Labels of Origin for Food

Local Development, Global Recognition

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Local Development, Global Recognition

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Introduction

Bertil Sylvander and Elizabeth Barham

A Little History

The majority of the authors of this book belong to a European scholarly network closely connected with the *Société française d'économie rurale* (the French Society for Rural Economy) and were brought together by a seminar on quality issues in agro-food systems in 1999 (Lagrange, 1999). They have worked individually on many projects at the national level within their home countries, and as a group they have worked together on projects at the scale of the European Union (EU). Bertil Sylvander, co-editor of this volume, led the first EU project, 'PDO-PGI: Markets, Supply Chains and Institutions', from 1996 to 1999. The project explored products covered by the EU designations of **Protected Designation of Origin** (PDO) (also known as Protected Denomination of Origin under particular country programmes of **protection**) and **Protected Geographical Indication** (PGI).[1] Results of this joint research first appeared in publications following seminars of the European Association of Agricultural Economists in 1997 (Arfini and Mora, 1998) and in 1999 (Sylvander *et al*., 2000).

A second EU-funded project with broader ambitions was then launched, also under the direction of Bertil Sylvander: this was the DOLPHINS (Development of Origin Labelled Products, Innovation and Sustainability) project (2000–2004). DOLPHINS developed analyses of the organization and management of supply chains for **geographical indications** (GIs), and examined how they were protected by public policies in various EU member countries and how these protection policies might be harmonized. The project also explored the position of the EU approach to GIs in the larger arena of international trade negotiations. EU funding for this project allowed for non-EU associated researchers to be included, which brought Elizabeth Barham (co-editor) into the group from the USA to add a 'New World' perspective (see Chapter 9). Alongside the increasing pace and scale of events related to the evolution of the World Trade Organization (WTO), research conducted by the DOLPHINS team helped deepen the network's shared understanding of the full reach of the issues associated with GIs.

While the present volume is largely the result of research conducted under the DOLPHINS project, the original group of scholars, along with some newcomers, continued to collaborate under a third EU-funded project known as SINER-GI (Strengthening of International Network Research on GIs (2005–2008), again coordinated by Bertil Sylvander. This project had the explicit goal of broadening the network of GI researchers and deepening their understanding of the global impacts of

GIs on **sustainability**. One consequence of this added reflection was the additional attention given to the impacts of GIs on developing countries. SINER-GI expanded the list of associated researchers from outside the EU, and added researchers from the EU working outside its territories, to strengthen its knowledge base concerning GIs in the developing world. The work of the SINER-GI team can be felt here, particularly in Chapter 10. For the consolidated results of all three projects, including project details, a listing of the partners and a full bibliography of the work conducted, see the consolidated website: www.origin-food.org.

In their efforts to account for the diversity of GIs and their treatment around the world, the team of researchers represented here has been engaged with an aspect of international trade that is particularly telling in terms of the effects of globalization. Because GIs come to symbolize actual places, studying them takes on some of the challenges faced by regional studies more generally – in particular, the need for a more holistic approach to grasp the full situation in any one case. What might have seemed a fairly narrow topic at first glance is ultimately seen to be quite vast, encompassing all aspects of what is sometimes referred to as commodity chain analysis, and going beyond that to issues of marketing and global trade channels, territorial relations, rural tourism and **rural development**, agricultural policy, environmental impacts and the legal issues associated with intellectual property. And these are only the more practical or material aspects of the topic. Add questions about local culture and heritage, regional identity and pride, and the deeper sociological changes taking place as societies modernize, and a fuller picture of the fascinating topic of GIs begins to emerge. As becomes clear later in this introduction – in the discussion about what is at stake with GIs – countries which are signatory to the WTO must consider their position on a wide range of issues in order to find their position on GIs. In so doing, they are brought to examine more closely what they may stand to win or lose, depending on the route they choose to take. With this in mind, this book is ultimately offered to policy makers, researchers, producers and citizens of the world to help them better grasp the implications of the choices at hand.

The Basic Legal Context

An orientation to GIs begins with the 'Agreement on Trade-Related Aspects of **Intellectual Property Rights**' (TRIPS Agreement), which was signed in 1994 as part of the Marrakesh Agreement. Within the TRIPS Agreement, Articles 22, 23 and 24 deal with the protection of GIs. The TRIPS Agreement was both the culmination of a lengthy series of trade talks and the starting point for tough negotiations as part of the Millennium Round. As Chapter 2 relates, the Agreement has a long history. The 1883 Paris Convention for the Protection of Industrial Property was the first multilateral agreement to include source within the scope of intellectual property. Article 10 bis considers misleading indications of source as acts of unfair competition. The Madrid Agreement Concerning the International Registration of Marks (concluded in 1891 as part of the Paris Convention and included in it when it was revised in 1925) was intended to repress fraud in the **market** and introduced a difference between 'false' and 'deceptive' indications of source of goods. A deceptive indication may be the true name of the place of origin of a product but is, none the less, misleading in that it uses the reputation of a widely known GI for a completely different type of product, or it uses a homonym (which includes the use in the New World of geographical names 'imported' from Europe by emigrants). However, indications of source are considered solely in commercial terms and are not taken to imply any defined, **specific qualities**.

The *Codex Alimentarius* apart, various sector-oriented international organizations take a more-or-less direct interest in protecting GIs; these include the International Wine Office (OIV), founded in 1924, and the International Olive Oil Council (IOOC), formed in 1959. While GIs were merely peripheral to the first general agreements, the eight signatory states of the 1951 Stresa Convention for cheese **appellations of origin**

established the highest level of protection for Gorgonzola, Parmigiano Reggiano, Pecorino Romano and Roquefort. In contrast, other cheese denominations (including Camembert, Edam, Emmental and Gruyère) are still considered **generic** in that their use need comply only with the **standard** managed by the *Codex Alimentarius*.

The Lisbon Agreement governs the international registration of appellations of origin. Signed in 1958, it counts a mere 26 signatory states. The register of appellations of origin, which must by definition be recognized and protected in their home country, is administered by the World Intellectual Property Organization (WIPO). Confronted with the lack of success of the Lisbon Arrangement, the WIPO sought in vain in the 1970s and 1980s to put together a major international treaty on appellations of origin by taking on board the concerns of developing countries about protecting their heritage, and about the cost of registration and **inspection** procedures (WIPO, 2001). Alongside the general agreements, GIs were protected by bilateral or **regional** treaties. Such treaties proliferated in the 1960s and 1970s in response to the stalling of the WIPO's projects.

With the creation of the WTO in 1994, the issue of international protection of GIs was taken up again in a global perspective through the TRIPS Agreement. The portion of the Agreement dealing with GIs is the fruit of hard negotiating among countries that do not share common views about the exact nature of the property rights that inhere in those products. It reflects much compromise as well as the putting aside of some differences for future resolution. Article 22.1, the basic article governing GIs within the TRIPS Agreement, states:

> Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a **region** or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

While the TRIPS Agreement recognizes the existence of GIs in Article 22, it leaves it to the complainants who feel that their product name/s have been abused or usurped to prove that consumers have been misled. However, in Article 23, the Agreement goes on to establish a higher, *ex officio*, level of **recognition** and protection for wines and spirits which does not require the complainant to prove any harm. The EU and other countries have proposed extending more effective *ex officio* protection to GIs other than wines and spirits through the establishment of a mandatory international GI register. The USA and other countries have resisted. The bitterness of struggles over 'extension' (as it is referred to) of higher level ex officio protection to all GI products via a register at the international level are representative of the overall acerbic tone that marks talks on the GI issue at the WTO today.

As the TRIPS Agreement begins to concretize the status of more than a century of discussions and disagreements over GIs, it brings into sharper focus the opposing stances of WTO member countries. These opposing stances reflect the very great variety of situations that GIs may relate to depending on type of goods, commercial stakes, producer countries and the size of firms and involvement of those firms in the world market. Discussions over GIs have been taken up throughout the Millennium Round (or Doha Cycle) of negotiations, beginning at the Doha ministerial conference (9–14 November 2001) and continuing at the Cancun (10–14 September 2003) and Hong-Kong (13–18 December 2005) conferences. But on the specific question of GIs, as well as on many of the general problems pertaining to liberalization, these discussions have so far proved partial failures (see Chapters 2 and 8). Underneath these failures lie profound differences among member countries in terms of their history and cultures – differences that influence their present-day positions on GIs.

In Europe, GIs refer to very old usage and were the earliest identifiers used in trading wine and olive oil in the Mediterranean region in ancient times (see Chapter 1). Today, they are associated for Europeans with a concept of agriculture as more of a **public good** drawing on a specific cultural heritage, and as **instruments** of rural development

policy, and not merely as market-product designators such as brand names. Europe has pushed discussion concerning GIs to the fore in each successive round of international negotiations in an attempt to communicate and validate this vision.

Many European countries have had national-level systems to register and protect GIs for decades. In more recent years, the widespread presence of these systems has given rise to community-level regulations to recognize and protect GIs. Both national and community-level recognition systems offer the same ex officio coverage to other agricultural products as they do to wines and spirits. This is why Europe is now calling for all GIs to be given ex officio protection equal to that accorded to wines and spirits, and for them to be listed on an authoritative international register. In support of this position, the EU argues that this would make the terms of competition clearer by preventing fraud, falsification and usurpation; consumers would be better informed and protected without necessarily having to resort to legal action; producer incomes would be enhanced through the association of their activity with a geographical area; natural resources would be properly conserved and managed; and collective property rights would be upheld.

In the New World countries, and particularly in the USA, GIs are construed more as brand names for products in the market; hence the tendency for these countries to want to protect them only where consumers are misled, a situation viewed as a limited matter to be resolved by a court of law in the country where the dispute arises (TRIPS Article 22). The arguments raised include: the right for immigrants to bring their culture with them and exploit the names of specific products; individual freedom as an economic principle; trademarks as the main strategic instrument of firms; the primacy of individual property rights over collective rights; access to development for developing countries; the role of the courts in conflict resolution; and unrestricted competition and rejection of state intervention.

Thus, there are countries that support European claims (gathering around Europe, together with Switzerland) and countries that oppose them (gathering basically around the USA and some members of the Cairns Group that view GIs as a form of protectionism), with a wide spectrum of views that fall somewhere between these two extremes and several nuances depending on the country (Chapter 2). Since 1994, under the TRIPS Agreement, all countries belonging to the WTO have had to pass legislation protecting GIs. Many developing countries have had to take a stance on the issue for the first time, with some finding advantages to the European approach and others joining the opposing camp (Chapter 10). As a result, there are currently several types of regulation, registration, inspection and dispute management instruments that have been developed in different countries for various products.[2]

Within this complex context, this book seeks to examine the role played by GIs in the globalization process from an impartial perspective, based on factual and scientific analysis of the phenomena involved. As most of the authors are European, a degree of sympathy for the European stance on GIs may be evident, but facts will be confronted squarely whenever the real EU situation fails to conform to the principles it espouses. To achieve this objective, the book rests on a corpus of work in the social sciences, and particularly in economics, having affinities with institutionalist or neo-institutionalist tenets. In terms of the field of study, the book is not bound by the world of GIs alone, but aims to show the various ways that they are a part of, and reflect, trends in the larger global agro-food economy.

Some Definitions

This detached starting point is perceptible in the definitions developed in this volume, which attempt to take into account the full reality of the products at stake (see Glossary). Although there is a legal definition of GIs, as just seen, economic realities are diverse and cannot be constrained by this definition alone. Accordingly, the book will refer to **origin products** (OPs) where it is necessary to

include products regardless of whether or not they are labelled or designated by an officially recognized GI. It is important to bear in mind that many origin products are not traded on markets under a geographical indication, and economic agents may well be unaware they are dealing with an origin product. The use of a geographical indication to indicate product origin is a step in the value-enhancement process and a result of the behaviour of local and non-local actors. As a consequence of their ties with a specific territory, origin products are characterized by one or more key factors, albeit to different degrees: (i) material characteristics making the product 'particular' (virtually no other products exhibit exactly the same characteristics); (ii) specific character of the resources used in the production process; (iii) product history and tradition, and connections with the history and tradition (know-how, traditional knowledge) of the inhabitants of the territory; and (iv) collective dimension (many actors involved) with shared local knowledge of production and consumption.

Origin products are designated differently from one country to another (i.e. typical products, regional food, traditional food, '**terroir**' products). Both differences in the meanings of the terms used for them and in country cultures lead to different weights being attributed to the factors above when defining a given product's connection with its territory.

Thus, 'origin product' is the broadest and most encompassing of the terms used in this book. It may relate to products that do not bear an explicit geographical name and to others that do, in which case we may speak of GIs, indications of source, or appellations of origin (see Table I.1).

For GIs, we refer to the 1994 TRIPS definition set out earlier in the introduction. The expression 'indication of source' is used on the basis of the 1891 Madrid Agreement (Article 1.1):

> Any expression or sign used to indicate that a product or a service originates in a country, region or a specific place, without any element of quality or reputation.

Lastly, the definition of appellations of origin is given in the 1883 Paris Convention and the 1958 Lisbon Agreement for the Protection of Appellations of Origin and their International Registration:

> [T]he geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.

To complete this overview of the concepts discussed at more length in the following chapters, GIs enjoying specific legal protection will be referred to here as protected GIs (PGIs) or recognized GI products. Legal protection is afforded to GIs by formal registration (e.g. European PDOs and PGIs) or by judicial decisions.

In European countries (mainly), protection and registration are obtained as the result of a process (described in Chapter 2) requiring that a connection be shown between a product's quality, characteristics or reputation and its geographical environment or source (see Table I.2). Studying this connection leads applicants, who must be organized collectively, to enhance the product's specific features based on naturally occurring conditions closely tied in with human know-how handed down by tradition.

Table I.1. Origin products (OPs) and their legal definitions.

Indication of source	Madrid Agreement (1891, Article 1.1), later incorporated into the Paris Convention 1883
Appellation of origin	Paris Convention and Lisbon Agreement (1958)
Geographical indication	TRIPS Agreement (1994)
Other origin products	May have country-level legal definition, or may be without legal definition

Table I.2. Regulations on geographical origin compared.

Context	Appellation of origin	Protected designation of origin	Protected geographical indication	Geographical indication
Legal text	Lisbon Agreement (1958), amended 28 September 1979	EU 2081/92, amended 5 October 2006	EU 2081/92, amended 5 October 2006	TRIPS (1994), Articles 22, 23, 24
Concept	The geographical name of a country, region, or locality, which serves to designate a product originating therein	The name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff	The name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff	Indications which identify a good as originating in the territory of a member, or a region or locality in that territory
Connection with region	The quality and characteristics of the product that are due exclusively or essentially to the geographical environment, including natural and human factors	The quality and characteristics of the product that are due exclusively or essentially to the geographical environment, including natural and human factors	A specific quality, reputation or other product characteristics attributable to that geographical origin	A given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin
Extent of connection with region	Production, processing and preparation take place in the defined geographical area of origin	Production, processing and preparation of the product take place in the defined geographical area	Production and/or processing and/or preparation of the product take place in the defined geographical area	Not specified
Collective application	Yes	Yes	Yes	No
Registration	Yes	Yes	Yes	No

What Is at Stake?

Why do the countries involved negotiate on GIs with such determination? Underlying each country's positions of principle, there are always specific products facing specific challenges that serve as a reference point for negotiators. Knowing some of these cases helps to clarify what negotiators are defending. For example, makers of a Canadian product labelled 'Parma Ham' who have registered a trademark for the product at the level of Canada think the Parma designation has become generic. They believe their product can be legitimately registered as a trademark in Canada because they do not believe it misleads consumers there, who are presumably unaware of the history and reputation associated with a ham by the same name originating in the Parma region of Italy.

The same arguments are raised by 'Parmigiano' producers in Australia or 'Feta' or 'Chablis' producers in the USA. Producers from the original region of origin argue, on the contrary, that these are usurpations as the products were historically first produced in their geographical home and had reputations built there over long periods of time, reputations that the usurping products are attempting to enjoy without the work of establishing the reputation themselves.

