
True Differentiation:

*Producing, Certifying, & Communicating for
Diverse Consumers*

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Consumer Demand is Diversifying

Intrinsic Quality Attributes

1. Food Safety

e.g., foodborne pathogens, pesticide residues

2. Nutrition

3. Sensory/Organoleptic

e.g., taste and tenderness, color

4. Value/Function

e.g., compositional integrity

5. Process

e.g., animal welfare, organic, use of GMOs, fair trade, natural, sustainability

This Demand is Part of the Overall Market for Product Quality

- Private incentives to produce food quality
 - Market failures in the production and marketing of food quality
 - Largely stemming from imperfect information
 - Search, experience, and credence attributes
 - Addressed by public policy
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Agricultural & Food: Companies & Supply Chains

- Place increasing emphasis on differentiation
 - Producing quality
 - Certifying quality
 - Communicating quality
 - Through
 - Meeting consumer demand
 - Shaping consumer demand
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Agricultural & Food: Companies & Supply Chains

- Respond to and seek to influence public policy that affects:
 - Producing quality
 - Certifying quality
 - Communicating quality
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The Quality Assurance Hierarchy is Key in this Environment

- Standard setting mechanism
 - Quality attribute(s) targeted
 - Certification
 - Standard enforcement based on conformance to the standard
 - Quality signaling to communicate the product meets the standard
 - Certificates in supply chain channels
 - Labeling to consumers
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Certification System Ownership

Type	Standard Owner	Type of Certification Bodies	Consumer Labeling (If Done)
I	Private, 1 st or 2 nd Party	1 st or 2 nd Party	Voluntary
II	Private, Collective 3 rd Party	1 st or 2 nd Party	Voluntary
III	Private, Collective 3 rd Party	3 rd Party	Voluntary
IV	Independent 3 rd Party	3 rd Party	Voluntary
V	Government	Government or 3 rd Party	Voluntary
VI	Government	Government	Mandatory

1st Party=Product Seller, 2nd Party=Product Buyer, 3rd Party=Not Buyer, Seller, or Government

Major Questions Facing Agricultural & Food Companies & Supply Chains

- What is true differentiation?
 - What supports it?
 - How much of differentiation is:
 - Responsive to consumer demand for underlying quality attributes?
 - Altering only presentation of products?
 - How good is quality assurance and certification?
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Interaction of Demand & Public Policy

- Nutrition Quality & Labeling
 - Process Quality & Labeling
 - Food Safety Quality & Labeling
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Interaction of Demand & Public Policy

- Nutrition Quality & Labeling

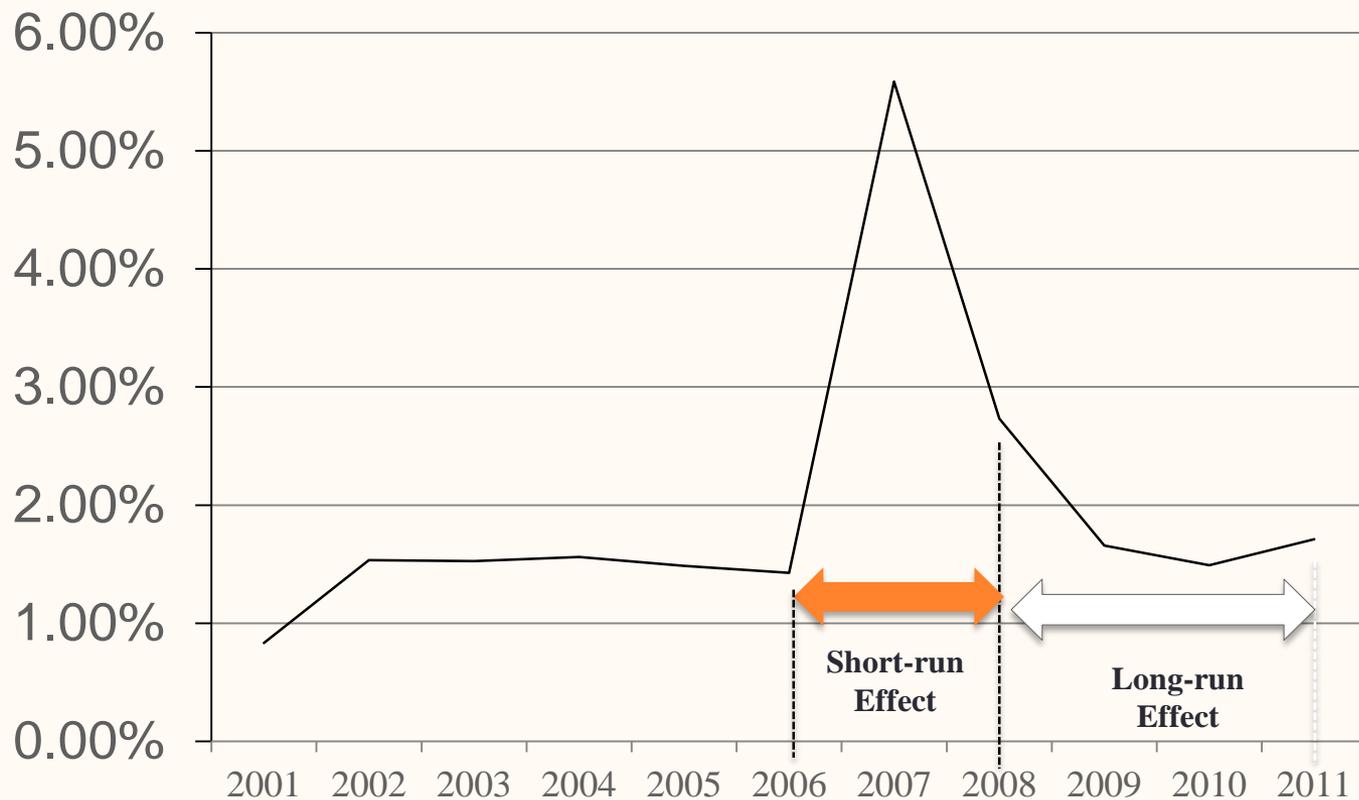




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Example:

Annual Average Per Household Purchase % of
Margarine/Spreads with Trans Fat Free Claims



Interaction of Demand & Public Policy

- Process Quality & Labeling
 - Sustainability
 - Genetic Modification
 - COOL
 - Animal welfare
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GOT A BIG ONE!

UNSUSTAINABLE FISHING

THE NONE
THAT GOT AWAY.-

TOLLS

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Example:

How Well Does Certification Work? Eco-Labeling of Fisheries

- Marine Stewardship Council



- Friend of the Sea





green
tea



30% Certified Tea

Interaction of Demand & Public Policy

- Food Safety Quality & Labeling



Example:

U.S. Food Safety Modernization Act

- Produce Safety Rule
 - First extensive on-farm regulation by FDA
 - Preventive Controls for Human Food Rule
 - New requirements for hazard analysis and risk-based preventive controls
 - Revisions to existing Current Good Manufacturing Practice (GMP) requirements
 - Import Rule & Accreditation of Third-Party Auditors
 - Importer accountability – Foreign Supplier Verification Program
 - Third party certification
 - High risk foods
 - Voluntary Qualified Importer Program
 - Authority to deny entry
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