

SPECIALTY FOOD PRODUCTS AND PRODUCERS GROUPS IN SLOVENIA: EVALUATION OF DEVELOPMENTAL POTENTIAL AND ANALYSIS OF COLLECTIVE ORGANIZATION PATTERNS USING THE DELPHI METHOD

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Abstract

MEDVED DJURASINOVIC, P., A. KUCHAR and P. RASPOR, 2012. Specialty food products and producers groups in Slovenia: evaluation of developmental potential and analysis of collective organization patterns using the Delphi method. *Bulg. J. Agric. Sci.*, 18: 834-845

This paper analyses production systems of specialty food products (SFP) in Slovenia, which started to evolve far before the entrance into EU. In particular, it investigates collective organizational patterns, producer groups' efficiency and their success. For this efficiency, horizontal relations that exist between all producers involved in PDO/PGI supply chains and SFP system as a whole are of main importance. We assumed that actual models of collective organization in Slovenia are not appropriate to achieve desired and expected results on the area of production, promotion and marketing of SFPs. Too weak horizontal relations can be a reason for this. Composite empirical study was used to evaluate the developmental potential of SFP supply systems, while to study producers' experiences and their readiness of collaboration in the SFP system, a three phase modified Delphi method was used. Extensive qualitative data were collected through individual interviews, which were later on studied, summarized and used as main statements for group discussion. Qualitative results from Delphi study formed the basis to upgrade them into a model of evaluation of each of 15-production system studied. Findings indicate that in Slovenia business environment for producers, involved in SFP system is very complicated and demanding. SFP system is still in the beginner development phase and is certainly not developed to the extent of some other European countries with longer tradition. Economic importance of this system is therefore still very small. On one hand, there is an important deficiency on national level, which is the absence of clear business, aims among producers, on the other hand we are faced with questionable efficacy of public and especially quality policy. A better collaboration and collective activities among producers can be expected only when the system will be operative in all segments and when special indications will assure competitive advantage through a good perception by consumers.

Key words: Specialty food products, producers group, collective organization, Delphi method

Abbreviations : (SFP) Specialty Food Product; (EU) European Union; (PDO) Protected Denomination of Origin; (PGI) Protected Geographical Indication; (CEO) Chief Executive Officer; (SME) Small and Medium Enterprises; (FFB) Food from Britain

Introduction

Specialty food products (SFP) are part of national cultural heritage, while at the same time they can encourage broader social and economic area development (Tregear et al., 2007). Several empirical studies confirm this statement (e.g. Ventura and Milone, 2000; Brunori and Rossi, 2000). Taking into account two main contrasting food cultures that are being present in Europe, Slovenian market of SFP can be positioned within the “southern” culture with a range of local and regional food specialties, although the tradition is not comparable to Spanish, Greek or Italian one. This long tradition of main southern countries mentioned was also the main reason why these countries are considered to be initiators and promoters for the EU legislation formation regarding agricultural and food products of special quality and their protection which entered into force in 1993 and that was later on up-dated in 2006.

There are many actors involved in PDO/PGI supply chains, all of them being important from the product quality as well as market success point of view, producers being the first one. To protect a special quality product at the EU level, one of main legislative requirement is the formation of a producer group, which is the protection carrier. Thus, this is also a requirement for Slovenia, where three main models of collective organizations exist, all of them working on a non-profit non-professional basis. These collective organizational patterns and horizontal relations, which exist between all producers involved (Reviron and Tseelei, 2008) can be of main importance when discussing SFP system efficiency and success. Barjolle and Sylvander (2002) mention that the primary factor in success is the capacity of a set of companies in a supply chain based in a particular area to effectively coordinate e.g. identification of joint objectives, definition and control of quality, image promotion etc. Market characteristics can be considered as secondary factor in success.

Nevertheless, when dealing with the competitiveness of a food industry or its sectors, retailers are considered to have a crucial role (Traill and Pitts, 1998). An important question is how regional products can be competitive on an international and open food market. There are three major trends in the agri-food sector which represent serious threats to regional products: standardisation of food consumption patterns across national markets, consolidation and raising market power in food processing and distribution, as well as changes in strategies and organisation driven by new market information technologies and biotechnologies (Sodano, 2001). Permanent study of the factors of

competitiveness it is thus considered to be of big importance for competitiveness itself, also in the case of SFP system. Food regional products are namely considered to have several important functions, one of them being enhancing the competitiveness of the agri-food system and this is through the weapon of differentiation (Sodano, 2001).

The study is focused on 15 production systems involved in production of SFP. In Slovenia, Agriculture Act (2008) is the main legislative document regulating the area of agricultural and a food product of special quality, which e.g. defines measures how to improve effectiveness and competitiveness of food production. Despite well-structured and long time present policy framework and institutions, there is a rather poor market presence of the Slovenian SFPs. There is a need for improvement. The research tries to add towards better understanding of the segment and therefore trying to support the improvement of competitiveness. For these purposes main objectives of the study were, first to analyse the existing production systems and by defining factors of success find out which products have specific potential for further development. Secondly, to analyze the existing producers groups in Slovenia, their collective organizational patterns, differences and deficiencies based on producers qualitative opinions. Results obtained from composite empirical study will enable us to support the process of the SFP sector's development, strengthen the competitiveness of the producers groups, market presence of the products themselves and nevertheless to give to the policymakers the framework for future strategic policy development documents formulation and policy delivery process creation.

