

SUPPLY AND MARKETING OF AGRICULTURAL COMMODITIES*

Given the history of the Mediterranean region through the ages and its position as a cultural and civilisational crossroads, this geographical zone is a treasure trove of culinary traditions. In the course of these centuries of experimentation and exchange (which was often imposed), a Mediterranean food heritage was gradually formed, which is as singular as it is rich in diversity. This heritage seems to have been made vulnerable, however, by the new population trends and agro-food developments that are underway in the region.

Dietary patterns, like civilisations, do not survive forever. In addition to the inevitable developments in any behavioural pattern over time, which is necessarily a factor of change, Mediterranean culinary traditions could well die out in the current unprecedented context of globalisation, which is tending to eliminate uncompetitive zones. Even worse, the social environment and landscape of the Mediterranean as a whole is jeopardised at a time when, paradoxically, the (western) world is discovering the advantages of Mediterranean food for both palate and health and attempts to imitate these products are multiplying.

There are marked contrasts in the agricultural and agro-food sectors in the region with energies and know-how mobilising the region's agricultural potential on the one hand and considerable inadequacies in terms of logistics and marketing on the other. It is as though the Mediterranean zone were unable to effectively exploit the agricultural and food reserves which could doubtless be revealed if there were more intensive and more mutually supportive co-operation. Yet this is a major challenge for the socio-economic, political and environmental future of the region. It is also a question of the Mediterranean image throughout the world, since the diet and flagship products of the region are powerful vectors of identity.

* - This chapter has been based on documents prepared by Annarita Antonelli (Ciheam-MAI Bari), Omar Bessaoud (Ciheam-MAI Montpellier), Giulio Malorgio (University of Bologna) and Patrizia Pugliese (Ciheam-MAI Bari).

Organisation of agro-food supply in the Mediterranean region: trends and dynamics

Sectors influenced by the industry and the distribution trade

The Mediterranean agro-food sector has for several years been showing degrees of dynamism which vary from one country to another but which affect all segments, beginning with food consumption, which is in fact regarded as the mainspring of the process of change in a given economic system. Consumer preferences change; they are determined by many factors such as the development of the socio-economic fabric and the cultural customs of a given population. Family size, the increasing number of women on the labour market, growing ethnic pluralism, the urbanisation process, income distribution and, lastly, level of education and education in food matters are all factors which considerably affect tastes and attitudes and thus consumption. Consumers are now tending more to choose products which combine satisfactory nutritional content with services which meet the widely varying needs of an increasingly segmented market. These factors affect the structural, organisational and economic aspects of the various downstream sectors in the agro-food chain such as the distribution trade and the food-processing industry, and it must be borne in mind that the system as a whole requires a system of transport and preservation logistics that is often sophisticated and product-specific.

Within the agro-food sector the distribution process is of fundamental importance, a fact which is particularly evident in the northern Mediterranean countries. As information and logistics technologies develop, the trade's position in the agro-food economy grows and marketing levers become increasingly sophisticated, the distribution trade – with all these modern forms of organisation – plays a leading role, guaranteeing product quality and consumer food safety and at the same time exerting influence on the development of upstream industries. In the southern and eastern Mediterranean countries (SEMCs), the pace of change has been slow due to the low level of technological development and to structural constraints – of which land and water scarcity are not the least –, which have also resulted in limited integration and inefficient growth in the agro-food sector; the role played by more intangible factors is furthermore negligible. Scientific knowledge and technological applications such as information and logistics technologies and biotechnologies are in fact a potential component of the competitive asset for corporate systems in that they allow more rapid and more appropriate response to market demands and make it possible to reduce the productivity and income gaps between the northern Mediterranean agro-food systems and those in the South.

What is the state of the agro-food industry?

The agro-food industry plays an important role in the co-ordination and development of the agro-food sector. By standardising processes and processing products it can adapt to changes in demand and can handle constraints of time and distance in the transport of goods while prompting modernisation in the farming sector. And developing consumer demand, growing international competition, the globalisation of markets and the introduction of technological innovations are all determining factors in the dynamics of the food industry, which is becoming increasingly specialised and differentiated.

It is extremely heterogeneous in the Mediterranean region. Italy, Spain and France account for almost 75% of the turnover of the Mediterranean countries in this sector, compared to only 5% for a large country like Turkey. Several trends seem to be underway:

- enterprises in the agro-food sector are amalgamating in order to take advantage of economies of scale and enhance competitiveness;
- strategies are becoming more differentiated in response to market segmentation;
- firms are investing in advertising in order to build up the reputation of producers' brands and pursue marketing strategies more effectively;
- undertakings are devoting expenditure to R&D and innovation that is geared to improving quality and ICT;
- there is growing competition - both horizontal competition between industries and vertical competition between the food industry and the retail trade;
- opportunities are being created for SMEs: firms in the large-scale retail trade are disseminating strategies for differentiating and developing local agro-food systems.

Despite these common trends, the pace of change and the dynamism of the sector differ between North and South, and performance also varies widely. In order to measure performance, the Ciheam has compiled a synthetic index, which includes labour productivity, value added rates, value added growth and production capacity. The average index is 3, and all of the countries in the South except for Israel fall below that level, whereas the northern countries are above average.

In the northern countries, the agro-food industry is registering steady growth in annual production in terms of volume and value, value added per job is growing, and tangible investments are also increasing. In the southern and eastern Mediterranean countries the industry is hindered by constraints which are slowing down development and impairing the effectiveness of the role it plays in the emergence of a comprehensive agro-food system: an artisanal profile (fragmentation of supply, obsolete plant and equipment, etc.), lack of competitiveness in the case of state enterprises (which in some cases are protected by a position of monopoly), low investment in research and innovation, lack of adequately skilled labour, inadequacies with regard to product quality and standardisation, missing links in logistic chains, high costs and product losses in the food preservation and distribution segments. These difficulties are compounded by other related handicaps such as low productivity in the farming sector, of course, but also the fact that the packaging and industrial equipment sectors are underdeveloped, there is no trade integration amongst SEMCs, and the general business climate is inconducive to efficiency.

There are several signs of modernisation in the sector, however, thanks to the growing presence of large private enterprises. These groups are often the result of state enterprise takeovers (Cetival in Algeria, Poulina in Tunisia, the ONA group in Morocco, Lakah, Orascom and Ghabbour in Egypt, and Koç Holding and Sabancı Holding in Turkey, etc.); their activities are highly diversified and they invest in the agro-food industry

through specialised subsidiaries. Foreign partnerships enable them to take advantage of partners' technical and commercial skills. This type of co-operation is particularly common in the milk and bottled water sector (Danone and Nestlé being the principal firms concerned). In addition to this fabric of national enterprises a growing number of multinationals are also becoming established in the South (either directly or through partnerships or alliances),¹ and local SMEs are also making efforts to modernise, often encouraged by local public schemes.² This dynamism, which is actually a recent development, seems to be confirmed by the analysis of the economic indicators for the 1998-2003 period, where a significant increase in the value added of the agro-food industry was registered in Egypt (+ 35.4%) and Turkey (+ 22.4%), as well as a further very significant increase in value added by employment in Morocco (+ 22.5%) and Turkey (+ 14.7%).

And the large-scale retail trade?

There have been remarkable structural and organisational changes in the large-scale agro-food retail trade over the past few years. This sector is no longer simply a channel for transferring products from producers to final customers; it now contributes strategically to the creation of value for consumers. This modern retail trade is guided by differentiation strategies, given impetus by advantageous concentration moves and enhanced by the introduction of information technologies, and it now has an advantage over other agents in the system and is even introducing official quality marks for consumer goods. Its leading position, which is based mainly on knowledge of consumer preferences and the resulting consumer confidence, means that it can exert a controlling influence on food supply.

