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Quality institutions and the organization of market exchange in agro-food sectors. Property rights, standard setting strategies and regulation

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The role of quality standards in the development of market exchange is today well established and informed by theoretical and historical studies (North, Weingast, Milgrom, 1990, Greif, 1994). Beyond the neoclassical model of market pricing and quality signalling through price mechanisms, the question of institutions defining and enforcing quality standards or norms is a key issue for the performance of market exchange and production. Even further, North (1981, 1990) made institutions the determinant of economic performance and relative prices change the source of institutional change.

In this communication, we are analysing, based on an extension of the analytical framework proposed by Yoram Barzel (1982, 1998, 2004), the evolution of quality institutions and conventions in agro-food markets build up since the beginning of the XXth century in the French context. The development of specific institutional arrangements, like “Appellations d’origine” (especially applied to wines like Champagne, Bordeaux,...), but also others systems like “label rouge”, organic production,... is today well known. As well, Many European countries are now extending the implementation of quality assurance schemes and guidelines for Good Agricultural Practices (GAP) or on “integrated farming systems” at the farm level in order to provide higher guarantees to their customer or as well to improve environmental management. Initially, these GAP guidelines were not supposed to serve as a support for labelling strategies and consumer information. These new labelling devices have been considered by some farmers as an alternative to the development of *organic production*, while at the same time promoting more environmental friendly agricultural practices. What are the respective benefits or costs of *de facto* and *de jure* standardization strategies? Should they work as complementary or competing systems? Is the legal framework defined for at the european level replicable in the case of “integrated agriculture”? Contrasting with others studies focusing on consumer perception of environmental attributes and their willingness to pay, the analysis emphasizes here the organizational and regulatory implications of alternatives firm’s strategies developed to introduce new labelling devices in the absence of a European regulation or standardization process at the international level.

Following new institutional economics analytical framework, the design of quality institutions is influencing the costs of measuring valuable attributes of what is being exchanged and the costs of protecting rights and policing and enforcing agreements. Our central hypothesis is

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that there is an interdependence (based on an alignment hypothesis) between the nature of quality attributes that are controlled and the type of institutional arrangements needed to reduce the level of measurement and enforcement costs.

Our analysis identifies then possible reconciliation between new institutional economics (Barzel 1982, 2004) and recent developments in socio-economics (Whyte, 2002, Callon 2000) and socio-anthropology (Mary Douglass, Hutchins, 1995) on the role of categorizations and cognitive processes involved in the evaluation of quality. As suggested by Harrison Whyte (2002), “the issue is not rationality but how to construe information and signalling, notably for example, with respect to meanings and measure of quality (p.297).

Empirical data are based on a comparative analysis of the strategies developed by some retailer’s associations to define their own standards², here the EUREP’GAP system, and alternative solution like the one adopted in France through the regulatory framework surrounding the concept of *Agriculture Raisonnée* (Paillotin, 2000). While clear, concise labels could possibly be designed to address problems of asymmetric or imperfect information, the design of cost-effective quality inspection and certification systems is a central issue to these alternatives standards setting strategies.

Références : Mazé A. (2005) Economie de la qualité : théorie des coûts de transaction versus économie des conventions ?, *Economie Appliquée*, (sous presse)

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