In the New World, to which immigrants brought their Old World products, cultures, traditions and, sometimes, even the names of their home towns, it is hard to see on what grounds this practice should be prohibited, particularly as the names in question were not registered as trademarks in their country of origin. Such producers are numerous everywhere and claim their rights. For example, it is estimated that more than 100,000 tonnes of cheese is made in the USA with names evoking European geography (including the famous Feta), and roughly 52% of sparkling white wines produced there still bear the name of Champagne, which is a protected GI in France and the EU. Lastly, for many producers in developing countries, protecting a product by a GI is one way of gaining access to the international market by differentiating their product from a standard one, which is far more vulnerable to fluctuations on the world market; Europe had already encountered problems with over-production of generic versions of a product, which was, in fact, one of the justifications used for establishing the first GIs there.

At the same time, the supporters of GIs, whoever they are, consider that the benefits of these OPs are public goods to be shared by those inhabiting the originating region. They think that the names of these products are a form of collective intellectual property, attached to the territory, and allowing entire regions that would otherwise be marginalized and economically weak to be maintained and even further developed, sometimes through tourism promoted on the basis of the fame of the OP. Some GI supporters give prominence to their links (claimed by the EU) to conservation of the environment and bio-diversity. Indeed, as GIs are the only form of intellectual property that makes explicit reference to territory or space, they have been identified as one means of making a connection between territory and the ownership of genetic resources (for example, by indigenous peoples), thus affording a means of protecting these 'owners' from genetic piracy within the territory, as royalties for the use of genetic material would presumably have to be paid.

As can be seen throughout this introduction, adherence to a form of GI protection is justified in various ways: market organization, segmentation to control supply, rural development or resource conservation (Sylvander *et al.*, 2006). At the same time, these different justifications raise the difficult issue of measuring the effects of GIs in the domains indicated and, more generally, of the contributions that GIs make to sustainable development (see Chapter 6).

The Aim of This Book

In view of the stakes outlined here, this book seeks to set GIs in the context of the overall development of today's economies and societies as marked by globalization and the interaction of cultures that this entails. GIs are products that are both very ancient in terms of their ancestral function and very modern in terms of what is at stake. As more is understood about them, it becomes clear that they raise profound and far-reaching questions about the nature, effects and requisite conditions of globalization. What actually is 'liberalism'? What kind of regulations will be required in the future to achieve it? How does an overall liberal market dynamic (with its market failures) square with the preservation and management of public goods? GIs provide a fine example of how economic development of the planet might be envisioned so that it takes account of this classic opposition and the complexity of the main issues involved.

GIs are part of the global economy and are firmly embedded in it. Therefore, the issue is just one of the many topics raised in

trade negotiations, alongside subsidies to farming in the developed world, trade barriers, etc. Since Marrakesh, the criteria for defining legitimate forms of support have changed. The red and orange boxes (categories used in WTO negotiations to designate, in short, direct subsidies) are considered prohibited and must be removed. Green box items (a category designating expenditures that are permissible in WTO negotiations because they support the environment) are allowed. The EU argues that the blue box (support for rural development) should also be allowed. This global approach points towards the potential emergence of a form of governance combining market organization and public concerns (such as the environment, biodiversity, rural development, animal welfare, etc.) with the neo-liberal framework where public and private management is closely combined.

The interweaving of issues and policies is a crucial point in itself. The negotiating arena has expanded over the last decade as matters that were formerly considered separate are now seen to be interconnected (e.g. Is the Common Agricultural Policy compatible with free trade? Should free trade agreements made at the international level supersede national-level laws and regulations? Is health policy compatible with economics? Are health barriers legitimate? Is culture an economic good like any other commodity?). Public policies connected with the foregoing issues can no longer be considered separately, making negotiations far more complicated than before. It can be argued, then, that the Millennium Round not only addresses the removal of trade barriers (as some negotiators would like it to do), but also involves how the world might plan for the road ahead and consciously follow particular directions to achieve balanced development in the future, a development that allows for sociopolitical blocks that differ in important ways to coexist without too many discrepancies or oppositions between sectors and countries. One assumption made here is that in the future we will see a trade economy increasingly structured by quality standards. These standards will be reached and managed through the cooperation of both public and private entities, a situation described by the term 'quality fora', which is explained and discussed in Chapter 8. Among the variety of such arrangements that can be expected to emerge, GIs provide a particularly interesting and forward-looking example.

A Note on Our Approach

This book has been written by a network of mostly European researchers engaged in studying GIs for nearly two decades. Interest in a topic cannot be sustained without some inclination towards it. However, as scientists, the authors intend to consider the subject matter of their research while maintaining a methodological distance. They do not set out to promote the idea of GIs, or to arbitrate among GI stakeholders. The issues at stake can provoke prejudice, caricature and truncated observations all round, and so the authors, who are of different nationalities and from different disciplines and institutional backgrounds, have taken pains to keep an open mind about the various explanatory models as well as to maintain a critical distance from their subject. As academics, they are accustomed to critical debate. Obviously, they do not see themselves in the position of promoting the transfer of the European model. Rather, they give themselves the academic freedom to consider how and under what conditions convergence around a global-level concept of GIs would be possible.

In the course of their work, the authors represented here have investigated many areas, including the economic actors involved in GIs (all along the supply chains from farmers to consumers), the economic sectors, markets, regions and products involved, and the historical features that account for the present situation. They have also done this from the viewpoint of various disciplines, including economics, geography, sociology, marketing and political science. They have demonstrated that it is impossible to refer to a single archetype to represent GIs because of their sheer diversity around the world. That diversity is structured by many factors,

including the wide variety of product types and their often striking uniqueness, and the wide variation in the scale of production, the length of the supply chain and the distance over which the products are traded, not to mention the forms of organization found in the chain and the different types of protection that the products obtain.

However, out of this great diversity emerges a picture of the GI economy firmly embedded in social structures that relate to systems governance of dynamics that are frequently in evolution. The need to invent structures for managing **codes of practice**, quality, markets, local networks and coordination between actors in networks both local and supra-local demands collective action (see Chapters 3 and 4). The nature of this collective action is influenced by the boundaries between individual/private management and societal demands, boundaries which are currently fluctuating. Moreover, the stakeholders (producers, processors, marketers, politicians, etc.) belong to social and political movements (such as the Slow Food movement) at local, regional, national and international levels which bring their own claims to bear on the food system.

After extensive consideration of European GI models in the context of the DOLPHINS project, the authors developed a set of six theoretical ideal types in an attempt to provide a conceptual organization for the diversity of GIs. The types are based on the synthesis of two essential dimensions: systems governance and systems dynamics. The resulting set of six types is represented in the case studies that appear at the end of the volume, and which are referred to throughout the chapters; a fuller description of the types and the case studies appear in Appendix I. These are intended to show both the diversity and the unity of the concept of GIs, at least in Europe. The governance dimension covers the way that these system types are managed, whether by vertical coordination through formal or informal contracts (sectorial governance), or by connections as part of local networks on a horizontal and cross-sector basis (territorial governance), or by independent firms or even by an individual firm (corporate governance). The dynamic dimension covers the length of time the systems have been operative, whether they are new (even if this involves a rediscovery of an old product) or long established. The combination of these two dimensions produces six archetypal cases of GI systems.

Organization of the Book

To be true to the project of covering GIs in their totality today, the book is divided into two parts. The first (Chapters 1–6) sets out the findings of a decade of research into GIs in Europe in the global context. This will enable readers: to pin down the 'origin of origin' as an instrument for identifying product quality in trade (Chapter 1); to resituate **recognition** of origin in the context of international negotiations and agreements (Chapter 2); to become more familiar with supply chains, their markets, their consumers and their diversity in Europe today (Chapter 3); to pinpoint how the need for collective action has engendered well-identified management models whose performance can be explained (Chapter 4); to understand how consumer recognition is both essential (for products that are not marketed in the classical way), diverse (because of the diversity of consumers) and sometimes difficult to achieve (Chapter 5); and to see the effects of GIs on rural development and the environment, validating the concept of a GI as a public good (Chapter 6).

The second part of the book is based on the existence of GIs as a sector in itself (validated, potentially at least, by the market and its **externalities**) in the context of globalization. This context, which is both complex and uncertain, is first presented in terms of the changing role of public policy involved, at least indirectly, with GIs and raises the question of their consistency for the present and for the future (Chapter 7). This is also addressed in Chapter 8, in terms of globalization itself in its various forms and its implications for a sector like GIs. In this respect, the neo-liberal context and the extension of the analysis to varied countries

(developing countries, non-European industrialized countries, EU new member states) will lead to diversification of GI models and GI systems, as Chapters 9 and 10 will begin to relate, although such description cannot yet be systematized. In any event, these phenomena will probably bring new forms of characterization which will probably help to structure GIs in the future.

Notes

[1] Bold text indicates first use of a term included in the Glossary. This convention is used in all chapters/case studies.

[2] The controversy is so heated, in fact, that some jurists representing developing countries have proposed a separate WIPO-led treaty negotiation with the goal of reaching an international agreement specifically regarding GIs (Nair and Kumar, 2005).

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1 Geographical Origin: A Complex Feature of Agro-food Products

Gilles Allaire, François Casabianca and Erik Thévenod-Mottet

Long before being recognized as **geographical indications** (GIs) in modern legal frameworks, place names enjoyed an extensive history in trade. Certain products were recognized as possessing *specific characteristic*s, and they were often, though not systematically, *designated by a geographical name* when sold in the **market**. This history stretches back to well before the industrialization period and continues in the modern and postmodern worlds, where food and diet are almost totally commercialized. Even when agricultural and craft productions were based mainly on local resources and techniques that varied within localities, a part of food products, both high-value products such as wines or spices and basic products such as salt or cod circulated in trade since early times. Phenomena that define **origin products** (also known as OPs) as a product class are thus not new. This is evidenced by the reputation associated with names and the associated temptation to usurpation, the discourses and public debates on the qualities of products, as well as the rules implemented to maintain these products and this class of products rules as enacted by rulers, states and international trade treaties. But how and why product origin matters in the processes of product qualification is still a question in economic and political debates. Today, local producers along with international processing and marketing firms are conveyers of origin products through the global market. Ways to valorize and regulate the origin of goods have evolved through different social, economic, administrative and legal frameworks over time. This chapter explores the source of the specificity of origin products, and the rationality and rationales of the management and regulation of their production and marketing.

The Origins of Origin

The idea of place-based products, recognized as such by consumers and traders for having **specific qualities** due to their geographical origin, is not new and many historical constituents of this practice are still active in our contemporary debates. Generally speaking, a product's origin has been viewed as expressing specific local resources and knowledge that are embodied in it, and this is still true today (Allaire and Wolf, 2004). Here we are dealing with both issues of fact – which types of goods take on such unique specificity, and with institutional issues – which types of origin product identifiers are utilized by marketers and consumers. Regulation of origin products and their identifiers dates from the enlargement of markets for these products. Each time trade extended its reach in previous historical

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

periods of development, regulations governing origin products were at stake. The contemporary period of globalization is no exception (Bingen and Busch, 2005).

Evidence from ancient history

The specificity of a product coming from a precise **region** may have resulted, in past centuries or decades, from innovation due to the environmental and economic constraints of remote and isolated communities as well as from the exploitation of local natural factors. For example, in many mountainous areas, making hard cheeses with long ageing was the way to preserve the summer production obtained in remote pastures. To some extent, any commodity has specific qualities related to the place where it has been produced, even industrial commodities. But for the origin of a product to matter, the product must have some recognized special quality or qualities. Generally, when origin matters for merchants and clients it is represented as an identifier of high quality level product. Origin products keep to their specificity if it is difficult or impossible to copy them in any other place owing to specific local assets, secrets of fabrication or legal protection. How these three factors (idiosyncratic speciality, quality reputation and design protection) influenced the existence and maintenance of origin products changed over time.

The regulation of indications of geographical origin began with wine trade, noted since the ancient Greek empire, and at different periods of time wine trade regulation was a basis for the establishment of dedicated legal systems and institutions for diverse GIs identifying food products (e.g. olive oils, cheeses). Not only is wine one of the agrofood products tradable in remote areas owing to the duration of its preservation, but wine also has a cultural status in relation to Greek and Roman civilizations, one that is reinforced by Christian culture. Wine itself is a special kind of product as a result of the variety of grapes selected by producers and the capacity of various grapes to express in the winemaking process differences in the soils and climates where they were grown. These specific attributes were developed and valued through centuries for cultural reasons, and the writings of the ancient authors reflect the special attention given to the diversity of wines. Public authorities cared very early on about regulating wine production and trade, wine being seen at times as a speculative activity in contrast to basic food production: in 50 BC, the Romans forbade the Gauls to grow wine grapes in order to enhance the value of Italian wines; in 92 AD, Domitius decided to pull half of the vineyards up in the Empire because wheat was lacking. The labelling of wines appeared even sooner; the Egyptians indicated the year and the origin of the grapes on amphora for the Pharaoh. The idea of delimiting vineyard parcels in relation to precise appellations was developed in the Middle Ages by wine producers, mainly those affiliated with religious institutions.

Designation of the products by the name of the region of production (or of the town which was their main market or their main processing place, as in the case of Roquefort cheese) was a way to provide information in trade relations among merchants or connoisseurs. In large modern public consumer markets, GIs often represent preserved and protected **codes of practice**, and are recognized as a means of quality differentiation in a market inundated by mass production. While many special types of products for which the origin was significant have disappeared (e.g. textile products), markets for origin products can still be an economic asset for **rural development** (see Chapter 6), both in developed countries which have supporting policies (see Chapter 7) and in developing countries, many of which are looking to create such policies (see Chapter 10; Reardon *et al*., 2001).

Geographical names at stake

As long as they were not consumed out of their region of origin, typical products were obviously not designated with a geographical name; as an example, it is only when it spread out of its domestic domain of Savoy in the

south-east of France that the cheese called 'Tomme' (a dialect word for a type of cheese, also used in the neighbouring parts of Italy and Switzerland) became 'Tomme de Savoie'. This illustrates the difficulties which often occur when analysing the territorial connection between the product and the geographical name (whether or not it is a GI in legal terms). Introducing, in addition, the different scale levels of geographical names – from a hillside to a whole country, from communities to a region – we see how this could be 'a debate about the function of language, about contrasting views about how language should be used and about the ownership of language' (Taubman, 2001).[1] These issues of designation take on more and more importance in relation to the increased labelling of goods and the diversity of choice provided to consumers throughout the world market. Problems over claiming a designation generally arise over locally typical products that have recently acceded to the market using a geographical name which fails to gain recognition. Most of the historically recognized origin products, which are generally the most widely traded, do not face this issue; rather, they face the issue of being frequently copied or imitated by other products.

Indicating the geographical origin may imply different types of informative elements. Some GIs are constituted only by a geographical name (Bordeaux wine, and Roquefort and L'Étivaz cheeses), whereas other GIs are constituted only by a non-geographical name referring to a geographical origin (as in the cheeses Fontina, Tête de Moine, Feta[2]). Some conflicts about the use of a geographical name can appear when a historic region of production and diffusion of an origin product is crossed by a national border. Moreover, we find GIs that are constituted by a geographical or non-geographical name completed by a localizer, in some cases because the first has become generic (as in the cheeses Camembert de Normandie, Sainte-Maure de Touraine, Reblochon de Savoie), while other GIs are constituted by the common name of the good associated with a geographical name (Parma Ham, Cherry of Lari, Tomme de Savoie). Some GIs may associate a qualifier with the common name of the good and the geographical name (Salumi Tipici di Piacenza – or Salumi Tipici Piacentini). For some products, the relation between the origin and a local biological resource (plant variety or animal breed) was so close that these products were merely designated by the name of the variety or breed. But these vegetal varieties or animal breeds cannot be considered as a property right, and the use of these resources, as well as their designation, must remain free for anyone. This is why the protected name of the GI and the name of the variety or breed have to be distinguished. Another factor of complexity is that GIs (and especially the most famous ones, as is the case for city names) can exist not only in the language of their region of origin, but also in several languages in the country of origin (the chilli pepper – Piment d'Espelette in French and Ezpeletako Biperra in Basque), and obviously – and even more problematically – in foreign languages (such as Parmesan in English, French or German, as derived from Parmigiano Reggiano). This translation problem comes in addition to the problem of homonymous GIs, like Orange in France, South Africa and other countries.