In the northern Mediterranean countries the market share of hypermarkets and supermarkets in the retail systems is steadily growing to the detriment of small businesses. It increased from 63% in 1994 to 70% in 2004 in France, whereas the share of traditional shops dropped from 19% to 16%. In Portugal, it increased by 25% in the period from 2001 to 2005. The number of supermarkets in Greece rose by 16% between 1999 and 2003. And in Spain the growth was even more marked over the same period - the share of the large-scale retail trade grew by 60%. The turnover of these major operators has also been increasing at the same time.

Chain stores in Greece and Spain are supplied by importers, and this is also the case to some extent in Portugal (where the remaining supplies are obtained from wholesalers). Purchasing pools are used in France and Italy. The large-scale retailers have also created preferential import channels, developing direct relations with their suppliers in order to introduce new food product quality actions and thus create a series of private labels under their trade names.

1 - The leading 100 multinationals control 160 subsidiaries in the southern Mediterranean countries (Tozanlı, 2004).

2- This phenomenon is observed mainly in Tunisia and Morocco and, as a result, plant and equipment are being modernised, there is skilled labour on the employment market, product quality is improving and firms are becoming involved in the European certification systems.

International corporate ownership is relatively widespread in Spain (31% of the chain stores are owned by French firms, 10% are owned by Dutch companies and 6% by German companies). In Portugal, most of the enterprises are of mixed ownership, with French, Dutch, German or Spanish partners. In Greece, 14% of the supermarkets are owned jointly by Belgian and Greek companies and 8% by German and Greek companies.

In the southern and eastern Mediterranean countries there are several (cultural, economic and administrative) constraints which have hindered the development of the modern retail trade. There is a positive correlation, however, between foreign direct investments and chain store development (Reardon *et al.*, 2003). The strategies pursued in the large-scale retail trade are differentiation strategies³ and strategies to strengthen vertical integration processes (Codron *et al.*, 2004).⁴

Reardon and Swinnen (2004) have identified certain effects of the development of chain stores on small agro-food firms, such as the creation of high-grade markets with high value added, which market large volumes of goods. These large and medium-sized chain stores provide an opportunity for SMEs, whose margin for action is no longer limited to local markets, where prices are low and quality controls inadequate. Access to the big chain stores is difficult for them, however, due to the more stringent demands of the large-scale retail trade concerning both product features and transactions (large volumes, stability of supplies in terms of both quantity and quality, efficiency, food safety, etc.). Suppliers are selected on the basis of increasingly stringent criteria requiring considerable investments in the supply industries.

The number of chain stores has steadily increased, rising from 2 to 7 between 2000 and 2003 in Egypt; and in Turkey, the number of supermarkets and hypermarkets increased by 202% and 278% in the 1996–2002 period respectively, while the number of *bakkals* (corner shops) dropped by 26%. Corporate ownership in the large-scale retail trade is also tending to become international, the chain stores in the SEMCs now often being foreign-owned. The level of foreign ownership varies on average between 20% in the case of Egypt and Turkey and 50% in the Maghreb countries.⁵

Industries under trade pressure: the emergence of quality standards

There are two factors which are contributing to the transformation of trade in the region. Changes in consumer behaviour considerably modify the nature of economic and commercial competition, the sources of competitive advantage and the relationships amongst firms in the agro-food sector. New possibilities for differentiating products and services are arising in particular in connection with more sophisticated consumer needs, and this provides a basis for overcoming to some extent the constraint of

3 - In the fruit and vegetable sector, for example, traditional retailers offer low prices and fresh products, whereas the chain stores focus their strategies on other features (such as food and foodstuff safety).

4 - Vertical supply relationships have often developed as the result of the need to market high-quality products at the same prices as those paid in souks and bazaars.

5 - In Turkey, for example, there are enterprises owned by Turkish and French groups (Carrefour, Champion, Dia) or by Turkish, British, German and American companies. In Egypt, on the other hand, there are only two enterprises which are part of an international joint venture (Shoprite and Carrefour). There is very strong international presence (mainly French and Dutch) in Morocco, in both chain stores (Marjane, Metro) and in small supermarkets. There is also very strong international presence (mainly French) in Tunisia (Carrefour et Casino).

competition based solely on price. At the same time, multinational negotiations within the WTO require that trade barriers be lowered and internal support for agricultural policies be reduced, particularly with regard to developing countries. In the light of these factors the new challenges facing agricultural trade in the Mediterranean region can be better appreciated.

The structural, economic and social differences of the Mediterranean countries are resulting in heterogeneity in the levels of quality and standards applied in the various production systems. The liberalisation of trade and opening of markets makes convergence and measures to harmonise regulations on quality standards for agrifoodstuffs imperative.

The northern-shore European countries are devoting more and more attention to food quality and food safety, factors which significantly influenced the recent reforms of the CAP, in which there is now more focus on the environment and consumer protection, and also stimulated the emergence of agencies specialising in food safety. This desire to improve quality is reflected in the development of labels (RDO, PGI, PDO) certifying agrifoodstuffs. In the case of the southern and eastern Mediterranean countries, agro-food policies are geared mainly to output volume and corporate modernisation through intensification and measures to improve price competitiveness. Measures to improve quality have gradually been introduced in the local market and export context. But these countries are still lagging behind in the institutional context with regard to certification and control procedures due to the lack of funding allocated to innovation, export management and steps to develop commercial infrastructures. For establishing quality certification procedures requires considerable specific investments as well as knowledge of technologies and organisational procedures which many SEMCs still lack to a large extent. It also requires better knowledge of the existing standards applied at various stages in the food chain and promoting schemes for training economic operators and informing consumers.

A series of negotiations should be opened on agreements on product conformity assessment and the harmonisation of technical standards and characteristics so as to reduce transaction costs and facilitate the trade liberalisation process. In this way the Mediterranean region could benefit from the development and application of shared certification systems and recognised quality standards and thus lay the groundwork for controlled growth in trade and the coordinated development of the agro-food industry along the North-South axis.

Local system, local area and highlighting the value of Mediterranean products

Quality products, diversification of activities and governance in local areas

In the past few years market dynamics have been marked by substantial growth in the demand for quality products. In France, the trend observed on the three types of market in the distribution sector has confirmed this development: the annual growth rate on the standard product markets, which account for 75% of the retail trade, is just under

0.1%, whereas the health food market, which admittedly only accounts for 5% of the total market, is growing at rates varying between 15% and 20%. And the “authentic and/or gourmet product” market, which accounts for 20% of market share, has an annual growth rate of 5%-10% (Rastoin, 2006; Sainte-Marie et Bérard, 2005). The market share of organic products has been 10% since 1999, a fact which also underlines consumers’ desire for quality. Of the 650,000 French farmers operating at the present time 180,000 involved in one way or another in quality measures (i.e. over 27%). The introduction of legislation and the establishment of producer organisations have given these market trends further impetus in both European countries and the SEMCs. The EU introduced a series of regulations in 1992 on systems for protecting and developing agro-food products (PDO, PGI, TSG).

International cooperation: the Green Corridor and the Green Trade Initiative

The purpose of the Green Corridor, a cooperation programme signed between Italy and Egypt in 2002, is to strengthen collaboration between these two countries in the agro-food sector. It aims both to increase Egypt’s garden produce exports to Italy and, through Italy, to Europe, and to open Egyptian markets to certain Italian products with a view to mutual benefit in the context of market globalisation. The scheme comprises the principle of seasonality and quota restrictions in order to avoid competition between the two countries. The purpose of this idea of a preferential corridor between Egypt and Europe via Italy is to meet the growing European demand for fresh products in connection with the reduction of production capacities in Europe due to the current climate changes but also to the steady decline in the fertility of arable land and increasing labour costs which are discouraging certain producers. The initiative was financed by the Debt for Development Swap Programme, whose funds are used for financing projects promoting socio-economic development and environmental conservation. Italy has thus been the first country to convert Egypt’s debts.

