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Product differentiation and territorial competitiveness. How permanent are development strategies centred on resource specification ?

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Summary

Using the example of a French region (Aubrac), we analyse the way in which resource specification contributes to territorial development. We show that specification of the territorial offer is subject to the participation of organizations and institutions which help in the process of coordination. From this kind of resource development emerge competitive territorial strategies which can set in motion the dynamic of permanent development. A more general analytical grid of territorial development has been drawn up in order to highlight certain elements.

Key words

Resource development, territorial development, territorial income, specific product, coordination

Classification JEL : R 11, R58, Q01

Introduction

Outlying regions are experiencing difficulties in maintaining their activities, owing to increasing polarisation of activities and people. Often, when it is impossible to make prices more competitive, local businesses use quality differentiation to promote their products (especially insisting on particular knowhow and/or production methods that respect the environment or health, for example). Therefore, constant attention to quality, and its promotion, is necessary. This prevents the erosion of competitive advantage.

Collective strategies have proved to be more effective than individual ones in ensuring competitiveness. Synergy is created between the people involved in production and commercialization of products. Therefore, the state of local coordination is important in differentiating territorial products, and has a wide influence on their development. To support this argument, we give the example of a small French region which has a good reputation for quality products (i.e. conforming to specifications or imposing restrictive geographic conditions or conditions linked to production methods) and its natural environment: Aubrac. Our analysis is thus limited to agricultural products whose links with the production area are potentially important in a strategy of product quality enhancement. However, is the potential of 'quality' products in Aubrac sufficient reason to use it as a basis for territorial development? We offer the hypothesis that the competitiveness of an outlying region depends on maintaining competitive advantages generated by quality products based on specific resource development and requiring a high level of coordination.

Our reasoning is twofold. Firstly, we will attempt to explain how the process of resource development participates in territorial development (1). This represents a break away from a classic vision of development centred on resource allocation, and instead puts the actors in the centre. Resource development depends on the cooperation of various actors working together to produce specific goods. We will look at the ways in which actors start working together; this analysis refers to the economics of coordination. Using the example of Aubrac, we will see that although many specific

goods are produced, there are nevertheless problems of coordination, and permanent development is not always the result (2).

1. DEVELOPMENT OF RESOURCES AND TERRITORIAL DEVELOPMENT

In principle, territorial development is conceived as a system of actions aimed at developing endogenous factors. This development aimed at reinforcing the potential of a territory through local resources (or locally developed resources), forms part of an integrated and global approach. The latter takes the form of a process of development of resources (1.1), aimed at increasing the competitive advantages of a territory (Colletis and Pecqueur, 1993). These competitive advantages are the result of product differentiation strategies whose benefits can be compared to income (1.2).

1-1 The process of development of resources : what economic mechanisms are at issue?

Our study on resource development leads us to consider the constructed character. This process is based on the dynamics of actors. Actors have the capacity to reveal and activate the resources in question. This supposes that the actors are involved in cooperation processes. The strategy of resource development may then be perceived as the result of coordination of actors involved in collective action processes. Before going into the determining factors leading to these working relationships (1.1.2), we will attempt to identify the nature and properties of the resources at issue (1.1.1).

1.1.1. Identifying the nature and properties of resources

Originally regarded simply as production input, resources only interest classic and neoclassic theorists by virtue of their value creation capacity. The performance of these production factors is expressed as productivity and yield. The theoretical treatment of the concept of resource has progressed. It is no longer limited to analysing the resource as simply a parameter of production, but now the context in which it is produced is taken into account. Criteria relating to the production system and its characteristics, and

to the environment (networks, coordination methods, effects of apprenticeship, etc.), are taken into account, allowing resources to be understood or activated.

Resources are unequally distributed. Moreover, they are plural and varied (Colletis-Wahl and Pecqueur 2001; Peyrache-Gadeau and Pecqueur, 2002 ; Angeon and Caron 2003). They are more or less territorially based (specific or generic) and can be given or constructed (Colletis and Pecqueur, 1993 ; Colletis–Wahl, 1995 ; Colletis–Wahl and Pecqueur, 2001). According to the latter considerations, it can be said that each area has potential resources to be discovered or developed¹. From this point of view, resources exist as factors of differentiation, or even territorial competitiveness.

Through our resource analysis we can observe them in a double dimension : their nature and their properties. We define the properties of resources according to their degree of spatial inscription (generic or specific). By ‘specific’ we mean the non-redeployability of resources (or at least their redeployability in other production processes at very high costs). Such resources are non-transferable and cannot be duplicated. They are intrinsic to the territory. On the contrary, the generic term does not refer to any constraint of spatial location. Concerning the nature of resources, we highlight their composite, complex or latent character. Resources are composite when they are made up of a variety of elements that can be associated in various ways. They are said to be complex when they contain several properties at the same time. They can also be latent (or virtual). This idea includes the fact that resources are not yet expressed but remain potentially able to be activated. They may be new resources used in new production processes, or they may be old resources formerly used but abandoned (because of the cost of old-fashioned technologies, or the loss of knowhow, etc....).

A few examples will be given of the manner in which resources are mobilised and developed in a territory. The composite resources present two strong characteristics : on the one hand, the diversity of the elements of which they are composed, and, on the other hand, the numerous possibilities of combination between these diverse

¹ This idea is the basis of local development theory.

components. These resources are, by nature, simple and intended for a particular use. Besides, if the combination of resources is free and not definitive, they may be more or less spatially restricted. It is thus possible to imagine generic or specific composite resources. In order to illustrate the case of specific composite resources, the example of agricultural products transformed by cooking skills can be highlighted. Also, the links between the functions of countryside management and recreational activities deserve a mention. The originality of this type of product or service is due to the fact that the new proposed offer depends on the combination of several dominant productive activities in the territory, but generally separate. These adaptations of supply to a demand in constant evolution belong to a way of thinking where resource re-appropriation and integration in a global development project is based on the development of territorial characteristics.

Another particularity of resources is their complex character. This latter term characterises the fact that resources may have various uses. The goods produced are not necessarily complementary nor specific, but they reinforce each other in the local markets. A typical case is the basket of goods, as defined by Pecqueur (2000). The latter identifies both a territorial quality and an identity. This double resource property is the result of coordinated actions by the parties involved, who have worked towards producing an image, a reputation, and quality, as well as boosting the identity dimension. Consequently, these resources are intentionally created.

The idea of creating resources leads us to consider the opposite, i.e. the case of non-existent resources. Such resources may remain unrevealed and latent. These latent resources may be composite or complex, generic or specific. The characteristic elements of the resources presented in this section may be synthesized in the table below. The triple nature of resources is specified across the page, their properties are listed in columns.

Tableau 1 Nature and property of resources. Summary of elements.