To be thorough, we must keep in mind that GIs may be indications other than words: an image, a blazon or a flag, or the shape of a bottle, can also be interpreted as a GI, or as a part of a GI. For example, the shape and green colour of Glarner Schabzieger cheese are so specific that any product presenting those features would immediately appear as being a Glarner Schabzieger, even if it does not originate from the region of Glarus. The same applies to Bordeaux wines which obtained a monopoly for '*barriques*' (barrels) of a certain form and dimension until the French Revolution of 1789.[3] Specific bottle design is often associated with wine GIs in France.

Origin products, as they gain reputation in distant markets, and so **recognition** as special products, may over time be perceived by consumers more as a type than as the concrete result of origin-specific assets that consumers are not aware of. This creates opportunities for producers who are not located in the region of origin to use the geographical name for products of a similar

type to the original one, even if their production cannot have exactly the same characteristics as that coming from the region of origin. In this case, the name becomes generic and the properties and the characteristics of the product escape control by the original producers. This process can result from the expansion of the national market (e.g. Camembert in France), or from development outside the national market where the GI is protected (Champagne, Cognac and Parmesan being well-known examples). A bilateral agreement can confirm such a situation; for example, Chablis has been viewed as a semi-generic name in the USA, and as a small and reputed **appellation of origin** (protected GI) in France. Some trademarks face the same risk of being considered as generic names for types of products. In contrast, local producers can be opportunists in benefiting from the collective reputation while adopting economizing generic techniques or external resources. Industrialization of agriculture and food tends to remove limitations in the diffusion of techniques, plant varieties and animal breeds, along with other limitations which, over centuries, have created the conditions for the emergence of origin products. Profit-oriented producer behaviours lead to the trivialization of products, which jeopardizes the true quality of origin-specific products. The prevention of this despecialization is at the source of rules to protect the identity of origin products by associating them with an intellectual property right represented by the geographical name.

The first actions taken by authorities came about to respond to problems of quality or usurpation. For example, the Duke of Burgundy, Philippe le Hardi, prohibited the grape variety Gamay in 1395, considering that it was lowering the quality of Burgundy wines derived primarily from the grape variety Pinot Noir. Later, collective management, another control measure, also appeared in the regulations and related hallmarks of the numerous guilds of the Middle Ages. Several centuries on, when grape hybrids appeared for table wine production after the phylloxera crisis, French wine appellations of origin had to retain ancient grape varieties by grafting them on to American rootstock. A French law specified in 1925 that Roquefort has to be made from sheep's milk, because the GI had begun to be used on cheeses made from cow's milk. Over time, as soon as a GI's reputation was endangered by trends lowering the production costs, such as the use of new techniques or biological resources, or the diffusion of the original resources (techniques, plant varieties and animal breeds), the original GI product required some sort of public definition of its characteristics, including its mode of production.

The Product Heritage and the Production System

Producers and engineers are usually seen as the designers of products. However, consumers are considered 'reflexive actors' in the design process because, in effect, they select product designs when they buy (Callon, 1998). Origin products, therefore, have a particular dual heritage: that of an industry or community of producers, as well as of a group formed by both producers and consumers who are connoisseurs. When authorities oversee the conservation of a specific quality of a product, this reflects that there is a national, or even a global, heritage at stake.[4]

Producers of GIs are generally aware of this heritage, and so in their commitment to their product they are more than mere individual actors. By the same token, compared with other producers, they are quite aware of what their consumers expect. Products are kept alive by a social organization that codifies practices and manages the collective capital of the product's reputation. Although agricultural industrialization has moved producers further from consumers, GI producers recognize the need to meet the demands of their particularized market. Consumers' expectations are expressed through channels such as specialized tasting contests.

GI systems must respond to two contradictory logics. On the one hand, there is a need to follow tradition in regard to

system heritage and the true basis of the collective reputation. On the other hand, there is a need to be innovative in maintaining the collective reputation in times when market conditions are changing. Either way, in order to maintain tradition and manage innovation, cooperative rules are necessary. As a result, the social organization of the producers and the entire market chain gives these products their final characteristics.

Economic and institutional recognition

Specific qualities of GI products were initially recognized and maintained in local communities and the networks related to them. If its reputation stopped there, the preservation of local knowledge and local resources such as local breeds (Verrier *et al*., 2005) or varieties as part of the global heritage of humanity still provides a rationale for public recognition and **protection** within the realm of international negotiations.

However, a GI's full market value comes from its broader reputation in extended markets, where it must compete with products of similar use, and particularly with generic products that correspond to the GI product's overall type. A product's reputation is threatened by structural evolutions of economy and trade, as well as by internal and external opportunism. Reputation rent provides an incentive to maintain a product's specific qualities. These incentives are supported by national legislation and international treaties which provide institutional recognition of the guarantee of a product's specificity.

The particularity of the GI (as defined in Article 22 of the TRIPS Agreement[5]) among other **intellectual property rights** (IPRs) is the link between the product's origin and its special characteristics, regardless of what the characteristics are or the means by which the product's origin is established. No international regulatory consensus exists regarding such issues. Presumption of a link is cause enough for designating the protection of a GI. GI products are those for which the origin is known and considered responsible for 'a given quality, reputation or other characteristic of the good' (see Chapter 2). The GI embodies the essential quality or qualities linked with its origin, and is recognized as having utility and value for this reason. The definition of a general class of GI products does not imply that any quality in particular has to be identified, but it does recognize that at least under reputation mechanisms the origin has acquired value in association with the product. The TRIPS Agreement recognizes this value as a property right. However, while the GI class of products is recognized at the level of the World Trade Organization (WTO), no specific list of products has been established at the world level.

The link between a product's origin and its quality points to a territory and a community of producers and stakeholders. Although producers privately appropriate the design of the GI product (with each producer willingly capturing the collective reputation while still promoting their individual reputation), as IPRs they are viewed as common goods. As with other common goods, they are supported by a specific social organization capable of reconciling the stakeholders' interests and aims. Laws and collective rulings prevent both external (spreading or usurpation) and internal (shirking costly practices) causes of change. Tradition (reinvented permanently) does not mean zero innovation, but rather negotiated innovation, with negotiating capacity depending on the institutional setting. The link to origin points to collective intellectual property because the original invention of the product is collective, and so is the organization that maintains the product's characteristics.

As IPRs, the collective character of a GI may also be seen as having a patrimonial or community character. While patents and copyrights are protected for a limited period of time, GIs may be protected for an unlimited period, depending on the legal system governing them (see Chapter 2). GIs are recognized as local knowledge and heritage. However, institutional recognition of the roots of this type of property right is not by itself a quality definition; nor is it the origin

of the value of a GI, which is derived from the market. The qualities of goods which are today related to their origin were developed over time within broader contexts that included prescriptions of various kinds, the requirements for preserving the product, nutritional preferences, etc. Therefore, issues of GI construction and protection are not simply local issues.

Taste and typicity

To some extent, the specificity of a product can be codified, but codification of the production practices and the product's characteristics does not capture the specificity of a GI product completely. The specificity of a product due to its origin also contributes to the 'typicity' of the product. Typicity further specifies the product and makes it unique. Even when formalized practices, specified raw materials or production conditions seek to protect typicity, it is a global feature that cannot be measured but is only fully appreciated through taste testing. Identification of the geographical support of typicity (called the **terroir** effect in France) is generally the result of long observation (Casabianca *et al*., 2005); for example, 690 distinctive micro-areas (terroirs) in the Burgundy area for Pinot Noir wines were delimited over several centuries. However, methods for identifying the elements of product typicity in scientific terms are a relatively recent research concern. Two objectives – preserving the typicity of origin products and discovering the factors of this typicity – are linked.

Typicity is linked with both natural resources and the knowledge embodied in a product. It is related to a particular product; therefore, it has both individual and collective dimensions. Typicity due to the terroir effect is collective when it is linked to an area where many producers are located, but it can also be linked to an individual parcel of land, especially in wine production. Typicity related to know-how can have an individual dimension (*tour de main*) as well as a collective dimension that links consumers and producers together through, for example, clubs, contests or festivals.

Individual typicity requires a knowledgeable consumer, a connoisseur, to be fully appreciated. Knowledgeable consumers develop by a learning process; for example, through a family tradition or a wine club and, on a larger scale, through media and specific experts. The larger the market, the more the shared **typicality** of the product matters. To keep their reputation, such products need to belong to the same grouping, showing an *air de famille*, which is usually assured by the relatively small number of operators in these large markets.

Transmission and innovation

Know-how and tradition are determining factors for maintaining stable quality in GI products, given that these products presuppose a continuity of production practices and product appreciation over generations (Bérard and Marchenay, 2008). Transmission of this know-how is a complex process through which knowledge is transferred as well as adapted to help the product evolve. Transmission of know-how is a permanent reinterpretation questioning the values attached to tradition and the tradition itself, which only exists by consensus within a generation.

The specificity of local natural resources and secret recipes gave a natural protection to personal and collective specialities and product reputation at their inception, and they are the reason that GIs began to circulate in trade as local specialities. When rules define the product and practices maintaining its characteristics are formalized in an enforced code, knowledge can be disseminated. Codification of production, processing and preservation practices allow for knowledge transmission and dissemination and diffusion of innovation within industries, as can be seen in the history of the cheese and wine industries. Codification is the basis for IPR recognition and assessment, as well as for the dissemination of technical aspects of the product's manufacture. This leads to the development of institutional tools designed to collectively manage the market and to protect the name; these tools both constrain

and orient innovation. Changes in practice as a result of innovation are cause for debate and can even produce conflicts of interest. Innovation is usually introduced by leaders (when production is under the 'captain of industry' system of governance), or after negotiations within producer and stakeholder organizations. It can also proceed from the modification of legal requirements, such as sanitary regulations.

Transmission can be informal, through the circulation of know-how, or formal, through the codification of elements of production practice or of a set of characteristics considered as necessary attributes of the product's specificity or typicity. Knowledge is allocated among operators, such as family farmers, craftspeople, ripeners, salaried workers or merchant agents. Know-how or product knowledge does not necessarily come from the owner of the production or trade unit; for example, the *maîtres de chai*, or winemakers, are responsible for the great wines of Bordeaux rather than the owners of the chateaux. Know-how, made up of both trade secrets and particularities of fabrication, combined with the tacit knowledge of a community, is transmitted depending on how the knowledge is distributed through the product system, which is, in turn, a result of the social evolution of that particular system.

The production coherence of origin products is not just an issue of local governance. The marketing chain linking producers and consumers is a major feature of GI markets (see Chapters 3 and 4). Processing firms, not the producers of raw materials, may be the key players in production design, transmission and innovation, as is the case for several well-known French GIs, such as Cognac, Champagne and Roquefort. Large multinational firms often control the market for GIs, as they do for other products. Considering the trend towards globalization, as well as towards market segmentation, agro-food and retail firms have an interest in developing variety of supply and therefore in absorbing the markets for GIs, including the small ones. In this situation, the success of a GI production system, including the maintenance of a quality reputation and of innovation, depends on both the governance of the entire chain and the distribution of GI rent along that chain, including raw material producers.

The Management of a Product's Geographical Origin

As markets are developed and extended to international communities, the public and collective management of the production, marketing and regulation of GI products includes three levels: The first level is based on legal provisions for the qualification and certification of GIs as official quality signs. The second level involves the marketing rules enforced within the GI's value chain. The third level is the local system of production and qualification of GIs.

Controlling the geographical origin: legal schemes for qualification and certification

Under the TRIPS Agreement (see Chapter 2), there is a diversity of national regulation provisions and of enforcement bodies which offer varying levels of protection. National regulations and international agreements can have different levels of recognized quality and associated control requirements. For example, European regulation[6] has introduced two definitions of GIs, in accordance with TRIPS, with different quality requirements in distinguishing **protected designations of origin** (PDOs) and **protected geographical indications** (PGIs). Designations of origin cover products for which the quality or characteristics are essentially or exclusively due to geographical conditions, including natural and human factors. Geographical indications cover products for which a given quality, reputation or other characteristic may be attributed to its origin.

This distinction establishes a compromise between previously different national regulations of long standing among EU (European Union) Member States. French regulators, when translating the European regulation into French law in 1994, believed that the distinction between designations of origin

and geographical indications jeopardized the reputation of the French 'AOC' (*appellation d'origine contrôlée*, or 'controlled designation of origin', based upon the concept of terroir), which is similar to the European definition of the designation of origin, by using a lower quality requirement for GIs (whose reputation is enough for justifying the protection) Usage of the GI indication in France was therefore initially subordinated to prior certification of the product as having a superior quality (as with the French official sign 'Label Rouge' programme), a restriction that was later dropped.[7] These two systems (PGI and PDO) coexist, and the extent to which they cover different types of products (wine and foods) is reflected in the maps included in Appendix II.

Part of the reputation of GI products is due to the certification schemes that trace them on the market for consumers. These traceability schemes and control organizations differ in the credibility of their reputations, both within countries and across different types of **standard** setting organizations. Firms with multinational markets can play within different normalization frameworks and **certification bodies** either to reap the benefit of the reputation of a certification or to minimize certification costs ('forum shopping'; see also Chapter 8).

GI protection requires at a minimum identification of the GI good and delimitation of its geographical area. Product codification and implementation **inspection** have both internal and external motives. On the one hand, the definition of a GI product (including its geographical area, production processes, biological resources involved and final characteristics) generally has to be described in precise detail because the collective nature of the IPR requires a consensus on the expected quality linked to the resource. This process of definition is continuous throughout the product's history, resulting in a succession of normative codifications. On the other hand, consumer protection is designed to diminish asymmetries in product information (see Chapter 4). In both cases, the product reputation is linked in some form, whether or not it is specified, to the expectations of consumers, which have to be managed as the market enlarges. Obviously, the consumer's expectation concerning product origin is of paramount importance, but other factors may also enter into the picture, such as expected particular plant varieties, animal breeds, production methods and personal tastes, and these must be taken into account as well. Assessment takes two key forms: by peers and legal bodies, or by public/private hybrid schemes of inspection and testing.[8]

Producers, through **collective organizations** that are reminiscent of ancient guilds and that are recognized by authorities, may operate some verification activities either on their own or upon delegation from certification bodies or public authorities. While authorities responsible for repressing fraud may care about the misuse of GIs, they cannot act until the product in question has been traded; in fact, only the country's customs administration can act before the product enters the national territory. Obviously, inspection and repression of misuse are much more difficult for GIs whose definition does not benefit from a legal definition or a judicial act.

Wines and spirits are special cases because they have been submitted to inspections for taxation. In Japan, the National Tax Administration registers GIs for wines and spirits, as the Alcohol and Tobacco Tax and Trade Bureau does in the USA. But, in many countries, an administrative body other than the tax bureau inspects recognized GIs. For example, a 1935 French law granted the National Institute of Appellations of Origin (INAO) the power to establish assessment schemes and to pursue infringements related to the regulations defining each GI product. In other countries, these tasks may fall to an office of intellectual property or to the ministry of agriculture, etc. Authorities in most countries limit their role to supervision (in addition to repressing fraud) and to the delegating assessment operations to inspection or certification bodies. For example, EU Regulation 510/06 requires private or public control bodies to be accredited to the European norm for product certification (EN 45 011) before 2010. These independent bodies may delegate some control operations to the **interprofessional association** managing the GI product. There

are different frameworks for the verification of compliance with specification, but ideally it requires three elements: a collective organization of the supply chain that is able to assume some tasks related to the control; private, public or hybrid independent bodies that can make inspections and manage the whole control process; and public authorities to supervise the control and enforce sanctions.

Origin value chain governance issues

Although a product's origin can, through reputation mechanisms, come to represent high quality (e.g. Champagne wine), basically, the origin, by itself, does not designate a superior quality but rather a *specific* quality. However, the codes of practice allow the definition of a minimal threshold of quality relative to certain characteristics, such as a minimum alcohol strength for wines bearing an appellation. Yet these codes generally define producer standards relative to the means (such as mode and place of production), rather than to the standards governing results (such as a product's final characteristics). If there are numerous producers, and various conditions that influence the characteristics of these products, then the final products marketed under the same name will vary according to the exact location of production in the area, particularities related to the natural resource inputs, the know-how and individual taste preferences of the producer, and the particularities of the production facility and equipment. This range of variety must be controlled, for variability may threaten the collective reputation of the product and its terroir. This takes place, as we have seen, by way of an ever more precise definition of the product that may be imposed by a dominant producer; but, more commonly, it is the result of shared processes of refinement of collective rules. In any case, the rules governing production do not determine completely the typicity of a product. There is still a part played by product connoisseurs, with their own taste expectations. All sorts of platforms exist that facilitate exchanges between connoisseurs and producers, and through sharing of their experience with the product a certain shared quality may emerge. None the less, control over the internal diversity of the product requires rules that will align with the reactions of consumers. What results is the need for a permanent collective effort to clarify the variety of the product. Hence, there are two management challenges along the value chain: mastering and stabilizing control over product variability.