To achieve the stated objectives of the paper, in the focal point of the empirical work modified three phases Delphi method was used, as described by Rayens and Hahn (2000). Qualitative results, obtained during the study formed the basis for model of evaluation, where five factors of success were determined for each production system (specificity, market relevance, motivation of companies, coordination on product management and collective marketing management). This enabled us to evaluate within the framework of the research objectives whether the characteristics of the individual analysed producer group give the foundation for development and market success.

Overview of the Literature on SFP Supply Systems

In Europe, two main contrasting food cultures are being present. While the “southern” culture is recognized

through its wealth of local and regional food specialties, the “northern” culture is more functional and commodity-driven (Ilbery and Kneafsey, 2000). This explains why politically, southern countries promoted the formation of law to regulate the area of SFP. In southern European countries national laws existed even before 1992, in some cases for over 50 years. On the contrary, northern countries of the EU were more sceptical because of free-trade issues, as protection of geographical names was considered as protectionism, but also because of the larger production structures of the agro-food companies (Barjolle and Sylvander, 2000). Nevertheless, in 1993 EU implemented two main legislative documents to protect agricultural and food products of special quality (Regulation 2081/92 and 2082/92). Their main objectives were to set a uniform legal framework for protection of geographical names for all EU countries, to assure clear information for consumers about the origin of the product, as well as diversification of agricultural production in order to strike a better market balance between supply and demand. Legislation was up-dated in 2006, when new regulations were published in Official Journal of EU (510/2006 and 509/2006).

In Slovenia, appropriate legislative groundings were also adopted on the area of SFP. Agriculture Act (2008) is the main legislative document, which e.g. defines measures how to improve effectiveness and competitiveness of food production. Within this document, food quality is defined as collection of characteristics and properties, for which agricultural and food products can satisfy consumer’s expressed and required needs. On 1 March 2011, there were 30 products with special denominations being recognized in Slovenia. Public authority today certifies 19 of them. Only five Slovenian products are already registered at European Commission.

As regional foods are traditional food related category, they are considered a geographical phenomena and their distribution reveals distinct patterns at both “macro” (national) and “meso” (regional) level (Parrott et al., 2002). Thus, local or regional SFP represent one particular niche market within the broader market of quality foods (Ilbery and Kneafsey, 1999). When discussing food quality, Henson (2000) distinguishes 3 typologies. “Product-oriented quality” means all physical characteristics such as fat content, colour, texture, etc., “process-oriented quality” characteristics of the process by which the product is made (e.g. organic, welfare-friendly, artisanal, etc.) and “user-oriented quality” which represent the perception of the product by the consumer. While first two “qualities”

are susceptible to objective measurement, the third one is a subjective type (Parrott et al., 2002). Taking into account SFP they are assumed to be of higher quality compared to conventional food although there is not really any explicit quality assessment required. In this correlation, quality of SFP is defined by referring to other socially constructed concepts such as “authentic”, “healthy” and “traditional” (Ilbery and Kneafsey, 2000).

At meso economic level, a large number of companies construct the product collectively. When discussing products of special quality and their differentiation, two terms are highlighted in the literature. Product specificity, which can be achieved through a social construction process and product typicity, meaning that a product is both specific (different) and unique and therefore relates to a given region (Barjolle and Sylvander, 2002). Thus, it can be said that for a company, product specificity (differentiation) and market relevance are the main strategic choices supporting its performance (Barjolle and Sylvander, 2002). Product specificity involves meeting a number of conditions, as listed by Sylvander and Lassaut (1995). Product has to have measurable characteristics, it has to be perceived as different by the consumer, different technology has to be used in the production and the designation used must be significantly different from the name of the conventional product. Beside specificity there is another factor relating to supply and demand, which is finding demand for specific product in a relevant market. Market relevance can be evaluated on three factors basis: customer appeal, its willingness to pay and distribution system chosen. Nevertheless, success and efficiency of PDO/PGI supply chains are closely related to another group of factors, i.e. internal organization (Barjolle and Sylvander, 2002).

As there are many actors involved in PDO/PGI supply chains, all of them are important from the product quality as well as market success point of view, starting with producers and followed by consumers and institutions. Common characteristic of PDO/PGI products protection is the process of collective collaboration, which is expressed by formation of special producers groups. For the research itself, the main question is how these producers collaborate within a group, as at the same time they are competitors on the market (Reviron and Tseelei, 2008). The concept of economic efficiency, taken from industrial economics, involves determining how resources can be best allocated to achieve defined objectives. Companies manage to compete in the market by optimizing their economic efficiency (Barjolle and Sylvander, 2002). Notwithstanding

producers main importance, retailers seems to be a very useful player too when assessing supply chain efficiency and have a crucial role within defining the competitiveness of a specific food system (Traill and Pitts, 1998).