NATURE OF RESOURCES		Property of resources	
		<i>Generic</i>	<i>Specific</i>
EXISTING RESOURCES	<i>Composite</i>	Resources intended for a particular use and sector	Resources intended for a particular use and context
	<i>Complex</i>	Resources intended for several uses and able to be reproduced	Resources intended for several uses
VIRTUAL RESOURCES	<i>Latent</i>	Potential generic composite resources	Potential specific composite resources
		Generic complex resources	Potential specific complex resources

Source : After Peyrache-Gadeau and Pecqueur, 2002.

In reality, what is important in the analysis of resources is their activation method. The actors' ability to use, qualify or re-qualify resources decides their specification. More widely, the process of resource development is based on a procedure of agreement between various actors. This assumes that the people involved agree on the methods of development of specificities. Resource development involves, in these conditions, a particular framework of coordination between those involved. In the following developments, we will attempt to specify the mechanisms of this process.

1.1.2. The importance of organizational and institutional determinants in proceedings of development/specification of resources

By analysing the process of resource development we begin to consider the central role of the participants in such initiatives. The idea is proposed that activating these resources depends on the ability of territorial participants to coordinate. We refer to the link between the process of specification, the nature of resources and coordination.

Following the example of the work of Colletis-Wahl and Pecqueur (2001), we find that two essential determinants are at work in the process of specific resource activation. These determinants depend on organizational and institutional registers of the coordination between those involved. A more profound examination of these two dimensions of coordination is to be found in research on proximity economics (Bellet, Colletis, Lung, 1993 ; Bellet, Kirat, LARGERON, 1998 ; Gilly and Torre, 2000 ; Zimmerman and Pecqueur, 2004).

The organizational dimension of coordination relates to the actors' habits of exchanging and cooperating. It characterises individual relationships. It takes into account the warmth of their relations. It describes the interaction dynamics developed between agents. It should be stressed that these relationships are by nature different (commercial or non-commercial, intentional or unintentional, etc.). The organizational aspect of coordination is linked to actors' inclination to work together in the production of new goods and services based on the complementary nature of their original products.

The institutional dimension of coordination creates the conditions for coherence in the plans and representations of agents. Interaction is facilitated, as well as individuals' mutual understanding. There is a shared theoretical framework, demanding even more agreement between individuals who are working in a field where the production object has not been stabilised. The institutional dimension favours consensus between the different actors in the territory.

Resource development which is intended to differentiate the offer in the long term, makes it specific. Such a process involves the people concerned to commit themselves to a continually innovative dynamic. In this respect, the institutional dimension of coordination in such processes is important. Institutional factors play an important role in coordination. They represent a system of social restrictions which creates conditions favourable to creating relationships between agents. They facilitate their ability to anticipate (i.e. they inform the others of their intended actions) and regulate their freedom of conduct and action. Moreover, they lead to situations where people behave well, instead of being opportunistic and unreliable. They favour cooperation by

encouraging better understanding between agents, encouraging openness and the free circulation of information. The institutional dimension of coordination thus contributes to stabilising or reinforcing links between agents by favouring the development of signs allowing them to limit the problems of unequal access to information, as well as uncertainty. It therefore contributes to creating individual relationships and improving the quality of coordination.

The issue of these innovation dynamics is important for permanent development in the territory. This can be seen through the process of resource specification. Recently we have seen a proliferation of new goods which don't necessarily fit into the specification process. These goods depend more on the quality approach. This involves specifications defining production conditions. These conditions may be linked to processes of transformation of primary goods. They may also limit production to certain geographical areas, already identified (corresponding to certain soil characteristics, or where there is particular knowhow, etc.) Although the objective of quality signs is to limit confusion of information for the consumer, the latter is not always capable of recognizing the product's real attributes. This lack of consumer information may encourage producers to imitate each other. Imitation becomes part of the production routine. In reality, this copy-cat behaviour increases the risk of closing off the territory by strategies of development of generic resources. The particularity of the institutional dimension of coordination is to specifically avoid these routines, and encourage producers not to adapt but to anticipate the territory's insertion in a competitive framework. This becomes more plausible when individuals share the same vision of the future.

The organizational dimension of coordination remains important. It facilitates the creation of collective actions by promoting exchanges between producers and by stabilising their relationships. These undertakings and actions favour the adoption of shared values and standards and of a shared vision of the future. The linking of these two coordination dimensions represents a key element in the process of resource specification.

In summary, analysis of the process of specification of resources in a territory relates to the mechanisms by which local producers organize themselves in order to come to a collective agreement on usable resources. It shows the efficiency of relations between agents in order to develop their assets. The ease with which resources specify territorial offer depends on the context of coordination of the people involved. As we have already shown, coordination methods between participants are not always commercial. Our understanding of the mechanisms of resource specification reveals the importance of organizational and institutional impulses in cooperation dynamics between participants.

A context favourable to the appearance of these methods of organization is foreseeable, especially due to the existence of frameworks, supports, and devices which encourage interaction between agents. These devices would create opportunities for improving the methods and quality of cooperation by crystalizing the moments of exchange and by formalizing the creation of areas of expression and consultation. These devices are just tools which are used to reinforce the framework of collective action. The specification of the territorial offer depends on various favourable elements. State intervention is not the best way of creating this organizational dynamic. It can be used to stimulate, but not to impose. Resource development assumes the existence of voluntary forms of cooperation between actors. By deciding their own way of working, the actors govern themselves.

The territory is where resources are concentrated. These resources, used in the production process, define the potential territorial offer. Developing them is a huge issue for territories, in so far as they are a guarantee of creation of competitive advantages.

1.2. Rent, guarantee of creation and maintenance of competitive advantages.

Our analysis of resource development highlights a fundamental conclusion: development of resources goes hand-in-hand with the process of differentiation of the territorial offer. This process is part of the development of territories. Strategies of differentiation of the offer create the conditions leading to the appearance of rent,

guarantee of creation and maintenance of competitive advantages. In the following developments, we will attempt to characterize these forms of rent (1.2.1). Thereafter we will try to describe their methods of emergence (1.2.2).

1.2.1. Rent, sign of a strategy of differentiation of territorial offer

The development of territories is based on the adoption of strategies generating competitive advantages induced by the differentiation of the offer. These advantages may be part of the process of specification, improvement of the quality of the territorial offer or they may reinforce both the quality and specificity of the offer. The advantages thus generated can be appreciated in terms of price differentials that we call rent.

The first theoretical contributions to the concept of rent go back to D. Ricardo. Thereafter, the concept became the subject of much theoretical research (including the work of Marshall), allowing a synthesis of observations on rent by specifying its nature, its domains of application, its methods of emergence and appropriation (Angeon, 2001).

