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Differentiation strategies and marketing networks: Evidence from breeders in two marginal areas of Tuscany

G. Brunori and R. Cerruti*

*Dipartimento di Agronomia e Gestione dell'Agroecosistema, Università di Pisa
Via S. Michele degli Scalzi, 2, 56124 Pisa, Italy

Corresponding author: Gianluca Brunori, e-mail: gbrunori@agr.unipi.it

SUMMARY – In this paper we analyse two different marketing networks developed by farmers in marginal rural areas to add and retain value to produce. In order to better understand whether differentiation could be a real option for marginal areas, the paper deals with the development and the performance of product networks created around local products. The analysis is based on two case studies in Tuscany. The first case study concerns the evolution of the marketing network around the raw milk sheep system of production of the Pistoia Mountains. The second case study illustrates the marketing strategies recently developed by a well established co-operative of beef producers in the Mugello area. In this case, the differentiation concerns organic beef marketed nationally by a big retailer. The comparison of the two cases shows that successful differentiation is linked to capacity to keep control of the chain through appropriate network-building activities.

Keywords: Raw sheep milk cheese, organic beef, differentiation strategies, niche markets.

RESUME – “Stratégies de différenciation et réseaux de marketing : constats des éleveurs dans deux zones marginales de Toscane”. Cet article analyse deux réseaux différents de marketing développés par des éleveurs dans des zones rurales marginales pour ajouter de la valeur aux produits et la retenir. Afin de mieux comprendre si la différenciation peut vraiment représenter un choix pour les zones marginales, cet article étudie le développement et les performances des réseaux productifs créés autour de produits locaux. L'analyse est basée sur deux études de cas en Toscane. La première étude de cas concerne l'évolution du réseau de marketing autour du système de production de lait cru de brebis des montagnes de Pistoia. La deuxième étude de cas illustre les stratégies de marketing récemment développées par une coopérative de producteurs bovins bien établis dans la zone de Mugello. Dans ce cas, la différenciation concerne la viande bovine biologique commercialisée à l'échelle nationale par un grand distributeur. La comparaison des deux cas montre qu'une différenciation réussie est liée à la capacité de garder le contrôle de la chaîne à travers des activités appropriées de mise en place de réseaux.

Mots-clés : fromage à base de lait cru de brebis, viande bovine biologique, stratégies de différenciation, marchés de niche.

Introduction

Farmers' networking strategies can be an effective means to contribute to sustainable agricultural development. In this paper we analyse two different marketing networks developed by farmers in marginal rural areas to add and retain value to produce. Within this context, it focused on the link between marketing networks and the concepts of differentiation strategies and development pathways. In the literature, differentiation has been extensively studied and presented as a possible solution for increasing the sustainability in environmental, economic and social terms. Most studies identified differentiation as an adjustment strategy to cope with a changed context for farming (Ilbery, 1991, Ilbery *et al.*, 1996), and it has been mainly studied within the broader context of alternative food networks. In order to better understand whether differentiation could be a real option for marginal areas, the paper deals with the development and the commercial performance of those networks, which are built on the basis of a broad alignment of interests among different actors of the local system of production: producers, retailers, processors, institutions, consumers and so on.

The analysis is based on two case studies in Tuscany. The first case study concerns the evolution of the marketing network around of the raw milk sheep system of production of the Pistoia Mountains. In the northern areas of Tuscany shepherds have, over a long period, adopted a strategy whereby they internalise both processing and marketing activities. Through such strategies intense social networks, involving producers and local consumers in close interpersonal relations based on trust were established in the past. More recently such strategies have become the basis of the re-positioning of the product on high quality cheese markets, in which external consumers have been involved and can appreciate its specific qualities. In this case, Slow Food¹ has played a crucial role in this process, providing the necessary symbolic capital to increase the reputation and the differentiation of the product and to enlarge the original distribution network.

The second case study illustrates the marketing strategies recently developed by a well established co-operative of beef producers in the Mugello area. In this case, the differentiation concerns the development of an organic beef marketed nationally by a big retailer. As a result, the co-operative lost both the ability to retain added value within the region of production and its initial mission, which was to strengthen the autonomy of farmers in the supply chain and to use quality as a key differentiation strategy. The case underlines the importance for the organic sector to find innovative distribution networks in order to preserve the authenticity of the values embedded in a traditional production system.

Sustainable agriculture and differentiation strategies

Marginal farms are among the most endangered by the modernisation of the agro-food system, a process amplified by the increasingly power of large-scale food processors and retailers. Besides their traditional social exclusion, several studies (Ilbery *et al.*, 2004; Meert *et al.*, 2005) show that at least a significant proportion of the farm households face structural and income problems, resulting in a high rate of abandonment in several rural areas, associated with increasing social and cultural erosion processes. Nevertheless, some farmers took up the challenge to overcome this process of marginalisation by exploring and developing new pathways, reflecting in part increasing societal concerns over the environment and food safety.