This programme has very recently been developed further in the context of the Green Trade Initiative, which confirms the original vision of the programme on the basis of the results of the pilot project financed by the Green Corridor and highlights the issues of phytosanitary control and traceability of Egyptian products grown for export. The Green Trade Initiative aims more specifically to improve logistics in Egyptian ports, to support the creation of an ad hoc shipping line to meet the demand for larger volumes from Europe and to set up an integrated phytosanitary control system that is efficient and practical. This system is intended to provide a basis for creating one-stop control points (for phytosanitary, customs and other aspects) in the country of origin with a view to accelerating formalities in both countries but also to coordinating and harmonising rules and procedures between the exporting and the importing country.

The objective of the pilot project was to produce and export approximately 3000 tonnes of fresh produce in 18 months through measures to control the entire production chain including the post-harvest stages such as packaging, cold storage chain, internal transport and shipping to Europe via Italian ports while raising the quality standards of Egyptian products and applying the principles of seasonality. The pilot project has triggered a series of private initiatives between Italy and Egypt, which will help to develop the organisation of supplies from small Egyptian producers while improving their socio-economic circumstances.

The various product protection systems

Products bearing the PDO (*Protected Designation of Origin*) label must have been produced, processed and finished in a specific geographical area by processes involving recognised and established know-how. In the case of products with the PGI (*Protected Geographical Indication*) label, at least one of the production, processing or finishing stages must have taken place in the local area, and the products can have an excellent reputation. The TSG (*Traditional Specialty Guaranteed*) label does not refer to origin but aims to highlight the composition of the product or a traditional production method. Other quality marks have been developed around production processes such as the AB (*organic farming*) label and the “*integrated farming*” label. The concept of “*quality label*” is broader and covers any mark on a product that is intended to provide information on the product’s intrinsic quality.

EC Regulation. no. 383/2004 has made the policy for protecting the denominations of agricultural products more transparent. In addition to complementing the legislation in force, this regulation attempts to resolve other issues concerning the risk of obstacles to the free movement of goods on the internal market and the difficulties caused for exporters in developing countries. It opens up prospects of co-operation with farmers and other actors in developing countries by proposing technical assistance in the designing of schemes affecting imports.

Over and above these regulations, quality products are a major component of the policy for modernising agriculture in Europe. Provision has been made in the context of the CAP for aids to ensure strategic positioning through measures to upgrade and develop agrifoodstuffs.⁶

The new European Agricultural Fund for Rural Development (EAFRD) now provides the opportunity of support for enhancing the quality of agricultural production and products, improving the environment and the rural landscape, encouraging tourism in the context of measures to diversify the rural economy, conducting studies, and effecting investments to maintain, restore and upgrade the cultural heritage.⁷

Over 700 products obtained PDO and PGI registration authorisation in 2007 in the EU-27. Almost 600 of them come from Mediterranean countries, i.e. over 80% of the products registered (Chart1), and 15 products including 4 Mediterranean specialities obtained TSG (traditional specialty guaranteed) registration. Cheeses, fruit and vegetables account for half of these registrations, followed by olive oil (15%).

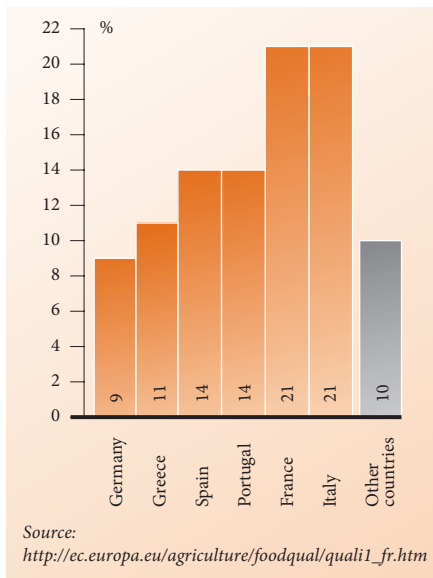
In the organic farming field, the European Commission launched a new European plan of action in June 2004 following an extensive consultation process involving the Member States, the Community institutions, the actors and all of the stakeholders involved in developing this type of agriculture. A new regulation was issued more recently taking

6 - Council Decision of 20 February 2007 “Community strategic guidelines for rural development (programming period 2007 to 2013)”. See French framework law, Title IV, Chapter 1 on agricultural co-operation and the development of agrifoodstuffs.

7 - See EC Regulation no. 1698-2005 of 20 September 2005. The various aspects of the support provided are closely inter-linked, and the supply of quality products accompanies or precedes activities in the tourism sector, for example. The idea is to build up a supply on the Lancaster model, and everything boils down to a process where the supply of recreational activities, tourist facilities, farmhouse accommodation, home catering for residents, etc. is integrated, structured and developed on a joint basis.

account of recent developments in terms of both principles and needs.⁸ The development of organic farming in the southern European countries in the past few years has been spectacular - it accounted for 50% of acreage in 2005. Fruit and vegetables are the most important category in this sector (accounting for 25% of the total European market in 2005). These products are grown mainly in Italy, Spain and Greece and are exported to the northern countries, which also import supplies from third countries. The world

Chart 1 - Distribution of PGOs/PGIs in Europe, 2007



markets of organic products boomed in 2005, exceeding \$30 billion. The forecasts published in the Organic Monitor (2006) show that demand is now well above supply, particularly in European countries.⁹ The dynamism of the industry is confirmed at world level: organic products accounted for \$26 billion in 2003, and, according to projections, it is estimated that the trade volume will have reached \$71 billion by 2012.

In addition to the official quality marks that have been designed within the European regulatory framework, others are developing, particularly through the large-scale retail trade. In the latter case, an agreement concluded between a distributor and a group of producers and based on specifications guarantees product quality and compliance with good farming practices, the aim being to highlight the value of the product in the eyes of consumers (as is the case with Carrefour's "Qualité Carrefour"

label. This concern for quality is also apparent in the North, where the consumption of fruit and vegetables has increased, an important factor for reducing the incidence of obesity and chronic disease, which is furthermore one of the main objectives of food and health policies in many European countries.¹⁰ The explicit purpose of reforming the Common Market Organisation (CMO) in fruit and vegetables, which was advocated by the European Commission in 2007, is to change from a position of commercial profit to one of quality profit.¹¹

Quality is also clearly sought in the wine sector. Table wines no longer predominate in terms of volume, and attention to quality is becoming a general trend in all market

⁸ - EC Regulation no. 834/2007 and no. 2092/91.

⁹ - Organic products have an increasingly positive image with consumers (this is the case with 8 out of 10 people in France, according to the surveys conducted), and over 50% of the French population consumed organic products in 2006 compared to only 37% in 2003.

¹⁰ - An International Fruit and Vegetable Alliance was formed at the opening session of the 18th International Congress on Nutrition, which was held in Durban, South Africa, from 19 to 23 September 2005. Its purpose is to develop schemes aiming to promote the consumption of fruit and vegetables with a view to addressing problems of obesity and chronic disease related to a faulty diet. Government plans are being taken over by nutrition institutes in order to encourage the fruit and vegetable trade (cf. strategy pursued by Interfel-Europe).

¹¹ - Fruit and vegetable output amounted to 3.1% of the EU budget and 17% of total agricultural production in the EU in 2005.

segments, where official distinguishing marks (designations, indications of geographical origin, vine varieties) and new institutional or organisational rules (ISO 9000 quality certification, ISO 14000 environmental certification and traceability) are the order of the day.¹² The purpose of the reform of the CMO in wine that has been recommended by Brussels is to enhance the reputation of European quality wines in order to regain market shares that have been captured by countries in the southern hemisphere.¹³

This reform recommends that policy on quality and geographical indications be aligned with the provisions of the TRIPs Agreement, that the concept of EU quality wines be promoted and enhanced worldwide, and that the role of the interprofessional organisations be expanded so that they can control and manage the quality of the wine produced on their territories.