We are interested in the fact that the existence of a rent resides in consumers consenting to pay for products that are recognizably different². The origin of the rent can be understood in commercial terms. On the side of the offer, it is due to the exploitation of rare factors (natural resources), that are specific or cannot be re-used in other productive processes (knowhow). Besides, it is based on a relatively rigid demand for a particular good relating to an image or a precise territorial property. The rent is an indicator of the rarity of the offer.

With regard to strategies of differentiation of the offer, it is possible to distinguish three forms of rent : quality rent, territorial rent (or specificity rent), and territorial quality rent. The *quality rent* appears when demand is rigid for products or services with a reputation for quality. This is typically the case with french appellations of origine³

² The multiplication of quality signs which have appeared over recent years is aimed at soaking up the consumer's surplus money

³ AOC : « Appellation d'Origine Contrôlée » is translated here by french appellations of Origin

(AOC). *Territorial rent* appears when a good that is well established in a given area, becomes a rare or non-reproducible factor (price of seaside building land or a label representing a unique geographic origin e.g. the mountain label). *Quality territorial rent* (QTR) develops when a complementary offer of quality products meets a strong demand for goods of a certain type or geographically anchored. Product quality and territorial anchorage are combined (Mollard, Pecqueur, Lacroix, 1998 ; Mollard 2000). A territorial quality rent is necessarily a part of a specification process.

Our analysis of the rent can be re-situated with regard to our theories on resource development. Generic products are maintained by competition at around the nil-rent threshold. On the contrary, the process of product differentiation by improving the quality results in reducing the competitive area. It is accompanied by a price increase which is often moderate and temporary (quasi-rent). This latter configuration is the opposite of the fallout generated by an QTR. Remember that the QTR corresponds to a situation where the intrinsic characteristics of a territory, as well as the quality of their connected products and services, are developed in a complementary manner. In this model of double differentiation of products, rent tends to be high and durable as, essentially, the conditions of reproducibility of products are poor or even non-existent⁴. A quality product is not necessarily specific. In this case, rent is above all linked to quality and is less permanent than the QTR.

For a territory, resource development comes down to renewing and extending the offer. The development process is given solid form by reinforcing product quality and/or the specification of the offer. The enlargement and diversification of the choice of goods and services from the countryside, in correlation with new productive functions associated with this sector, allow producers to develop new products, experiment with other production systems, turn towards new openings and collect additional income (i.e. rents). The issue is to know if these territorial development strategies based on rent

⁴ This also supposes that demand (basically, the consent to pay agents) for this type of product remains unchanged.

production are permanent, and to identify under what conditions they are likely to become permanent.

1.2.2. Rent, the result of cooperation

If mass consumption of standard (or generic) products marks the Ford era, demand later became radically altered, being based more on quality products. Quality products were massively developed in Europe, encouraged by policies aimed at regulating not only the quality but the origin of products. These policies regulate the preparation of products of which the quality and/or specificity are identifiable and recognized. They are a new sort of tool for competitiveness, not centred on production costs but on characteristics which have no cost.

As we have already indicated, these processes can produce rent (quality, territorial or territorial quality) which allow producers to benefit from advantages linked to the quality of the product and/or its territorial base. The rent emerges from consumers' choice of products which give them better use. Their consent to paying extra can be regarded, in Marshall's terms, as a form of rent for the producers. Such a configuration arises from the fact that goods for which there is no real substitute create the conditions for the appearance of a quasi-monopoly. The generalization of our comments about commercial goods leads to the idea that rent is unequal according to the nature of the products and the degree of competition affecting them. Broadly speaking, it would seem that rent does not spontaneously appear. It is the result of work by specifically identifiable actors. In other words, actors' strategies are important in the emergence process of rent and its permanence. We will devote the rest of our study to the role of the actors.

While generic markets develop standard products, quality, specific, composite or complex products depend on local characteristics. This connection between territory and product is due to several factors. Mollard, Pecqueur, Moalla (2001) distinguish three of them: (i) structural and environmental territorial attributes, which are at the same time given and constructed, (ii) the combination of products (and the resources on which they are based) strongly linked to locality and to local knowhow, (iii) services

which make these products accessible. The determinants of these territorial products are really only attributes that are not explicitly codified but perceived, recognized and estimated by the consumer. However, they involve a considerable investment on the part of producers, necessitating working closely with other local actors. These products are not in fact isolated. They belong to a complementary range of goods and services. The rents that they generate (and their durability) depend on a collective project associating actors from different backgrounds and status.

On principle, production methods of specific goods of a composite or complex nature must bypass the simple coalitions of producers, to reach out towards a combination of various groups of local actors. The cooperation and methods of coordination between these actors do not belong in a strictly commercial framework. These relationships have organizational and institutional support. The production of specific goods implies that the actors prefer to cooperate with each other rather than compete.

This begs the question of which group or community the actors belong to. At the heart of this question remains that of the agents' identity. In order to exist, these forms of social organization promote the respect of rules, standards, and common conventions which reinforce the collective identity. These rules allow the actors to adhere to a group of values and reinforce their feeling of belonging. They reinforce their area of relationships. The outcome of the collective action implies that the actors manage to agree on their aims and objectives and the methods of attaining them. The coherence of the various representations of the territory carried by the actors is, in fact, the guarantee of an effective cooperation dynamic. Institutional coordinations are an essential ingredient of the permanence of rents in territorial development. These forms of coordination allow resource development procedures to be activated. One can see here how the two dimensions of coordination presented in the preceding section operate.

We mentioned that the process of differentiation of territorial offer takes shape through the establishment of local partnerships. This conjunction of goods and services in the same area frees up rents and generates externalities. The latter are picked up in their turn by local actors. This connecting of territorial resources may be assimilated to a

club. Moreover, this group of goods is not just private. It is based on intangible and public elements such as environmental amenities, the quality of the countryside, the built environment, etc.

Networks of local actors may reinforce social cohesion and favour territorial coherence, but their coordination methods may not always be spontaneous. This leaves room for public action adapted to these new forms of governance. Public policies can participate in the process of resource development by providing organizational and institutional frameworks. These frameworks allow actors to group together around a common project.

From our main analytical elements, we will retain one fundamental conclusion. The existence of a rent depends partly on the intensity of the demand. The permanence of the rent depends on the actors' coordination methods. The rent is even more permanent if organizational and institutional dimensions have stronger ties. Basically, specific products (and the rents they generate) result from a connection of methods of resource development showing cognitive constructions on the territorial scale. They depend on the work of particular actors who may be territorial or not. We are therefore going to analyse the solid initiatives which are present in the territories. More specifically, we will take Aubrac as an example. We will explain the procedures of resource development chosen, and will discuss the permanence of the territorial development strategies to which they give rise.