These pathways are closely intertwined with the emergence of alternative food networks, within which "producers, consumers, institutions and other actors embody alternatives to the more standardised industrial modes of food supply" (Renting *et al.*, 2003; Murdoch, 2000). According to the literature (Ilbery *et al.*, 2004; Meert *et al.*, 2005) we can see that many of such strategies might represent means to make reconnections between producers and consumers, and marginal rural areas could benefit from the "quality turn" in food production and a relative shift from long food supply chains to shorter and very diversified distribution networks. A growing body of literature analyses the role that place can play in these strategies (e.g. Winter 2003; DuPuis and Goodman 2005, Goodman, 2003; Ilbery, B. and Kneafsey 2000; Murdoch 2000). For instance, the attempts to differentiate food on the basis of the territorial origin –food relocalisation strategies– aims at grounding relations between producers and consumers on acknowledgement, respect and trust (Ilbery and Maye, 2005; Sage, 2003; Ilbery and Kneafsey, 2000; Hinrichs, 2003; Winter, 2003). Several authors have recognised that this clearly emerged within short food supply chains (Marsden *et al.*, 2000; Renting *et al.*, 2003): along short food supply chains producers are able to communicate to consumers the traditional production systems, the place of production and other distinctive quality assets of the product (Renting *et al.*, 2003; Ilbery and Maye, 2005).

Overall, therefore, building alternative food networks could enable farmers to retain higher degree of local control over the production, marketing and distribution of their products (Hinrichs, 2000;

¹ Slow Food was created in 1986 as a cultural organisation aiming at the spread of quality-food awareness through the re-discovering of local quality produce, or "for the defence of and the right to pleasure" (Petrini, 2001). In 1989 Slow Food becomes an international organisation, but its international and national level remains connected with local networks through local units called *Condotte* in Italy, *Convivia* abroad. Through the *Ark of Taste* project, set up in 1996, the association formally starts an activity aimed at saving typical and traditional products, which are bound to disappear because of industrial standardization, environmental degradation and hyper hygienist regulations. The operational units of that project are the *Presidia*, a type of collective branding through which the association gives technical and communicative support to the initiatives aimed at saving specific products. See Petrini (2001).

Winter, 2003). On the other hand, products reach the consumer embedded with information, enabling them to make connections and associations with the place of production (Renting *et al.*, 2003). Nevertheless, it has been highlighted that the evolution of alternative food networks could be driven by an increasing adherence to the economic imperatives bringing to a change of the initial mission (Buck *et al.*, 1997; Guthman, 2004). Furthermore, without a careful management of the network and of the growth, the turn to quality could be driven mainly by large producers, processors and retailers, who appropriate the original values and meanings of quality produce. Therefore, alternative food networks face a dilemma: commercial performance is the key factor for the further development of such strategies, but at the same time, commercial success could hide the risk to loose the original alternative values. This paper offers an analysis of the network building process and questions the commercial performance of two alternative food networks. The relevance of commercial performance can be assessed with reference to a conventional marketing perspective, by considering as indicators the attractiveness of the market and the competitive position. To better assess these aspects related to the production system we have used the McKinsey matrix (Table 1; Fig. 1, Fig. 2), which correlates the two dimensions of the commercial performance: the attractiveness of the market with the competitive position of the initiative.

Table 1. Indicators for market attractiveness and competitiveness

Criteria ²	Indicators
Market attractiveness	<ul style="list-style-type: none"> • Market size and growth rate • Competitive intensity/rivalry • Market profitability • Opportunities to differentiate the product and services • Overall risk of return in industry • Distribution structure and negotiation power of the clients
Competitive position	<ul style="list-style-type: none"> • Price differential and value added • Ability of the organisation to co-ordinate the commercial strategy • Product quality and image of the region of production • Potential of innovation • Customer loyalty • Relative brand strength • Ability to promote the product

Food supply chains in two marginal areas of Tuscany

The Raw Milk Sheep's Cheese (RMSC) from the Pistoia Mountains

The production of raw milk sheep's cheese in the mountainous area of Pistoia Province³ is a centuries-old tradition in a region where small scale and extensive livestock farming, based on a local sheep breed (Massese) is one of the main economic activities. In contrast to sheep breeding systems in other parts of Tuscany, where shepherds traditionally supply milk to cheese makers, on-farm processing of milk is commonly practiced. As a result a large number of the inhabitants of the area have extensive experience of sheep's cheese production, following long established methods based on unwritten but widely accepted rules. They produce a range of distinctive cheeses, whose specific characteristics are derived from the use of raw milk (heated to a maximum of 30-32°C) and curdling with natural rennet. The farmers have, over a long period, adopted a strategy in which they internalise both processing and marketing activities. Through such strategies intense social networks, involving

² To build a MacKinsey matrix a system of scores and weights of the relevant parameters of competitiveness is needed. In our case, weights have been set by the research team on the basis of the answers of the people interviewed (for a presentation, see www.valuebasedmanagement.net/methods_ge_mckinsey.html).