Producer groups, which are by legislation main carrier of special food products protection, can be considered as strategic groups. By definition, this are groups of companies within an industrial branch, which follows the same or similar strategy as for specialization, trademarks identification, product quality, technological advances etc. (Porter, 1998). They represent different strategic positions of different companies within united industrial branch (Leask and Parnell, 2005). PDO/PGI groups of companies often includes numerous small businesses or industrial agricultural cooperatives, and even industrial operators whose objective is not profit maximization (Barjolle and Sylvander, 2002). Slovenian Rules on procedure for protection of Agriculture Products and Foodstuffs (2008) defines a producer group as “any association or group, non depending on its legal status, where production of one specific and the same product is taking place”. In Slovenia, there are three main organizational models of producers group that can be depositors for SFP protection (“association”, “society” and “economic interest association”). All of them are private non-profit organizations, mainly with producers as members. Their main aim is the realization of common interests through achieving common aims. Their foundation is not making profit as any surplus of incomes has to be designed for group activity purposes and aims realization.

Research of collective organizational patterns relating to SFP production around European countries are being widely discussed within the literature (Ilbery and Kneafsey, 1999, Ilbery and Kneafsey, 2000, Barjolle et al., 1998, Parrott et al., 2002, Barjolle and Sylvander, 2002, Marette, 2005), with the main focus on producers construction of food quality. Not only agricultural economists and other researchers, the EU itself recognizes the importance of SFP production for the success of European agriculture and food industry. This is why in 2008 European commission lunched a discussion paper entitled “Green paper on agricultural product quality: product standards, farming requirements and quality schemes”. The second part of this document discusses in details specific EU quality schemes. The reason why EU started with the public consultation is that we are facing globalization spread, where products from emerging countries with low production costs are putting greater pressure on EU farmers. Thus also for value-added products there is more and more

competition being present on the market. While EU products are known to be of high level of safety and of high quality, EU realizes there are even more aspects which can reinforce quality in the more global sense of the term (Green paper, 2008). At the end of 2010, European Commission adopted the so called “Quality package”, which for the first time puts in place a comprehensive policy on certification schemes, value-adding terms for agricultural product qualities, and product standards, covering the different facets of quality, from the compliance with minimum standards to the production of highly specific products. Several legislative proposals are expected to be adopted by 2012.

The Methodology

The first part of the empirical analysis consisted of the assessment of indicators of success and evaluation of them for each production system studied. The main objective was to evaluate the developmental potential of each production system studied. Methodology as described by Barjolle and Sylvander (2002) was taken as a basis, which we adapted to our study purposes. Qualitative results from Delphi experiment, which will be described later on, formed the basis to upgrade them into a model of evaluation. To analyse differences between production systems and organizational patterns we took into consideration some factors of success (market relevance, motivation of companies, coordination on product management, collective marketing management). Each product was first determined as “not very different from its substitutes, not specific, not perceived as such by the consumer” or as “specific, based on characteristics, perceived quality, technological factors and denomination and perceived as such by the consumer”. Market relevance was determined as low or high, based on product attractiveness, consumer’s willingness to pay and distribution system. Second group of indicators relates to motivation of companies, where the importance is mainly linked to existence of initiator within a group of producers, operators’ motivation, pressure of product substitutes and misuse of product name. All these indicators were expressed as pronounced, more pronounced or extremely pronounced. Coordination on product management includes three indicators (collective quality management, producers group, company without external assistance). At the end, collective marketing management was determined as inflexible, neutral or efficient.

Results, which evaluated potential success, were defined on basis of 15 production system studies. We stud-

ied four indicators: “urgency” reflecting producers motivation to build a system of product differentiation and designation reservation, “specificity” reflecting the objective difference between the product and its substitutes, “relevance” reflecting market attractiveness, intensity of consumer demand for the product and the choice of distribution system and “coordination and cooperation” reflecting the ability of producers to achieve collective and efficient product management (Figure 1).

Composite empirical approach (success potential evaluation, Delphi study) enabled us to study different SFP systems, based on which we were able to propose guidelines for future development of the SFP system, as well as future needs in the area of quality policy in Slovenia.

The second part of the empirical study was the Delphi experiment with the main objective to obtain qualitative information about the Slovenian producers’ experiences within the segment of SFP and not to reach a consensus between experts involved in the study. A modified Delphi method was used, as described by Rayens and Hahn (2000). The method was mainly oriented to study producers groups, organizational models, their differences and deficiencies. Based on this we tried to identify key actors in niche markets for SFP, looking at the system as possible development strategy for Slovenian producers, defining efficiency of PDO/PGI supply chains in Slovenia and identify needs for future system development.