Table 1 - Inventory of PDO-PGI registration concerning southern European countries, 2006

Products/country	Greece	Spain	France	Italy	Portugal	Total/ products
Cheeses	20	19	42	31	12	124
Processed meat	-	10	4	28	31	73
Meat (and fresh offal)	-	13	50	2	25	90
Fish/shellfish, etc.	1	-	2	-	-	3
Other animal products (honey, milk)	1	2	6	2	10	21
Oils and fats / olive oil	25	16	-	37	5	83
Table olives	10	-	3	2	1	16
Fruit, vegetables and cereals	22	28	24	45	19	138
Bakery products, pastries and cakes, confectionery, biscuits, etc.	1	6	2	3	-	12
Various non-food products	4	-	2	3	-	9
Other products	-	3	-	-	-	3
Other beverages	-	-	5	2	-	7
Total	84	97	140	155	103	579

Source: EU.

12 - PDO vine plantations have increased by almost 30% in France in the last 20 years..

13 - The European Commission has announced that planting rights will be fully liberalised by 2013 in order to speed up vineyard restructuring.

Major public and private initiatives have been launched at both the local and national level to improve the institutional and organisational framework for product quality and to develop local products and organic farming. In the southern and eastern Mediterranean countries, the new legal framework and agricultural policies that have been introduced have improved the supply of Mediterranean products, and the acreage dedicated to organic farming has also increased. From the point of view of promoting quality, closer trade relations with European countries, which attach considerable importance to that aspect, is obviously an additional vector for changing practices.

In the context of more stringent European requirements concerning quality standards and safety, the concept of quality is developing as has been the case with the European system of reference concerning good agricultural practices (EurepGAP). Considerable efforts have been made by both public and private institutions with the collaboration of the European countries to implement programmes designed to improve quality systems in various production sectors with a view to maintaining a trade dialogue with the EU. These efforts concern the approval of ISO certification bodies and the creation of quality control bodies for the organic farming sector. This process does not, however, mean that the practice is widespread, since the supply chain within the various production systems is fragmented. More specifically, relations with exporters are less direct and vertical relationships are inexistent.

In all of the SEMCs a clear distinction is made between food products intended for the domestic market and those intended for export. Greater efforts are made with export goods as regards procedures for applying quality criteria and certification mechanisms, which, in addition to complying with minimal health and quality standards, allow producers access to EU markets, where their goods are relatively popular. Some operators in the fruit and vegetable sector or in the food industry in Morocco, Turkey, Tunisia and Egypt have already adopted certification systems, such as EurepGAP and HACCP, involving the use of a traceability system which complies with the provisions of EU Regulation 178/2002.

Tunisia is trying to promote these guidelines in its strategy for developing its export and domestic markets (including the tourist industry in particular).¹⁴ A “Tunisian olive oil” label policy has been launched and a “fruit and vegetable” system of reference has been defined in order to obtain EurepGAP certification.¹⁵ A fund for promoting packaged olive oil has just been created in the context of the 11th Development Plan (2007-2011).¹⁶ In Morocco, in addition to the schemes devised in the rural development strategy for 2020 and those underlined in the various agricultural programmes, regulations are currently under preparation and training courses have been defined with a view to improving quality and diversifying services. An inventory of local products has also been drawn up. The same principles are laid down in Algerian agricultural and rural policies. The Algerian government has invested itself with a standardisation institute

14 - See Guidelines set forth in the 11th Plan (2007-2011).

15 - This “fruit and vegetable” reference system comprises 14 chapters and 214 control points, which have to be checked, 49 of which are major requirements that have to be complied with in the EuropeGAP context. The Douala farming enterprise has been certified by EurepGAP, for instance, and this certification enables the firm to penetrate European markets with its certified potatoes.

16 - 1% of olive oil is packaged (2000 tonnes in 2007). The output estimate for the 11th Plan is 210,000 tonnes compared to 142,000 tonnes for the 10th Plan (2002-2006).

(law 04-04 of 23 June 2004) and has defined the legal framework for protecting consumers (law 89-02 concerning consumption). An inventory of local products is currently being drawn up and a legislative framework governing certification and labelling procedures for agricultural products has been announced. Under pressure from olive oil producer organisations the Ministry of Agriculture and Rural Development issued quality certificates and a commercial label in 2006.

Turkey embarked on an offensive protection policy at a very early stage taking the 1992 European regulations as a model. In the period from 1995 to 2003 the government assigned the Patents Institute the task of applying the rules on geographical indications (GI), and this allowed the country to obtain recognition for 67 protected products including 30 AFI products (nuts). The country now has its own certification bodies for organic products.

The fact that the organic sector is currently developing also demonstrates that the country has switched to a quality strategy, which is encouraged in all SEMCs, and the acreage dedicated to organic farming is growing rapidly everywhere – in Tunisia, Morocco, Turkey, Egypt and, more recently, in Algeria, Lebanon and Syria. Organic farming is highly specialised in these countries – argan trees and herbs and spices in Morocco, olive trees in Tunisia and dates in Algeria. While in Egypt some products are intended for the domestic market (40% of output), in the Maghreb countries foreign markets are the main target of producers and exporters.

Despite these encouraging signs, procedures in the southern and eastern Mediterranean countries are still cumbersome. The legal and institutional framework is still incomplete; systems of reference for good farming practices have not yet been defined and the certification and product traceability instruments and health standard controls are not yet operational – far from it. Since health risk management is inefficient, conflicts can arise between routine practices and the new hygiene regulations that have been defined for the European markets, and, as a result, foreign economic operators impose the “rules of the game” on local producers or retailers. The lack of commercial infrastructures, means of communication and transport, cold storage chains or packaging systems is a further obstacle to the development of many local and regional markets.

Things are not perfect in Europe either, where the legislative framework is complex (growing number of quality criteria, labels and subsectors) and is not unified. The European Commission thus has great difficulty in asserting and protecting its production methods and denominations with regard to the new producer countries. The reforms which the Commission has introduced making agricultural producers the focus of food law and thus making them responsible for the products marketed or supplied to the entire food chain¹⁷ add to the legal burden on their shoulders. Within the framework of the European food law, each farmer must adjust his farming practices according to the possible health hazards involved. Farmers are thus increasingly subject to the organisational legal tools typically applied to commercial firms.

17 - See food law. Regulation 178/2002 of 28 January 2002 lays down the principles as well as the obligations of the actors in the food chain. It covers both foodstuffs and feedingstuffs. The precautionary principle, the transparency principle, the principle of harmlessness and the principle of tracability (the major principle) are all features of the reform of food law. This regulation is complemented by a series of instruments, which have been in force since 1 January 2006.

Improving organisational framework

In Europe, the local authorities, consumer associations (drawing on the principles and values forming the basis of fair trade), producer organisations, research bodies and regional authorities have encouraged moves to promote local products and improve distribution methods (short circuits and direct circuits, support for peasant farmer markets – AMAP (associations of smallholders) – local markets, mail-order selling, sales to caterers, specialised retailers and chain stores, and sales for export). Furthermore, the CMO in fruit and vegetables emphasises the need to strengthen inter-trade organisations by means of aids to support efforts to build up producer organisations (aid amounting to € 700 million).¹⁸

Producer organisations and river basin committees have been set up in France within the framework of this new CMO, in which fruit and vegetable wholesaler unions are pursuing supply strategies that are including more and more local products. Agricultural cooperatives involve quality fruit and vegetable producers direct in labelling and product traceability processes. Agri-confiance, an association of 132 agricultural cooperatives in France involving 30,000 farms, has been expanding its supply of quality products to consumers year by year.¹⁹ And France-Bio sells 20% of its products to the consumer direct (on-farm sales, sales at fairs and trade fairs, etc.).

