

Session: 5602 - Trade and new technologies

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OLIVE OIL TRACEABILITY, MARKETS AND SMALL FIRMS

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The background of the slide is a photograph of a large, leafy tree in a grassy field under a clear blue sky. The tree is the central focus, with its branches spreading out. The ground is covered in green grass, and there's a slight shadow cast by the tree. The overall scene is bright and natural.

OBJECTIVE

- To evaluate how social responsible agro-industry firms are concerned with respect to the quality of their product traceability; and how the new Corporate Social Responsible (CSR) firm has spatial implications in this new way of producing

- To discuss how the value added-chain producing high-standards of food products has to crop out to demonstrate corporate social responsibility, not only with its traceability line but also with potential health impact to clients



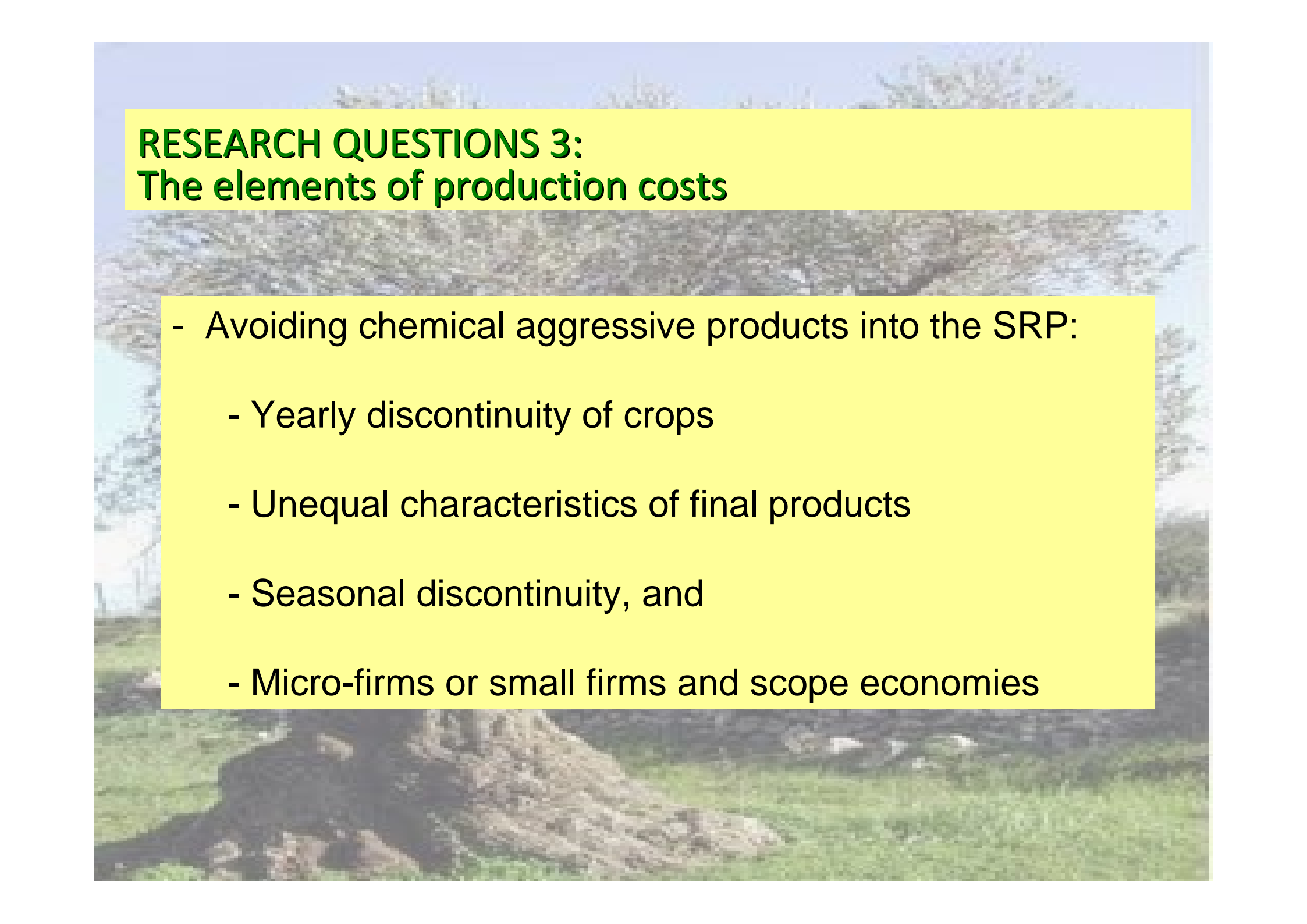
RESEARCH QUESTIONS 1: SRP, assumptions

- Market and high quality products --- Social Responsible Products (SRP)
- Product traceability
- SRP and potential health gaining for clients