In the literature, Delphi method is described as systematic interactive forecasting method for which the main aim is obtaining opinions of a group of experts. RAND Corporation professionals developed it in the first part of 20th century, around the year 1950. Linstone and Turoff (1976) summarize all general method characteristics. Researchers are primary using this method for cases where

consensus between different professionals is indispensable to reach (Okoli and Pawlowski, 2004). From Delphi method development point of view, Angus et al. (2003) mentions only two possibilities. First, Delphi study can be considered as useless method for qualitative research purposes of obtaining strong decision basis, while at the same time we can focus on its communication advantage. Secondly, better understanding of the technique as qualitative decision method through additional research is possible. In this case, method’s reliability and validity have to be determined. There are several factors, influencing the efficiency of the Delphi method. The most important is selection of participants (Okoli and Pawlowski, 2004; Linstone and Turoff, 1976; Adler and Ziglio, 1996), followed by determination of Delphi phases (Angus et al., 2003; Beech, 1999) and results interpretation (Goldschmidt, 1975; Goodman, 1987).

We decided to perform the Delphi study in three phases. Selection of the participants was based on the objective – to compose a stratified and representative sample group of leading professionals from food companies, involved in production of SFPs. We obtained a list of registered producers group with contact details from Ministry of Agriculture, Forestry and Food of Slovenia and decided to send them a cover letter, introducing our research and inviting them to participate in it. Then we contacted them by phone and arranged an individual interview with representative for individual interviews (Delphi phase 1). Questionnaires were split into four parts. Within the first part we wanted to obtain some general information about the current situation (number of members, production, price, production capacities and point of sale), after which in the second part we asked them about their experiences (about the establishment of a producer group, their aims and relations between members, specification and strategic market analysis preparation, certification, financial support, production, marketing and sales, critical points within the chain, promotion, consumer and government relations). As a third part of the individual interview, our questions were focused to producer groups’ expectations about future plans, motives of and for persistence, production, sales, promotion, competitiveness, risks, role of government, consumer and retailer and how to get a higher recognition of specific product. At the end, we were interested in their readiness to persist in the SFP system (collaboration within SFP system, networking with other producer groups and financial inputs).

Out of 23 invited representatives of SFP producer groups, 15 of them accepted to participate in the first

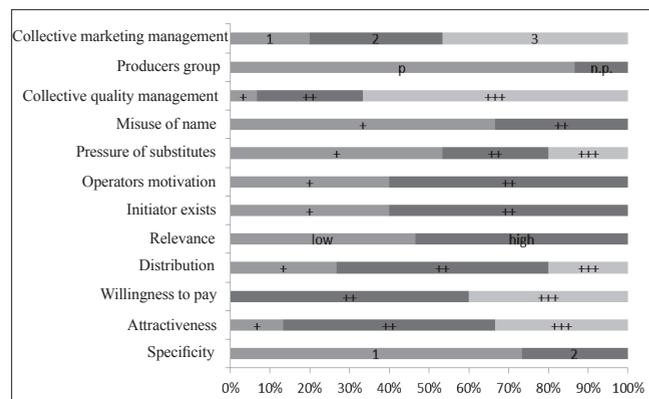


Fig. 1. Factors of success, determined for 15 Slovenian SFP systems studied

phase of Delphi method, which gives us a rather high response rate (65.2%). Based on this we can assume that the interest of the professionals, in the SFP sector to improve their competitiveness and to strengthen the market presence of products, is high. Individual interviews were performed during the period from March till May 2008 in several locations, basically at the headquarters of specific producer groups or companies in different regions of Slovenia. In general, the duration of each interview was one hour to one and a half hour, depending on each professional motivation and willingness for discussion. Notes were taken during the conversation and after each interview; they were collected in a computer database.

From the large amount of received answers and opinions within the in-depth interviews, we summarized key messages and formed the formalised statements, which we used for the group discussion - the Delphi phase 2. The discussion took place in June 2008 at the Chamber of Commerce and Industry of Slovenia. Group discussion participants were leading persons from food companies (CEOs, board members), as well as experts from marketing departments of the SFP producers. We sent an electronic invitation to 14 representatives of which eight participated in the group discussion (response rate of 57.1%). Professionals had the task to discuss, evaluate and potentially confirm the selected 24 key messages from the in-depth interviews. Moreover, in that phase, these formal statements were still in "draft form" and therefore participants had the opportunity to amend them. Final qualitative statements were formulated after the group discussion.

During the last phase of the Delphi experiment (July 2008) participants were asked by e-mail to evaluate the six formulated statements as a result of the group discussion, expressing their opinion through the qualitative measurement scale (agree/do not agree). Of eight participants, four sent back their final opinions (response rate of 50%). These results were analysed and prepared in a form of conclusion from the Delphi experiment.

Results

As four factors of success were determined to analyse differences between production systems and organizational patterns, results show big differences between them. We realised that only few products have a special potential for further development. Within the first factor of success, i.e. market relevance four attributes were defined: reference market, attractiveness, willingness to

pay, distribution and at the end the market relevance as such. The results show that for eight products market relevance is high (53.3%), for all the other it is considered low (46.7%). If we consider, that specificity reflects the objective difference between the product and its substitutes, we found out that only four of 15 studied products (26.7%) can be considered as specific, based on their characteristics, perceived quality, technological factors and denomination and are as such perceived by the consumer. For only two of them market relevance was determined as high (i.e. Idrijski žlikrofi and Prekmurska gibanica).