In the southern and eastern Mediterranean countries the handicaps are particularly severe, despite the progress that has been made. In Morocco, producer organisations have developed tremendously in the past few years; there were over 250 producer associations and groups, 37 chambers of agriculture and 6,000 cooperatives in 2006. A producer association has been created in the organic sector (Maghreb-Bio), and new confederations have been set up such as the Moroccan Confederation of Agriculture and Rural Development (Comader) with 35 producer affiliates. There are still major constraints, however (concerning organisation, regulations, institutions and marketing). In Tunisia, in addition to the various federations which were set up in the 1990s, producers in the organic farming sector have set up their own federation, and date producers have grouped together in the GID (inter-trade date group). Industrialists have signed purchasing agreements with agricultural producers in order to process and market the goods delivered.²⁰ Agricultural professionals in Algeria are grouped in 1,300 producer associations and over 800 service cooperatives. The AFI agents are organised at the subsectoral level and operate within chambers of trade and industry and employer unions. In Egypt, there were 5,717 cooperatives in 2002 with a total membership of 4 million producers and an estimated turnover of 25 billion Egyptian pounds (i.e. the

18 - The purpose of these aids for producer organisations is to offset additional costs incurred by compliance with the very specific rules on animal welfare, environmental protection, labour and employment. Additional support (a Community part-financing rate of 60% instead of 50%) will be made available in areas where less than 20% of production is marketed through the producer organisations and in the new member states in order to encourage the creation of producer organisations. The project proposes further aid, which will be granted for amalgamations and associations of producer organisations.

19 - The representative public and private actors in the sector participated in the development of Agri-confiance, which is the result of negotiations between the various trades or industries concerned by the labelling and traceability processes.

20 - In 2006, the UTAP (Tunisian Union of Agriculture and Fisheries) encouraged purchasing contracts between the owners of foodstuff processing plants and fresh tomato producers with a view to “strengthening links between farmers and processors so that the concentrated tomato production system functions smoothly, ensuring that there is no loss of tomatoes and that the processing plants are supplied regularly.”

equivalent of €4 billion). These co-operatives support production and market agricultural commodities, but they are meeting with difficulties connected with the measures to redefine their role in the new context of liberalisation, State divestiture and structural adjustment. Lebanon now has 600 cooperatives, but since they rarely abide by the spirit of mutual benefit organisations and are often set up because they provide an opportune source of financing, there are major shortcomings in their administrative and financial management. At best, they are service pools but they do not always provide a basis for grouping supplies, and this tends to weaken producers' position in relations with wholesalers. In Turkey, the producer organisations seem to be more closely linked to the government, which provides financial aid as well as support with regard to supplies and marketing.

Although these forms of organisation are more developed in southern European countries, their efficiency is impaired by institutional and economic constraints, which are often common to all Mediterranean countries. Given the fragmentation of the supply chain, the large-scale retail trade still holds a position of power, for example, and can play the role of price maker. As a result, productivity gains are in the downstream industries, and farmers do not always benefit (Lipchitz, 2005; Butault, 2006; Purseigle 2005). In the final analysis, the construction of a new production paradigm based on supply that is adapted to the Mediterranean consumption model raises the crucial question of improving the legal framework and organising producers. Although progress has indeed been made in the organisational field, co-ordination amongst structured and informed actors is still sadly lacking. This is one of the major problems that will have to be resolved in order to contend with competition from products produced in the southern hemisphere and to ensure the future of peasant farming in the region.

Fundamental challenges and hypotheses: players, levers for action, resources and impediments

Organising the industry and promoting integration

Organising supply is one of the principal challenges in Mediterranean production. The analyses and trends that have already been discussed have revealed factors that are important for building up an integrated and competitive supply of agrifoodstuffs in the Mediterranean region.

Between horizontal co-ordination and the concentration of supply

In a market economy that is based on the contractual relationship involved in the trading of products, decisions on the quantity, quality and price of products require balanced negotiations between the various partners involved. The concentration and control of supply in the agricultural sector become important factors for managing relations with the industry and the retail trade and for organising market exchange. Agricultural cooperation and producer associations are two forms of organisation which provide the means both of increasing the volume of products marketed with a view to drawing

mutual benefit but also of promoting products by means of marketing instruments, choosing the time to sell and the sales mode, investing in research and innovation, and planning supply to match demand. This horizontal concentration also facilitates the administrative link with the public or parastatal authorities as well as consultations with political leaders with a view to bringing influence to bear on agricultural policies, and it also ensures that a structure is set up which can adjust to market requirements and sustain a dialogue with downstream operators through inter-trade agreements.

Agro-food SMEs and vertical relationships: effects on the agro-support industries

Food industry development contributes to the economic development of rural areas and to labour specialisation based on further training programmes and research and development schemes. Measures must be taken to encourage the development of agro-food SMEs, which constitute the basis of the local industrial fabric, in order to facilitate development and integration at the regional level. And in particular, the first-stage processing activities connected with primary products must be promoted in order to build up the value of regional agricultural production more effectively and thus distribute the value chain more equitably. SME growth will supply firms with a network of complementary activities such as packaging, logistics and corporate services – training, communications, and computer sciences are a lever for market competitiveness and the sine qua non for socio-economic development in the region. All of these measures together contribute not only to the satisfaction of consumer needs but also to the modernisation of agricultural activities. Action must be taken to upgrade and promote small enterprises, which can play a backup role by developing competitive traditional products for which there is a demand in the EU countries (olive oil, cheeses, organic crop products, early fruit and vegetables).

For the time being, the fact that the agricultural system in the Mediterranean region is fragmented and lacks coordination whereas industry is concentrated means that the market is haphazard and transaction costs are high. In order to restore efficiency and market fairness forms of organisation must be created with which trading can be coordinated and resources can thus be better allocated. Measures to develop vertical coordination between the agro-food industries and agricultural enterprises or between large-scale retail operators and their suppliers would create a system of contracts which would stabilise supply in terms of both quantity and quality and safeguard the incomes of the agro-support enterprises, which would benefit from better market outlets. And the downstream industries would benefit from a supply guarantee with regard to both quality and quantity, which in turn would promote their marketing investments and thus a certain degree of market penetration.

Developing contractual relationships can encourage agro-support firms to pursue a supply concentration strategy and at the same time to build up forms of inter-company co-operation; producer organisations play a very important role in this context in co-ordination amongst private actors and with the State. By guaranteeing firms a market for their products and forms of horizontal co-operation in the agro-support industries it also makes it possible to preserve the SME structure and encourages SME networking. This in turn encourages the creation of a production and marketing system in which local technologies and skills are used. In this way the small or medium sizes of local

agricultural support firms are, in principle, neither an obstacle to development nor a barrier preventing access to the industry.

The large-scale retail trade and concerted regional development

The differentiation strategies pursued in the large-scale retail trade are being based increasingly on vertical relationships, which impose specific agricultural production conditions on the agro-support industries. Measures to develop direct relationships between the large-scale retail trade and enterprises by promoting contracts concerning quality standards and information transparency could put an end to intermediate and wholesale markets and reduce the numerous intermediate stages. Reducing the number of these stages is not the only issue at stake; it is also very important to change the state of affairs at the pre-marketing and post-marketing stages. As regards the pre-marketing stages, the importance of developing producer organisations has already been underlined. And in the post-marketing stages, the modern retail trade can, through the internationalisation and concentration process, boost economic activities throughout the domestic agro-food industry of each country and can guarantee a more comprehensive supply of products at lower costs for consumers. This movement will have to be supported, however, with concerted rules governing an integrated process of regional development through a production unit supply system and economic activities at the local level. In the southern and eastern Mediterranean countries in particular, specific programmes on aid by retailers could enable SMEs to effect the long-term investments necessary for access to chain stores, which are becoming increasingly demanding with regard to product features and transactions (large volumes, stable supplies in terms of quantity and quality, efficiency, food safety, etc.).

In the sales point supply field, the modern retail trade is turning more and more to foreign suppliers, which offer both the opportunity to purchase goods at low prices and a differentiated range of products for their clients. This policy is being influenced to a growing extent by the availability of substitute markets and/or markets which complement the domestic market, which can supply good products at lower prices and extend supply seasons; this is particularly the case with fresh fruit and vegetables in the Mediterranean region. These are indeed global sourcing strategies. However, while this sourcing shift to foreign markets offers significant opportunities, it also entails high potential risks throughout the distribution chain compared to domestic purchases. These risks can concern possible failure to abide by the various contractual clauses (comprising technical, financial and legal aspects) and, as a result, the modern retail trade can actually tend to give precedence to commercial supply systems that are based on medium and long-term contracts and to entertain strong links with their own international suppliers.

