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## **Quality certification for traditional products: a comparison between ISO and EU systems**

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## **Quality certification for traditional products: a comparison between ISO and EU systems**

### **ABSTRACT**

*Systems of DPO and PGI certification have been devised in an attempt to protect traditional food products of the EU from encroachment by industrial methods of production which would endanger their specific identity and potentially detach it from the local context.*

*ISO certification, on the other hand, provides guarantees to the consumer about the quality of the process of production.*

*Both systems require appropriate in-firm organisation, with consequent costs; both provide a positive element for marketing campaigns.*

*With reference to cases of specific traditional products in the Lazio region, a comparison is made between the costs and benefits deriving from each system as regards, in particular, efficiency in management organisation and effectiveness in marketing strategies.*

### **1. INTRODUCTION**

It is well known that small and medium enterprises (SMEs) play an important role in the European food industry; it is widely recognised, moreover, that in contrast with larger firms which defend and improve their market positions by using trademarks and investing heavily in advertising, these smaller firms must turn to less costly means of sales promotion, and amongst these, quality certification provides an effective alternative [4], [15].

The EU has implicitly recognised this fact and in coincidence with the measures accompanying the reform of the Common Agricultural Policy and the entry into force of the Single European Market, introduced Regulations for recognition of food quality valid at European level (Regulations 2081/92 and 2082/92). These Regulations reflected and built on procedures which had previously been introduced in member countries and applied at

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national level. In particular, the EU Regulations concern guarantees of quality linked to the territorial origin of the produce (Protected Denomination of Origin and Protected Geographical Indication, to be referred to collectively as denomination of origin, DO, in what follows).

Nevertheless, considering the variety of interpretations of the concept of quality [2] is not surprising to find that other methods of quality certification exist. Of particular interest as a system of international certification is that practised with reference to the norms of the International Standards Organisation (ISO).

The aim of this paper is to examine and compare, with reference to some case studies, the advantages of the ISO and DO systems of quality certification. It begins by outlining the aims and advantages of each system and the procedures foreseen for their implementation at firm level. This is followed by a chronicle of events relating to the experience of three firms in Central Italy attempting to obtain certification. The effects of the procedures on firm organisation and efficiency will be briefly described and in the Conclusions some suggestions will be made as to steps to be taken in order to achieve more effectively the objectives foreseen particularly for the EU methods of certification.

## **2. THE AIMS AND ADVANTAGES OF EU CERTIFICATION OF QUALITY**

As stated in the preface to the text of Regulation 2081/92, the motives justifying DO certification of quality are multiple: the perceived necessity of diversification of agricultural production; the opportunities for income and employment in disadvantaged areas offered by quality agro-food production; the demand of consumers for quality food; the need for conveying to consumers correct information on the origin of food products; the need for uniformity in labelling regulations throughout the Union.

But as has also been noted, DO certification potentially offers other advantages: it counteracts what has been seen as a decline in the quality of agricultural production following the reform of the CAP by giving a quality signal, by promoting collaboration in the filieres concerned and by decreasing the cost of vertical co-ordination [15] it furnishes a powerful and inexpensive tool with which to counter the high advertising expenditures of the multinational enterprises (MNEs) [17] with the additional advantage that the single firm enjoys a return, equivalent to the value of reputation, the cost of which is to a large extent borne by the institutions guaranteeing quality [3].

In the view of the author, however, another very important potential advantage, which has probably been under-stated in the literature, is the opportunity of maintaining links with the territory in a way in which, in the past, has not been possible.

In fact, with the increasing internationalisation of eating habits, foods which were previously known in limited, local markets, are now "known" in many other parts of the world. The "knowledge", however, may refer to the genuine product or, instead, simply to its name, with or without a precise idea of the geographical origin of the food, and its original attributes. In some respects, we are confronted with a new version of the "identity" problem at the basis of legislation on food labelling [13].