Second group of indicators relates to motivation of companies, where the importance is mainly linked to the existence of an initiator within a group of producers, operators' motivation, pressure of product substitutes and misuse of product name. We realized that although initiators exist practically within all the producers groups (indicator is defined as pronounced (40.0%) or as more pronounced (60.0%)), operators' motivation is not extremely pronounced. Pressure of substitutes is extremely pronounced in three cases (20.0%) and pronounced (or not present) in eight cases (53.3%). We can also conclude that misuses of name are not shown to be of great concern, as they were only pronounced (66.7%) or more pronounced (33.3%).

Within the third group of indicators, which relates to the coordination on product management we defined three indicators: collective quality management, producers' group presence or company without external assistance presence. Collective quality management was extremely pronounced in case of 10 products (66.7%). Within 15 products studied producers group exist in practically all cases (86.7%), except 2 (13.3%), where only one company produces the respective product (i.e. Piranska sol and Dolenjski sadjevec). At the end of this first part of the study collective marketing management was determined as inflexible (20.0%), neutral (33.3%) or efficient (46.7%).

Figure 2 shows calculated success for all the 15 SFP systems studied. Total score was achieved by multiplying four indicators (urgency, specificity, relevance, coordination and cooperation) as described in the Methodology part of the paper, divided by four. We concluded that there are only two products which are reaching extreme success, namely Prekmurska gibanica (layer pie from Prekmurje) and Idrijski žlikrofi (dumplings from Idrija), both with traditional specialty guaranteed designation. These are two products, which are considered to be specific enough to be perceived as different by the consumer, where different technology is used in the production and

where the designation used is significantly different from the name of the conventional product. For both of them market relevance was defined to be high, while motivation of producers involved more pronounced. The big difference between the two products was found out to be in the collective marketing management, where in the case of Prekmurska gibanica was defined as efficient, while in the case of Idrijski žlikrofi inflexible.

We started the Delphi study by obtaining an extensive range of information obtained during individual interviews with producer groups' representatives, who were related to their experiences, expectancies and readiness to stay involved in the SFP system. Within 15 production systems studied, seven of them are PDO (46.7%), five are PGI (33.3%) and three are TSG (20%). By differentiating them by food category, the range of products is large, with meat products being in the foreground (33.3%), followed by vegetable oil and honey (13.3% each) and one product from the following categories: pasta, eggs, fine bakery product, cheese, salt and spirit drink (6.7% each). Within the three main organizational models of producers group that can be depositors for SFP protection ("association", "society" and "economic interest association"), "society" is the prevailing organizational model (40%), followed by "economic interest association" (26.7%), "association" (20%), while in two cases only one company is producing a specific SFP. Linked to this data we were also interested in number of members, involved in each producers group and beside two cases already mentioned, the number vary from three to 61 members. A strong variation was also discovered when analysing the type and size of members. In six cases (40%) there is one company of different size (SME, big) being a leading producer, where in

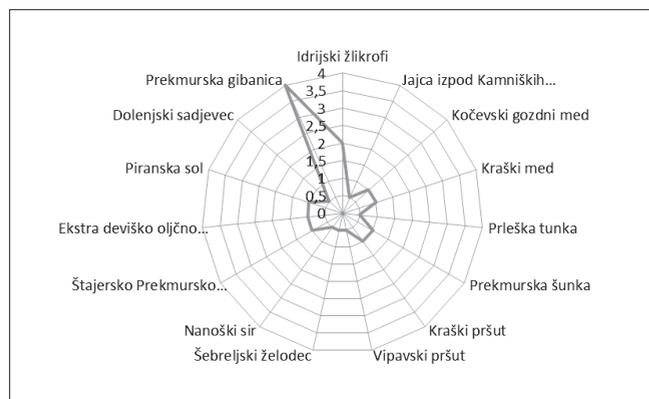


Fig. 2. Calculated success for 15 Slovenian SFP systems

the production several other co-operators and/or farmers with long production tradition are involved. In other SFP systems the production is being performed either within agricultural tourisms or by individual businessmen or the production is linked to individual supplementary activity as well as basic agricultural activity. Four main characteristics of SFP products studied are shown on Figure 3.

Several critical points in the production system were mentioned, mainly regarding certification process and its costs, promotion and sale. When asking about organizational model weaknesses, participants had quite the same opinion, that different interests of all involved were the main problem with individual interests prevailing and no interests for joint promotion. Although several problems and weaknesses mentioned during individual interviews, we can conclude that 66.7% of all participants had the opinion that there is a strong wish and need to persevere, but with some changes urgently needed, involving the government support and changes of national quality policy. An important part of the interview was dedicated to producers' opinion about products promotion, plans, as well as consumers' and governmental role in the SFP system. These issues were extensively discussed during the group discussion too.