2. AUBRAC, A TERRITORY DEVELOPING PRODUCTS OF VARIABLE SPECIFICITY : WHAT PERMANENCE FOR THE STRATEGIES OF LOCAL DEVELOPMENT?

The volcanic plateau of Aubrac is situated in the south of France on the borders of three départements (Aveyron, Cantal and Lozère) and three regions (Midi-Pyrénées, Auvergne and Languedoc-Roussillon). Depending on who is answering the questions, 'Aubrac' can mean 'little Aubrac' (basalt plateau of varying altitude between 900 and 1200 metres), or 'big Aubrac' (basalt plateau plus the surrounding valleys of the Lot

and the Truyère). The object here is not to define the limits of the ‘real’ Aubrac. We will briefly resume the main characteristics (in terms of production and organization) of the ‘big Aubrac’. This geographic area corresponds to the scale of a large number of economic or organizational questions and issues.

The Aubrac territory has a strong identity. The dynamism of this rural area and its attractiveness are due to its pretty countryside, maintained in part by farmers (summer grazing on the Aubrac basalt plateau, polyculture-livestock farming on the edges of the plateau), and developed in the form of various quality products.

2.1 Aubrac: a geographic zone with many territory-based quality products

The economy of the zone is marked by extensive grazing of young cattle and dairy cows. This preserved environment favours selective tourism based largely on this quality image, and on various well-known products linked to the territory : Laguiole AOC cheese, Label Rouge Aubrac meat and CCP ‘Fleur d’Aubrac⁵’, the Laguiole knife, aligot (mashed potato and soft cheese), cooked pork meat (tripes or ‘tripoux’), cakes (brioche or ‘fouace’), alcohol. Despite these strong characteristics, no special territorial organization is responsible for these economic issues. Being spread over three geographic regions has caused intercommunal or development structures to emerge (e.g. Local Action Group of the Leader projects) belonging to each region.

We have chosen to analyse the permanence of the process of specification for products corresponding to strong local issues, both from the economic and environmental point of view (upkeep of the area): dairy products (Laguiole AOC cheese) and meat (raised under the official quality sign). For each of these products, we will go through the analytical elements developed in the first part of this text. We will attempt to discover if a development strategy based on these products can be permanent. We will undertake

⁵ “Certificat Conformité Produit” is a sort geographical Indication

to evaluate the rent potential of these products and we will analyse the local coordination issues which affect them.

These are the most symbolic agricultural products of Aubrac. The labelling efforts undertaken in Aubrac (Laguiole AOC cheese, Aubrac Label Rouge Farm Beef and the PGI (Protected Geographical Indications) project Fleur d'Aubrac Meat)⁶ can be measured in terms of rent. They have directly influenced the increase in volume of meat and cheese commercialised. The quantities exchanged have strongly progressed over the last few years, while guaranteeing producers lucrative prices, which is not the case with other AOC (especially cheese) of the Massif Central with similar characteristics (Cantal especially).

However, there is the question of the permanence of competitive advantages (and the rent that they generate). In the case of Aubrac, production conditions for quality products and the strategies of different actors are likely to evolve so far as to harm the permanence of competitive advantages. The analysis of these strategies and the critical examination of the contextual elements invite consideration of the restrictions connected both to the evolution of farming markets and to the particularities of the actors' work itself.

The account of these restrictions highlights the contradiction existing between the actors' wish to provide quality products, and the products' real attributes. In such a context, it is not certain that territorial development based on offer specification is the best model for Aubrac. In this section we will attempt to describe the connection between specification and product quality. We will analyse how the production systems are conditioned by the producers' economic organization. We will then attempt to explain the particularities of the actors' work by discriminating the factors which, contributing to discredit product quality devices, do harm to the territory. We will

⁶ Commercialisation of these products is essentially based on the quality aspect in production conditions and environmental preservation (with a very variable connection to the Aubrac territory).

analyse how the mechanisms of local coordination can lead to a "lock-in" of the territory.

2.1.1 Cheese : a truly specific product that creates a limited but potentially high rent

a) Strict specifications

Aubrac cheese production relies on an old AOC (from 1961) based on much stricter specifications than many AOC cheeses of the Massif Central (mountains in the centre of France) such as the Cantal. Unlike these other cheese makers, corn silage is forbidden, and average productions per cow have an upper limit (6000 litres of milk). Cheeses are made only with raw milk (which is not the case for the AOC dairies close to the Cantal and Saint Nectaire).

The current debates revolve around making production methods more selective. It is proposed to forbid grass silage for reasons both of image and of health⁷ within 2 to 5 years. In the long term (10 to 20 years), the breeds of cow authorized in the specifications will be challenged. Currently, two breeds are possible : the Aubrac (local breed currently used mainly for meat production) and the Simmental (Swiss breed introduced in the 1960's) which gives 99% of milk in the zone.

Because the product image is linked to the image of the local breed, genetic experiments are taking place to re-create the Aubrac dairy cow, which was allowed to die out in the 1970's. To support the AOC image, the 'Jeune Montagne' cooperative (which is responsible for nearly all cheese production) has developed some positive actions. It has promoted the development of farm produced cheese (for the moment limited to two farmers)⁸. It has also diversified product differentiation in two directions. On the one hand, since 2002 it offers a top-of-the-range cheese, the 'Laguiolle Grand Aubrac', made exclusively in the high altitude summer pastures, using summer milk. On the other

⁷ Silage gives cows indigestion and increases the risks of bacterial contamination of butterfat, adversely affecting the manufacture of raw milk cheeses.

⁸ All the 'great' French AOC cheeses (i.e. the most prestigious such as Beaufort) are made both directly by farmers (production fermière) and in specialised factories (production laitière).

hand, it has launched an identity product which until recently was not very well known (aligot), and which now represents about 50% of the cooperative's turnover.

b) Cantal and Salers: substitute products?

To prove the existence of a rent associated with Laguiole cheese, we carried out a comparison of this product with two cheeses made in a similar way and from a similar geographic origin (mountains of the Massif Central): Cantal and Salers. Their manufacturing processes are similar. These semi-hard, uncooked, pressed cheeses go through the same stages of transformation. Besides, the cheese-making knowhow, which had largely disappeared from Aubrac in the 1960's, was re-introduced by specialist workers from the Cantal. This makes us believe that production costs are similar for Laguiole and Cantal⁹.

The only thing these cheeses have in common is the transformation process. Other elements confirm notable differences (besides Laguiole's inferior tonnage). Firstly, the Cantal AOC specifications are much less exacting than those of Laguiole (short maturing time for young Cantal, no restriction on type of feeding nor on dairy cattle breeds, very extensive AOC zone), making the connection between Cantal cheese (at least young Cantal) and its production territory relatively distant. Next, the variety of types of Cantal (Jeune, Entre-Deux, Vieux) make it difficult to have any single commercial strategy. In fact, the field is torn between the producers who want to reduce production costs on barely differentiated cheeses, and other producers who, on the contrary, want to develop their product. Cantal cheese remains in reality a generic product.