In addition, brand names previously associated with precise areas of production, have been acquired by multinational firms; thus products bearing these brand names may be manufactured in areas of the world completely different from where the name originated,

### *Quality certification for traditional products: a comparison between ISO and EU systems*

whilst at the same time maintaining the prestige associated with that area. The success of this marketing tactic obviously depends on the lack of information on the part of consumers in the extended geographical markets.

A visit to a food store in Northern Europe or in North America will reveal the availability of products with labels reminiscent of products originating in certain areas from which their excellence derived; but there is often no guarantee, however, even to the discerning consumer of their exact origin.

This type of occurrence clearly indicates the urgent need for greater transparency in food labelling: it damages the consumer by providing misleading information; it damages the agro-food industries in the areas from which the product originated, by creating a false image and by subtracting potential income and employment.

A correct implementation of the provisions of Regulation 2081/92 would avoid this type of situation; moreover, provided no further time is lost, the provisions of the EU Regulation will also be supported at international level by the TRIPS Agreement of the Uruguay Round. If, however, there are further delays, there is a risk that it may be claimed that the denominations have become generic terms and therefore can no longer be defended as denominations of territorial origin.

### **3. THE AIMS AND ADVANTAGES OF CERTIFICATION UNDER NORMS OF THE INTERNATIONAL STANDARDS ORGANISATION**

The norms which are considered here are those of the series ISO 9000. They are based on a definition of quality defined as the set of characteristics of a product or a service which satisfy the requirements of the client; they are interpreted by the firm in technical specifications.

In fact, they guarantee the quality of the system used by the firm to manufacture a product with the characteristics required by the market.

They can be utilised as a guide for management and quality certification in the firm; as reference in contracts between clients and suppliers; as reference for selecting suppliers, both by private and by public buyers; and as reference for certifying quality systems of firms by an independent body, which is entitled to emit a numbered certificate, with international validity, guaranteeing that the firm in question has a quality system complying with ISO norms.

Within the reference framework of ISO 9004-1, a firm may choose between three ISO norms according to the type of quality certification required: ISO 9001 refers to certification of quality in planning, developing, manufacturing, installing and servicing; ISO 9002 refers to manufacturing, installing and servicing; ISO 9003 refers to quality in tests, checks and final approval.

## **4. PROCEDURES FOR IMPLEMENTING SYSTEMS OF CERTIFICATION**

### **4.1 Procedures for EU systems of certifying quality based on geographical origin**

Procedures for obtaining Denomination of Protected Origin (DPO) and Protected Geographical Indication (PGI) certification are governed by Regulations 2081/92 and 2037/93.

They can be summarised briefly into five essential phases: the drafting and approval at national level of the *disciplinaire*, which governs production methods in conformity with the requirements of the Regulation; submission of the application, of which the *disciplinaire* represents the crucial element, by the competent national authority to the Commission for approval; acceptance, modification or rejection by the Commission, assisted by a Committee on which member states are represented; publication on the Official Journal of the EU and finally, if no valid objections are raised within six months of the publication, insertion on the Register of DPO and PGI products.

The Regulation 2081/92 also foresees that member states will, by 1998, institute structures for checking compliance of producers with the *disciplinaire* within six months of its publication. These structures must conform with EN 45011 standards by 1998. (article 10).

The iter is long, and its completion requires co-ordination between many protagonists.

### **4.2 Procedures for certification following ISO norms**

In contrast, although the series of ISO 9000 norms is apparently complex, the procedures to be followed for ISO certification are relatively simple.

With the aid of a suitably qualified consultant, a firm will select the specific norm to be followed. A manual will be drawn up, specific to the activities of the single firm; the firm will adapt its daily routines to the specifications of the manual, after which, it will obtain certification from an authorised certifying institute. Once the certification is obtained, the firm will be subject to unannounced periodic inspections by the certifying authority. Certification is given for a limited time period. Moreover, the norms on which certification is based are also subject to periodic revision.

## **5. EXPERIENCES IN IMPLEMENTING PROCEDURES FOR CERTIFICATION**

Two of the cases reported in this section refer to attempts to obtain certification of denomination of origin and a the third refers to certification in conformity with ISO 9002.