North-South cross-border trade and production relations between enterprises

Inter-regional production and marketing zones must be created and/or strengthened in the agro-food sector in order to develop the production process, achieve economies of range that can boost the production of region-specific goods and win new markets. This requires that enterprises be organised which can cluster the products of the various Mediterranean regions in one single supply chain by means of common production and marketing rules. The advantages which this integration can bring to the

Mediterranean countries will differ from one country to another, depending on the national circumstances. In the North, the advantages lie in the opportunity for commercial expansion and the additional range of products that this allows. Firms are sometimes obliged to establish sites in southern and eastern Mediterranean countries in order to obtain access to the local market. This can be due to various factors such as high transport costs compared to the value added (in the case of carbonated beverages), or the short shelf lives of certain fresh products (milk products, etc.). In the SEMCs, the strategy of hosting FDI enables countries to benefit from new technologies and thus means that they acquire knowledge, while contributing to product qualification and boosting their own professional potential.

Within this integration process information plays a very important role in the development of relations between enterprises in the different regions. Strategic information in the fruit and vegetable sector, for instance, includes national data, schedules, production zones and production techniques, the leading commercial farms and trade relations. While the role played by information must be developed, the same applies to logistics, which allow efficient control and management throughout the Mediterranean agro-food production chain. Maintaining the cold storage chain, for example, requires using distribution vectors and platforms. Likewise, the land, sea and air transport system, which is deficient in the SEMCs as a whole, has a major impact on the development of trade with the other countries in the region.

Institutions and measures to promote Mediterranean products - defining an alternative model

The strategy for building up a supply of products in the Mediterranean region must focus in particular on products where typicality and quality are the main features. This is obviously where there are excellent opportunities for development or at least for resisting on a market where agricultural trade is increasingly liberalised. First of all, there are several technical or economic factors which suggest that the SEMCs are unable to apply the intensive production model that is employed in the northern European countries throughout their production systems:²¹ the state of their resources and their low endowment of natural resources (water and soil) and technical factors, agrarian structures dominated by small and medium-sized farms, etc. It should be borne in mind here that in SEMCs it has only been possible to develop this intensive-production model on the most fertile land and in irrigated zones, where export crops, techniques and investments (public and private, national and foreign) are concentrated. Moreover, this model is raising new questions in the southern European countries relating to health risks, land use, employment and environmental protection.

Consumers tend to associate product quality with environmental quality, and health quality standards with taste and product authenticity. In European countries quality

21 - In Morocco, there were almost 1.5 million farms in 1996-1997, and the average farm acreage was 5.8 ha. Two-thirds of the private operators, and thus of farming families, had holdings of less than 5 ha. In Tunisia (1996 census), farms with less than 5 ha accounted for 53% of the total number of holdings and 9% of acreage. In Algeria (2001 agricultural census), 72% of the total number of farms registered had less than 10 ha (and 55.7% had less than 5 ha). And in Egypt, according to the 1997 census, small holdings with less than 3 feddans (1 feddan = 0.42 ha) predominated in the farm landscape (42% of farms and 26.3% of land). Almost all of these holdings are private family farms (99% of farms and 91% of acreage). The last agricultural census conducted in Turkey showed that 85% of holdings have less than 10 ha.

refers to the specific distinctive flavours of products that are connected with a local area or a traditional production method, but also to biological features and the absence of contamination. As many studies have shown (see chapter 9 “Ensuring food security and food safety”), consumers in the northern Mediterranean countries no longer simply accept what is offered but take an active part in maintaining diversity through their involvement in demand. Some authors predict that products with a strong identity appealing and quality marks (concerning food safety, quality, environment and animal welfare) will carry more weight in European consumers’ purchasing decisions. In view of the health crises that have occurred and the “food fears” that have arisen, urban consumers also need points of reference and confidence, and they show preference for products where the production area and know-how are clearly marked. And finally, in view of the fear that products and dietary practices will become uniform, diet is a powerful identity medium, particularly in European countries.

More broadly, roots, traditions and authenticity are now much sought-after, and many actors endeavour to develop an image that evokes these concepts (Bérard et Marchenay, 2004). Paradoxically, globalisation has prompted actors in rural and agricultural life to strengthen their rooting in the local area, in the region and in reinvented tradition (Hobsbawn and Terence, 1983). While there is a high demand for local project products in Europe, the appeal of what are known as “beldi” or “baladi” products (which can be translated as farm produce or local products) in the southern and eastern Mediterranean countries is steadily growing in urban consumer groups with high purchasing power. The health and taste variables are of growing importance in the purchasing decisions of the middle and upper classes, the price variable only remaining decisive in the working classes with low purchasing power.

In this context where specific local features are being rediscovered the agricultural product qualification process also plays a role in the construction of local areas. This process is a lever of development or a means of resistance given the economic decline of many Mediterranean rural zones. In the context of the common agricultural policy it has brought schemes which have benefited mountain zones and disadvantaged areas, which had many handicaps and were liable to be abandoned. Specific aids (ISM and ICHN),²² suckler-cow premium, sheep premium, agro-environmental measures, equipment), a quality promotion policy (segmentation, policies for developing original local industries) and the diversification of activities in a local development dynamic have enabled many rural areas that were in difficulty to create the conditions for turning regional quality to advantage and obtaining benefit from their resources.²³

Combining specific local product quality with ecological quality and the quality of the landscape and selling the services of an area through the products produced there have now become essential issues from these rural areas, which have gradually discovered the advantage of synergies between products and services which meet the expectations of society (Bélanger, 1999). This has been the aim of the international co-operation experiments which have been set up in the past few years between European countries

22 - special allowance for mountain regions and compensatory allowance for natural handicaps

23 - Quality policy enables farms that are ill-endowed with production inputs (smallholdings, difficult zones) to keep going. In France, RDO cheese zones are often mountainous areas where production costs are high. Likewise, fruit farms or wine-growing farms with official quality marks (RDO, PGI, Red Label, organic farming) are generally small structures.

and countries in the southern Mediterranean; these projects seek to link various regions with a view to developing their resources on the basis of a programmatic approach. One of these experiments, the Leader Med project, is of particular interest.

International co-operation: the Leader Med project

Within the framework of the Leader + programme, the Apulia region has launched initiatives linking groups of actors in the southern and eastern Mediterranean and local action groups (LAGs) with a view to initiating a process of dialogue and growth. These initiatives involve Turkey, Malta, Lebanon and Syria. The cooperation project is aimed to encourage the exchange of know-how between European countries and Mediterranean third countries with a view to promoting new “local governance” methods facilitating synergies between local enterprises. Nine Apulia LAGs have been identified as partners as have institutional partners located in the four Mediterranean third countries. One of these groups, the Alto Salento LAG in Italy, has been appointed project leader and is thus in charge of preparing and running the project. The Mediterranean Agronomic Institute in Bari operates as the technical support structure in the Apulia region in order to promote institutional activities and contacts between the various institutions and countries.

Within this cooperation project there are plans to organise an event to present the various regions and producers so as to put the actors in the various areas in touch with one another, to create a catalogue of typical products (agricultural products, craft products, etc.), to create a website and to conduct a study in order to identify the rural development priorities in the partner Mediterranean countries. The importance of the project lies primarily in pilot schemes which aim to develop integrated promotion circuits in rural areas using typical products as catalysts and thus to develop a network of relations between areas and within the various areas which will eventually form an integrated economic system. The case of Syria is an interesting example of these pilot schemes: the Alto Salento LAG and the Idleb community in Syria have drawn up an olive oil itinerary (the Alto Salento Olive Grove Road with its centuries-old olive trees and the Idleb Oil Road). And itinerary has been drawn up in each of these two areas linking agricultural production and natural, cultural and archaeological resources as well as tourist facilities.