The first method of controlling variety involves setting up a classification system (for wines, taste tests, vintage ranking, crus and Bordeaux chateaux rankings, etc.) when there is sufficient knowledge of the system by producers, marketers and consumers. But only a few experts (connoisseurs) have sufficient knowledge of the product to set up the system, and so the market may widen by means of imitation to the extent that marketing channels are capable of maintaining a hierarchy of products belonging within a single appellation.

A second method of controlling variety is to define a product bearing a GI according to clearly established levels of quality (for example, by referring to grades). As a matter of fact, numerous studies have demonstrated that consumers are interested in the origin of products of both ordinary and specialized use. For example, the origin of a spice (e.g. paprika) or an oil counts for more when it is used as an ingredient in cooking than when it is just one among other condiments found in a dish that is already prepared. Loureiro and McCluskey (2000) calculated consumers' willingness to pay for 'Galician Veal', a PGI known to 48% of Spanish shoppers. They found that the PGI label generates a high premium for only certain cuts of meat occupying the mid range of the quality spectrum (specifically, for 'high'-quality cuts), but it has no effect at the poles of the spectrum (both for high-end 'deluxe' cuts and 'low'-quality cuts). These results suggest that GI labels attract effective value – which is the main goal of collective quality control – only in combination with other aspects of the product.

Codes of practice and local governance issues

A major question in GI management concerns the way that local producers and other actors are converging in building up the set of collective rules which define and maintain a GI's characteristics and values. Three aspects of this question can be identified from the preceding analysis of the production system: respect of tradition, negotiation of innovation and clarification of internal quality variation. The construction of formalized codes of practice is not only aimed at reducing the diversity of products in a given area; it is also aimed at preserving the possibility of diverse expressions of the origin, or individual typicity. The structure and order of quality criteria related to product specificity affect the social structure of production, as well as that of product consumption. Producers can find themselves excluded if the **code of practice** acts as a barrier to entry. Conflicts of interest always exist, usually between small or family operators and large or industrial operators, but also among operators occupying particular areas of the production process (de Sainte-Marie and Bérard, 2005). These conflicts have to be resolved before producers and other actors can reach a consensus on product definition. Lack of complete codification can increase heterogeneity, which may jeopardize consumer loyalty to a product. However, codification only pays benefits if it produces results visible to consumers in ways that matter to them.

Inappropriate effects of codes of practice or control schemes can be an obstacle to innovation. The challenge is maintaining the capacity to innovate at a local level in ways that integrate with the whole chain. The collective capacity to integrate innovation along the chain is at stake. This capacity rests on a collective observation and understanding of the changes in demand. For example, present concerns regarding the codes of practice for environmental issues indicate the need to adapt codes to environmental prescriptions (Thévenod-Mottet, 2010).

Maintaining the specificity of origin products is not met by rigorous homogeneity. Rather, the general competence expected of a quality scheme tied to origin is to express all the cultural wealth of the origin's heritage while preserving individual know-how (*savoir faire*). While codification and control schemes lead to product standardization, the quality contests and the diffusion of tasting knowledge that they entail help to preserve product diversity. Product typicity is not considered to depend only on simplistically following the codified methods of production; it is also judged by the final results. Sensory properties play a particular role in local culture, as well as in the use of the product (preparation, cooking or combining with other ingredients).

Conclusion

Products that are identified by their origin or that bear a geographical name are in the first instance recognized as particular, specific or typical. Throughout trade history, origin products have existed as both market and institutional artefacts. A product's market reputation closely associates its typicity and credibility with the GI designation and with the rules that control its quality. But geographical names can become generic designations for a type of product, thus losing that intimate link between the product and the place of its origin. The roots of origin specificity are found in the specificity of local and human resources and in the heritage of local knowledge. A GI product's typical quality changes with technology and culture; it also varies within the area of production and within the community of producers and processors. These changes may possibly enhance the product's market in a trajectory of successful market extension, but they may also move in the contrary direction and jeopardize the GI's reputation. There is no single solution to this type of management and governance issue. Various forms of social organization of production and marketing chains (cooperative rules), and various legal systems (public rules), with varying degrees of flexibility and levels of protection, can support the diffusion of origin products throughout the market, as well as safeguard the use of geographical indications.

Notes

[1] Some jurists take the position that GI protection is 'monopolizing names', but it can be argued to the contrary that names forge cultural and reputational links between products, and within the realm of knowledge.

[2] Feta was a contested name in Europe. It designates a type of cheese in the Greek language, traditionally made in Greece (not in a specific locality) with a mix of goat and sheep milk. This name was adopted (and protected) for cow cheese in Denmark and used in France for a 'Feta' imitation processed in the Roquefort region. Legal aspects of the usurpation of names and protection of GIs will be examined in Chapter 2. The economic importance of more or less protection is illustrated by the fact that more than 110,000 tonnes of so-called 'Feta' and 'Parmesan' are yearly produced in the USA and Canada (Vincent, 2007).

[3] Mentioned by Van Caenegem (2003), Part II, p. 862.

[4] For example, the Convention on Biological Diversity signed in Rio in 1992 is aimed at maintaining biological diversity as a **public good**, which is, in turn, embedded in local knowledge.

[5] Agreement on Trade-Related Aspects of Intellectual Property, included in the 1994 Marrakech treaty founding the World Trade Organization (WTO) (see Chapter 2).

[6] Regulation (EC) No. 2081/92, modified Regulation (EC) No. 510/06 (EC = European Council or Commission).

[7] The provision was removed in a 2006 law (Loi d'Orientation Agricole No. 2006/11, 5 janvier 2006).

[8] Sylvander (2004) explores hybrid forms of certification in the case of organic agriculture. The following observation can be made as a general statement: market identifiers for food products mix public and private standards.

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2 Legal Debates Surrounding Geographical Indications

Erik Thévenod-Mottet and Delphine Marie-Vivien

Geographical indications (GIs) are a major subject of legal debates, from their definition and scope to the means to manage such **intellectual property rights** (IPRs) at the global level. These debates are not simply legal, but are linked to agricultural policies, trade concerns and cultural issues. They often come to be closely related to different concepts of the role of the state (Marie-Vivien, 2010) in matters that are considered a complicated mix of both public and private issues. The first aim of this chapter is to explain the concepts underlying the legal approach to GIs and their historical roots, and secondly to explore the different legal tools that can be used in dealing with IPRs attached to GIs. Finally, the evolution and nature of existing international legal frameworks for GIs are analysed to draw out the current points of conflict concerning their use and protection.

Genesis of the Legal Concepts Related to Geographical Indications (GIs) in National and International Frameworks

Historical recognition of the need to protect GIs

The need to protect the distinctive signs of products appeared very early on. These signs represented all the investments made by producers to establish a reputation on the **market**; the further consumers are from the producers, the more important these distinctive signs become as something consumers can rely on. As non-material goods, the signs soon entered the legal category of IPRs, particularly as trademarks. But, historically speaking, individual trademarks have only appeared quite recently. Since very early times, geographical names have been used as distinctive signs, such as the hallmarks of guilds in the Middle Ages. Because they imposed definite specifications for products benefiting from the hallmark, the guilds may have been the first to introduce the idea of a common trade indication – or label – designating a certain quality for several producers, which is collectively defined and controlled.

With globalization, we find many place names used as **indications of source**[1] for goods; they can be understood as giving neutral information about the place of production to consumers, who are getting further and further from producers. The increasing number of source-identified goods is something relatively new in history. As recently as 150 years ago, only goods with special qualities were exported out of the area of origin, or the exported products were basic commodities retailed without any indication of source. There was 'Roquefort' or 'wheat' but no 'oranges from Spain' or 'butter from Ireland' (both considered indications of

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

source). The indications deriving from the rules of origin (customs regulations) for manufactured products, such as 'made in …,' are not considered IPRs, except in some cases where they are also considered to be GIs (e.g. 'Swiss-made' for watches). An indication of source differs from a GI, which implies a **specific quality**, characteristic or reputation related to the place of origin. It is, therefore, the existence of such quality attributes that justifies the distinction of the IPR as well as its consequence, which is to limit free use of the sign by granting exclusive rights over it only to legitimate producers.

Noting the benefits of linking quality to geographical origin, some producers usurped GIs to sell products that did not come from the designated **region**. This became a bigger problem beginning in the mid-19th century as trade increased, making it easier to move goods, people and know-how, but also raising the stakes related to unfair competition, consumer deception and food safety. As personal trust in traded goods and the ability to try products before purchasing disappeared, the administrative and centralized state was required to provide general legal solutions. For example, a French law was passed on 1 August 1905 in an attempt to prevent consumers from being misled about the quality of goods, including their geographical origin, during a time of numerous frauds, particularly concerning wines as a result of the phylloxera crisis. This law was the first step in introducing GIs into the legal field, almost a century after trademarks had begun to be used.

It is somewhat paradoxical that GIs, which were the only means for many centuries of designating **quality products** far from their region of origin, only received legal protection recently, while trademarks have been protected much longer – this despite the facts that trade had considerably increased the need for quality signs and that trademarks were often used to indicate geographical source. Modern social values led to the state being limited to the protection of individual property rights, such as trademarks. Establishing a collective right to a distinctive sign presented something of a challenge, as it would not be the property of any individual person but would be the collective property of producers from the geographical area defined by a GI. Also, the state, rather than courts of law, was often involved first in defining the geographical area, and later perhaps in establishing **standards** for some characteristics of products from that area.

National concerns, and the globalization of trade, gave a worldwide dimension to the matter. Before the end of the 19th century, products bearing a GI were generally not distributed far from their area of origin, primarily because existing technology did not allow perishable goods to be exported (see 'The Origins of Origin', Chapter 1). Wines and spirits were the main exceptions, along with some products from the colonies, such as tea and coffee. As means of both transportation and food preservation developed, international trade and the diffusion of food cultures led to an increased recognition of the value of GIs. Depending on the degree of reputation of a GI, this new context could be characterized by an opportunity for legitimate producers to access remote and potentially profitable markets, as well as by the risk that less reputable producers from anywhere else in the world might usurp the use of their GI. The international trend of establishing standards for agro-food products reflects this conflict of interests, especially when deciding whether a GI is a generic term for a type of product (see below).

What protecting a GI means

Geographical names and GIs generally speaking are not invented or created in the usual sense of these words. This complicates theoretical questions concerning who is entitled to make decisions concerning the use and misuse of a GI, and who technically speaking *owns* the GI. These fundamental disputes will not be specifically addressed here.[2] However, focusing on GI rights rather than on the nature of the GI concept, we can note two distinct meanings for 'protection' of a GI:[3]

1. Defining which stakeholders have the right to use the GI and to take actions against misuses for specific products (right to use);
2. Preventing the use of a GI on products that do not originate from the designated geographical area or that do not meet the requirements for the legitimate/legal use of the GI (exclusivity right). This is according to a strictly legal approach to the subject. A wider approach to the concept of protection would add a third meaning;
3. Preserving a specific product and its 'traditional' features (know-how, practices, animal breeds, etc.) in relation to the notion of heritage.[4]

This last meaning, at the interface between the *GI* and the *product*, adds confusion because the 'product' can be understood in the ideal sense, or in the most concrete sense (real products which are marketed). In other words, the protection of GIs is linked to the following questions:

1. *Who* has the right (with more or less detailed specifications)?
2. *How* can illegitimate, incorrect or deceptive use be prevented or punished?
3. *What* are the characteristics of the product in relation with its heritage?

These aspects of the IPRs related to GIs have been addressed in various degrees by several legal tools, which are described below.

The Variety of Legal Frameworks for Protecting GIs

Protection of GIs through general law

This means of protection for geographical names integrates them into the general legal framework governing consumer protection and fair trade practices, without granting any ownership rights to producers. In this case, it is the theory of competition law, and not of property law, that applies.

Three conditions are usually required for a suit under unfair competition laws: that it must be an act of competition, that this is unfair and that it damages goodwill. This usually requires a high level of proof that consumers were misled, which means the GI must have a high level of **recognition** (reputation) among consumers. Damages were first defined as real damage to any economic aspect, such as loss of benefit. However, in the Elderflower Champagne case,[5] the court of appeals decided that, although there was no economic loss for champagne producers because there was no real risk of confusion with the cheap non-alcoholic elderflower beverage sold under the champagne name, any use of the word 'champagne' could cause an erosion of the value name and thus constitutes damage. Thus, any GI can be protected through legal action based on unfair competition, provided that it has a high reputation (important criteria guiding the choice of consumers) and that there are damages.

Protection of GIs through trademark law

A trademark is a distinctive sign that identifies goods or services as those produced or provided by a firm or person without a necessary association with quality standards. Trademark law is regulated through national legal frameworks, and producers are obligated to file an application in each country where protection is sought. International trademark agreements only assist with registration in foreign countries once a trademark has been registered in the country of origin; but foreign governments remain sovereign in deciding on the validity of an application for registration in their country.

Individual trademarks are usually not suitable for protecting geographical names because the mark must be distinctive, which is not the case for names describing the geographical origins of products. Also, if a product comes from another place than the geographical name chosen as the trademark, the trademark may be judged as deceptive. Deceptiveness is a criterion for refusal to register a geographical name as a trademark. In Switzerland, the registration of such a trademark is possible when it is distinctive (usually accomplished by adding a fancy name or figure), but the list of products will be limited to the respective place or country of

origin to prevent deception. In the UK, the prohibition of registration of geographical names as trademarks is only for major geographical names.[6] The European Union (EU)[7] regulation on trademarks includes the same obligation for being distinctive: trademarks comprising exclusively signs designating the geographical origin shall be prohibited.[8] The same rule applies in the USA. For example, the US trademark Kohinoor Basmati Rice & Spice[9] does not protect the geographical indication Basmati as the trademark text indicates that 'no claim is made to the exclusive right to use "Basmati Rice & Spice" apart from the mark as shown'. In this instance, the geographical name is then descriptive or generic and giving ownership of it to a single owner could be damaging to other producers located in the same area.

Collective and certification marks have two different objectives, which may be combined:[10] they can be used by a large number of producers, and they can be a warranty of respect of standards for consumers. Geographical origin may be one of the standards mentioned in the rules accompanying the certification marks. The EU regulation on community trademarks expressly recognizes the possibility of registering a geographical name as a collective trademark.[11] In the USA, certification marks can also be used to certify regional or other origin.[12] Usually, certification trademarks must be owned by a third party not using them and can be used by anybody who meets the standards. Collective trademarks usually do not require the publication of standards and can be used by the members of the association which is the owner of the trademark. In countries that do not have specific protection for GIs, certification marks are the only way to get protection through the registration of a property right. Examples of such certification marks include 'Roquefort',[13] 'Darjeeling Tea',[14] 'Idaho Preferred', 'Idaho Potatoes Grown in Idaho', 'Idaho' and 'Grown in Idaho'.[15] Because certification marks are still regulated under trademark laws, they may include geographical names along with several other words; such certification marks can be confused with trademarks that also include geographical names along with other words, such as the 'Idaho's Best'[16] trademark.

Conflicts between the exclusivity of rights granted by a trademark and the collective nature of rights attached to a GI may arise on the basis of priority of registration. The GI should generally be considered non-descriptive – in terms of the geographical origin of the goods – by the examiners of a trademark office in order to be registered as an individual trademark; this is why such conflicts generally occur in countries other than GI's country of origin.