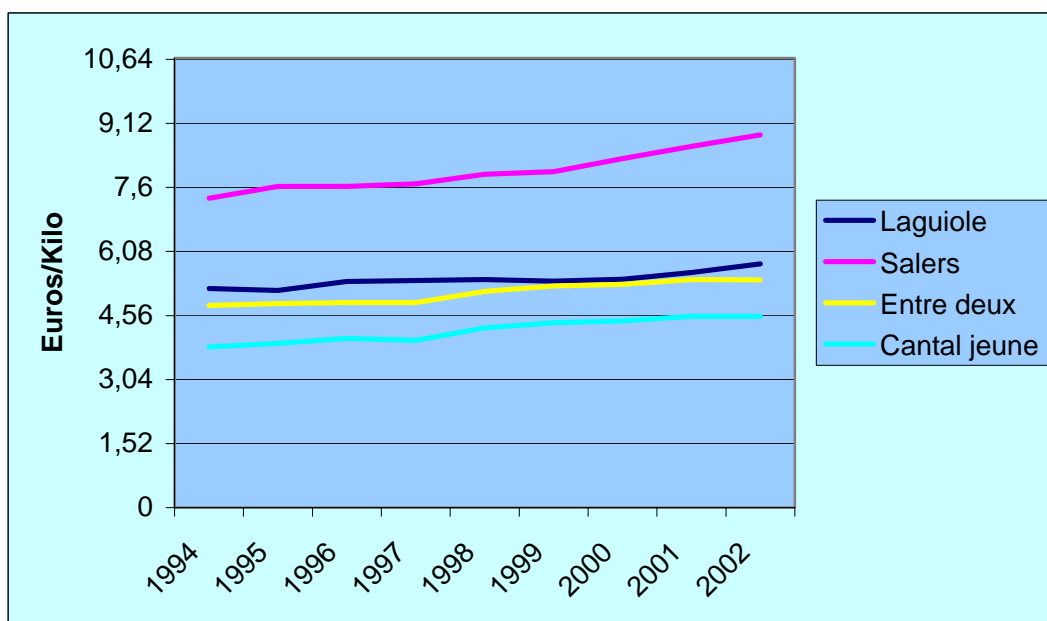
On the other hand, the specifications for Salers cheese are quite strict. This cheese is in a top of the range market (raw milk, made only in summer in the high altitude pastures, no breed restrictions).

⁹ However, we have not measured them. For this reason, we will speak of potential rent rather than rent.

c) A low territorial quality rent but some margins for progress

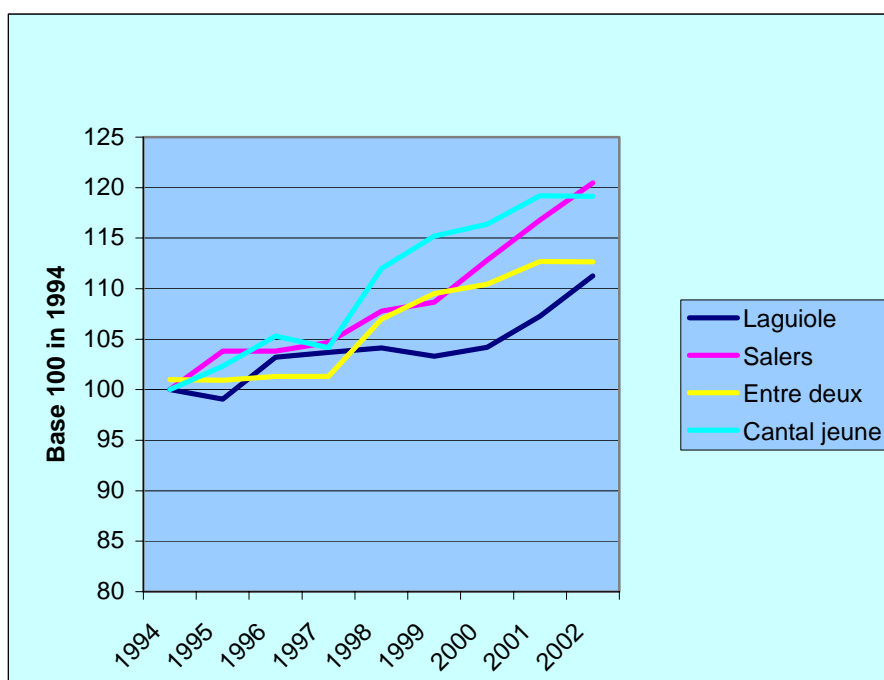
For reasons of data availability, comparisons have been made with ‘intermediate prices’ or “farm-gate prices” (i.e. prices current between producers and consumers), both in absolute value and in evolution. Because of the exclusively farm nature of production during the summer period, Salers is sold at a noticeably higher price than Laguiole (13,7 euros per kilo as against 10,60 euros). On the other hand, Laguiole sells at a much higher price than Cantal (especially Jeune).