³The mountainous area of Pistoia Province of Tuscany is a marginal region which faces considerable development constraints.

producers and local consumers in close interpersonal relations based on trust were established in the past. Nevertheless, in the end of 90's, the survival of the traditional system of production of raw milk sheep's cheese came under threat with the implementation of new European and national hygiene regulations for the dairy sector. Shepherds faced increasing constraints posed by the hygiene authorities, being forced to make difficult adaptations and significant changes to the structure and functioning of whole farms (including production and processing methods) in order to comply with the regulations.

Two institutional actors recognised the very real need to preserve the cheese and the basic principles of its production process: the director of the local breeders association (APA) and the Slow Food local "*Fiduciary*"⁴ (the local representative). Between them they pioneered an initiative intended to preserve the quality and characteristic of the cheese. Once the importance of action to preserve the traditional method of production by shepherds was recognised, the Director of the APA started to involve the whole community and the key actors within the cheese supply chain in this crucial issue, by instigating intense interactions with the local Health Authorities, the Regional Administration and the University. This later move progressively helped change the attitude of the local Health Authorities, which had initially opposed the use of raw milk and was strongly inclined towards adopting a more restrictive approach to control. At the same time, Slow Food's representative in Tuscany identified the raw milk sheep's cheese from the Pistoia Mountains as a traditional product undergoing a critical change, which fitted with the aims of the *Presidia*⁵. As a result Slow Food's *Fiduciary* in the Pistoia Mountains made contact with the local shepherds in order to discuss the idea of creating a Slow Food *Presidium*. In 2001 the Director of the APA succeeded in drawing up technical specifications that would allow the shepherds to continue using raw milk, through more formalised control procedures to ensure an adequate safety level. This step was fundamental for legitimating the traditional production techniques to the outside world and for strengthening the cohesion between the shepherds and their institutional environment.

This Code of Practices facilitated the creation of the Slow Food *Presidium*. At the same time the Chamber of Commerce pushed for the creation of a new organisational form in order to consolidate and facilitate the actions of the *Presidium*. In response to this suggestion, the Director of A.P.A. promoted the establishment of the "*Consortium of the Pistoia Mountains and Valleys*" in 2002. Most of the shepherds (24) became members of this, together with other local institutions⁶, which became involved in providing some level of economic support for the Consortium's further development. Once the organisational structure was formalised, the next step of the process was valorising the product through marketing. Previously the raw milk cheese had only been sold within the region of production, and local consumers thought of it as a "normal" cheese. Slow Food's involvement provided the necessary symbolic capital to increase the reputation of the product, to differentiate it from other kinds of sheep milk cheese, and to give it a higher profile in the outside world. The shepherds belonging to the Consortium were supported in their involvement in other marketing and promotional activities, being involving in local fairs⁷, as well as in Slow Food events at the national and international level, including the International Halls of Taste and of Cheese. Such recognition made it possible to expand the traditional pattern of farm-gate direct selling and to sell the raw milk sheep's cheese to restaurants and agri-tourism businesses, and to connect local circuits with national and international market outlets.

Assessing the commercial performance

In the case of RMSC we can see that the good commercial performance has been the key factor for the further development of the network, which has been built around the local system of production.

⁴At that time the issue of local quality foods and their close links with artisanal ways of production was becoming a topic of public interest in Italy. The emergence of the Slow Food movement is an example of this, and helped to instil this new awareness. There was a growing concern that changes to traditional production methods required to meet new hygiene regulations would lead to these unique products, representing part of Italy's rich culinary patrimony, becoming standardised and homogenised and thus losing their distinct quality.

⁵At the national level, Slow Food was highly involved in identifying local production systems that were in danger of extinction because of the effects of standardisation.

⁶The Municipality of Cutigliano, the Pistoia Mountains Community (*Comunità Montana*) and the Province of Pistoia.

⁷The Show of Pistoia Shepherds' Products and the Shepherds Fair, both held in Cutigliano village.

The raw milk sheep cheese was, and still is, mainly sold on the local (provincial) market. As already mentioned, the farmers have, over a long period, adopted a strategy in which they internalise both processing and marketing activities. More recently such relationships have come to form the basis of the re-positioning of the product on high quality cheese markets, in which also external consumers can perceive and appreciate its specific qualities. The alliance with Slow Food was crucial in valorising the product in a wider area: it has allowed the cheese to be more widely recognised and to be sold in the well-established circuit of restaurants and markets linked to Slow Food. Nowadays the RSMC is known and sold in various restaurants and eno-gastronomic events at national level and consumers go to the area of production in order to buy this cheese.