### **5.1 Olio extra-vergine Sabina**

The tradition of producing olive oil in the Sabina area of Central Italy is known to date back at least as far as the seventh century before Christ. The sensory characteristics of the oil are of undisputed merit.

### *Quality certification for traditional products: a comparison between ISO and EU systems*

Producers wished to obtain certification of origin in order to protect the traditional quality of the oil and in order to avoid declassification of the name of the oil by merchants who used it for mixing with other qualities of oil with characteristics not corresponding to those of the genuine product.

Following the introduction of EU Regulation 2568/91 concerning the characteristics of different types of olive oil and its incorporation into Italian Law 169/92 which established procedures for national certification of origin of virgin and extra virgin olive oil, there was little difficulty, and a waiting period of only eight months between the presentation of the request by the Consortium of producers and the recognition of national certification of origin, "DOC", for Sabina extra virgin olive oil. This was granted on 20th June 1995.

Meanwhile, the request for recognition of Denomination of Protected Origin for the Sabina oil had been included in the first tranche of requests to Brussels, to be submitted by the deadline of January 1995.

Whereas it had been relatively simple to obtain national recognition as DOC, however, it became extremely difficult to make use of the denomination: recognition laid on producers the obligation to register their olive groves on specific forms which had to be supplied by the administration of the Regional Government; quantities of olives produced each season (November to January, approximately) are to be declared and checked by the local Chamber of Commerce; the oil presses must then request laboratory and panel tests for the oil before bottling it and using the DOC denomination.

In the 1995-96 production year, recognition arrived in June; the forms necessary for registering the olive groves arrived in October and it was quite impossible for producers to complete the bureaucratic procedures (also in coincidence with the harvesting and pressing season) in time to make use of the denomination that year.

Hopes were greater, however, for the 1996 - 97 season. Moreover on 1st July 1996, the Commission authorised the use of Denomination of Protected Origin to the Sabina producers of extra virgin olive oil. Thus, apparently, the Consortium had obtained two recognitions of denomination of origin.

The six month period foreseen by the Regulation between the publication of the approval on the Official Gazette of the EU and registration of the DPO, however, terminated on 1st January 1997. Meanwhile, notwithstanding article 17 of Reg. 2081/92 which provides for the continued application of national certification until registration of Community ones, producers were advised that the DOC could not be used whilst the DPO was awaiting registration.

Two further seasons have passed, therefore, during which it has been impossible firmly to establish the precise origin of Sabina extra virgin olive oil.

Meanwhile, sales of olive oil which use a term evocating Sabina olive oil have continued.

## **5.2 Pane di Genzano**

Genzano is a village near Rome, well known not only for its bread and bakery products but also for its wine; it is a pole of attraction for tourism, particularly weekend tourism, which supports a flourishing catering industry.

In the village economy, bread making directly provides employment for about 200 people, as well as indirectly stimulating income and employment in the timber cutting

sector on account of the use of wood-fired ovens. It has been estimated [10] that the value of production of bread in Genzano amounts to about 2 billion lire (slightly more than 2 million ECU).

The main market, apart from the local market, is Rome, although more distant markets in Florence have been reached. Competition is always present, however, from products with lower costs and prices, using both artisan and industrial methods of production as well as from specialist bread from other villages in the Region of Lazio.

The certified identity of Genzano bread would therefore be an advantage both to the village producers, helping them to preserve the traditional techniques and obtain a price sufficient to cover higher costs of production; and to the village economy as a whole, complementing the other products and services on which the favourable image of the village is built and through which it attracts customers both for tourism and for food products.

In fact, the Consortium of bakers which was set up to obtain a national collective trade mark had very few problems in achieving its objectives in 1989. The same Consortium requested a Protected Geographical Indication in 1994, a request which was included in the first group of applications received by the Commission by the January 1995 deadline. It was the only one for bread. So far, however, the application has not been favourably received.

Meanwhile, however, the problems encountered by members of the Consortium are probably emblematic of the difficulties arising in certifying traditional local products.