Trademark registration of a geographical name already protected specifically as a GI is prohibited in most legal systems; the risk of misleading the public may be considered or not, according to applicable legal provisions. But the denomination constitutive of the GI might have been registered as an individual trademark before its registration as a GI itself designating goods originating from that specific place and produced according to standards set through specific regulation. These cases are even more crucial when the trademark is used for goods not originating in the place indicated by the geographical name. According to the different legal contexts and the renown and duration of use of the trademark, such conflicts may result in the coexistence of the trademark and the GI. However, economic concerns may not allow the parties to coexist satisfactorily. For example, the producers of Parma ham (through their **interprofessional body**) were not authorized to register their GI as a collective trademark or to use it in Canada, although the name had been protected as a GI in Italy since 1970. In 1971, a Canadian firm that produces Canadian hams registered 'Parma' as an individual trademark for its hams. Italian producers could only use their traceability mark, the ducal crown, which is recognized as an official mark of a public authority by Canadian trademark officials. A coexistence such as this appears to be highly problematic.[17]

Establishment of specific national and regional frameworks of protection for GIs before the TRIPS Agreement

The first attempts to protect GIs as such at a national level generally occurred in Europe in

conjunction with economic crises,[18] especially concerning wines, which are easily falsified and for which the geographical origin has always been considered essential. At earlier stages, preventing misleading indications of source seemed to be enough: products designated with a GI must originate in the area associated with that GI. However, precisely defining such areas raises several problems. Geographical names, when considered as GIs for defined products, often denote a different geographical reality from the administrative demarcations for cities or regions, if the corresponding entity exists. After the French Revolution, Champagne was no longer an administrative region, and it has always been obvious that Bordeaux wines were not made from grapes grown in the city of Bordeaux. It was on this point that GIs diverged from indications of source: the relationship between the product and its area of origin is not only based on the origin of raw materials and place of processing, but also on notions of reputation, tradition and practice.

When considering the resolution of conflicts regarding the use of a GI or protecting a GI against misuse through judicial process,[19] two difficulties often emerged. First, tribunals would have a difficult time establishing the boundaries of a protected area because this did not lie within their set of competences, and so every decision would be subject to new objections. Secondly, the characteristics or quality standards for a product might not be defined, though they constitute the grounds for protecting a product based on its reputation. This explains why producers had to organize themselves as a group and why the state became involved with the management of GIs. As a GI is a collective right, the idea was to prevent any use which could damage its reputation and, consequently, to protect producers who made efforts to meet the expected standards. In order to grant protection to GIs, products bearing GIs had to be defined. When new hybrid grape varieties began replacing ancient varieties in Europe in the early 20th century, it was necessary to define at least the maximum yields and the authorized grape varieties.

The historical evolution considered above led to **appellations of origin**, or, in more recent wording, **protected designations of origin** (PDOs; also known as protected denominations of origin under particular country programmes of protection) or **protected geographical indications** (PGIs) in the EU. These terms mean that there is a registration system under the authority of the public administration that requires the recognition of a mandatory **code of practice** (specifications) and a control of compliance by producers. The registration system may be based on private initiatives from producers, or on administrative management, or both.

As an early example, France established its first administrative system for appellations of origin by a law passed on 30 July 1935, which created a National Committee of Appellations of Origin for wines and spirits under the authority of the French agriculture ministry. A 1955 law extended the system to cheeses. The entire system was consolidated in 1990 and applied to all agro-food products before the EU regulation 2081 on PDOs and PGIs was adopted in 1992.[20] Some Southern European countries adopted similar systems during that same period, and several non-European countries have done so more recently.

International Frameworks for the Protection of GIs

Two approaches can allow for the protection for GIs outside the country of origin. The first is through international open systems, which consist of general provisions in international agreements, or of specific systems of registration of GIs.[21] The second is through bilateral or plurilateral agreements, which generally consist of mutual recognition of legal protection for GIs already protected or registered in the domestic system, based on lists of names.

General international frameworks concerning *inter alia* indications of geographical origin

Two general international frames administered by the World Intellectual Property

Organization (WIPO) dealt with GIs before the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of 1994, but in a much broader meaning of ensuring fair information on goods in international trade. The Paris Convention of 1883, now signed by more than 170 countries, applies to indications of source, appellations of origin and now to so-called GIs. The protection it requires is very general and limited. Misleading indications of source can be considered acts of unfair competition and, as such, are prohibited by Article 10bis, but no remedies are specifically provided in case of infringement.

The Madrid Agreement of 1891, now signed by 35 countries, was, within the frame of the Paris Convention, the first international agreement to provide specific rules for the repression of false and deceptive indications of source.[22] This agreement declared that national tribunals could determine whether an indication of source was either deceptive or generic; only regional appellations for wines were excluded from this case-by-case process. This exception for wines, even though it was limited to regional appellations, may be considered the precursor of a similar one introduced in the TRIPS Agreement.

Other 20th-century international frameworks concerning food standards had, and still have, influence on the protection of GIs. For example, the International Organization of Vine and Wine (OIV), created in 1924, was expected to make proposals granting protection of appellations of origin and provides appropriate remedies for cases of infringement.[23] But, as this was not the main focus of the organization and its resolutions were not mandatory for its members, it has not led any effective initiatives. Another example is the International Agreement on Olive Oil, signed in 1956. It provides some obligations for GIs, requiring a certain level of quality for GI products. A 2005 agreement goes further, calling for members to analyse the appropriateness of how their national GIs are defined and protected, and charging the International Olive Council with developing a system for mutual recognition of GIs.[24]

The Codex Alimentarius Commission (CAC), created in 1963 by the World Health Organization (WHO) and the Food and Agriculture Organization of the United Nations (FAO), works to guarantee the quality and safety of all food products, especially in international trade, through the adoption of standards, guidelines and codes of practice. The adoption of a *Codex Alimentarius* standard for a product designated by a geographical name could be interpreted as meaning that this geographical name is recognized as a generic name; for example, Gouda, Mozzarella and Cheddar are included in these standards. In some cases, among the 16 *Codex* individual cheese standards, there was a provision requiring products not coming from the country where the denomination originates to be labelled with the name of the producing country, as was the case with Coulommiers cheese (originally from France). Such a provision is similar to the American approach of semi-generic denominations for wines: the products coming from the original country of the denomination alone have the privilege to use it without indicating the country of production, in line with the Stresa Convention (see below). In this case, Coulommiers is a French product, all other Coulommiers are German Coulommiers, Australian Coulommiers, etc. But in 2007, after long and conflicting debates, the CAC adopted, through a controversial procedure, a new version of these cheese standards which makes the declaration of the country of manufacture (or even transformation) mandatory for all the products concerned, without any specific consideration for the country where the denomination originates.[25] On one hand, this mandatory labelling may be useful to protect consumers against misleading, especially when a registered GI is partly composed of the denomination defined by the *Codex*: Camembert de Normandie, Noord-Hollandse Gouda, Mozzarella di Bufala Campana, West Country farmhouse Cheddar, etc. On the other hand, it might be considered that genericization of these denominations has been achieved in the *Codex* framework, although some member countries maintain their divergence on this issue.[26]

Specific international frameworks devoted to the protection of GIs

The first international framework devoted specifically to the protection of GIs was the international convention for the use of appellations of origin and denominations of cheeses (the Stresa Convention). It was signed in 1951 by eight states: Austria, Denmark, France, Italy, Norway, the Netherlands, Sweden and Switzerland. It established the highest degree of protection for four GIs considered as appellations of origin (Annex A): Gorgonzola, Parmigiano Reggiano, Pecorino Romano and Roquefort. Article 3 reserves the use of these GIs to cheeses manufactured or matured in traditional regions, by virtue of local, loyal and uninterrupted usage, in compliance with the national regulations governing that use, whether these GIs are used alone or accompanied by a qualifying or even a corrective term. The convention also prohibits the use of some denominations (Annex B), such as Camembert, Danablu, Edam, Emmental, Pinzgauer Bergkäse or Samsö, on products that do not meet the requirements provided by the interested contracting party, referring mainly to the physical characteristics of the cheeses. Such denominations must include an indication of the country of production if it is not the country of original use. Any transfer from one annex to another one is forbidden. The Stresa Convention agreement ceased to be updated a short time after its introduction. No new entries have been made in the annexes of appellations of origin or denominations, and, while the Convention is still in force (today only for France, Italy, the Netherlands and Switzerland), its effects are now limited to rare cases.[27] For example, some of the denominations included in Annex B were later registered as PDOs or PGIs in the EU and Switzerland.

The Lisbon Agreement, signed in 1958 within the frame of the Paris Convention, now has 26 members and is exclusively dedicated to the protection of appellations of origin. It resulted from the Lisbon Diplomatic Conference of 1958, where no majority was found for improving the protection of GIs directly through the Paris Convention or the Madrid Agreement. The Lisbon Agreement provides a very precise definition of appellations of origin which has to be applied by members: 'Appellation of Origin means the geographical name of a country, region or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors'. The highest level of protection is granted to appellations of origin that are recognized and protected within their countries of origin and have been registered in the international register administered by the WIPO. The system provides a notification and opposition procedure for its members, and has led to the registration of more than 800 appellations of origin.

Owing to its limited number of members and its similar standard to the Southern European appellation of origin, the Lisbon Agreement appeared in the 1970s not to have solved the problems related to international protection for GIs. This is why, in 1974/75, WIPO prepared a new international treaty on the protection of GIs which would have provided a system of international registration for GIs defined in a broader sense than the appellations of origin under the Lisbon Agreement. The preparation of a new treaty on GIs was abandoned in favour of provisions which would have been adopted in the revision of the Paris Convention; but this revision was not concluded. A new attempt to establish an international framework for the protection of GIs was discussed in 1990 by the WIPO Committee of Experts on that matter, but with no concrete results. After these very last few years, there are now some new reflections on the Lisbon system: on one hand, as a system which could appear as more open and flexible than the image it has presented since its beginnings; on the other hand, as a possible inspiring experience or even basis for the GI register required by the TRIPS Agreement.[28] In this context, a working group on the development of the Lisbon system was established in 2009, which should propose modifications and improvements to the system.

Bilateral agreements and regional frameworks for GIs

For countries with specific systems of protection for GIs that they would like to see extended to a larger scale than the national one, bilateral agreements may appear to be a good tool. This is even more the case as agreements with a strong GI definition have not succeeded in extending to a very large number of countries, and the TRIPS definition is wide compared with appellations of origin and does not require any formal procedure.

Bilateral agreements generally consist of mutual recognition and protection for domestic GIs which are protected in the contracting states. France and Germany signed such an agreement on GIs in 1960; the EU has signed agreements on wines with Australia (1994, 2008), South Africa (1999, 2002), Chile (2002), Canada (2004) and the USA (2005); it has also signed an agreement on spirits with Mexico (1997) and on wines and spirits with Switzerland (1999).

These agreements, which are mainly focused on GIs for wines and spirits, are generally based on lists of GIs which are annexed to the general provisions. They are often a means to solve conflicts on the use of particular GIs, as was the case with an agreement between the EU and Australia. But the lists of registered/protected GIs and the interests of producers may evolve over time, which is why bilateral agreements generally provide internal mechanisms that allow for additions to the lists.

The main interest of bilateral agreements is that they can escape difficulties related to different national systems of protection for GIs and they ensure very effective protection for the GIs listed in the agreements. But even though they are an efficient tool for protecting GIs in signatory countries, they represent an incoherent and time-consuming way of establishing a cover for a given GI, and are complicated and incomplete from a global perspective. Moreover, some of the existing agreements are limited to GIs for wines and spirits, despite the inclusion of lists of GIs (which often consist of a selection from among nationally protected GIs) to be protected in general free-trade bilateral agreements. Regional registers face the same limitations. Thus, the need for a worldwide, comprehensive and efficient frame of protection for GIs is increasing at the same pace as the globalization process. Nevertheless, considering the difficulties faced in the debates at the TRIPS Council, the establishment of a worldwide GI register like that of the European model appears unlikely in the near future (Thévenod-Mottet, 2009); in that context, bilateral agreements 'complementing' the TRIPS basic provisions on GIs may continue to multiply.

Going beyond bilateral agreements, neighbouring countries have created regional frameworks for the protection of GIs through registers with binding legal effects for the registration of future GIs. The African Intellectual Property Organization, established in 1977, has specific provisions for the registration of GIs at a regional level; however, no GI has yet been registered, although an international cooperative aid project has been established for that purpose. The European PDO–PGI system for agro-food products other than wines and spirits was established by EU regulation 2081 in 1992. Decision 344 of the 1993 Andean Community is generally ranked among regional frameworks, but it only provides general rules that have to be implemented at a national level by its Member States, and the Andean Community does not maintain a regional register of appellations of origin.

The EU Regulation (EC) No. 2081/92, now replaced by Regulation (EC) No. 510/06, is limited to agricultural products and foodstuffs. It distinguishes two kinds of GIs: PDOs and PGIs. For PDOs, the quality or characteristics of the products must be essentially or exclusively related to a particular geographical environment, with its inherent natural and human factors; and production, processing and preparation of the product must take place in the geographical area. For PGIs, a specific quality, reputation or other characteristic must be attributable to the geographical origin; the production and/or processing and/or preparation of the product must take place in the geographical area. The protection provided for PDOs and PGIs is the same and corresponds to the higher degree of protection provided by the TRIPS Agreement.

The application for the registration of a PDO or PGI, which should come from a group of producers, must contain a specification with the description of the product, the definition of the geographical area, evidence that the product originates in the geographical area, a description of the method of obtaining the product, the link between the quality, reputation or other characteristic and the geographical origin, and details concerning bodies in charge of controls with respect to the specification. For applications coming from the EU, the application is initially examined by the Member State directly concerned and then transmitted to the EU Commission. Applications from third countries (i.e. those other than the two countries directly concerned in the GI protection) are sent directly to the EU. If the examination is favourable, the application is published and any third party can oppose it within 6 months. When the GI is registered as a PDO or a PGI, any operator complying with the specification may be authorized to use the PDO or PGI, provided that they satisfy the control before placing the product on the market, which is operated by competent public authorities and/or a product **certification body**. The official logo, or at least the words PDO or PGI, must be on the labels for products coming from the EU. Protection is granted for as long as the product complies with the specification.

The TRIPS Agreement

The international agreement with the highest standards of protection of GIs (the Lisbon Agreement) has been signed by only a few countries, and bilateral agreements have been only partial solutions for a global problem because of the lack of a multilateral framework. The harmonization of international standards for agro-food products mainly dealt with geographical names recognized as generic. As a result, international protection of GIs before the TRIPS Agreement was in a kind of complicated cul-de-sac. The General Agreement on Tariffs and Trade (GATT) only dealt with trade in goods, but, since 1947, trade in goods and services incorporating intellectual property has become increasingly more important. This is why the Uruguay Round of GATT, which came into effect in 1995, included services and intellectual property in its negotiations. The World Trade Organization (WTO),[29] which superseded GATT, and was also created in 1995, incorporated the TRIPS Agreement. All WTO members are party to the three agreements, without any reservation permitted under the TRIPS Agreement.

The general protection provided for GIs by the TRIPS Agreement differs from the Lisbon Agreement by enlarging the nature of the link between the product and the place of origin. Characteristics and reputation are criteria, according to a definition of a GI in the introduction; as a result, the quality of the product is only one of the possible criteria according to which the GI that it bears can be eligible for the protection provided by the TRIPS Agreement. In Section 3 of Part II of the agreement, three different levels of protection are provided for GIs:

- The first level (Article 22) is a minimum standard of protection for all products. It prohibits any use that constitutes an act of unfair competition in the sense of Article 10bis of the Paris Convention, misleading of the public as to the geographical origin of the good; it also prohibits the registration of a trademark that would contain or consist of a GI for goods not originating in the territory indicated, but only if such a use would mislead the public as to the true place of origin. This level of protection also applies to GIs that, although literally true as to the territory in which the goods originate, would falsely indicate to the public that the goods originate in another territory. In conclusion, the minimum protection focuses on misleading consumers, which has to be proved, and on unfair competition, which has to be judged by a court. Such a case-by-case application of protection through judicial decisions often generates problems, especially when, for example, a GI originating in Country A is abused in Country B. Tribunals could only judge on the GI's reputation in Country B, supposing that consumers are not misled if they do not know that the GI has a geographical significance.

- The second level of protection (Article 23.1–2) is only available for wines and spirits. It strictly prohibits the use of an untrue GI, even if it is used in translation or accompanied by an expression such as 'kind', 'type', 'imitation', etc. Also, the registration of a trademark containing or consisting of a GI for wines or spirits not having this origin is prohibited, even if the public is not misled as to the true origin of the product. Moreover, Article 24.1 mentions that members will enter into negotiations aimed at increasing the protection of individual GIs for wines and spirits.
- The third and highest level of protection (Article 23.3–4) is provided only for wines. Paragraph 3 deals with homonymous GIs for wines, granting protection to each of them, but also requiring each member to determine the practical conditions under which the homonymous indications will be differentiated from each other in order to avoid misleading the public. But Paragraph 4 provides that there should be negotiations in the TRIPS Council concerning 'the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system'. The establishment of a register could be considered to be a higher level of protection in relation to its potential legal effects. Since 1997, the TRIPS Council of the WTO has admitted that spirits would be concerned by such a register as well.