**Figure 1 : Evolution of farm-gate prices for cheese
(Cantal, Salers and Laguiole)**



Sources : Dairy Coopératives

Figure 2 :Growth Rate of farm-gate price for cheese



Sources :Dairy Coopératives

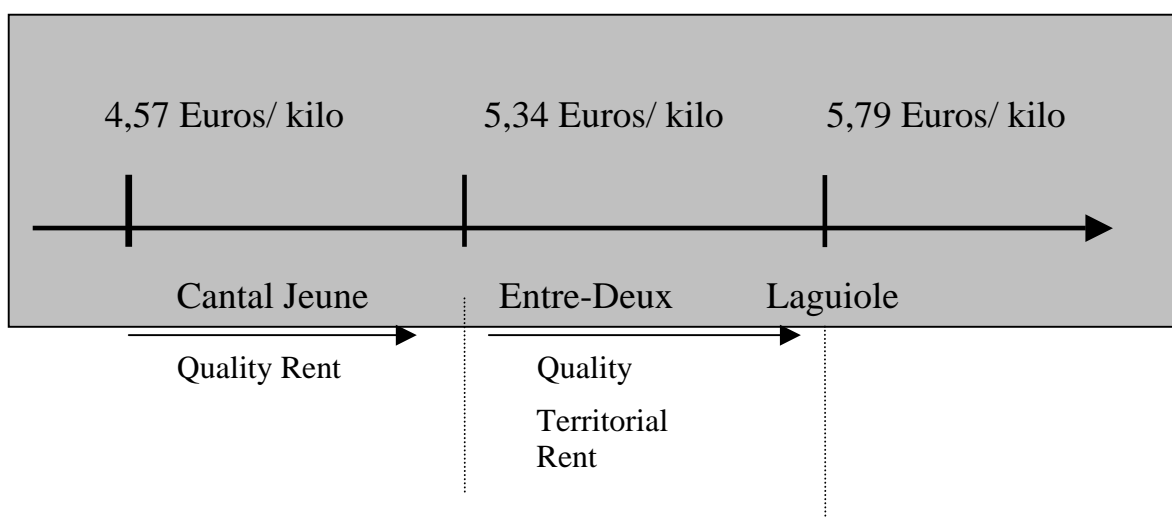
Analysing price evolutions is shown to be just as instructive at another level. Unlike the other three cheeses, Laguiole price increases are rare and limited in scope. The price of Laguiole is significantly different from Cantal Jeune and from the Entre-Deux (annexure 1). According to the cooperative managers, the distribution market being quite narrow, price increases are almost always coupled with quality improvements. These elements thus show the existence of a relatively limited territorial quality rent for the Laguiole. With regard to Cantal Jeune, it is about 1,20 euros per kilo (4,57 euros for a kilo of Cantal Jeune as against 5,80 euros for a Laguiole). If it is agreed that the Cantal Entre Deux and the Laguiole are of similar quality, the quality rent alone would be about 0,76 euros (the price per kilo of Entre Deux being 5,34 euros). The territorial dimension of the territorial quality rent is quite limited, since it is about 0,46 euros per kilo. Nevertheless, this apparently relative smallness of the rent hides a potential that has been deliberately held back for several reasons.

In the first place, let us highlight the fact that this hypothesis is supported by many converging elements : (limited) tariff increases, the cooperative’s policy of encouraging young farmers, support from the cooperative in periods of crisis (e.g. subsidy of 1500 francs per cow during the drought of 2003).

This prudent strategy deliberately chosen by the cooperative pursues the objective of linking, in the minds of both consumers and producers, price rises and quality improvement. It is typically the case of the strategies chosen for Laguiole, and to a lesser extent for Salers, for which quantity produced and price continue to increase with quality requirements. On the contrary, the quantities of Cantal Jeune produced keep going down, because of tariff increases unconnected with the product’s quality.

It would seem important to encourage producers to accept additional restrictions (i.e. supplementary financial costs linked to investments, new work organizations etc.). They might be even more inclined to accept them if they are correlated with an increase in payment received¹⁰.

Figure 3 : The Quality Territorial Rent for Laguiole Cheese



¹⁰ Payment for milk according to its quality (proteins, fat, etc.) has become general practice. For Laguiole, it is also linked to evolutions of production systems (e.g. abandonment of corn silage), often difficult to obtain from farmers, thus relatively few.

2.1.2 A non-specific quality product: beef

a) Two complementary signs of a technical point of view

Two quality signs concerning beef are present in Aubrac. They are complementary from the production cycle point of view. While the CCP Fleur d'Aubrac sells mainly cross-bred Aubrac-Charolais heifers, the Label Rouge Bœuf Aubrac sells mainly pure-bred Aubrac cows. Although this is the main difference, other elements contribute to differentiate the two quality signs. While the production zone of label rouge is quite limited (because of the obligation to spend at least 4 months in summer grazing above 800 metres)¹¹, the production zone of CCP Fleur d'Aubrac covers a large part of the départements of Aveyron, Cantal, Lozère and even Haute-Loire (i.e. well beyond the 'big Aubrac' corresponding to the collection zone of the main production groups). With regard to feed, corn is totally excluded for the Fleur d'Aubrac animals, while it is authorized for those sold under label rouge.

For these two quality signs, only one transfer between farmers belonging to a producers' organization is allowed. In fact, these signs of beef quality are complementary in the production cycle (pure-bred Aubrac cows of good breeding stock/cross-bred heifers with better conformation than their Aubrac mothers). Besides, out of the 326 farmers who raised 'Label Rouge Bœuf Fermier Aubrac' cattle, almost half (45% precisely) also raised 'Fleur d'Aubrac' cattle. In both cases, the connection with the Aubrac territory is quite tenuous (broadly defined spatial limits, including zones far away from Aubrac for the CCP Fleur d'Aubrac). The label rouge imposes no geographic restriction. It simply makes high altitude summer grazing obligatory, theoretically referring to the Aubrac mountains, but leaving the possibility open of grazing cross-bred heifers on other nearby mountain zones. Are these unrestrictive geographic conditions an impediment to developing meat products ?

¹¹ In theory, there is no geographic restriction on a breed label.

b) Limited beef development

Two factors represent an impediment in estimating the potential rent attached to the cattle quality signs that we are studying. On the one hand, they are quite recent (5 years) and concern reduced numbers (in 2002, respectively 2400 and 800 for Fleur d'Aubrac and Bœuf fermier Aubrac). On the other hand, during this period, price evolutions were irregular and linked to health crises (e.g. mad cow). Certain tendencies stand out from the comparisons based on the price paid to the breeder (in kilo carcasses) according to the animal's conformation (U conformation very good, and R conformation good¹²). As in the case of cheese, production costs were not estimated. It is more a rent potential than a rent *stricto sensu*.

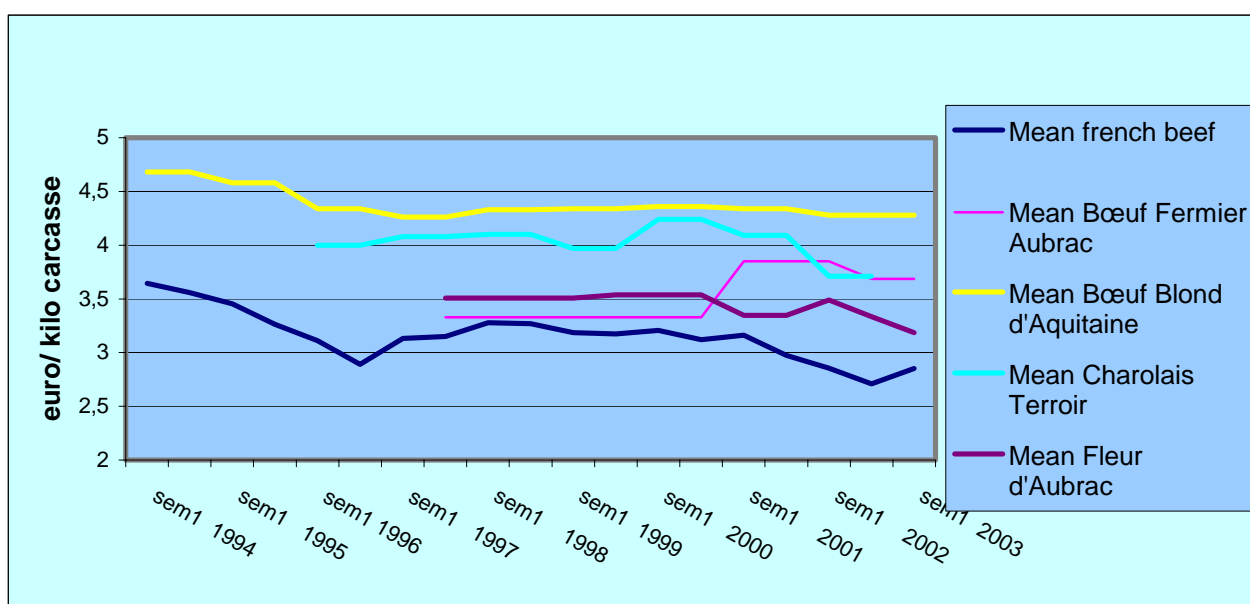
In the first place, the comparison with an average of standard quotations at national level, shows that the two quality signs sell their cattle at rather higher prices than standard beef (all conformations included and only the superior R and U conformations). The price strategies of the two labels are nevertheless different. 'Fleur d'Aubrac' prices, which were indexed on national quotations, dropped because of the mad cow crisis. On the other hand, Bœuf Fermier Aubrac benefitted from the increased demand for quality meat. These elements show a surplus value linked to the additional quality of Aubrac beef.