RESEARCH QUESTIONS 2:

Costs of production, good practices in production

- Traceability of the production chain: each step of production must be socially responsible
- High quality agro-industry products have higher cost of production, which is and it will be reflected in the final price of the product
- The clients



RESEARCH QUESTIONS 3: The elements of production costs

- Avoiding chemical aggressive products into the SRP:
 - Yearly discontinuity of crops
 - Unequal characteristics of final products
 - Seasonal discontinuity, and
 - Micro-firms or small firms and scope economies

RESEARCH QUESTIONS 4: Firms's capacity to sell SRP

Firm's capacity to sell high quality products will depend on the convincing strategies of the firm to the clients. If a firm is successful, then it will increase its:

- Competitive advantage
- Increasing returns of scale, and
- Market share of the firm

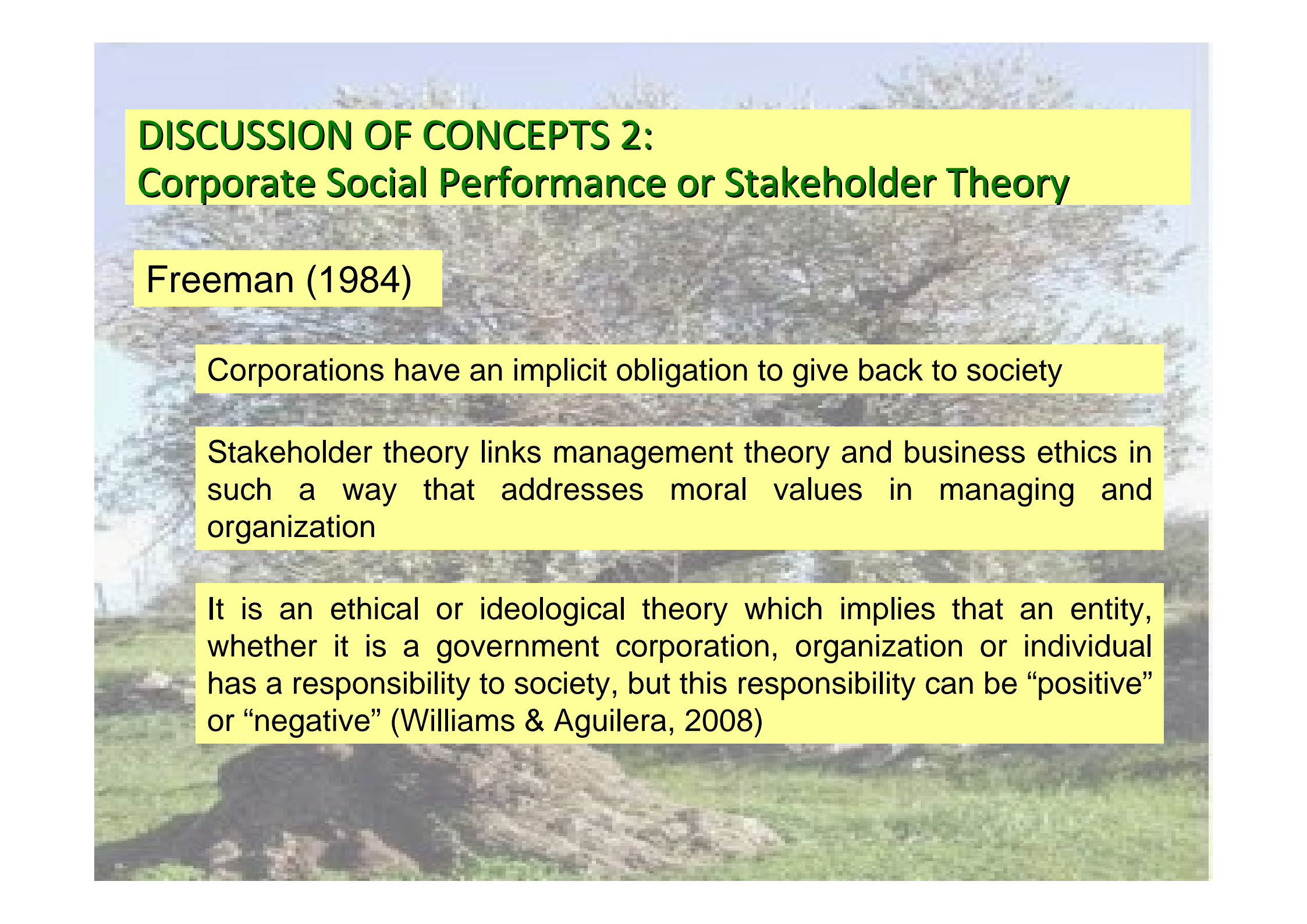
DISCUSSION OF CONCEPTS 1: Social Responsibility