Indicators for market attractiveness (Table 2)

Table 2. Factors affecting market attractiveness of raw milk sheep cheese network

Indicators	Weight	Grade on 10
Market size and growth rate	5%	2
Competitive intensity/rivalry	40%	6
Market profitability	5%	5
Opportunities to differentiate the product and services	30 %	6
Overall risk of return in industry	0 %	0
Distribution structure and negotiation power of the clients	20 %	8
Total	100 %	6.15

(i) *Market size and growth rate.* The raw milk sheep cheese is by the most important cheese in the region of production, with almost of 50% of the whole cheese sales volume in the Pistoia Province. The rate of producers belonging to the Consortium in relation to the all shepherds of the area (22 out of 47) shows the importance of this organization on the territory. However, the total production is only 280 t per year⁸, which in terms of volume is not a sufficient level to penetrate regional or national markets of high quality sheep cheese. This relevant market includes the main competitors, which are all the other quality sheep cheeses produced in Tuscany and in other parts of Italy.

(ii) *Competitive intensity/rivalry.* In the "external" market outside Tuscany the cheese has a weak competitiveness in relation to other high quality products. There are a lot of other sheep cheeses, even if few of them are made with raw milk.

(iii) *Market profitability.* Farming is very hard in the lagging areas: traditionally farms that are too small, or whose structure is insufficiently adjusted to modern standards and techniques. One opportunity for the farmers in the Pistoia mountains has been to join to the Consortium, which insures the adequate technical support and the selling of the cheese within broader market outlets. The main positive factor is represented by the greater valorisation of the capitals used (sheep, labour, structures and machinery) due to the growth of the sales and also to the increased prices of the product.

(iv) *Opportunities to differentiate the product and services.* The opportunities to differentiate the product and the services are very diverse, in relation to the artisan nature of the produce, the different period of ripening and the possibility of processing with special ingredients.

(v) *Overall risk of return in industry.* Low

(vi) *Distribution structure and negotiation power of the clients.* Very short channel (farmer's market, small shops in the area and manifestations) where consumers (above all no-local ones) rarely negotiate prices.

⁸The raw milk sheep cheese of the Pistoia Mountains has increased steadily in terms of production of around 14% since the Consortium was constituted in 2002.

Indicators for competitive position (Table 3)

Table 3. Factors affecting competitive position of raw milk sheep cheese network

Indicators	Weight	Grade on 10
Price differential and value added	10	7
Ability of the organisation to co-ordinate the commercial strategy	25	8
Ability of the organisation to negotiate with retailers	25	9
Product quality	10	6
Image of the territory	1	1
Customer loyalty	7	4
Relative brand strength	2	2
Ability to promote the product	20	9
Total	100 %	7.68

(i) *Price differential and value added:*

- *Price premium at consumer level.* The price premium paid by consumers for the raw milk sheep cheese ranges from 10.5% up to 58% above the price for common sheep cheese. This premium price is reached by marketing the cheese outside the region of production thanks to the strong promotion efforts offered by Slow Food and by the Consortium of the cheese producers (e.g. at fairs for typical and traditional produces). On the other hands, in the region of production the price difference to other of the quality sheep cheeses usually stays below a plus of 20%.
- *Value added at producer level.* The strategy elaborated by this initiative led to functioning and diversified channels of distribution allowing to pay a price premium to the producers. As the Consortium of the Italian sheep cheese was able to organize and open up new marketing possibilities (e.g. higher consumer price achieved by sale at fairs) they can realize a premium. Compared to the conventional (traditional) chain (where the cheese is sold directly on farm or within the local retailers), the premium price within a fair or other events could reach till +58% (+3.50 €/kg). Another strategy has been to build a strong network which leads to a powerful marketing and finally to a high degree of recognition of the product or the brand. The network around the production of the cheese was able to build new marketing strategies, by connecting to larger networks, which give to the to the local production system new opportunities to maintain their specificities and, at the same time, to improve their commercial performance. As matter of fact, selling the product at particular fairs like the local "Show of Pistoia Shepherds' Products" the "Shepherds' Fair" and the international "Hall of Taste and Cheese" (organized every two years by Slow Food in Turin, Italy), has provided the possibility to increase price paid to producers and to valorise the value capitals at the basis of the cheese production.

(ii) *Ability of the organisation to co-ordinate the commercial strategy.* There is not a real commercial co-ordination even if the Consortium and the creation of the Presidium has helped the shepherds to increase their marketing and communication skills. The Consortium has greatly improved the self-organisational capacity of the small-scale shepherds, mainly by strengthening relationships between them and increasing their participation in decision making processes. An increase in bridging capital between local producers and external consumers has occurred, due to the efforts made to increase consumer's confidence, through emphasizing the traditional and the natural.

