990 that expands INAO's prerogatives to all foodstuff products, the 1994 law that adapts the French system to the 1992 European one, the 1999 law that reorganizes the instruction of PDOs and PGIs and lastly, the law from 2006 that creates an origin and quality institute and that lightens the procedures (Sylvander et al. 2007). This whole evolution shows not only the evolution of the kind of justifications behind GIs throughout the century but also the adaptation of the scheme to the progressive globalization of the economy (Allaire and Sylvander 2009). It reflects the collective process of building GI devices and trends to take into account what the players include as components of public good.
- *In terms of continuity*, the question should be addressed at two levels:
  - *At the level of protection devices*, it means the existence of legal texts (law, administrative rules), organizations responsible for implementation and for each GI (in the French case) a body for defence protection and management and a code of practices. In this respect, the main question lies in the content of existing legislation and procedures for implementation by the stakeholders, which includes to have a look at the functioning of agencies responsible for recognition and management of GIs.
  - *From the production of GI goods and externalities* associated with them. From this point of view, as long as the criteria defined in the specifications are met, producers can offer the mentioned goods. However, the case of non-production of these goods may be considered, thus breaking the continuity, for various reasons: lack of economic profitability, loss of technical know-how, changes in soil and climatic conditions . . ..

10.7 Discussion and Conclusion: Perspectives on the Contribution of GI Schemes to a Sustainable Development

Through this chapter, we gave rise to the fact that GIs are not public goods in the sense of the standard conception in economics theory. Nevertheless, by making references to recent work in the area of conventions economics, to Kaul's approach

(Kaul 2001) or to the work done by legal scholars, we underlined that the analysis of public goods must take into account three complementary aspects. First, one should consider the fact that there is always the definition of a right behind the production of a public good but also that the determination of that right is the result of a deliberation process. Furthermore, the public aspect of a good can only really be expressed through the implementation of the considered right which calls for an analysis of the schemes and systems that allow the use of that right. When it comes to that theoretical construction, the core of our contribution was about its implementation to the case of Geographical Indications as well as about creating a more precise linkage between the law, policy and economics thanks in part to the introduction of the notion of a public service destined to specify the publicness criteria.

Once that aspect settled, we can now argue that the use of a political objective like sustainable development can be assessed within that perspective. Indeed, we noted that the stake that is most often put forward by GIs promoters is formulated more or less explicitly in link with that objective, defined by Bruntland (1987) as a particular form of general interest:

> "*the goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs*".

However, that justification does not mention the balances – and thus the compromises – that will be found at all levels within the convention framework represented by sustainable development. It is typically the case with the regulations 2081/92 and 510/2006 about GIs that combine the different justifications but leave to member States and to lower levels the right to define the compromise that suits them best.

That conclusion reinforces the pertinence of Kaul's procedural approach to public goods and ought to be linked with the thesis of Godard and Hubert (2002) which, considering farm activities, underlines the necessity to ask the question in terms of the contribution of market or non-market activities to sustainable development – and not in terms of sustainability of activities which would run counter to the notion of general interest – which also forces us to globalize the topic into a procedural approach. Furthermore, the work done on the indicators of sustainable development (Geniaux 2002) shows that it is not operative to integrate them into global evaluations but rather to define them in coordination with the stakeholders.

That process thus leads to the adoption and the combination of two original approaches.[10] When it comes to geographic scales, it underlines the link between local actions and the processes at work on vaster territories. By putting in evidence local contributions to more global forms of development, it creates the basis of a

[10]Gilly and Wallet (2005) tackle that issue in particular from the notion of scale innovation, realizing the fact that institutional regulation frameworks are worked through innovation processes that redefined the dialectical relations between geographical scales but also the contours of cross-industry relations.

discussion about the different scales of creation of public goods – from the local public good to the global public good – from their management to their coherent articulation.

When it comes to public policies, the still open question about their integration will put forward the notions of arbitrations and cross-industry mediation in a political perspective (Smith 2007; Sylvander 2006). That process of redefining the frameworks of public policies contributes to establishing the terms of the definition of public goods that should and could be produced within a regulation area – still national nowadays in most cases – where the principles of sustainable development can be applied. The weakening of boundaries between environmental, rural development and agricultural policies for the past 10 years is a convincing illustration, which is reflected in the changing expectations of the GIs.

According to our conception of public good, the contribution of GIs to sustainable development means to introduce the idea that the mechanisms of negotiation and learning are needed to understand how their regulation and definition, and their management (promotion schemes and control of production practices) are entering the convergence (or not) with the environmental, social, economic and cultural project of the territory in which they extend. This analytical framework also helps establish the elements of understanding the differentiated contribution of geographical indications in terms of production, consumption and distribution of various categories of public goods (environmental, social, economic and cultural).

The contribution of GIs to sustainable development of regions is based on choices, combination of which is complex and evolving. They include guidance on legal texts of GI protection, the specifications of each GI, and local practices (individual and collective) which determine the priorities and modalities of intervention for each of the traditional pillars of sustainable development and their articulation.