Friedman (1970)

Individuals can be sociable responsible, not firms or managers

One way for a firm to be social responsible: to increase profits and refrain from engaging in deception and fraud. In firm's profit maximization, firm is social responsible (it is efficient (for firm and society))

The responsibility of corporations is "to conduct the business in accord with [shareholders'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."



DISCUSSION OF CONCEPTS 2: Corporate Social Performance or Stakeholder Theory

Freeman (1984)

Corporations have an implicit obligation to give back to society

Stakeholder theory links management theory and business ethics in such a way that addresses moral values in managing and organization

It is an ethical or ideological theory which implies that an entity, whether it is a government corporation, organization or individual has a responsibility to society, but this responsibility can be “positive” or “negative” (Williams & Aguilera, 2008)

DISCUSSION OF CONCEPTS 3: Corporate Social Responsibility


Baron & Diermeier (2007)

Market competition includes non-market strategies

Formal and informal norms and regulations which vary from country to country affect market competition. Informal norms like “public sentiment” and “ethical consensus” are “tacit behavioral norms”

Forms of private non-market competition —————> reputation management/self regulation/Integration of private and public nonmarket strategies and CSR affect the level of success of a given firm

Private non-market competition strategies, which are tacit elements, are based **on building firm's reputation**, which at the same time are **structural norms based on firm's quality of inputs and control traceability of added-value-chain**