(iii) *Product quality.* The production of this cheese can be considered strongly linked with the territory: autochthons sheep breed have been farmed on that mountains for many years and farmers have adapted their farming practices accordingly. As already mentioned, the raw milk production has been badly damaged by the sector's regulation and health warnings at the end of 1990's. However, the process of legitimation through the creation of an adequate Code of Practices and a collective

brand provided a symbolic representation of the product and production system, reinforcing a sense of internal identity, and creating and communicating an image of quality to the outside world. Furthermore, throughout the reputation of Slow Food, the Consortium has succeeded in strengthening consumers' involvement. Unfortunately, in the "external" market outside Tuscany the cheese has a weak competitiveness in relation to other high quality products. The above mentioned attributes like regional, tasty, traditionally and rural are difficult to communicate to consumers as unique attributes. There may be similar products that also argue with those attributes (coming from different regions).

(iv) *Image of the Pistoia Mountains.* The image of the area is different from the common Tuscany representation; the area is still a place to be discovered by tourism. The initiative is based on the interaction between product and territory.

(v) *Potential of innovation.* Very low as it is a traditional produce, and the initiative is aimed at keeping traditional techniques and ways of ripening.

(vi) *Customer loyalty.* High loyalty between producer and his clients: the good market share can be related to the strong relationship between the producers and other actors within the food supply chain. This type of "strengthening of the chain" can be ascribed to the motivations which led consumers go to buy the cheese directly for the producers: mainly the taste and pleasure (42.5%⁹), but also because to the wish to maintain the tradition and character of the territory (25.0%). Besides all, for consumers, it is the opportunity to actively engage in a more direct relationship with the food they buy, which includes having a human-level relationship within the producers. On the other hands, thanks to the Slow Food activities, producers have enhanced their skills to talk about the production methods employed, and more in general about the values beyond their cheese. Usually the development of such relationship based on trust with producers gave consumers more confidence in the food they were buying.

(vii) *Relative brand strength.* Very low as consumers pay more attention to the origin of the product or to the direct contact with the producer than to the presence of the collective brand.

(viii) *Ability to promote the product.* Very good as the initiative benefits from the Slow Food promotion of the products.

Figure 1 shows the position of raw milk sheep cheese in the McKinsey matrix.

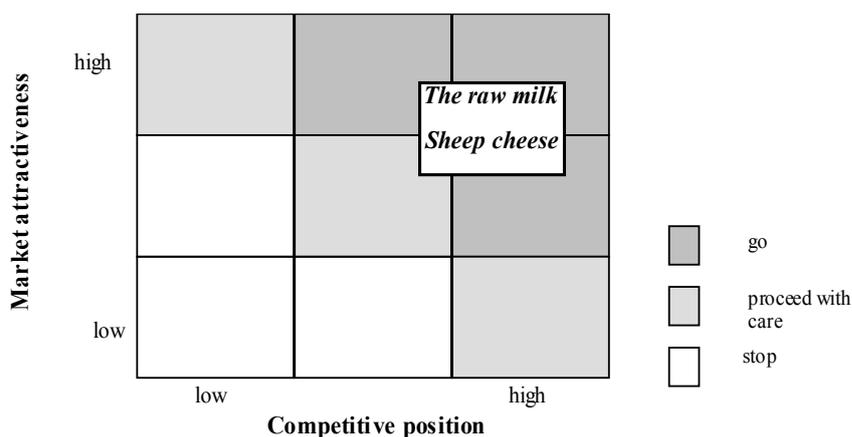


Fig. 1. McKinsey matrix for the raw milk sheep cheese.

Overall, we can see that the strategy of revalorising raw milk sheep's cheese has created new opportunities for capturing NVA in the region, as well as increasing the producer's share of the retail. It has positioned the product within local markets for high quality cheese and also provided new marketing outlets, attracting higher retail prices. In this case both the production system and the valorisation process drew heavily upon local resources (the local breed of sheep, pastures,

⁹The percentage refers to a survey carried out within the framework of the case study.

processing skills), which gave the product a strong specificity, which has subsequently been built upon to reinforce the visibility of the whole rural area, through developing synergies between direct selling, agri-tourism activities and local fairs and markets.