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Conclusion

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This book takes a wide-ranging look at changes in rural areas and how their governance is evolving, illustrated with various case studies. Projecting these observations and analyses leads us to discuss the future: in the context, what are the perspectives, the possible futures for rural areas, rural development and alongside this, rural policies?

We should first remember that to understand the socio-economic changes and rural area perspectives, we have to take into account two interlinked aspects: town–countryside relations and the way they evolve or might evolve, and the uses to which rural areas and their resources may be put.

We know that in the past, town–countryside relations have been structured by a flow of products, with the towns as centres, market places supplied with agricultural products by the neighbouring rural areas. Because of the lesser territorialisation of agriculture, with its vertical organisation in sectors, and because of the strengthening of regional specialities and the growth of international exchanges, these goods flows no longer structure town–countryside relations within most European countries. Due to changes in lifestyles and dwellings mainly in the societies of Western Europe – urban sprawl, a "live in the countryside, work in town" pattern – population flows today affect town–countryside relations rather than the flow of goods, in a substantial part of rural Europe. These new population flows from town to countryside have become much more significant than the traditional rural exodus of populations from rural areas to cities. As a result, for the last ten years or so in Western European countries, there has been a production by statistical institutes and teams of researchers of new spatial typing, classifying rural areas by the intensity of these new town–country relations. These approaches are much more relevant than the classification adopted by the OECD.

The way in which the use and functions of rural areas has evolved can be simply classified around three countryside aspects or patterns, each one bringing social use, economic functions and also projects and conceptions on what rural areas

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should be for. The first is that of the countryside as a resource: the rural land and its resources are mobilised, utilised as a support for economic activities. The farming economy is at the heart of this aspect. The second is that of the countryside as a place to live: it is the land as consumed by rural residence. It is also the area of the residential economy, i.e. of all the jobs and sectors of activity corresponding to the resident population. The third is that of the countryside as nature. It covers the functions of rural land areas as natural areas, independently of the preference of the inhabitants, consumers of a rural life style. It is the mobilisation of rural land areas for the conservation of biodiversity, for the preservation of the quality of natural resources, local and global, and in particular global warming. These country patterns interact, they mobilise the same rare resources. This gives rise to tensions, but also to possible synergies, as is shown by the multi-functional nature of agriculture. The relative importance of each of the three aspects varies according to area and to the way in which they interact. Thus, France went from the hegemony of the countryside as resource to a co-habitation with the spectacular development of residential use of her rural areas from the 1980s onward. And more recently has arisen a new pattern with the emergence of environmental issues.

In terms of future perspectives, the observed diversity in rural areas and the prospective development lead us to identify four main directions in European rural areas, each constituting a possible future:

- The first is that of a more and more residential countryside. It assumes the permanence, and perhaps an accentuation of the process of urban sprawl. It is based on the residential economy as the main driving force in rural economies. It involves more and more daily commuting between town and countryside.
- The second is that of maintaining or reaffirming a productive countryside around farming or food industry sectors. An increasing demand for farm products in world markets may encourage this direction. It assumes that a suitable agricultural policy is maintained. It requires a certain amount of relocation of residential functions to towns, to contain urban sprawl. It also assumes the real taking up of environmental challenges (those of the countryside as nature: biodiversity, natural resources, climate change and so on) by farming and the food industry, the condition considered necessary to justify a large public support to the European farmers in the coming years.
- The third is that of a diversified rural pattern of local productive systems. This is based on how well local players can activate or create specific resources in rural areas within different sectors. This assumes local strategies for organisation and cooperation, local area projects and so on. The main driving force in local areas is here that of the promotion of the competitive advantage by collective localised strategies. Here we are the heart of the debates on local production systems, and in particular the localised farming systems in food and farming industry.
- The fourth and less attractive perspective is that of the abandoned countryside: neither residential attractiveness nor competitive farming, nor diversified – or crisis-bound – rural economy. This can concern marginalised agricultural land areas, but also and above all industrial rural areas in crisis.

Each of these directions is today more or less being followed in the European rural areas, with strong variations among the Member States. The case of France is symptomatic of the increasing importance of the first one, more than half of the French rural population catchments being attracted today by the residential economy. But at the same time, we can consider that 20–25% of rural catchment areas is already, or is in danger of going in the direction of "abandoned countryside". This diversity in the possible futures of rural areas reappears at a Europe-wide level: one can easily estimate that the perspective of convergence towards a European rural model is very unlikely.

If we are to gain some perspective on the questions of land governance and the rural policies we need first to discuss the notion of rural development, the bedrock of public involvement.

For many economists, the notion of rural development covers the raft of initiatives or strategies of public and private players aimed at improving the well-being of the inhabitants of the countryside and at the contribution of the rural environment to the well-being of society. Behind these very general objectives, there actually lie four different conceptions of rural development.