Promoting quality opens up a whole area for rethinking agricultural development, departing from systems based solely on the logic of intensive production and providing opportunities for producers to define alternative production models based on other criteria. The strategy of differentiating production and promoting quality enables the economic actors (farms, private companies, co-operatives) to get away from forms of competition that are directly influenced by costs or productivity gaps.²⁴

Organic and mountain products – the epitome of typicality

Almost all of the efforts made in the Mediterranean region to enhance the quality of agrifoodstuffs have concerned export products, a deliberate choice connected inter alia with the objective of correcting the region’s agro-food trade balance. More broadly, organic farming and quality marks as well as geographical indications can also be instruments for preserving and promoting Mediterranean agricultural and dietary traditions.

24 - As J.-L. Rastoin and F. Fort put it: “The tension between global and local in the food domain is leading to two trends in the agro-food sector in France and in Europe: efforts by large multinational companies to massify products and mould eating habits, on the one hand, and the move to differentiate products on the basis of the concept of the local area on the other” (Femise, 2005).

Although in the SEMCs the export market is still the main outlet for organically farmed products, interest in developing a domestic market now seems to be growing. One thing is certain: a policy of equality can only be developed if the domestic market is included and collective preferences are also an integral component. There are several traditional products that are usually consumed by local communities which already comply either entirely or in part with organic farming principles. Table 2 gives an overview of the progress registered in each of the Mediterranean countries in terms of products, acreage, legislation, support policies and the state of markets. It also lists the producer organisations in charge of the industry.

In the southern Mediterranean, organic agriculture is introduced essentially by foreign and local private operators, who attend to almost all of the stages in the food chain, from production to the market. They supply producers with all of the necessary inputs and services as well as technical assistance, and they also attend to certification. The studies that have been conducted on the sector show that producers under contract enjoy benefits in terms of both income and less commercial risk thanks to the guaranteed market outlets, yet this does not preclude the validity of the equitable relationship between the contracting parties.

Although organic farming is geared to export in this manner it is nevertheless the crux of sustainable rural development. While there is no doubt that this type of agriculture conserves land resources, several initiatives and/or projects (such as the “organic village project” launched by Rapunzel in Turkey) have demonstrated the interesting potential offered by organic farming for the economic and social development of rural communities. Organic production can help in particular to augment the incomes of women who live in rural areas (as is the case with the production of organic argan oil by co-operatives in Morocco, for example), provide job opportunities for rural youth in which they receive instruction, and promote the collective learning process in producer groups (extension services, group certification and collective market initiatives).

Special attention is devoted to organic farming at the regional level. Sustainable rural development, organic agriculture and geographical indications were mentioned specifically at the first Conference of Ministers of Agriculture, which was held in Venice in 2003 within the framework of the euro-Mediterranean partnership, and these questions have also been included as non-trade aspects in the Roadmap for Euro-Mediterranean Agriculture, which provides guidelines for the trade liberalisation process. Organic farming and geographical indications are also mentioned together in the chapter on sustainable agriculture and rural development of the Mediterranean Strategy for Sustainable Development, which was approved by the UN Mediterranean Commission on Sustainable Development in 2005. Furthermore, sponsors, national governments, private operators, and NGOs, which are interested in opportunities for building individual and institutional capacities and market penetration, are increasingly taking account of the many different potential synergies between organic agriculture and geographical indications.

Producers in mountain regions should be given special attention in the context of the progressive liberalisation of agricultural trade. These producers have to contend with high transport costs, the lack of infrastructures, inadequate technologies and market

Table 2 - Organic agriculture in the Mediterranean region, 2007

	Country	Total acreage	Producers number	National legisla- tion	Policy for sup- porting the sector		Control and certification bodies	Producer associa- tions	Market	
		ha			Financial support	Action plan			Local	Export
Maghreb	Algeria	2.400	61	draft	yes	no	2 foreign	2	non- existent	limited
	Morocco	104.216	n. d.	draft	non	no	2 foreign	2	non- existent	developed
	Tunisia	220.476	515	yes	yes	yes	4 foreign	9	limited	developed
Mashreq	Egypt	13.955	500	draft	no	no	3 foreign 2 local	8	growing	developed
	Jordan	1.024	25	no	no	no	1 foreign	n. d.	non- existent	limited
	Lebanon	2.500	330	draft	no	no	1 foreign (local headquarters) 1 local local	2	growing	limited
	Palestine	641	303	no	no	no	1 foreign	n. d.	non- existent	limited
	Syria	30.493	3.256	draft	no	no	n. d.	n. d.	non- existent	limited
	Turkey	192.789	14.737	yes	yes	yes	7 foreign 3 local	5	growing	developed
Western Balkans	Albania	1.201	93	yes	no	yes	2 foreign 1 local	3	limited	limited
	Bosnia- Herzegovina	488.804	60	yes Fed. BH	yes	no	4 foreign 1 local	n. d.	non- existent	limited
	Croatia	23.670	342	yes	yes	no	7 foreign	30 assoc. 15 coop.	growing	non- existent
	Macedonia	2.101	104	yes	yes	yes	3 foreign	6	non- existent	non- existent
	Montenegro	158.851	15	yes	yes	no	5 foreign 1 state-run	3	non- existent	limited
	Serbia	1.105.608	48	yes	yes	no	6 foreign 2 local	4	non- existent	growing
EU countries	Cyprus	1.979	305	yes	yes	draft	1 foreign 1 local	2	limited	non- existent
	France	552.824	17.477	yes	yes	yes	1 foreign 5 local	78	developed	developed
	Greece	302.264	24.666	yes	yes	no	7 locaux	n. d.	limited	growing
	Spain	926.390	18.318	yes	yes	yes	2 foreign 25 local	36	growing	developed
	Italia	1.148.162	51.411	yes	yes	yes	16 local	6	developed	developed
	Malta	20	11	yes	yes	no	1 local	n. d.	limited	limited
	Portugal	269.374	1.660	yes	yes	no	2 foreign 4 local	n. d.	n. d.	n. d.
	Slovenia	26.831	1.992	yes	yes	yes	1 foreign 1 local	10	growing	non- existent

Source: Al Bitar (L.) and Pugliese (P.) (forthcoming); Al Bitar (L.) (forthcoming).

access difficulties, and they are facing growing competition from production systems and areas where conditions are more favourable. Yet there are tremendous possibilities for improving the livelihoods of mountain people by turning the comparative advantages of the resources of these zones to account and developing a wide range of unique products and services (foodstuffs, beverages, pharmaceuticals, cosmetics, textiles, crafts and tourist facilities). In order to penetrate markets, however, producers in mountain areas must focus on the quality of the unique products their regions have to offer and initiate efforts to have that specific quality recognised on markets. But to do so they will need to have obtained quality marks. Even in cases where legislation defines a form of agrifoodstuff labelling (in Algeria and Morocco, for example), very few products have in fact obtained a label for the following reasons:

- producers are unaware that the law exists, a fact which underlines shortcomings with regard to the circulation of information and extension services;
- the law does not define the responsibilities of the various actors: control and monitoring bodies (whether public or private), producers, consumers;
- the law is outdated and fails to meet the current needs of the actors involved; it has also failed to keep pace with technological changes;
- the law does not clearly define the rules for setting up quality groupings and the conditions for sharing the value added amongst the various actors.

In view of this situation, producers situated in mountain regions, which are often remote enclaves, are ill informed and lack organisation and they find themselves excluded from any initiatives and steps to promote their products. An efficient labelling mechanism should thus make it possible to:

- make an inventory of quality products and their production areas, taking account of the know-how of local producers and of their traditions and history;
- define the objective quality and specific (physical-chemical and organoleptic) characteristics of those products;
- create and organise a quality grouping;
- adapt to market requirements and to changing markets;
- inform consumers about the appropriate quality marks.

Local actors do not always have a very specific idea of quality. In particular, producers who are not members of an organisation are uninformed about traceability, certification and other concepts relating to product quality. The co-operatives' knowledge of these matters is vague, and when they are informed it is generally thanks to the support of a development NGO or to measures taken in the context of international co-operation. While civil servants in the various institutions are perfectly conversant with the concepts of traceability and certification, they often refer to the lack of adequate means and appropriate facilities for guiding producers towards quality production.