However, in order to appreciate territorial effects, comparisons with other quality beef signs are necessary. We have chosen two similar signs from the point of view of the animal sold (heifers). One (Bœuf Blond d'Aquitaine) is sold in limited quantities, close to those of the two Aubrac labels, while another (Charolais Terroir) totals almost 30% of the quality national cattle market. The development of the two Aubrac quality signs is less than other 'territorialized' quality signs. Although it is very difficult to estimate

¹² The European classification grid for cattle distinguishes five conformations (excellent, very good, good, quite good and mediocre) according to carcass muscle development. We have only kept the 'good' and 'very good' conformations for reasons of data availability.

the price effects due to being potentially more famous, such as Charolais Terroir and Bœuf Blond d'Aquitaine (which were recognised at the beginning of the 1990's), it seems very likely that the supplementary added value of the Bœuf Fermier Aubrac and Fleur d'Aubrac labels may be almost totally due to quality. Unlike cheese, the territorial dimension appears non-existent, or at least extremely limited in the case of beef. How can this weak territorial development be explained in the prices of Aubrac quality beef? To answer this question, we will bring to the analysis some elements of understanding of the role of local actors. We will also specify how the actors organize themselves in the process of promoting cheese.

Figure 4 : Evaluation of farm-gates price for beef



Sources : Beef producer groups

2.2. Weakness in the specification process in Aubrac linked to methods of variable geometric coordination

2.2.1. Cheese: a sectoral strategy linked to the territory: a decisive element in the permanence of the specification process ?

The presence of a veritable sectoral strategy linked with that being followed at territorial level, represents an important element in explaining the permanence of rent. The

Aubrac case is a particularly enlightening example in so far as the conjunction of several phenomena makes it easier for a strong sectoral strategy to emerge. Firstly, as Laguiole is an AOC cheese of limited tonnage, the AOC interests are represented by only one production structure (the Jeune Montagne cooperative), of which the president and director have a relatively clear vision of the market issues. Next, the cooperative is linked to various networks both public and private, making it very efficient not only in getting public finance but also managing its relations with other local markets. Thus, the president of the cooperative, who is also a regional councillor and president of an intercommunal union, is particularly well placed to make his cooperative benefit from the opportunities for public finance (originating in the European Union or the regions) and to construct a product image synonymous with the territory. The territorial image of Aubrac depends both on the history of the plateau and its environmental qualities (preserved altitude area) *'by integrating and reconciling all dimensions of agricultural activity and all its implications in the rural life of a territory'* (Pilleboue, 2002). The actors in the cheese market (cooperative and defence union for Laguiole cheese) tend to coordinate their action so as to construct consistent images of the product and the territory. Moreover, the public touristic actors (groups of tourist information offices : Nord Aveyron Tourisme, Aubrac Tourisme) and private (coach companies) use the image of cheese and of territory in their promotion and the proposed touristic products (discovery trips integrating a visit to both the factory and the farm).

After all is said and done, Laguiole cheese is a truly specific product. The institutional dimension of coordination is very important, and has a strong influence on the specification process in which the actors are involved. It opens onto a high rent potential, whose permanence is the result of local action. This rent is a territorial quality rent.

2.2.2. A loose definition of the 'Aubrac' territory in beef specifications, revealing the absence of specification process

The use of the Aubrac image by the 'Fleur d'Aubrac' association to benefit a wide geographic area (but corresponding to the supply basis of the main producers' organizations), as also the choice of the 'Bœuf Fermier Aubrac' association to target a

label rouge breed (so without geographic restrictions), reveal tensions among the sector professionals. The latter observe that local coordination is not efficient. Both initiatives are totally independent, based on structures with different histories and objectives, located in different départements. Their management is also mutually competitive, as can be seen in the absence of common activity apart from the annual national agricultural show.

The label rouge of the Bœuf Fermier Aubrac association is the result of agreement between a group of producers (Bovi PC located at Rodez in Aveyron) who wanted to diversify their products, of a local community (the commune of Saint Geneviève sur Argence which wanted to keep its slaughterhouse), and of breeders familiar with the Aubrac breed. The price range is guaranteed and established with the approval of all the participants. Distribution is concentrated around supermarkets and the occasional butcher. 'Fleur d'Aubrac' was created jointly by a producers' organization (Cobeval, located at Marvejols in Lozère), and a group of butchers (which sells almost 75% of the animals sold for meat in Hérault).

Despite their technical complementarity, the two labels do not wish to join together to promote the same strategy. These strategical differences highlight the weakness of both the organizational and institutional dimensions of the coordination between actors. However, these producers may coordinate for economic reasons if not for the promotion of their image. Neither association has enough employees nor enough money to cope with their workload (e.g. only 25% of a coordinator's time is supplied by the producer's group for Bœuf Fermier Aubrac). Moreover, through lack of manpower, it is impossible for them to take the necessary action in order to benefit from public finance (European or regional).

In the case of beef, specifications are not being drawn up because of the acknowledged differences between the organizations responsible for supporting this market. Connections with local communities also appear tenuous. This results in almost no rent.

In summary, the two main agricultural production markets of Aubrac, in terms of volumes produced, of surfaces maintained and workers employed, have also very

different characteristics, which largely explains their different levels of rent. The following elements appear decisive :

- the presence of a federating structure able to produce a real strategy : the 'Jeune Montagne' cooperative plays this role in the cheese market, while the meat market is torn between two associations which appear more competitive than complementary.