Thus, a systematic overview of results was needed to enable us to prepare conclusions as main point for group discussion. "File rouge" of group discussion was the question "Can EU quality schemes be an appropriate strategy for Slovenian food and agricultural companies' development". In general producers suggested that better knowledge and education about the SFP is needed. What we realized is that Slovenian SFP products are not specific enough, because consumer does not recognize them as different from the other conventional products. One pos-

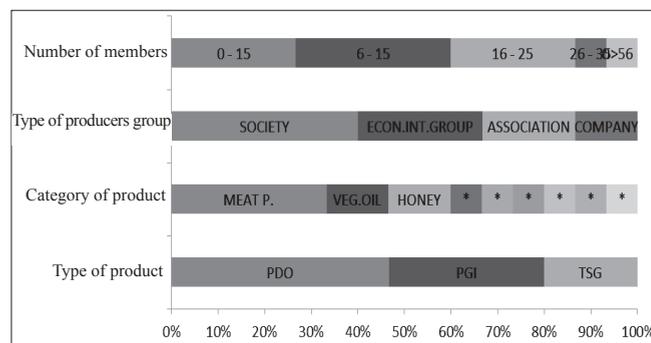


Fig. 3. Main characteristics of SFP systems studied (*same percentage (6.7%) for pasta, eggs, fine bakery product, cheese, salt, spirit drink)

sible reason for this situation can be found in the market as these products are sold in bigger retailers shops on the same shelves as other products for mass consumption. On the other hand, Slovenian SFPs are sold regionally. Only for some most known products with much longer selling tradition is spread all over the country (e.g. Kraški pršut, Nanoški sir). Reason for this is inefficient distribution system, which is not in favour of the consumer demand. For the purpose of relevant market identification preceding market analysis were performed by several producers groups or individual food companies. Most of Slovenian producers involved in the SFP system are aware e.g. that relevant market for meat products of special quality can not only be the meat market but also catering market, market for products bought by holidaymakers, tourism market etc. And although being aware of this, it is not yet functioning in practice. Secondly, consumers that are ready to pay more for quality products are still limited to a small and defined group, which should be expanded in the future through successful collective promotion and marketing strategy realization.

What we also realised during the group discussion was, that the initial motivation within producers groups is slowly disappearing, mainly because there is a lack of general involvement of all key actors in the SFP systems (consumers, retailers, institutions, beside producers). In some cases product management is working greatly and collaboration between all members is perceived to be on high level, while in general members of producers group are working collectively only apparently but not in practice. They still did not reach the main aim of collective activities, not only regarding the product but also regarding marketing management. Cooperation does not always benefit everyone involved in the system this is maybe why now "individual interest is coming first" logic is still spread among producers groups. Cooperation works in some cases as producer and tries to involve also their suppliers by giving them some financial or other type of stimulation (milk sector, meat sector). During the study we also got the impression that producers expect big results to happen over night, while only few of them are aware that it is a long-term process and that they can expect first positive economic results only after 5-7 years.

Delphi study results can be summarized in six main statements, which were generally confirmed by participants (66.7%), with some additional comments in case of two statements. The first statement, which was confirmed by all participants, is that *"Involvement of a big food/agricultural company in quality schemes system is invest-*

ment for the future, creation of company's image and a good completion of products assortment." The second statement is about the governmental role in supporting the quality schemes system. Participants agreed, *"Government has to continue to offer support by setting appropriate measures, subventions for integration, enable better collaboration between producers of special quality products and by setting institutional environment which is "producers friendly"*. A final statement about the suitable communication strategy was confirmed, as *"Added value of SFP has to be communicated to the final consumer. The communication has to be constantly, as well as education about quality schemes advantages"*. One of the main conclusions relates to how to improve the current situation. In this case, participants were concordant with the statement *"Solutions to improve the current situation can be found in coordinated participation, joined promotion and possible specialization of activities"*. The producers' opinion about the production of specialty food products was not confirmed by all of them. To the final statement *"Production of SFP has to be industrially. Only in this way the product is standardized, while the quality and safety are constantly."*, there was an additional comment that as also small producers have to meet all the requirements about hygienic-technical standards, the production of SFPs has to be possible also among very small producers. At the end we were interested in the final statement about the main question of group discussion *"Can EU quality schemes be an appropriate strategy for Slovenian food and agricultural companies' development?"* Participants partially agreed with the statement *"Quality schemes are appropriate development strategy only for small producers, as bigger food companies are involved in production of safe conventional food"*. An additional comment was expressed that both small and big producers have to be involved in the production of SFP. The role of bigger producers in the SFP systems is to assure quantities of production and financial support to the group of producers as a whole.