Firstly, there were problems in drawing up the discipline: should the use of flour of non-national origin be permitted? should wood fired ovens, with higher running costs than their more modern substitutes be obligatory? should dough be rolled by hand, or could less labour-intensive machine rolling be admitted? All these questions, evidently, related to costs of production and the decisions affected the interests of the individual members of the Consortium according to the system of production chosen.

Secondly, members of the Consortium were subject to price competition at village level by bakers not adhering to the Consortium and one was obliged to resign in order to affront the price competition of a geographically well positioned competitor who undercut him.

Thirdly, since there is no well defined system for identifying the bread of the Consortium, the consumer has no way of knowing whether what is sold as "pane di Genzano" is a genuine product or not: in fact, in supermarkets one finds "bread of the type Genzano...." which at least is more explicit than the casual labels found in more traditional retail shops but does not guarantee that it is from the ovens of the members of the Consortium.

Finally, noticing the growing, if fuzzy awareness on the part of the consumer, other villages are attempting to assert the identity of their own bread, creating more explicit varietal competition for Genzano bread.

### **5.3 Olio Trevi**

Olio Trevi is sold by a limited company, situated in Umbria, another zone of Italy renowned for its high quality olive oil. It procures oil from a co-operative of olive growers and carries out the operations of stocking, filtering, mixing, bottling and marketing the oil.



### *Quality certification for traditional products: a comparison between ISO and EU systems*

The company decided to obtain quality certification in order to penetrate new markets and to improve the internal organisation of the firm; it chose certification referring to ISO 9002.

Once the mechanism was set under way, with the help of a management consultant, a period of 7 months was required in order to bring about the necessary adjustments in the organisation of the company and obtain certification. This was granted in October 1995, and the company in question is the first in the world in the sector of olive oil to have obtained ISO certification. The first certification lasts for two years; during that time, the firm is subject to unannounced inspections on the part of the certifying body, and the Quality Manual, on which the system is based, is also subject to review every 6 months.

The greatest problem encountered by the firm in adapting for certification was reported as that of convincing staff personnel of its utility and training them to implement the modifications necessary.

These included the setting up of a system of documentation for each area of activity: supplies, research and development, production, storage, promotion and sales. In particular, a precise definition of responsibilities was introduced, as were systems for verifying client satisfaction as well as reliability of suppliers; checks were introduced for assuring the correct conditions for storing oil, in particular, temperature and cleanliness of premises; procedures for processing and executing orders were formalised as well as one for re-examining contracts.

Resistance to these novelties on the part of staff was, however, overcome once they realised the advantages of well defined work tasks, responsibilities and procedures.

Although all this has been achieved and duly certified through an internationally accepted system, the firm in question has been warned not to include on the label of the packaging of the oil any reference to the ISO certification.

The precise grounds for this caution are not clear.

Legal regulations exist concerning, from a positive point of view, what can be included in labelling on olive oil, and these do not include evidence of certification of origin.

On the other hand, conflicting evidence stems from another sector of the agro-food industry: one company selling mineral water with reference to ISO 9002 certification on the label experienced the withdrawal from commerce of all its stocks, on the grounds that this constituted "misleading advertising" (the consumer could be misled into believing that the product was certified and not the process of production); whereas another company marketing mineral water has been able to maintain undisturbed the reference to ISO 9002 certification on the label.

Clearly, in this ambiguous situation, a small company would be unwise to undertake the legal risk of confiscation and possibly unable or unwilling to undertake the cost in terms of time and money to obtain expert legal advice.

## **6. INTERACTION BETWEEN EU AND ISO METHODS OF CERTIFICATION AND THE ORGANISATIONAL EFFICIENCY OF FIRMS**

From what has so far been said, it emerges that the EU and ISO methods of quality certification pursue different objectives. The latter aims at a systemic approach, and is

designed to be universally applied. The former is designed exclusively for the agro-food sector, and aims at guaranteeing the sensory qualities of the product which are linked with its geographical origin.