The Agricultural Co-operative of Firenzuola

The Agricultural Co-operative of Firenzuola (CAF) was created in 1972 by a group of breeders in the higher part of Mugello, a marginal rural area of Tuscany. It was established in response to the weakness of producers on local beef markets. At that time, the area had a large proportion of milk farms, and the local calves were considered as "only" by-products of the dairy industry. As a result wholesalers preferred to buy beef cattle from the specialised and intensive livestock farming in the North-Eastern regions of Italy. The goals of the co-operative were to improve the collective strength of farmers in the supply chain, to avoid the dependence on middlemen, and create the possibility for slaughtering and directly marketing the local beef. Since then, the cooperative has attempted to retain control over the whole meat production chain, by taking over a public abattoir and also setting up some sales outlets in the area where the beef could be sold. The volumes sold by the co-operative and the number of involved members have rapidly increased. Farmers were keen to join the co-operative, as it could assure them a stable market and consumers were pleased by the possibility of "buying locally" and reacted very positively to the initiative.

The starting point of an organic network that was developed within the CAF can be traced back to 1997-98. At that time, the BSE alarm had showed the fragility of the conventional beef market, and there had been a dramatic decline in beef consumption during the six months following the first outbreaks. Some co-operative members within the more marginal area of Mugello decided to convert to organic production, partly encouraged by the availability of subsidies from the Regional Government. Converting to organic farming seemed, at the time, to imply only minor changes in their system of production, as they already were working with low-external input breeding systems. The development of this network necessitated addressing a range of issues: from a marketing perspective, CAF members expressed concern about the possible competition within the region between two these competing modes of quality production – the traditional and the organic meat. For this reason, they sought a different way of positioning the organic beef which would not threaten the position that the traditional product had established in local markets. At the outset the co-operative forged an alliance with Esselunga, a national retail chain. Under this agreement, their organic beef was exclusively sold in Esselunga outlets located in Firenze and Milano, under the organic CAF label¹⁰. Under the pressure of increasing market demand, the co-operative board took the decision to accept new members, even though most of the breeders interested in applying did not come from within the initial boundaries of the Mugello production area, and their farm-size was, on average, larger than that of the pioneer farms. At the end of this phase, CAF had developed an extended network, with two different sets of farmers, with their products being sold through separate channels: conventional beef sold mainly in CAF stores to local consumers, and organic beef in more distant supermarket outlets.

The contradictions inherent in the new, extended, network started to emerge in 2003, when the market for only organic beef declined owing to general downturn in the economy. As a consequence, Esselunga started paying organic beef less and the CAF board were obliged to reduce the prices that they paid to farmers¹¹. Organic farmers strongly complained about this decision, as they claimed that costs of organic production exceeded the price that they were receiving, especially because of certification costs and the purchase of high quality feed. Some of the smaller producers considered abandoning the organic certification. The situation worsened when in the second half of 2004 the demand for CAF organic beef fell dramatically. Consumers were less willing to pay a premium, and, as a consequence, Esselunga dropped organic beef from the shelves in its stores in Milano, and the store in Firenze cut its order by 40%, before breaking its agreement with the co-operative in June 2005. This put the organic producers within CAF in a very difficult position, and the problem of finding alternative channels became urgent. This uncertainty about the future strategic choices of the co-

¹⁰The partnership with *Esselunga* provided a strong stimulus to the local production system: the number of slaughtered organic calves increased from less than one per week in 1998 up to 10-15 in 2003.

¹¹The premium price shifted from 1.5-1.8 €/kg, (25-30% more than the conventional one) in 2000-2001, to about 1 €/kg (more than 20% below the conventional price) in 2003-2004.

operative, has led CAF organic breeders to start thinking about other possible paths for promoting and marketing their organic beef. At the moment, they appear to be moving towards partial relocalisation and seeking to avoid reliance on another retailer as their sole customer. Furthermore, they have started to involve various local actors, including other organic producers, local institutions, researchers and technicians, to revitalise the link with the territory. Through this emerging network, the idea of creating a local outlet for selling a range of local organic produce, promoted on a territorial basis, is taking off.

Assessing the commercial performance of CAF beef

In this case, even if the market size of the organic initiative is not relevant in relation to the conventional reference market (less than 1% in terms of volume of sales), the co-operative represents one of the biggest supplier of organic meat in the area.

Indicators of market attractiveness (Table 4)

Table 4. Factors affecting market attractiveness of the CAF initiative (network)

Indicators	Weight	Grade on 10
Market size and growth rate	35	5
Market profitability and pricing trends	10	8
Competitive intensity /rivalry	10	5
Opportunities to differentiate the product and services	10	6
Distribution structure and negotiation power of the clients	35	4
Total	100 %	5.05

(i) *Market size and growth rate.* Even though the total organic production is only 109,266 kg/year, the co-operative represents the biggest supplier of Italian organic meat; negative potential growth rate. Unfortunately, the recent decrease in organic meat demand affects negatively the potential for further development of the initiative.

(ii) *Market profitability and pricing trends.* The profitability related to the pricing trends appears to be positive, because at consumer level prices of organic beef are still very high in comparison with prices of conventional meat.