Conclusions

Taking into account Regulation 510/2006 that explains and defines scope as well as objectives of the law of protection of special agricultural and food products, we can realize that not all expected effects have been achieved to present, at least not in Slovenia. We already listed main objectives of the regulations, but not their expected effects. It is written in the preamble that there is

a need in EU economy for diversification of agricultural production. Only in this way better balance between supply and demand on the markets can be achieved. However, while trying to achieve this diversification, producers can come across several obstacles that are the reason for their withdrawal from the SFP system (e.g. difficult process of certification, too much bureaucracy required, financial burdens, insufficient and ineffective government support, retailer's lack of interest etc.). Although there are some products with potential for diversification, market efficiency does not show this. On the other hand, both specificity and typicity can be achieved by collective collaboration of all producers involved in a specific system.

Problems in implementing main regulations, listed by Barjolle and Sylvander (2002), such as examination and application preparation, PDO/PGI product certification, controls and sanctions, as well as consumer information and promotion can be easily spread to all EU countries. While their study focus on seven countries (France, Greece, Italy, Netherlands, United Kingdom, Spain and Switzerland), these is confirmed to be a fact also in Slovenia. However, we should not be limited to problems related to legislation; there is a deeper question that has to be exposed: are Slovenian specialty food products specific enough to be a lever for differentiation on the market? This can be discussed product by product, but in general, we can conclude that both of the criteria are not fulfilled, so the answer is negative.

In the frame of our study we analyzed several Slovenian production systems of agricultural and food products of special quality. What we found out is that business environment is very complicated and demanding. SFP system is still in the middle of the beginner phase and it is certainly not developed to the extent of some other European countries with longer tradition. We can conclude that, for the moment economic importance of this system is very small. What can strongly influence the success of special quality schemes from economic effects point of view is the type of producer group organization. Based on results we obtained in the study we can say that the three existing models in Slovenia are not appropriate for achieving expected results in production, promotion, as well as marketing. Horizontal relations, which exist between all producers involved (Reviron and Tseelei, 2008), have main importance when discussing the efficiency of PDO/PGI supply chains and SFP system as a whole. Organizational culture on the industry level refers to sharing worth and believes, which define company's way of business operation. What we can conclude is that on national

level these relations are too weak as strategic group is not that important as it is an individual producer. As main motives for establishing a special group of producers, non-economic factors were mostly mentioned e.g. tradition preservation, uniform the recipe, obtaining a special indication etc. Economic factors were not explicitly mentioned, this is why we concluded that an important deficiency exists which is the absence of clear business aims on the producers' side. Therefore, smaller chances for long-term development and questionable efficacy of public policies are a fact. There is a need in Slovenia for typical group of small producers, known in France as "fil-rière" to be established. They produce the same product and their competitive advantage derives just from horizontal coordination between producers. Thus, there is a need to strengthen already existing relationship between key actors, involved in SFP systems, which can positively influence the group motivation and coordination.

Tendency towards individualism as well as lack of collaboration certainly derive from the fact that coordination, at least for the moment, does not bring any distinctive benefits. When the system will be operative in all segments and when special indications will assure competitive advantage through a good perception by consumers, a better collaboration and collective activities among producers can also be expected. This is especially needed when talking about promotion. At the moment producers run individual promotion activities. Their opinion is that a common promotion strategy of all protected products is urgently needed on national level. They expect a strong support by the government, although experiences are not satisfying, when attempts of joined national promotion of all SFP, organized and financially supported by the Ministry of Agriculture, Forestry and Food cannot certainly be described as successful. Our conclusion is that before intensifying promotional activities some main attributes have to be defined, first so that individual producers group can use them as part of their own activities. What can also be a big concern is that, although producers are ready to persevere in the quality system but at the same time, they do not have any plan of practical activities for the future. This shows a weak development atmosphere inside producers groups. Among more active producers some attempts were mentioned (increase the product quantities and/or product price), some of them are also thinking about selling their special products outside Slovenia, but this was not really a common vision.

We already mentioned the importance of institutional support in relation to internal organization. By insti-

tution, we relate to Slovenian Ministry of Agriculture, Forestry and Food. We cannot certainly range Slovenia within the group of “southern countries” like Italy, Spain or Greece, with an operative legislation put in place far before Regulation 2081/92. Their regional and national authorities have given loyal support to designation reservation activities, which was expressed in several forms financial assistance, advisory boards, financial support for individual companies or producers groups as applicants for protection (Barjolle and Sylvander, 2002). In Slovenia we can say that although it is even written in legislation that government has to support special producers groups involved in SFP system (Agriculture Act, 2008), in practice its form of support (e.g. non-returnable financial support) is unsuitable for producers. Calls for applications are time consuming, documentation needed too complicated and extensive, while calls requests are often too strict and illogical so that producers refuse to participate. Their argument is that it’s not worthy for the small amount of financial support offered. What they expect from the government is its support by setting appropriate measures, subventions for integration to enable better collaboration between producers of special quality products and by setting institutional environment, which is “producers-friendly”.