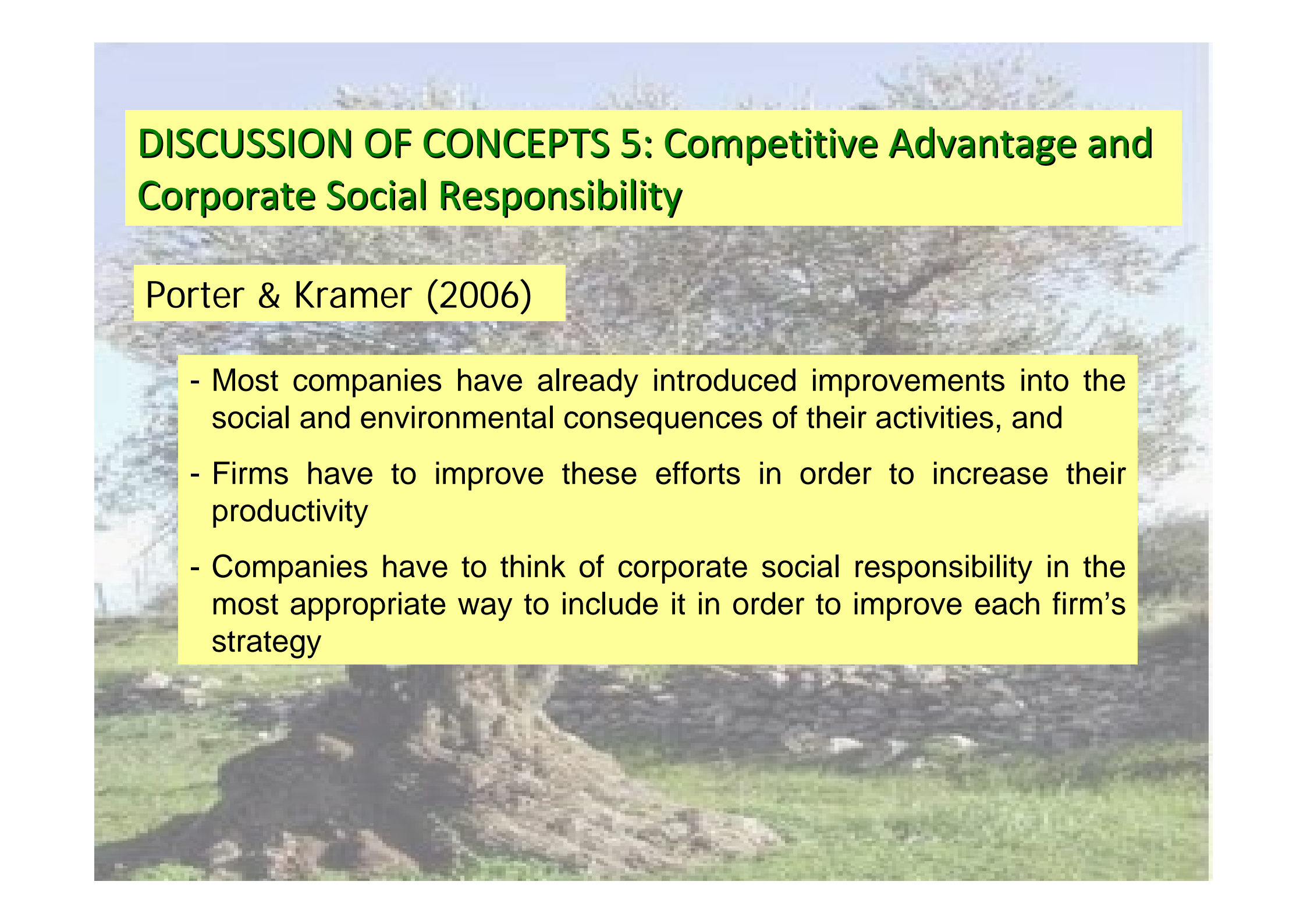


DISCUSSION OF CONCEPTS 4: Corporate Social Responsibility and non-market strategies

These links to the strategy of CSR firms, which in fact is based in proving and assessing the clients both:

- the quality of the final product and
- in the CSR good practices which would improve the level of health in population

We argue that a new paradigm of CSR firms appear in the market offering environmental friendly products



DISCUSSION OF CONCEPTS 5: Competitive Advantage and Corporate Social Responsibility

Porter & Kramer (2006)

- Most companies have already introduced improvements into the social and environmental consequences of their activities, and
- Firms have to improve these efforts in order to increase their productivity
- Companies have to think of corporate social responsibility in the most appropriate way to include it in order to improve each firm's strategy

OUR LINE OF DEBATE 1: A demand side-oriented push

We conceptualize this change as an increase of society consciousness about moral obligation and sustainability, as well as cumulative causation of “natural” products to population health. For instance a shock by demand in the supply side, made firms to reconsider their way to control the production chain in order to improve final quality product

In the twenty-one century demand side-oriented push based in “organic-cultured-demand” has changed the way of consumption towards to buy “natural” products or “organic” products

Firms have to respond to this new demand, offering client-organic-oriented products, in which firms have to take actions in order to make sociably responsible decisions during the production process to generate organic products

This process increases cost of production and final price

OUR LINE OF DEBATE 2:

Environmental friendly products and reputation of a firm

Firms start to restructure or new firms appear in the market offering environmental friendly products

Conceptually, a new system of production seems to be built incorporating sustainability in all parts of the production chain

What do we mean by sustainability or by “natural” or by “organic”?

- A lot of discussion is done in sustainability that relates this line of thought.
- Most of the social disciplines approach to this line of thought from various perspectives and addressing to different issues and levels of corporation, and institutions; but
- Not so much at the level of small or micro-firm