Such sensory qualities are objectively more difficult to certify. As has been pointed out, in the agro-food sphere, traditional quality is often more the result of having taken advantage of the opportunities offered by the environment than one of deliberate planning. Moreover, differences in products result from applying the same techniques to intrinsically different natural factors [9].

Nevertheless, the two systems are complementary rather than competitive or contradictory. They do, however, have very different implications for the efficiency of firm organisation.

ISO certification imposes a precise system for achieving a quality product, in contrast with what could perhaps be termed as principles for production which are included in disciplinares for EU certification. It requires documentation of every phase in the process, and this, in turn, permits defects to be identified and their causes traced, thus recuperating costs.

In contrast, for EU certification supervisory procedures are not specified, and depend, often, on visual inspection, randomly exercised by the firm manager, a more risky procedure, however competent he may be.

As regards marketing, the procedures for receiving and executing orders are explicated for ISO certification, and customer satisfaction is pursued through obligatory re-examination of contracts. ISO certification is widely used internationally and greatly eases the entry of a firm into a new market. Instead, EU certification facilitates the entry of a firm into new markets, but imposes no specific procedures for dealing with customers either at firm level or at the level of producer group. In fact, very few Consortia have exploited to the full this potential, and go along with outdated, less effective marketing procedures.

## **7. CONCLUSIONS**

More recent interpretations of the scope of industrial policy have seen it as that where the state will use its coercive power not for selective intervention, but rather to establish and confer credibility on institutional arrangements which enable economic agents to coordinate [12].

Both methods of quality certification for food products outlined in this paper comply with this interpretation, the ISO perhaps more so than the EU system; both provide valid instruments for sales promotion and the improvement of market position of small and medium sized enterprises.

Nevertheless, in order to make them more effective, further steps must be taken.

In particular, greater transparency is required (in Italy and probably elsewhere) in legislation relating to food labelling. It has been seen that even when a valid certification process has been completed, its utility to the small firm is undermined by the impossibility or risk involved in using the quality denomination on food labels. The consumer is thus deprived of information

Instead, in other areas of the EU and the rest of the world, food is marketed under labels which imply a territorial origin of product where, in fact, it is missing: a clear reference to

the zone of origin of food products can be omitted. Information for consumers is certainly incomplete and could probably be termed misleading.

Secondly, every effort should be made on the part of Community and of national authorities to speed up the process of granting recognition of territorial origin. During the period of waiting for official recognition of a denomination, imitators have an opportunity of distorting the image of the product to be certified thus rendering recognition less effective than it might have been when finally it is achieved. In both cases of DO certification examined here this has happened.

But perhaps more importantly, if the period of waiting is prolonged, there is a danger that the denomination to be certified may be adopted by large industrial processors who will subsequently attempt to establish it as a "generic" denomination and thus exclude it from certification at European level as well as from protection outside Europe under the Agreement on Trade Related Agreements of International Property Rights (TRIPS).

Even though the effect may not reach this extreme, delays allow industrial competitors to gain a time advantage in the market and establish their positions before the producer with certified denomination can assert his presence. This may well have been the situation in the case of delays in confirming the right of the two certified extra-virgin olive oils considered in section 5 to display the certification on labels. They most probably favoured the multinational groups strongly present in the market for olive oil during a period when retail sales were expanding both in home and in export markets.

A further subject in which facilitating action on the part of governments and/or the Community is required is that of compatibility between regulations governing competition and provisions for DO certification.

The, albeit limited, evidence presented here suggests that quality certification through ISO is quicker and less complicated to achieve than that through EU Denomination of origin. It is also more effective in improving firm efficiency.

Nevertheless, DO certification, though more difficult to implement, is an objective to be pursued with rigour, if it is intended to conserve the heritage of traditional foods and the economic opportunities they offer. Industrial imitation is already an imposing reality, and there is some scepticism as to whether DO certification is sustainable in the long run [14]. The challenge remains, and it seems necessary to emphasise that if it is successfully met, the result will be positive for the consumer, with enhancement of his range of choice, rather than negative for large industrial producers whose field of action is elsewhere, and in any case, in expansion.

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