(iii) *Competitive intensity/rivalry.* The competitive intensity on the market is very strong due to the relevant presence on the national market of imported organic beef (mainly from North Europe or France) and the conventional meat (local non organic) with other quality specificities (such as the Chianina breeds).

(iv) *Opportunities to differentiate the product and services.* At the moment, the opportunities appear related to be moving towards partial relocalisation and seeking to avoid reliance on another retailer as their sole customer. For instance: (i) selling their products in dedicated organic shops at national level; (ii) participating in organic fairs at the national level; and (iii) setting up a purchase group.

With respect to the product differentiation, a good opportunity in order to add more value added to the produce, could be to process the meat in order to make sauces and other products which can be differently used.

(v) *Distribution structure and negotiation power of the clients.* Long channel (supermarket), where consumers are not able to negotiate prices.

Indicators of competitive position (Table 5)

Table 5. Factors affecting competitive position of CAF initiative (network)

Indicators	Weight	Grade on 10
Price differential and value added	30	4
Ability of the organisation to co-ordinate the commercial strategy	20	4
Ability of the organisation to negotiate with retailers	8	4
Product quality	10	5
Image of the territory	8	6
Customer loyalty	6	5
Relative brand strength	8	5
Ability to promote the product	10	5
Total	100%	4.5

(i) *Production volume and growth rate potential:*

- Price premium at consumer level. The premium price paid by consumers in June 2005 is about 27% above the price of the national conventional beef and up to 53% above that of the imported conventional meat. Compared to imported organic meat the price differential is about 30%.
- Δ value added at producer level. A decreasing premium to organic producers goes along with losses in demand. The most important outlet, a supermarket chain, stopped selling the co-operative's organic meat, making marketing very difficult. In 2004, the price premium received by farmers was still 1 € per kg above the price of conventional meat, but did not cover the higher production costs of organic farming.

(ii) *Ability of the organisation to co-ordinate the commercial strategy towards the consumers.* The organisational performance of the organic initiative has been quite low, particularly as it has been progressively losing credibility among external consumers. The organic network is currently in a process of re-orienting itself, concentrating its efforts on consolidating the alliances between local food actors and other organic networks, and developing synergies between organic beef production and other local resources. This has the potential to enhance self organisation capacity, involve consumers and increase social cohesion and inclusion, all of which are the pre-conditions for the emergence of a more stable and dynamic local network.

(iii) *Ability of the organisation to negotiate with retailers.* The co-operative has a weaker power of negotiation in relation to the big retailer. Furthermore, the fact that the growth in organic selling has been dependent only upon one form of retailing has increased the vulnerability of the organic network. Esselunga has been able to keep power in the chain for its capacity to influence marketing choices at all levels of the chain, and in particular for its ability to retain the control on the communication of the products' values.

(iv) *Product quality.* The result has been that organic labelling has not been strong enough to create an alternative food chain, by strengthening the differentiation of the product on the market. External consumers, with whom CAF hardly can communicate, only perceive the "ecological" value of the beef. In other words, the alliance with Esselunga made the product lose its identity and connection with the area of origin and product's embedded features. Furthermore, the technical aspects related to organoleptic quality should not be underestimated. In fact, there is a general agreement within the co-operative that organic standards don't allow to reach the same levels of eating quality that conventional production in Mugello could reach. Basically, the common idea among consumers is that the colour of the organic meat is darker and its consistency is stronger than the conventional one, due to the high development of the animals' muscles, as the organic regulation imposes a longer period on the pastures. On the contrary, "local non organic" CAF producers, with their localised chain, have succeeded in building a quality image linked to the territory without having to pay the costs of organic

production and certification. The capacity to retain control of the chain allowed also for a step towards a strengthening of its local identity while trying to introduce some "ecological" elements into its production system, and the most important tool in this sense has been the CAF label ("Le Mugellane"), through which the co-operative succeeded in differentiating its products and to ensuring consumers that the whole cycle of production is performed in Mugello.

(v) *Image of the territory.* The Mugello area is has a very reputation among outside citizens, with a landscape quite different from the common Tuscany representation.

(vi) *Customer loyalty.* Local consumers trust the local non organic CAF beef and attribute to it a high quality status, and actually perceive a higher "eating" quality. On one side this is because they are not allowed to compare between organic and conventional, and therefore the option left to them is simply between "local" and "anonymous conventional". Conversely, the organic labelling didn't succeeded in strengthening the external consumer loyalty, according to the reasons before mentioned. Increasingly, CAF organic beef is perceived as one among many others.

(vii) *Relative brand strength.* In the organic beef production, an own brand was created by the co-operative, but without a complete promotion strategy for organic meat being implemented. The meat which is retailed with the supermarket's brand resulting in the CAF co-operative's brand losing its "visibility".

(viii) *Ability to promote the product.* Very low, the promotion has been carried out only by the big retailer company.