Roughly considered, the TRIPS Agreement provides a strange balance of interests for GIs: a minimal protection for all GIs, associated with a higher protection for GIs for wines and spirits (claimed by European countries) and large possibilities for exceptions[30] (claimed by the US and Cairn Group countries). Since the entry into force of the TRIPS Agreement in 1995,[31] and especially since 2000 (when a proposal on extension of the higher protection to all GIs was submitted by Switzerland, India, the Czech Republic and other countries[32]), how GIs are to be protected has continued to be discussed among WTO members. The Doha Ministerial Conference of November 2001[33] allowed for a more explicit mandate on negotiations for GI protection in the TRIPS Council and in the General Council. These negotiations are hard and lengthy, and no consensus has been reached so far on the two main points of debate. The first relates to the multilateral system of notification and registration of GIs for wines and spirits under Article 23.4. The main topics of discussion concern, first, the legal effects of such a register and its comprehensiveness, along with the establishment of a dispute resolution procedure to deal with notifications that would be considered unacceptable by one or several members.[34] The second point of debate is the extension of the level of protection provided for wines and spirits to all products.[35] Some members (including the EU, Jamaica, India, Kenya, Switzerland, Thailand, Morocco and Turkey, etc., all of which are sometimes designated 'GI-Friends') are in favour of stronger protection for all GIs, and they generally argue both for a register with binding legal effects and for extension of the level of protection (in their view, the register should also be extended to products other than wines and spirits). Other members (including the USA, Australia, Argentina, Canada, Chile, Colombia and Chinese Taipei (Taiwan), etc.) oppose these claims, considering that the existing general level of protection (Article 22) is adequate and arguing for a multilateral register on a voluntary basis, which would only be consulted as a database by members when making a decision on protection.[36]

In July 2008, a group of 110 WTO Members submitted draft modalities for TRIPS-related issues,[37] calling for a procedural decision to negotiate the following issues in parallel: the GI register, the extension of the level of protection, and the requirement for patent applicants to disclose the origin of genetic resources or traditional knowledge used in their inventions. Since then, no progress has been made in the negotiations.

In the WTO framework, GI matters are or were addressed by several bodies of the WTO:

- The TRIPS Council (regular session): review on implementation by members (TRIPS Article 24.2)
- The TRIPS Council (special session): negotiations on the establishment of a multilateral system of notification and registration of GIs for wines and spirits (TRIPS Article 23.4 and Doha Declaration)
- The General Council and Trade Negotiations Committee: issues related to the extension of the protection of GIs provided by TRIPS Article 23 for products other than wines and spirits[38]
- The Committee on Agriculture (special session): EU proposal for negotiations for 'clawback' on use of certain GIs[39]
- The Dispute Settlement Body (DSB): complaints by the USA and Australia against the EU concerning the European system of PDOs and PGIs[40]
- Informal consultations held by the Director General of the WTO.

Opposition to GIs among some WTO members is based on three considerations. First, the negotiations on GIs are closely related to the negotiations on agriculture (this means that any progress towards a better protection of GIs should probably be compensated for by a better access to the markets of pro-GI countries) and even to all the negotiations at the WTO. Difficulties in progressing towards a consensus may be linked to internal and plurilateral difficulties in identifying the possibilities of a largely acceptable trade-off. Secondly, there are real economic interests (the use of GIs as generic names in third countries, security on export markets for protected GIs, etc.), which could be damaged in any new solution. In this regard, the status quo may be supported not only by members opposing a better protection for GIs but also by members who do not feel strongly concerned by the matter. Thirdly, the views differ on a cultural ground related to the role of public authorities. Arguments on administrative burden and costs, as well as on migrants having 'exported' GIs in good faith, betray a concept of the state that limits as much as possible its interference with market and private initiatives, whereas heritage and collective organization values generally associated with GIs in European countries may imply a strong integration of GIs in public policies.

Current Stakes for the Protection of GIs after the TRIPS Agreement

Different concepts of GIs

Before the entry by force into the TRIPS Agreement, few countries had a specific system of protection of GIs. Other countries protected GIs through general trade law or trademark law. According to the TRIPS Agreement (Article 1.1), every member of the WTO is free to decide on the means it wants to use to comply with its obligations regarding the protection of GIs. Thus, a great variety of national legislation applies. The important points of diversity are:[41]

- Definition of the GI: alternative or cumulative elements of the definition (quality, reputation, other characteristics)
- Link with the geographical origin: technical standards for producing the goods, location of the different steps of production
- Size of the place of origin (from a tiny vineyard to a whole country)
- Goods that can be designated by the GI: natural goods, agricultural goods, handicrafts, textiles, manufactured products, etc.
- Definition of the applicant/users: single person, group representing producers, traders, manufacturers, etc.
- Scope of protection: standard or additional protection (the need to prove consumers were misled)
- Duration of protection: unlimited or limited with the possibility of renewal
- **Monitoring** of GIs: public or private
- Control of the use of the GI according to specifications
- Protection for foreign GIs: automatic, through examination or by use
- Protection obtained by use or registration
- In the case of registration: procedure of examination; formal or substantive examination; right of opposition from third parties.

Basically, some countries adopt definitions similar to the one found in the TRIPS Agreement, and others go beyond the TRIPS definition. This last category mainly includes countries with systems such as the PDO, denominaçion de origen controlada (DOC), appellation d'origine contrôlée (AOC) and the like. These more restrictive legal definitions go beyond the TRIPS standard through requirements on:

- Exclusivity in the relations between the product and its geographical environment, leading to the idea that it is not possible to produce the same product in a place other than the original site. Consequently, relations between the product and its geographical environment must be defined in a very detailed manner – reputation is not enough.
- Exclusivity for the delimited area to provide raw material and for the localization of any activity of processing or preparation related to the product.

It must be noted that if the TRIPS Agreement does not prevent a country from establishing a more restrictive legal frame for *some* GIs, such as PDOs, it requires that legal protection for GIs according to the TRIPS definition is also made available; that is to say, protection for *all* GIs (not only for PDOs or PGIs) is required. In that general context, a country can provide all GIs with a stronger protection than the one provided by Article 22 of TRIPS, which is a minimum standard.

The protection of GIs in third countries

Once GI protection is granted at the national level, the problem becomes acquiring international protection as a product crosses borders. Without protection at the international level, all efforts made at the national level would be jeopardized. Two methods of international protection are conceivable:

- automatic protection in foreign countries once the GI is protected in the country of origin, achieved through bilateral or plurilateral agreements, such as the Lisbon Agreement, or through a regional framework, like the European model; and
- protection after filing an application for registration as a trademark or a GI in every country where the protection is sought, along the lines of other IPRs.

It is hard for GIs to gain protection in third countries because the authorities or tribunals of those countries may attribute only a generic character to the product. No coherent approach is to be expected from the implementation of international agreements: the Madrid Agreement on indications of source provides that the courts of each country may decide which denominations are generic,[42] while, according to the TRIPS Agreement, there is no obligation for a member to protect GIs that have become generic in its territory, independent of the situation in the country of origin.[43]

Other difficulties may come from the legal recognition of a GI in the country of origin. TRIPS Article 24.9 stipulates that there is no obligation to protect a GI that is not protected in its country of origin, which could lead to the conclusion that the GI should be protected in the country of origin before benefiting from protection from another WTO member. But, owing to the variety of legal frames of protection for GIs, whether or not a GI is protected in its home country can be open to interpretation. Registration itself is not a compulsory element, and some geographical names could be qualified as GIs according to TRIPS only after a judgment by any court to stop usurpation of a GI protected simply through use.

Usurpations and misuses of GIs

Usurpation can be understood in a broad sense to include all means of protection of GIs, whether through consumer law, unfair competition law, trademark law or specific GI law. According to the TRIPS Agreement, an act can be judged as usurpation in the EU, which provides a high level of protection of GIs, and not be judged as such in a country providing only the minimum standard of protection. For example, the label 'Parma Ham, Made in

Mexico', is usurpation according to EU regulation, but not according to the protection granted by TRIPS Article 22, as there would be no risk of misleading the public.

The basic conflicts relate to the use of a GI by producers out of the region of origin for a product similar to the original but generally different in its quality features. For example, producers from Denmark, Germany and France could not prevent the registration of Feta as a European PDO exclusively produced in Greece after a public survey demonstrated that this GI was clearly associated with Greece in the eyes of consumers.[44]

Other conflicts may be based on the use of a GI for different products coming from another territory than the one designated by the GI, such as the case of Habana for perfumes,[45] or on the evocation of the original GI for similar products, such as Cambozola, the trademark of a German producer for a cheese similar to Gorgonzola PDO.[46] A case heard by the British trademark office concerned the opposition of Rice Tech, the applicant for registration of the trademark Kasmati for a rice product. The rice was marketed under a label displaying a caricature of the Taj Mahal and used the expression 'Indian style Basmati rice'. Following the contestation of such registration by the Indian government through its governmental body (the Agricultural and Processed Food Products Export Authority), Rice Tech decided to withdraw its application.[47] Because a GI is not necessarily a word but refers to specific characteristics of GIs which are often quite distinctive, conflicts may also arise concerning the shape and packaging of products.

Conclusion

There is a specificity of GIs as IPRs. Like trademarks, GIs protect distinctive signs for goods, but for goods obtained according to technical specifications.[48] This is similar to the patent process, but these 'patents' protect ancient and local production methods. In that sense, it is not surprising that the GI question is increasingly being connected with new debates on traditional knowledge and genetic resources (Thévenod-Mottet, 2010). This is so not only because these topics all refer to a collective fact (investment, know-how, reputation, culture, tradition, rights, etc.), but also because they challenge the modern normative trend in IPRs and endanger economic interests based on more generally admitted rights and practices (innovation, individual initiatives, widest competition, mass production and delocalization).

Notes

[1] The expression 'indication of source' is used following the meaning given by Addor and Grazioli (2002, p. 867) on the basis of Article 1.1 of the Madrid Agreement: 'Any expression or sign used to indicate that a product or a service originates in a country, region or a specific place, without any element of quality or reputation'.

[2] Different views are expressed in Chen (1996), Lorvellec (1996), Olszak (2001), Taubman (2001), Barham (2003), Van Caenegem (2003), WTO (2004), Hugues (2006), Sylvander *et al*. (2008), among the relevant literature.

[3] See Rochard (2002), p. 5.

[4] We assume that here we are not considering all the conditions which are required to maintain a heritage product (that is to say, concrete producers and consumers) but only the characteristics that interact directly with the legal framework of protection and, consequently, the definition of the GI product. See Gervais (2009a).

[5] Taittinger and Others v Allbev Ltd and Another (Court of Appeal) [1993] 2 C.M.L.R. 741.

[6] York' has been refused by the trademark registry, though 'Waterford' was accepted.

[7] European Union and European Communities will be referred to as the same, and designated EU.

[8] Art. 7 of EU Regulation (CE) No. 40/94.

[9] US Trademark no. 76,338,500, registration 5 August 2003.

[10] O'Connor (2004).

[11] EU Regulation (EC) No. 40/94, Art. 64.2.

[12] Lanham Act, 15 USC § 1127.

[13] Registered in France in 1930; US trademark registration no. 571,798, 13 March 1953.

[14] US trademark registration no. 2, 685,923.

[15] US trademark registrations nos 631, 499, 802, 418, 943, 815, 943, 815.

[16] US trademark registration no. 2,837,467. See Barham (2010), pp. 34–37.

[17] Garzotti and Carvarero (1999).

[18] For example, the royal decree of 1756 in Portugal to delimit the area of production for Porto wines.

[19] For example, this way of recognizing appellations of origin was tried in France on the basis of the law of 6 May 1919, but it soon appeared that it was not satisfactory and that an administrative system should be established. See Capus (1947), pp. 28–32.
[20] Replaced by Regulation (EC) No. 510/06 in 2006.
[21] Blakeney (2001).
[22] See the definitions in the Introduction to the book.
[23] Art. 1, let. e in the Agreement of 1924; Art. 2, al. 2, let. c, (ii), in the Agreement of 2001.
[24] Art. 22.3.
[25] Echols (2008), pp. 188–199.
[26] Even when considering that some of these denominations would have been 'semi-generic' according to the *Codex* approach, the degradation of their status to mere generics should not be decided on a global level and on a restrictive labelling perspective. See Audier (1998).
[27] For example, the Stresa Convention is useful for Switzerland in protecting the denomination Emmental from becoming a generic term. On the contrary, a judgment of the European Court of Justice denied any relevance to the Stresa Convention for cases involving only parties from EU Member States (case 286/86).
[28] Gervais (2009b).
[29] All public documents of the WTO can be downloaded at: http://docsonline.wto.org/.
[30] TRIPS Art. 24.4–9.
[31] See WTO documents WT/GC/W/206, WT/GC/W/208, WT/GC/W/225, WT/GC/W/249, WT/GC/W/302.
[32] WTO document IP/C/W/204/Rev.1.
[33] Paragraph 18 of the Doha Ministerial Declaration (doc WT/MIN(01)/DEC/1) reads as follows: 'We agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this declaration'.
[34] Three proposals have been submitted: one from the EU (TN/IP/W/11), one from the USA and Group of Cairns ('joint proposal' TN/IP/W/10/Rev.2) and one from Hong Kong (TN/IP/W/8), which were summarized and compared by the WTO Secretariat (TN/IP/W/12).
[35] For details on the past and ongoing negotiations in the WTO, see Vivas-Eugui (2001), Addor and Grazioli (2002), Rangnekar (2003) and Geuze (2009).
[36] For an extended presentation of the arguments generally expressed by countries opposed to a better protection of GIs, see Hugues (2006).
[37] WTO document TN/C/W/52.
[38v]The elements of debate in the TNC were summarized by the WTO Secretariat in May 2005 (WTO document TN/C/W/25).
[39] In January 2003, the EU proposed to recuperate the exclusive use of well-known GIs which may be considered as generic names in other countries; in August 2003, this list included 41 GIs, such as Roquefort, Parmigiano Reggiano, Reblochon, Cognac, Porto and Chablis. This proposal was presented as non-contradictory with the negotiations on the multilateral register for GIs and on the extension of the higher degree of protection to products other than wines and spirits.
[40] On 1 June 1999, the USA requested consultations with the EU in respect of the alleged lack of protection of trademarks and GIs for agricultural products and foodstuffs in the EU. The USA contended that EU Regulation (EC) No. 2081/92, as amended, did not provide national treatment with respect to GIs and did not provide sufficient protection for pre-existing trademarks that are similar or identical to a GI (WTO document WT/DS174/1). Consultations on a similar ground were requested by Australia in 2003 (WTO document WT/DS290/1). A single panel for the two requests was established by the WTO's DSB, and the panel report was adopted on 20 April 2005 (WTO doc WT/DS174/R, WT/DS174/R/Add. 1, WT/DS174/R/Add. 2). For a detailed analysis of the panel report, see Evans and Blakeney (2006) and Marie-Vivien and Thévenod-Mottet (2007).
[41] See WTO (2001) for a systematic comparison between systems of protection for GIs of some WTO members.
[42] Madrid Agreement, Art. 4, 'regional appellations concerning the source of products of the vine being, however, excluded from the reservation specified by this Article'.
[43] TRIPS Art. 24.6.
[44] Judgment of the Court of Justice in Joined Cases C-465/02 and C-466/02 '*Federal Republic of Germany and Kingdom of Denmark* v *Commission of the European Communities*', 2005.
[45] Cour d'Appel de Paris, 27 mai 2000, Chambre 4, Section A.
[46] European Court of Justice, case C87/97 '*Consorzio per la tutela del formaggio Gorgonzola/ Käserei Champignon Hofmeister GmbH & Co. KG, Eduard Bracharz GmbH*', 1999.
[47] Nair and Kumar (2005), pp 179–184.
[48] This is true even when the specification is not formalized, even for GIs unlike PDOs or PGIs: the products must comply with some formal or informal requirements in order to meet the TRIPS definition linking their quality or reputation to a geographical origin.