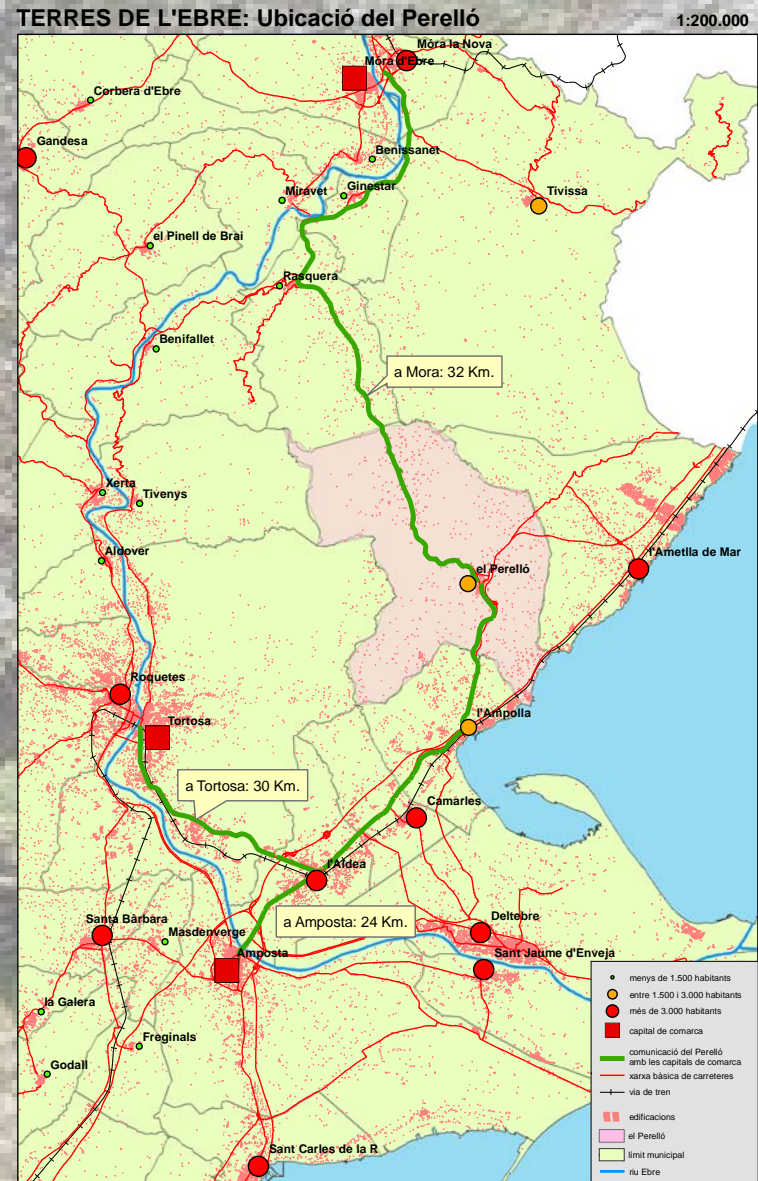
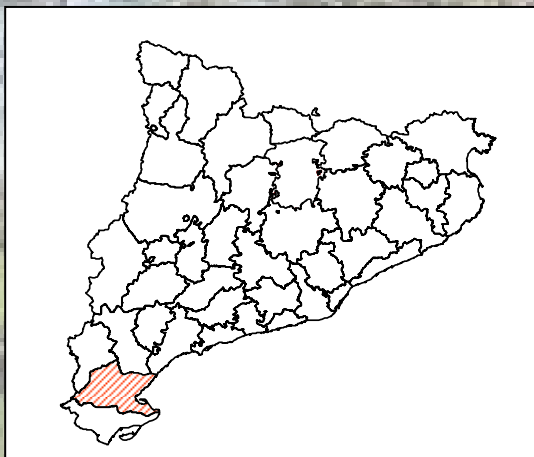
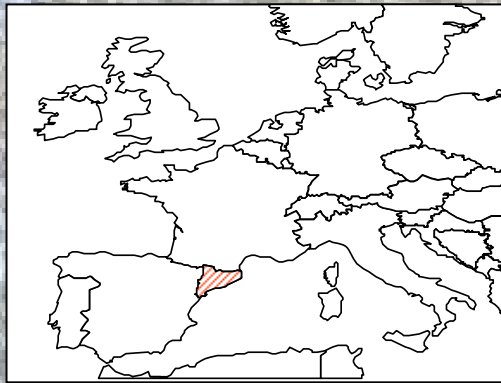
OUR LINE OF DEBATE 3: Environmental friendly products and reputation of a firm

Corporations and firms have to make a turn, in order to respond to demand. But also have to construct their **reputation**

How?

- **Giving signals** of sociality friendly voluntary donations, or
- Creating new lines of products “organically” sustainable in response to social pressure, and
- Then, **demonstrating their reputation** to demand by advertising their good practices in the production line

STUDY CASE: EL PERELLÓ (BAIX EBRE)



STUDY CASE: Entrepreneurs approach

“I do grow olives without any chemicals fertilizers; the issue here is when you take the harvest production to the cold press mill, and the producer before you has brought his production to the mill and he used these chemical products... Can I further say that my olive oil is organically grown?”

“Also, what about neighborhood effects? I do not use chemical fertilizers; but my farm neighbor does. It is a very windy region and wind could carry non-desirable fertilization to my trees”

“When rainy water runs to my field also carries not-wanted products which are absorbed by my “organic trees” How can I claim then organically grown harvest?”

OVERARCHING QUESTIONS

- How do producers have to incorporate sustainability in all parts of production chain?
- How do value-added chain has to adapt to new firm structure?
- What do we mean by sustainability or by “natural” or by “organic”?
- What do corporations turn to respond to demand?
- How they construct their reputation?
- How they create new lines of products “organically” and sustainable in response to social pressure?
- ...

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Thank you

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