According to a marketing perspective, resulting in the Mc Kynsey Matrix (Fig. 2), CAF organic beef has already reached a good competitive position (good market share), but at the moment its position is threatened by the negative market setting, which affects the potential growth rate of the organic product sale. As a whole the co-operative, has contributed to added value in the region, and providing a significant direct outlet for traditional beef, it has facilitated the financial stability of its members. However, the economic performance of the organic initiative has been less successful: the exclusive marketing relationship with the large retailer led to the co-operative losing its ability to retain added value within the region of production. As a result the co-operative was not able to meet one of its initial aims, which was to strengthen the producers' retails share. In addition, the dependency on one customer, Esselunga, made producers vulnerable to external pressures and in consequence the organic labelling proved inadequate in creating a steady market. This is an inherent risk when bottom up initiatives seek to engage with more conventional supply chains. Often the process of growth can bring about an increased adherence to narrow economic imperatives and a change to the initial mission.

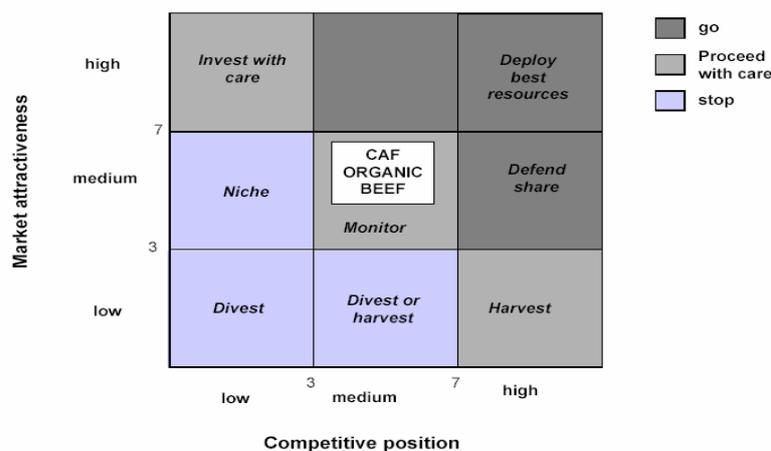


Fig. 2. Mc Kynsey Matrix of the CAF organic beef.

Conclusion remarks

This paper has questioned the effectiveness of farmers' networking strategies in contributing to sustainable agricultural development. In particular, using the Mc Kynsey matrix attempts have been made to identify and to weigh the key factors likely to influence the performance of two case study in Tuscany. The overall success of food distribution networks is mainly determined by a wider concept of commercial performance. In this respect, various aspects have been analysed. Firstly, from the analysis of the two case studies, it emerges that alternative distribution networks have to deal with *various strategies* to maintain or *increase the market power of producers*. For instance, in the raw milk sheep cheese case, the strategy elaborated by this initiative led to diversify market channels allowing to pay a price premium to the producers. As the Consortium of the Italian sheep cheese has been able to organize and starting up new marketing possibilities (with higher consumer price achieved by sale at fairs) producers are able to realize a premium. Furthermore, shepherds retain control over the marketing of the cheese and hold decision-making power regarding prices due to direct sale. Conversely, in the CAF case the exclusive marketing relationship with the large retailer led to the co-operative losing its ability to retain added value within the region of production. As a result the co-operative was not able to meet one of its initial aims, which was to strengthen the producers' retail share. In addition, the dependency on one customer made producers vulnerable to external pressures and in consequence the organic labelling proved inadequate in creating a steady market. In other words, we can see that a strong extension of marketing structures and distributive networks might result in a loss in credibility and authenticity.

Another key feature that distinguishes these kind of networks is the focus on "quality". In this respect, a focus on quality can encourage producers to create and to communicate a strong *product image* closely linked with the region of production. The raw milk cheese is a very good example of this: thanks to the support offered by Slow Food, the Consortium was able to build a strong symbolic capital around the product linking its qualitative attributes to local natural resources and traditions, and to promote it widely. In the CAF case, the "local non organic" CAF producers, through their localised chain, have succeeded in building a quality image linked to the territory without having to pay the costs of organic production and certification. On the contrary, the organic meat which is retailed with the supermarket's brand resulting in the loss of product image visibility. The consequence has been that organic labelling has not been strong enough to create an alternative food chain, by strengthening the differentiation of the product on the market. External consumers, with whom CAF hardly can communicate, only perceive the "ecological" value of the beef. In other words, the alliance with Esselunga made the product lose its identity and connection with the area of origin and product's embedded features.

Overall, it would appear that the success of an initiatives is depending on its capacity for finding a market "niche". Yet, the development of speciality products will not happen alone. Other aspects, notably the establishment of new and accurate alliances need to be made between producers and outside stakeholders from other distribution networks or institutions, offer much greater potentialities for the further development of such "diversified" strategies.

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