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3 Current Situation and Potential Development of Geographical Indications in Europe

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Introduction

For decades, European governments, especially those in the Mediterranean area, have paid a great deal of attention to issues related to agriculture, rural culture and traditions. These governments have tried to develop and safeguard traditional or regionally specific products from unfair competition and imitations at both the national and international levels. Although traditional products have strong links with European food culture, they do not always achieve commercial success within their rural areas of production and/or in urban outlets, despite the good reputation they enjoy. Commercial success depends, among a great number of factors, on product characteristics, **market** penetration, production methods, supply chain management and the image and cultural–economic strength of the area of origin (Barjolle and Sylvander, 2000).

This chapter describes the current situation and potential development of **geographical indications** (GIs) in Europe, taking the term GI in a broad sense according to consumers' perceptions of the products offered in the market. As stated in the Introduction to the book, we are concerned with two categories of GIs: (i) **origin products** (OPs), which are products on the market that have an explicit or implicit origin attached, but are not currently recognized under official European Union (EU) legislation and so do not enjoy **protection**, and (ii) products which have been recognized under EU rules established for the designation of origin and so receive protection in the market with (**protected designation of origin** (PDO) and **protected geographical indication** (PGI) products, as well as products which have received **recognition** as **traditional speciality guaranteed** (TSG) products (EU, 2006a,b). Products in the first category – OPs – receive different designations depending on the country. The most common designation is 'typical' or 'traditional', but it is not uncommon to find organic and/or farmhouse products that consumers associate with a specific area or **region**, whether or not the products carry an explicit identification of origin.

This chapter is based on European research on GIs conducted under the DOLPHINS project,[1] and more recently published work related to consumer reactions towards GIs in Europe. It also analyses the types and numbers of European GI food products, the role of supply chains in anchoring their fame and, finally, the role of geographic areas and the impact of GIs.

The Role of Consumers and their Assessment

Because they ultimately determine a product's fate, consumers are crucial for considering

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

the future potential of GIs in Europe (see Chapters 5 and 7). But consumer recognition of GIs depends on the circumstances. In more localized markets, consumers usually recognize OPs that have a precise origin and are produced on a small scale because of the close connections between producers and retailers, although this type of product may have little market impact and the risk of imitations is low. However, other European consumers hardly recognize the labels carried by products that have met the EU specifications contained in EU Regulation No. 510/06 (London Economics, 2008).

Two surveys of Italian consumers (INDICOD, 2004; De Ruvo, 2005) found that consumers pay less attention to institutional labels for food (quality labels recognized by a government entity of some kind,[2] including GI labels) than they do to other quality indicators such as private labels and retailer-owned brands. Private brands use communications media, such as television, that are usually unreachable for GIs, and particularly so for OPs. It sometimes happens that GIs capture consumers' attention, but it is still hard to persuade them of the beneficial quality aspects of the product (both intrinsic and extrinsic), and to inform them about the product's technical, historical and cultural background. Despite all of the general institutional promotion campaigns and information about food labelling systems for quality and safety that have been developed so far, consumers remain largely unable to recognize a quality OP. This points the need for further education and enlightenment on food issues.

The Italian survey by INDICOD (Istituto per le Imprese di Beni di Consumo) in 2004 identified two key aspects of product reputation: product development and launching, and the need to pay particular attention to raw materials, farming practices, and processing and transformation methods; and ongoing quality management which needs to emphasize the criteria for both routine **inspections** and emergency procedures. The first set of factors is more important for GIs, as origin and production methods are of primary importance in creating and enhancing product reputation. EU legislation regulates these aspects of quality labels but, unfortunately, there is still widespread ignorance among consumers about what quality labels really mean and the difference among them.

EU surveys (INRA (Europe), 1999; EC, 2009) on PDOs and PGIs showed clearly that European consumers are willing to pay premium prices for non-industrialized food products; that they tend to buy products from their own area; and they consider a quality label important. At the same time, EU PDO and PGI labels themselves are still largely unrecognized, and consumers do not know what level of quality assurance and protection they provide. The similarities of the various logos do not help to clarify this confusion. Research conducted within the Concerted Action DOLPHINS also revealed a growing interest in OPs in several countries, but a very low level of awareness and knowledge concerning official designations of origin. However, in France and Switzerland, where there is a deeply rooted tradition of public labels, PDOs and PGIs enjoy a higher level of recognition (Trognon *et al*., 2000).

Even in countries such as Spain, Italy and Portugal, where consumers might be expected to be generally more familiar with official labels, awareness appears to be low (Teixeira and Marques, 1998; Sanjuán *et al*., 2000). Several studies indicate that consumers tend to be more aware of quality labels and symbols (Verbeke and Roosen, 2009), and some consumers base purchasing decisions on other sources of information entirely, such as (in the case of Spain) retailers' recommendations (Mesias *et al*., 1997).

In countries such as the UK and Finland, awareness of official designations is very low, and consumers appear to base purchasing decisions for GIs on some other criteria. In the UK, for example, manufacturers' own brands appear to be important, while 'Made in Finland' labelling schemes are well known there. In these countries at least, it seems that the role of PDO and PGI campaigns in adding value to food products and encouraging sales is unclear. When asked to give their definitions of 'typical', 'speciality', 'regional' or 'local' in regard to GIs, consumers are found to have a rather vague understanding of these terms, and are not able to clearly discriminate among

different types of OPs at the point of purchase.

European interest in GI products is growing, based on three factors that influence their potential for further development (Tregear and Ness, 2001):

- Proximity to the area of origin, whether geographically or culturally defined: close users are more likely to use OPs than those who are further away.
- Complexity of the product: possibilities for developing distinct methods and traditions could motivate more cultural usage.
- Macro factors: countries or regions with strong socio-cultural traditions and food heritage may have a higher likelihood of consumers purchasing local products with civic goals in mind, compared with countries with a tradition of industrialized food production and provisioning.

Although there is an increasing trend towards awareness of and interest in PDO/PGI food products, knowledge of what a GI stands for is rather diverse and vague, with consumers relying on a range of factors other than official designations to help them make purchasing decisions (van Ittersum *et al*., 2007).

Consequently, if a GI food product is complex or is consumed further from home, or if it lacks a clearly recognizable label, or has a label that seems too vague to reassure consumers (as in the case of the EU designations), customers may have a hard time appreciating its value. In this case, successful commercialization may depend on a communication strategy based on aspects with strong consumer resonance, such as stressing the reputation of a geographic area. However, this might provoke unfair competition, to the detriment of consumers, and it might provoke self-protection abuse whereby consumers fail to purchase another product.

Types and Number of GI Food Products in the European Union Countries

As recalled in the introduction to this chapter, there are two categories of products with GIs: those already recognized by the EU Regulations 2081/92 and 2082/92, which have been updated by Regulations 509/2006 and 510/2006 (EU, 2006a,b); and OPs, which are potential GI products but must still apply for and receive an official label, even if they already enjoy a recognized name and reputation. As an example of the diversity and complexity of this second category, in Italy, OPs are all generally known as 'prodotti tipici' (typical products), but they can be further classified in different ways as follows:

- OPs carrying a brand label, whether it is well known or not. It is difficult to say how many of these there may be in rural areas, both in raw and processed form. For example, Paolini (2005) compiled an almost exhaustive list of Italian OPs and regional dishes in 2005, and discovered 152 types of preserves, 314 types of cakes, 206 types of cheeses, 83 types of pasta and 309 types of salami or other cold pork meats.
- OPs recognized by Italian national law No. 526/99 (IPZS, 2000), which established criteria for 'Origin Food Products'. They are defined 'as those with methods of preparation, preservation, and curing that have been consolidated over time'. Individual regions and autonomous provinces are required to identify these OPs and must 'ascertain that the above methods are carried out in a uniform manner according to traditional customs in force for a long period of time, of at least 25 years'. Although they are not covered by EU regulations and, therefore, cannot be exported, these products must meet various health and hygiene requirements, particularly in regard to HACCPs (Hazard Analysis and Critical Control Points) (Mancini, 2003).
- OPs recognized by local municipal authorities. These products receive a 'Denominazione Comunale di Origine' or De.Co (Municipality Designation of Origin) label. In 2005, 197 Italian municipalities gave this recognition to different products. They do not have EU recognition either because they do not meet EU legal requirements or because the application procedures are too complex or costly (De Donno, 2005).

Health and hygiene requirements for EU labelling are too strict for many OPs to meet. Promoting the product heavily could have the ironic effect of forcing the disappearance of the very natural conditions that make the product a distinctive marker of its region. Quality at the level of local tradition is guaranteed only by the reputation of the producers and by their collective efforts, reinforced by a strong base in the local culture and at times by high-profile imaging, such as recognition by the 'gastronomic councils' organized by the Slow Food Association (Petrini, 2005).

Table 3.1 shows European products with PDO/PGI status in 2010,[3] according to EU regulations 509/06 and 510/06, and classified by country. Table 3.2 is organized by product category.[4] Altogether, there are 927 products: 485 PDOs, 415 PGIs and 27 TSGs. TSGs do not carry specific names of origin, but consumers might still relate them to certain geographic areas. The small number of TSGs reflects the importance that countries give to PDO/PGI designation; TSG products, which might not be clearly identified by consumers, could be copied more easily. Countries located in southern Europe, particularly the Mediterranean countries, have more and a greater variety of PDOs and PGIs than countries in northern Europe. Not all products in the same category enjoy the same level of recognition, reputation, volume of supply and level of organization in their supply chains. Cheeses attract more attention than the rest of the products.

PDOs and PGIs produced for mass consumption find opportunities for niche segments in different markets (Giacomini *et al*., 2007; Belletti *et al*. 2009) and **rural development** (Arfini, 2006). Barjolle and Sylvander (2000) emphasized that these food products need to be specific and differentiate themselves from industrial products sold in the same market, but their specific characteristics also need to be recognized and understood by consumers.

Although in some cases both PDOs and PGIs may have been present in a particular geographic area and produced by specific methods, opting for PDO rather than PGI recognition can lead to different product characteristics. The decisions taken are based on the commercial aims of the supply chain as well as on technological constraints of the production process. Thus, there are cases when the PDO **code of practice**, requirements about the origin of raw materials and claims about tradition would be too strict, whereas the PGI code of practice allows for more freedom on the origin of the raw materials and processing practices. Firms may overcome the unavailability of raw materials and also use more industrialized production techniques, though local traditions must still be respected to some degree.

There is also a difference in quality and reputation between PDOs and PGIs. PDOs tend to align with local niche markets, whereas PGIs tend to be mass produced and aimed at larger and more distant markets. These rules, however, may be broken, depending on circumstances. The decision to have PDO, PGI or TSG recognition is important in launching a GI product because each label requires, and reflects, a different type of business discipline.

The Role of the Supply Chain

The management of the supply chain can establish major differences among GI food products and affect their potential development (see Chapter 4). Research on European GI supply chains has uncovered three key aspects: (i) the delimitation of the supply chain and its subsystems, (ii) management and social leadership, and (iii) the organization of the supply chain and of distribution (Albisu *et al*., 2002).

Managing the supply chain within European legal frameworks

GI supply chains are separated from mainstream markets, but must not be considered as closed systems because they are under external pressure from other products sold in the same consumer market (see Chapter 4). All GIs have to face pressures from outside the supply chain when suppliers, competitors and trade interact. Optimizing the GI supply chain strategy requires a good understanding of other supply chains and their coordination

Table 3.1. European Union (EU) protected designation of origin (PDO), protected geographical indication (PGI) and traditional specialty guaranteed (TSG) products already recognized by EU Regulations 509/06 and 510/06, by country of origin. Source: European Commission (available at: http://ec.europa.eu/agriculture/quality/database/index_en.htm; accessed 31 March 2010).

Designation	Type			
Country	PDO	PGI	TSG	Total
Austria	8	5	–	13
Belgium	3	4	5	12
Cyprus	–	1	–	1
Czech Republic	6	17	–	23
Denmark	–	3	–	3
Finland	2	1	3	6
France	83	93	–	176
Germany	30	39	–	69
Greece	63	23	–	86
Hungary	3	1	–	4
Ireland	1	3	–	4
Italy	128	76	2	206
Lithuania	–	–	1	1
Luxembourg	2	2	–	4
Netherlands	5	1	1	7
Poland	4	5	6	15
Portugal	58	58	–	116
Slovakia	–	4	–	4
Slovenia	1	–	3	4
Spain	72	59	3	134
Sweden	–	2	2	4
UK	16	17	1	34
EU Total	*485*	*414*	*27*	*926*
Colombia	–	1	–	1
Total	*485*	*415*	*27*	*927*

mechanisms, including both horizontal and vertical market arrangements (Reviron and Chappuis, 2002).

Effective management and social leadership are key success factors for GI businesses. Activities, their interactions and their sphere of influence are modified by:

1. The degree of vertical integration within the chain and the legal and contractual obligations among members along the GI business chain. This aspect has implications for the type of management employed. But the chain is also affected by the legal and contractual obligations established among cooperating firms.

2. The scale and size of business management functions, including those associated with long-term economic and non-economic motivations. Factors that must be managed

Table 3.2. European Union (EU) protected designation of origin (PDO), protected geographical indication (PGI) and traditional specialty guaranteed (TSG) products already recognized by EU Regulations 509/06 and 510/06, by selected product category. Source: European Commission (available at: http://ec.europa.eu/agriculture/quality/database/index_en.htm; accessed 31 March 2010).

Product category	PDO	PGI	TSG	Total
Class 1.1. Fresh meat (and offal)	27	86	2	115
Class 1.2. Meat products (cooked, salted, smoked, etc.)	30	71	2	103
Class 1.3. Cheeses	165	18	3	186
Class 1.4. Other products of animal origin (eggs, honey, various dairy products except butter, etc.)	18	6	1	25
Class 1.5. Oils and fats (butter, margarine, oil, etc.)	94	14	1	109
Class 1.6. Fruit, vegetables and cereals fresh or processed	96	134	–	230
Class 1.7. Fresh fish, molluscs and crustaceans and products derived therefrom	4	15	–	19
Class 1.8. Other products of Annex I of the Treaty (spices, etc.)	19	8	4	31
Class 2.1. Beers	–	23	6	29
Class 2.2. Natural mineral waters and spring waters (discontinued)	24	–	–	24
Class 2.3. Beverages made from plant extracts	–	–	7	7
Class 2.4. Bread, pastry, cakes, confectionery, biscuits and other baker's wares	2	36	1	39
Class 2.5. Natural gums and resins	2	–	–	2
Class 2.6. Mustard paste	–	1	–	1
Class 2.7. Pasta	–	3	–	3
Class 3.1. Hay	1	–	–	1
Class 3.2. Essential oils	3	–	–	3
Total	*485*	*415*	*27*	*927*

collectively include: codes of practice, technical specifications for the product and product variation, the contractual supply of GIs and leeway to supply non-GIs (and in what ratio), pressure from trading with multiple retailers, screening of new entrants and supply chain negotiations of contract parameters.

The size and scale of individual business and cooperative groups affect the nature of the collective management that firms and supply chains adopt. Firms may need to join forces to form a management committee or, alternatively, need to appoint a management board. The long-term economic and non-economic motivations of firms dictate a range of management strategies. GIs exist for a number of reasons, and profit maximization is often not the driving force behind them. It may be that the desire to reinforce local tradition or to make best use of a local resource or skill is more important. When there are strong non-economic motivations, business management and leadership tend to be less market oriented and more geared towards the community where the firm operates. Collective management has to deal with the type of governance that players in the supply chain adopt in order to reach their own objectives. Three types of governance can be identified: territorial governance, **sectoral governance** and corporate governance (Sylvander, 2004).

In relation to the supportive process, it is

possible to identify two main types of GI firms:

1. The initiator type, characterized by being the first to spot an opening, obtain legal protection and/or see the need for better differentiation of the product on a collective basis.
2. The **interprofessional association**, that is, the applicant group (linked to EU Regulation 510/06) that tries to get legal protection for the product under PDO/PGI/TSG schemes. In this second case, the 'channel captain' or economic leader in the supply chain who moves the other members to act is an important figure. Of course, this process is not always an easy one as it involves selection criteria across firms and a collective decision-making process for setting the rules of chain governance.