The first is that of rural development as enlarged farming development. We consider here that farming, even if it is not the principle activity in the countryside, is always a pivotal activity for its development: actions towards the production of agricultural assets are then at the heart of the rural development policies. They include the multi-functionality of farming, the diversification of farming operations, agro-environmental measures and so on. In this conception, we consider that the new expectations or demands of society *vis-à-vis* the rural world, in particular the environmental demands, are or should be fulfilled by farming, farming being given incentives to respond. This is currently the main bedrock of French rural development policy.

The second is that of rural development seen as integrated local development. Here we consider that rural areas are specific areas, that the problems of territoriality, of collective action are here different from those of other areas; and that this required specific *ad hoc* development policies. Farming is here one activity among others and the diversification of economic activities is here encouraged. Development is led by local populations working together on local rural projects. This conception, put forward by some European leaders during the 1996 Cork Conference, is explicitly found in the Leader programmes. It is also a dominant reference in a number of local governance strategies in rural areas.

The third conception sees rural development as a component of regional development. The specificities of rural areas are not given preponderance. They are taken into account within the regional context of which they are part. The town–countryside relations are central here. Rural development is a sub-set of regional development.

A fourth conception, which we can consider as transversal to the other three, highlights rural areas as natural areas. The development of rural areas must primarily be compatible with the functions demanded by society of these areas of ensuring biodiversity, the prevention of the risks of climate change, and so on in the domain

of the preservation of natural resources. Rural development cannot be thought of merely in terms of the projects and the needs of local residents, nor in terms of the equilibrium in town–countryside population catchments, but must be concerned with more global preoccupations that control the supply of goods and environmental services to meet these demands (global public goods).

These various conceptions can reconsider from the point of view of the forces, the economic leverage, that bring about the economic development of these areas. From one theory of regional growth to another, it is not the same drivers of growth that are predominant, and not the same local factors in local competition. The Keynesian theories of regional development (basic theory) put in the forefront the demand, the ability of local areas to capture external revenue. The theories of polarised development stress the economies of agglomeration, the necessary concentration of activities in given places, and their effect of drawing in the hinterlands. The endogenous development approach centralises the offer of the local areas, their ability to collectively activate specific local resources as the driving force for their competitiveness.

What do we learn from the confrontation of these different approaches, in the light of rural policy orientations, in particular the European rural development policy, the "second pillar" of the CAP? Three remarks can be made on this subject:

First of all, community rural development policies are based essentially on two assumptions, of unequal weight. The central one is that it is a conception of rural development enlarged to farming: most of its measures are direct support to farmers. Secondarily, this orientation is combined – at a much smaller weight – with a theory of economic action that comes above all out of endogenous development issues. We find this here in a more or less explicit way in the support for farming diversification, and above all in integrated local development schemes of the Leader type: the local offer (and not their ability to capture external demands and revenues), the adding of value to specific local resources and so on, which are given preference as drivers of growth and land development.

In the second place, we must note the absence in rural development policies of the question of rural development as a component of regional development. This masks any positive economic trickle-down effects to their hinterlands, when talking about theories of economic action and the search for factors of competition at a local level. Neither is much account taken of the issue of town–country relations. Now, the latter has a structuring role in a whole section of rural Europe.

In the third place, this overall view must be overshadowed by the wider community variations in rural development policies. These policies are based on the co-financing of the Member States and an almost free choice within the range of measures of the second pillar, so the rural development programmes of Member States (or regions in the case of federal States) differ substantially. Over the period 2000–2006, Germany devoted 25% of its second pillar budget to extra-agricultural rural measures, whereas France only devoted 3.9%. France used 13% of its second pillar budget as aid to young farmers, whereas the UK and Finland left this out of their menu, and so on.

To conclude, what perspectives do these evolutions forecast for rural development policy? The future balance of governance by sectors, that of farming and the food industry, and land governance is a sizeable challenge. Is the current version of community rural development policy durable? This policy represents an imbalanced association between an enlarged option for agricultural development and an issue of integrated local development. Is this association relevant and viable, and can it stand the test of time? Is a closer balance between its two currently highly imbalanced components desirable and possible? According to what modalities?

A possible perspective would be one of a second CAP pillar explicitly centred on farming. The second pillar would gain in clarity. But would it survive? Because the long-term result would be a fusion with the first pillar, explicitly agricultural in its support of farming incomes, and the second, the pillar of rural development for the supply of public goods by the farmers. Over agricultural measures, there is a clear convergence today in the evolution of the first and the second CAP pillars. The remaining major difference between them is the mode of financing. What would them be at stake would be to know what should come from a global public support at a European level versus what – through co-financing – could be more or less "re-nationalised" i.e. whose public support should be left to the initiative of each Member State.

As far as the rural areas are concerned, an agricultural re-centring of the second pillar should or could lead to a greater integration of rural development except farming in the regional policy of territorial cohesion of the EU. But this form of land governance is not where European regional policy, less zoned than before, is directed. The question then is to know to what extent rural issues should be treated specifically within integrated local development. Or to what extent rural development should be conceived of as simply a component of regional development within the town–country issue. In the debate on maintaining a certain rural autonomy and the recognition of the reality of the current dynamics and the future of rural areas, a re-think is needed on the current balance between the two aspects.