Although there are too many problems producers are facing now, they are optimistic and ready to continue this way, but without networking and collaboration with other key actors in the system it will be impossible to survive. One of our main and important suggestions is that there is a strong need for a special agency to be established to run specific activities, which are important from collective actions point of view. This agency has to work as a company and not as a non-profit organization, while its main aim should be activities specialization, such as collective promotion of all SFP, as only in this way individual interest can be overgrown. Slovenia can be compared to all other EU member states, which are known through their traditional food products, but with non-that long tradition as “southern countries” have. For this paper purposes Great Britain can be taken as a good example regarding promotion of development and growth of national food and drink. In 1983, a special agency was established in this country, named Food from Britain (FFB). What the Agency does is recognizing that these producers may not have resources or skills to develop their products and find outlets in national and international markets (Ilbery and Kneafsey, 2000). Main aims of the Agency are to act as a “marriage broker” between SFP producers and nation-

al retail and catering groups, to ensure a high profile for specialty producers at national and international trade exhibitions, to develop export markets for Britain’s SFP, where appropriate, champion individual company development and manage public relations activities and events to raise the profile of the industry and create an identity for Britain’s SFP.

By establishing such an agency in Slovenia, which can act broader than only promoting SFP but the completely Slovenian food industry, better results in marketing, system efficacy and market position can be expected. Now recognition of labels is not admirable, but it can and it should be improved in the future. Consumers’ recognition is not as expected, which is a result of insufficient and ineffective promotion and marketing and because producers prefer to promote their labels first and not collective labels, even in promotion materials prepared by producers group. This concept will have to be exchanged with the “collectivity” concept of all activities. It is known that because of higher price, these products are not affordable for broader groups of consumers, but there is a need for education and promotion, where all key actors have to be involved. On the other side, retailers’ recognition is even more important than maybe in other countries. Some of producers, in general smaller, mentioned that SFP have not to be sold inside supermarkets, but in small-specialized shops. On the other side, bigger producers recognize retailers’ role although now it seems that they are not interested in the SFP system. This is the reason why retailers-government relationship has to be established or improved.

Better knowledge about the SFP as well as education is needed. Collective activities can be a good way for achieving this, but all of key actors have to be involved. Producers need to give more importance to the production and technological part of the “product-oriented” and “process-oriented” quality, while others (consumers, retailers, institutions) have to collaborate in improving “consumer-oriented quality”. These can be reached through the labelling system and obligatory use of special indications, which is by law expected to enhance the credibility of the SFP in the consumer’s eyes. Uniform approach can ensure fair competition between producers of products bearing such indications, but the national experience is that producers are not really inclined to use these indications. Collective promotion of all SFP could be a solution to bring products closer to all interested parties, to improve their recognition and to support their existence.

In the Green paper, EU poses some main questions, through which we realized EU and other member states (mostly “southern”) seem to be some steps before Slovenia. By saying this we mean that Slovenia as a “new-born” EU member state is still trying to establish and implement the basic legislation and to put it in practice, while EU is already thinking about further system development outside EU. Main focus is given on the use of alternative instruments, such as trademark protection, difficulties that users of geographical indications face when trying to ensure protection in countries outside EU, most effective way of protection of geographical indications in third countries, difficulties in advertising PGI/PDO ingredients used in processed products/prepared foods, simplification and harmonization of the three EU systems for protection of geographical indications etc. What Slovenia needs at the moment is to find answer how to improve current situation and how to stimulate collective collaboration and coordination within producers group, how to efficiently involve all key actors in the SFP system, how to improve market efficiency on national level, how to make possible sell of national SFP in neighbouring countries etc. As too many technical questions are still being opened and too many practical issues still to be solved, we need to think about national strategy first.

The study shows that in Slovenia biggest part of producers is not sufficiently market oriented. Even producers that are certified are not using these special indications as lever for differentiation. This is also influenced by low recognition and perception among consumers and so lower effectiveness is reasonably expected. More attention should be given to educate producers on the business area where biggest deficit was perceived. Economic environment for SFP producers is extremely dynamic and demands a lot of knowledge as well as competences. It will be important in the future to stimulate organizational dynamics, which can represent an important barrier for development. Producer’s market orientation will have to be stimulated by promotional campaign, oriented to raise consumer’s and producer’s awareness of SFP added value. Long-term effects can only be assured if activities on all levels will be adjusted, coordinated and mutual recognized by all key actors involved in the system.

In Slovenia SFP policy is in a critical development phase, this is why detailed clarification of special quality attributes is urgently needed. Understanding of this should be uniformed among producers (producers groups) as well as among policymakers. A consensus will enable aims harmonization and prevent unfounded expectations

of all involved. Because of its main characteristics SFP policy is above all an economic policy, these is why economic elements should be taken into account when planning it. Specialty food products are part of every national nutrition market and as such, they share big part of economic environment factors of conventional food industry. However, it is undisputable that at the same time they have several specific characteristics, which define competitive advantages for producers. Specificity is therefore a difficult task, as it has to be perceived by consumers and not only by them.

Acknowledgements

This study was financially supported through the project “Market potentials and perceived value of special quality agricultural and food products”, project No V4-0329. We gratefully acknowledge financial support of Ministry of Agriculture, Forestry and Food of Slovenia and Slovenian Research Agency.

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Received February, 22, 2012; accepted for printing September, 2, 2012.