- The possibility of counting on the synergy between private and public actors : while the meat market seems unable to depend on public actors, the cheese market is centred around them (links with tourism, European and regional finance).

- The setting up of a strategy associating consumers and producers in an increase of price and quality. This is true for the cheese market but not for meat. Prices are indexed to national quotations for Fleur d'Aubrac, negotiated between market partners for Bœuf Fermier Aubrac, among which supermarket chains represent the main outlet.

In fact, while the institutional dimension has a strong presence in the coordinations of the cheese market, it is absent in the meat market. This results in a rent for cheese. Finally, it should be noted that in both cases, the common agricultural policy is not helpful to the development of these quality markets in Aubrac. However, in recent years the context has become favourable to meat (following the increased demand for quality meat). In fact, most Aubrac farms sell mostly young lean cattle which are then exported to Italy (this production represents between 90 and 99% of animals sold by local production organizations) because of a system of European aid which makes fattening cattle unprofitable in this type of pasture zone. Although dairy farming, like fat cattle, generates more local value added, they are both unpopular because they require more work than raising lean cattle. The result is that young farmers find it difficult to set up in these markets. The medium-term evolutions of the CAP could reinforce this trend (cutting back on animal aid in France, which is not the case in Italy).

2.2.3 Aubrac, a territory rich in latent and generic resources : a perspective on the possible processes of specification

Numerous products claim to belong to the 'Aubrac' geographic area (see Table 2). However, except for cheese, only aligot (mashed potatoes and fresh cheese) is involved in a specification process. Before 2003 (when the PGI Aligot d'Aubrac was requested), it was a complex generic resource that already existed. In fact, it could be made anywhere in Europe, and there were many versions (especially Belgian) on the market. The convergence of the cooperative's strategies with those of other local actors (local communities, tourist offices), who were all aware of the importance of maintaining a local production, led to the PGI project. This is manifested mainly by community activities where this traditional dish is eaten. Local coordination made it possible to impose quite a restricted zone (close to that of cheese) and recognized criteria of quality (presence of at least 30% of tomme cheese).

The other culinary specialities currently made are totally generic. Their production is not limited to a geographic area. No criterion on the quality of these products is imposed. It is typically the case for fouace (a sort of brioche), tripoux (cooked pork meat products), and various alcohols. These products are made by isolated businesses without any apparent connection. The demand for these products is not great enough to encourage local actors to organize their development. However, the initiative of the Maison de l'Aubrac may represent the first signs of a specification process associating these products. It was built with public grants (Regional Council, European Union, the state) and with a loan from the inter-communal union. Management was entrusted to a company associating the cheese cooperative, a distiller, a restaurateur and a knife manufacturer.

Products such as strawberries which have disappeared from Aubrac (they used to be called St. Geniez strawberries), are virtual resources. The 'whey cure' (by-product of cheese-making), very popular at the beginning of the 20th century, was supposed to be good for health. It was used in the Aubrac spa towns. This type of practice, which is like a complex virtual resource (for associated with a particular knowhow) has also totally disappeared. The 'whey cure' could be a potential territorial resource.

Despite the numerous references to the ‘Aubrac’ geographic area, few Aubrac products are involved in a specification process so as to guarantee competitive advantages and rent generated. For the moment, only cheese corresponds to this scenario. Aligot might in a few years be involved in a specification process, and aim for a situation like that of cheese. The other products correspond to existing generic resources. Some have an explicit, but broad, geographic reference (CCP Fleur d’Aubrac), while for others, the spatial register is not explicitly contained in their specifications (label rouge bœuf fermier Aubrac). Some products are not defined by particular quality signs (various culinary specialities). Finally, virtual resources may exist (strawberries, whey cure). The table below synthesizes our ideas.

Tableau 2 : Nature and property of resources of agricultural origin in Aubrac

NATURE OF RESOURCES		Property of resources	
		<i>More generic</i>	<i>More specific</i>
EXISTING RESOURCES	<i>Composite</i>	Aubrac farm beef (without explicit reference to a geographic area) Fleur d’Aubrac (explicit reference to a very broad geographic area)	Laguiole AOC cheese
	<i>Complex</i>	Aligot (before 2003, IGP project registered) Various culinary specialities: tripoux, fouace, alcohols	Aligot (after 2003, IGP project registered)
VIRTUAL RESOURCES	<i>Latent</i>	Chicory	Strawberries (formerly of St Geniez d’Olt)
			‘Whey cure’

Conclusion

In our study of resource development, the essential question from the point of view of territorial development is whether these strategies are likely to lead to permanent development models. We have shown that these strategies could not independently give rise to particular methods of coordination between actors. Clearly, the processes of offer differentiation involve less than transparent functioning methods, and a profound knowledge of the territories under research is needed.

Aubrac is an especially enlightening example in many ways. On the one hand, it highlights a variety of configurations. While some products are quite clearly generic (young cattle sold without territorial reference or production conditions), others remain very specific (Laguiole cheese). A final category of products is harder to position (see Table 3 annexed). From the example of beef produced under official quality signs we learn that a quality product is not necessarily specific. Besides, in the absence of a specification process, such quality signs are more like generic products than specific products. It is not enough to develop quality signs to ensure permanent development in a territory.

On the other hand, this analytical grid shows a certain number of potentially specific latent resources which could lead to permanent development (e.g. strawberries or chicory). It parallels the degrees of specificity, resource properties, type of rent, its level, its permanence and the value added (in terms of jobs) for each type of existing resource. It is also a useful tool for highlighting the development issues of a territory. In the case of Aubrac, most employment is due to a completely generic production (grazing). The two cattle quality signs are mostly generic and produce a quality rent. Only cheese production and even aligot have a relatively permanent RTQ, but they create few agricultural or food-processing jobs. These elements should lead local actors to question the permanence of the development process.

Annexure

Tableau 3 : Permanence of development process in Aubrac based on a grid crossing analysis of workforce specificity and rent produced.

Degrees of resource specificity	Nil		Medium	High		
Property of existing resources			Mostly generic	Mostly specific		
Characteristics of production process	No production condition (no specifications)		Conditions of production dictated by specifications (quality products)			
	No particular strategy with regard to production area	Insistence on knowhow and production area	Without geographic condition	With conditions concerning production area		
				Broad area	Limited area (and/or more restrictive production conditions)	
Type of rent	-	-	Quality rent	Quality rent	RQT	RQT
Rent level	-	-	medium	medium	Not measured	Medium
Examples of Aubrac products	Young grazing cattle	Tripoux, fouace, alcohols	BFA	FA	Aligot	'Laguiol e' cheese
Number of workers concerned	About 800 farmers	Between 20 and 50 jobs in retail sales	308 farmers	326	70 farmers, 45 jobs in the cooperative	
Permanence of rent	None	-	Low	low	Difficult to appreciate	Quite high

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