The following three lines of action have been identified as crucial for optimising the strategy for the organisation and development of mountain product industries:

- the general characteristics of these products must be determined as must the criteria legitimising mountain production;
- the various actors must be mobilised in order to set up structures promoting the dissemination of know-how and knowledge, facilitating quality management and promoting operator participation in the action taken in various fields (quality, research, commercial development, communications, advertising, etc.); short marketing circuits should be organised in which empowered operators play a pivotal role;
- the institutions should be urged to provide financial and technical support for emerging collective projects and projects under construction.

This strategy could be adopted with leading organisations that are prepared to undertake demonstration operations, provided that maximum support is ensured throughout the process, from the initial production stage through to marketing. One of the weaknesses connected with any private or collective initiative geared to market requirements (quality, RDO, organic label, etc.) is the mismatch between technical efforts and the efforts made to structure marketing channels.

A great deal remains to be done to initiate the development of quality mountain products. Although the actors are already known, the ways and means of efficient and effective articulation have still to be found. The work which the Ciheam and the FAO have been carrying out since January 2006 in the context of the Mountain Products Project constitute a first level of organisation in terms of qualification criteria for quality products. The partners involved in four Mediterranean countries (Algeria, Lebanon, Morocco and Syria) have been drawing on a dynamic information system in order to compile and build up knowledge which can promote the development of these products.²⁵

Scenarios for quality agro-food supply in the Mediterranean region

Over and above political considerations, the prospect of the intensification of Euro-Mediterranean trade relations and convergence aiming to build up a supply of Mediterranean products is motivated by economic and commercial factors. Given the growing demand for foodstuffs, the seasonal nature of agricultural production, the need to add to the range of facilities in the European food distribution system, the process of relocation affecting specific products, international competition from distant regions (China and the southern hemisphere), and the downward trend in EU production due to the changes brought about by the CAP, action is imperative to strengthen the regional coordination process and to develop trade relations between the EU and the southern and eastern Mediterranean countries.

25 - See website www.cybermontagne.org.

The resistance scenario: defending the Mediterranean model

In this scenario world trends are resisted and a regional Euro-Mediterranean market is built up and regulated. The focus is on the quality and typicality of Mediterranean products, a model based on the Mediterranean diet and way of life is promoted, and the natural and cultural resources which are the region's assets are developed. It is basically the result of a process where domestic and foreign markets are recovered, and the primary aim is to improve the food security and food safety of the local populations. And finally, it contributes to the balanced development of rural areas and promotes environmental protection and biodiversity. In this scenario the aim is to relocalise production taking account of the natural vocations and economic potential of each of the Mediterranean countries, to encourage socially and ecologically responsible consumer behaviour, to regulate trade policies as an imperative, to promote regional co-operation based on the complementarity of production systems and markets and to defend common positions in international negotiations (WTO).

The conditions are united for the success of this scenario. The legislative and regulatory framework is further developed, and strong policies comprise a variety of components: budget support, economic incentives, training, common health standards, integration of the various subsectors, control capacities in the quality sector, cost-control combined with the development of quality products, value added attributed to subsectors with official quality marks and redistributed in part to the agro-support industries, diversification of activities, and the general application of aid policy for compensating natural handicaps. A strengthened economic and organisational context promotes the ability of producer organisations to become structured, facilitates technical innovation at market level (action to promote short circuits, elaboration of an inventory, reinvention of gastronomic know-how, construction of infrastructures, physical investments, access to transport, efficient remuneration systems in the agro-support industries, organisation of services for the population, etc.) and promotes market security through private and public agreements. A jointly elaborated quality system which is shared by all can provide a basis for creating and strengthening forms of inter-regional organisation of production and marketing in the agro-food sector. It also makes it possible to expand the production process over a wider area and achieve economies of range and of scale with which new markets can be won. To achieve this it is imperative that the subsectors be organised and that there be sufficient inter-company coordination through which the products from the various areas can be clustered in one single supply chain and technologies and skills can be transferred along the North-South axis. This in turn will provide a basis for enhancing the various forms of regional co-operation and development between the various countries and the agro-food enterprises.

The scenario of strengthening regional integration in order to build up a Mediterranean supply of agrifoodstuffs based on product and market complementarities produces several results:

- harmonised common quality standards are defined for foodstuffs and for foodstuff marketing;

- the level of coordination amongst the various actors in the industry is developed;
- the forms of horizontal aggregation between agricultural products and processing firms increase;
- capacities are strengthened for co-operation at both the regional level and on the North-South axis through the creation of associations and networks of economic actors in the agro-food chain;
- public institutions encourage the use of efficient quality control programmes and systems;
- commitments are made towards SMEs in terms of capital and human resources, and infrastructures are constructed by means of incentive measures or public intervention;

One of the avenues to be pursued is to create a joint project with a view to establishing a sort of Euro-Mediterranean organisation of agricultural markets with support and internal market regulation mechanisms, where the point of view of the Euro-Mediterranean region could be expressed in a global strategic approach in the context of multilateral negotiations. In this context, progress in regional integration and development is thus desirable for all of the actors concerned. This can only be brought about if the institutions contribute and policies are adopted that are designed to harmonise standards and enhance human resources training. Over and above the positions of the various countries and the content of the proposals they make, the new agricultural negotiations in the WTO context could be an opportunity for previewing and reformulating certain mechanisms, which, depending on the circumstances, can reconcile the opening of markets with internal support issues. The major subjects of debate in the current negotiations are in fact the revision of the agricultural support system and the question of non-trade concerns, which relate to food safety, rural development, multifunctionality, the agreement on the protection of intellectual property, and typical products.

In the final analysis, the success of the scenario is of course based on the most likely hypothesis of adherence to a collective project, in which there is consensus on the need to reduce the inequalities and development gaps between the populations in the northern and southern Mediterranean region and, at the national level, between modern agricultural structures and small and medium-sized family farms.

The laissez-faire scenario: globalisation with a forced market for Mediterranean countries

This scenario presents a Mediterranean region that is the victim of world economic and agricultural trends because there is no regional stance. It is based on the hypothesis of mismanagement of the alternative model, failure of national and/or regional public policies, and choices which are imposed by the globalised economic system and which dilute the Mediterranean identity. This scenario, where the transition to an alternative model of liberalisation is not well managed, has numerous consequences: exclusion from markets, regional and international competition, marked North-South asymmetry

and exacerbated dualism where the quality chain in the various countries is controlled by a minority of operators, delegation of the function of decreeing standards and the terms of reference for specifications to the retail sector or to private intermediaries, dispossession of local know-how and relocation of production, limited influence of consumer associations.

Producers in the southern and eastern Mediterranean countries continue to specialise in a limited number of products and target primarily foreign markets to the detriment of local markets. There is persistent use of mining methods in the exploitation of resources entailing loss of biodiversity and the downgrading of local knowledge and know-how. The remuneration of producers in the upstream sector is low, the costs of inputs and certification procedures are excessively high, and supply remains fragmented and controlled by the downstream industries. And finally, the State transfers the function of producing standards to organised intermediaries and the large-scale retail trade for their exclusive benefit.

There are various developments in the European countries on the northern rim of the Mediterranean Basin:

- production zones are excessively large, geographical indications multiply, and it is difficult to monitor producer access to the sector;
- intensive production models (such as the Andalusian model in Spain) are maintained and/or applied throughout the region, and there is scant regard for the sustainability of the systems employed;
- label readability for consumers is reduced due to the proliferation of standards and marks;
- the demand for products is saturated or drops due to excessive costs, the remuneration of quality production in the upstream sector is low, as is the level of corporate integration;
- there is stiff competition on Mediterranean markets, competitiveness is lost, production units are relocated;
- supply is fragmented and there is little coordination between producers and economic actors;
- there is excessive red tape concerning production methods, precedence is given to individual initiatives and to private contracts which subject the agricultural sector to the laws of a non-regulated market;
- conflicts multiply and there is growing competition between the countries in the region due to the lack of complementarity in production systems and markets.

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