Years before PDOs and PGIs were introduced, some European countries obtained legal protection for a group of GI products, as outlined by the Stresa Convention of 1951[5] and the Lisbon Convention of 1959.[6] As a result, in Italy, some cheeses, including Parmigiano Reggiano, Grana Padano and Pecorino Romano, and some cured hams, such as Prosciutto di Parma and Prosciutto di San Daniele, are protected, as is France's Roquefort cheese. These countries have structures in place to monitor production guidelines and quality control, which indirectly affects the supply chain. Italy has the Consorzi di Tutela (Protection Consortium), and independent **certification bodies**, while France utilizes its own Protection Consortium and government bodies as INAO (Institute Nationale de l'Origine et de la Qualité).

EU Regulation 510/06 gave rise to new **consortia** and producer associations aimed at getting PDO and PGI recognition for their products. In Italy, as laid down by Italian national law 526/99 (IPZS, 2000), once this recognition is granted, the role of these bodies is to engage with all phases of the supply chain and safeguard the name of the product, propose modifications for the guidelines, collaborate with certifying agencies, avoid unfair competition and provide consumers with information. This national regulation also gives consortia and producer associations complete responsibility for technical management of the products and their promotion. Recent concerns expressed by EU policy should also affect the development of GI products in Europe (Albisu *et al*., 2010).

EU Regulation 510/06 clearly encouraged producers without PDO/PGI protection to apply for it. In so doing, producers often end up reinventing their products and writing new technical specifications and requirements. This allows them to meet the economic objectives of PDOs and PGIs, respond to objective constraints, such as the availability of raw materials, and introduce technological innovations in order to make production and sales more competitive. These actions show the underlying relevance of the development level of the system, and allow us to distinguish between developed and developing systems (Sylvander, 2004).

Developed systems are those in which a product and its protection and coordination are well established and collectively organized, and tend towards a coordinated action. These systems are protected by the Lisbon Agreement's Designations of Origin. Quality is already defined by codes of practice and respected by both private and public institutions, such as consortia, or specific public authorities, such as INAO in France. Products in developed systems have good reputations not only in local markets but also in the rest of their countries of origin and in foreign markets. However, although the system may be well established, the product's reputation increases the chances of name usurpation, and of consumers and producers being affected by unfair competition.

Developing systems are those in which the product has been developed fairly recently. The process has not yet been consolidated across more individualistic conventions and/or may be pursued by only one singular organization structure.[7] These are systems in which OPs have become PDOs or PGIs, or are still OPs; they were established after EU Regulation 510/06 was in place. Legal protection is actually not the biggest problem that developing systems face, for they must deal with: gaining visibility and a good reputation in distant markets; developing new supply chains, effective management

and decision-making structures; and gaining effective institutional support to develop financial and administrative initiatives.

The distinction between these two system types (developed and developing) is important because it emphasizes the way that a system coordinates the supply chain, making it more efficient by lowering transaction costs and involving institutional and other outside players. A developing system needs to find a balance between technical, marketing and communication strategies, while a developed system has already met this equilibrium and is better recognized by consumers. Coordination between public and private institutions is extremely important in enhancing the process.

GI supply chains across Europe: a diversity of motives

GIs that are not well known beyond the regional or local level make interesting cases. They represent the purpose of EU Regulations 509/06 and 510/06, which place importance on protecting consumers and producers, especially for those GIs that are less able to protect themselves against unfair competition, as well as placing importance on the GI-related process of rural development. The cases discussed here were selected based on their own renown and reputation as a result of decisions made by DOLPHINS project collaborators. Diverse types of GIs were considered in an effort to make cross-comparisons and analyses, as well as to assess the effects of various factors.

Table 3.3 compares 15 European GI products (Arfini *et al.*, 2003). The demand for PDO/PGI protection was initiated by different agents for different reasons. In some cases, local producers 'pushed' for protection through private associations, while in other cases local authorities 'pulled' producers to collective action through **producers' associations**. Some producers sought protection in order to achieve a higher profile. Differences seem to arise most often based on a product's characteristics and type of production: some products, such as Culatello di Zibello, Beacon Fell cheese, Étivaz cheese, Azeite Trás-os-Montes olive oil and Terrincho cheese, are considered 'artisan' products. Others, such as Salumi Tipici Piacentini pork meat, Roquefort cheese, Bavarian beer, Tuscany olive oil and Cariñena wine, are more industrial or are mass produced. Still others, such as Ciliegia di Lari (Cherries of Lari), C de Calidad (27 food products from Aragón, Spain), Scotch beef, Schrobenhauser asparagus and Taureau de Camargue beef, are produced by small enterprises.

The institutional process for each of these cases was put in motion for different reasons, such as avoiding unfair competition, having more visibility at the retail level and differentiating the product from competitors, but it always had the common goal of increasing the economic value of the product in the market. This process has not always been easy and has generated conflicts along the chain, mainly when determining the code of practice and the delimitation of the production area. All the products have a certification body to raise quality assurance over time. Most products have a collective brand, but few have a private trademark.

The difference between pull or push strategies does not have direct implications for market effectiveness and the product's impact on rural development. However, other aspects that affect the behaviour of the entrepreneur in the supply chain, such as supply chain relationships, the governance structure and the producer's marketing skills, can be of great business significance. The roles of consortia and producers' associations in the supply chain are of equal, if not greater, importance as the roles played by management of the individual companies, because they outline the product policy, as well as the relationships between the different links. Consortium policies are a consequence of the types of players in the supply chain. There are significant differences among European GIs with respect to chain aspects, such as the interprofessional associations involved in the 15 products presented in Table 3.3. In some cases, there are more small firms or farmers' cooperatives (C de Calidad, Cariñena wine, Scotch beef, Ciliegia di Lari, Taureau de Camargue, Schrobenhauser asparagus, Étivaz cheese, Azeite Trás-os-Montes olive oil,

Table 3.3. Characteristics of geographical indications (GIs) analysed by the EU (European Union) DOLPHINS (Development of Origin Labelled Products: Humanity, Innovation and Sustainability) research project. Source: DOLPHINS project, available at: http://www.origin-food.org/2005/base.php?cat=40&page=40.

Name of the product	Country	Area of production	Product	Sign of origin[a]	Initiator	Motivation
Azeite de Trás-os-Montes	Portugal	Trás-os-Montes	Olive oil	PDO	Ministry of Agriculture	Expand market (not only local) and increase the economic value of the product
Bavarian beer	Germany	Bavaria	Beer	PGI	One single local producer	Increase export markets
Beacon Fell	UK	Fylde area of Lancashire	Cheese	PDO	Single producer	Take advantage of the OP designation and increase market position
C de Calidad alimentaria	Spain	Region of Aragón	27 food products	Collective brand	Regional government	Give an opportunity to the local economy by increasing the visibility of the local product
Cariñena	Spain	Zaragoza (Aragón)	Wine	PDO	Local producers' organization	Protect and increase the economic value of the product
Ciliegia di Lari	Italy	Pisa (Tuscany)	Fruit (cherries)	OP	Local administration	Give an opportunity to local economy
Culatello di Zibello	Italy	Zibello, Parma (Emilia Romagna)	Pork meat	PDO	One single local producer	Protect and increase the economic value of the product
Étivaz	Switzerland	Pays d'en Haut	Cheese (cows)	PDO	Cooperative (ripening and marketing)	Qualify production
Roquefort	France	Midi Pyrenees	Cheese (sheep)	PDO	Roquefort Association	Protect the misuse of the name
Salumi Tipici Piacentini	Italy	Piacenza (Emilia Romagna)	Pork meat	PDO	Producers association (Consortium)	Obtain a better marketing position and a better presence at retail level

Table 3.3. *Continued*

Name of the product	Country	Area of production	Product	Sign of origin[a]	Initiator	Motivation
Schrobenhauser asparagus	Germany	Bavaria	Vegetable	Collective brand	Asparagus Association of South Bavaria	(1) Beat competition from imported low-price asparagus (2) Misuse of reputation
Scotch beef (SSS beef)	Scotland	Scotland	Beef meat	PGI	Institutional coordination bodies	After BSE (bovine spongiform encephalopathy) crisis for export markets (PGI not useful in UK)
Taureau de Camargue	France	Camargue	Beef (bulls for bullfights)	PDO	Traders/ wholesalers	(1) Enhance meat quality of the bulls unfit for the Camargue games (2) Misuse of the name for bullfights
Terrincho cheese	Portugal	Tras-os-Montes	Cheese (sheep)	PDO	Ministry of Agriculture	Expand market (not only local) and increase the economic value of the product
Tuscany olive oil	Italy	Tuscany	Olive oil	PGI	Local producers organizations supported by the local government	Protect the reputation of the name Tuscan and increase economic value of the product

[a] PDO, protected designation of origin; PGI, protected geographical indication; OP, origin product.

Terrincho cheese). In other cases, there are more small-to-medium enterprises (Salumi Piacentini, Beacon Fell cheese, Roquefort cheese, Bavarian beer and Tuscany olive oil). Organizational structure is also involved in activities such as restoration of a product to an earlier state of reputation (Culatello di Zibello).

The effects of management on the supply chain are differentiated according to the types of groups involved and depending on whether farmers or processors are the leaders. The consortium's capability to manage the chain and to interact with the distribution channel is strongly influenced by these arrangements. There are also differences regarding the role of interprofessional associations along the chain. Most of them are led by the consortium, though sometimes they are led by farmers (Beacon Fell) or by a single processor (Culatello di Zibello). The consortium may also follow the interests of all producers (Salumi Piacentini PDO, Étivaz and Roquefort). The association plays a very important role in the definition of the code of practice and monitors the distribution strategy for the product. In some cases, such as that of Azeite Trás-os-Montes, the consortium markets the product and often plays a crucial role in defining the **standards** for product quality, as in the cases of Culatello, C de Calidad and Terrincho cheese. For these products, producer associations and consortia have an important role, but introducing the governance process along the chain is difficult, which may lead to differences in the supply chain structure affecting marketing strategies.

Stages of the supply chain

It is necessary to know the supply chain structure and its links in order to apply effective management. In each link there is one type of player, usually with different aims and interests from others along the chain. Many GI products have four stages in the chain: production of raw ingredients, transformation, curing or preservation and distribution. Each GI product has precise specifications for each stage and the subsequent links. Distribution is the most critical stage because those outside the supply chain usually require a high level of coordination with the chain. The distribution channel for a traditional product has to be carefully chosen. Managers of speciality shops, distribution chains, hypermarkets and supermarkets often adopt different strategies. The variables that determine whether producers access a particular distribution channel are the trade costs level, and the capacity to guarantee a stable quality and an adequate supply. Costs differ based on the degree to which economies of scale are exploited and on the different services supplied by retailers, and these, in turn, position traditional products at different selling prices and with differing levels of specificity. Large volume demands from multiple retailers can lead to standardization which can reduce the degree to which consumers consider the product to be special.

The marketing approach is often one of the weakest parts of GI supply chains, as organizational structures are often more product oriented than market oriented. In some cases, marketing management is under control of the organizational structure, which may delegate it to the consortium. Pride in the product and loyalty to traditional production techniques may generate highly marketable product qualities but do not guarantee sound or successful sales strategies. The approach of many GI organizational structures is to promote products that consumers appreciate just as they are and, in those cases, the quality is the result of the combined effects of natural and human (artisanal) factors present in the production area. Individual firms taking part in the supply chain still pursue their particular strategies but are bound to a code of practice that limits technological innovations.

An increasing number of retailers with multiple outlets in Europe are launching private umbrella labels for GI market promotions. This strategy tries to distinguish their supply from that of competing retail chains. For example, Carrefour in France, Conad and Coop in Italy, and El Corte Inglés and Eroski in Spain have private GI labels, which may provide an opportunity for small and medium enterprises to reach larger

consumer markets, but which might also be a threat. Asymmetric price transmission in the GI chain that serves to benefit multiple retailers may erode the added value (**value-added**) that previously went to producers and processors. Under those conditions, producers' labels might disappear, leaving only retailers to guarantee the origin of products to consumers. Another potential problem is the strong control exercised by retailers relative to processors; retailers' demands may conflict with the producers' collective codes of practice. Contract conditions proposed by consortia or interprofessional associations may reduce transaction costs in this final link of the supply chain and are often highly influenced by mistrust among counterparts.

Most GIs are sold at local markets, where their quality is recognized by local quality conventions; the proximity to the area of production makes the product better known and appreciated by local consumers. The greater the distance from the place of production, the more the product must carry values, including traditions and image, from its area of origin. Key points of discussion include the intensity of promotion, the role played by the consortium and the different distribution channels where products are located. Consumers in or near the production region know the products and are willing to pay more for them. Difficulties arise when products are sold at greater distances from the production region, especially when carried by multiple retailers. With the exceptions of Roquefort cheese and Salumi Piacentini, promotion efforts for GI products are quite low. Promotion is done basically in local areas, and it is difficult for consumers outside the production region to know the characteristics of products and producers. The PDO/PGI labels distinguish the product, but the label of the producer consortium is not always recognized by consumers. There are difficulties when selling to multiple retailers and, at the same time, adopting strict quality strategies. For this reason, most products are sold close to the production area or at speciality shops, as is the case for Beacon Fell and Étivaz cheeses. Difficulties in adopting marketing policies concern the use of both private and collective brands, product placement at retail outlets and reaching consumers – especially those outside production areas. There are also difficulties in adopting marketing policies that enable consumers to distinguish the qualities of GIs and to differentiate them from competitors.

The Role of Geographic Areas and the Impact of GIs

A key factor in distinguishing GI products is their links to local regions and areas. These links are based on two aspects: the first is the extent to which the area and its microclimate influences production quality, according to producers' skills in handling raw materials and environmental factors (Briand, 2000); the second factor is the extent to which the area provides structures and infrastructures to help the process, particularly the degree to which it transmits and disseminates knowledge about production methods. GI products can be challenged by the economic and social development of the area, and the need to take environmental repercussions into consideration. As described in Chapter 6, promoting traditional products is considered one way to move towards the multifunctional and sustainable principles prescribed by the EU: the Cork Declaration (EC, 1996); the Strasbourg Declaration of European Farmers of 2005; the Common Agricultural Policy; and Lisbon Strategy (EC, 2005). The degree to which this takes place depends on whether the geographic area is taken into consideration by those who govern the supply chain, on whether the governance is by a consortium or producers association, and on the local policy makers responsible for area governance. Geographic area policies are required to encourage the sector, safeguard the area and enhance development.

Three different levels of governance favour the territory, the sector or the firms. The first level, territorial governance, gives priority to local producers attempting to safeguard and enhance the area. Local firms and institutions often make both formal and informal agreements to encourage this. At the

second level, sector governance, priority is given to those involved in the supply chain, and organizational structures and institutions from the same sector make both formal and informal agreements. The third level, corporate governance, only gives priority to a few links of the supply chain – and often a single company negotiates with institutions.

Choosing a level of governance depends on the characteristics of the supply chain and the role that stakeholders give a territory and its aims. When the goal is to promote the area and to emphasize its cultural and environmental characteristics, local priorities prevail. However, if the area is only used for production purposes, and the product is marketed based on its reputation, sectoral or corporate priorities are more heavily considered (Sylvander, 2004).

Research to date has not proved that GIs always have clear effects on rural development owing to the diversity of circumstances (Arfini *et al*., 2003; Belletti *et al*., 2008; see also Chapter 6). This could be either because the right indicators were not used or because there are no such close relationships or because, in many cases, their impact is weak. Nevertheless, some case studies reveal clear impacts on the overall environment, such as in the case of Scotch beef or Taureau de Camargue. Other studies show impacts on the economic development of the area, as evidenced in the cases of some olive oils, Roquefort cheese and Schrobenhauser asparagus. For other products, such as Culatello di Zibello, the relationship with rural development is only indirect. In fact, when initiatives are not based on public funding, evaluation measures are often not applied.

The Roquefort case is an example of a GI with a major impact on the region, as 50% of jobs are linked to it, and there are also indirect benefits through tourism. However, the impact is not as great as it could be because the GI operates under a sector rather than under a territorial approach. Rural development is not simply related to direct economic impacts linked to the supply chain, but should be more broadly understood as related to social concerns, tourism, crafts, multifunctional elements and intangible issues related to rural development. According to this approach, the optimum GI benefit for rural development is derived when there is a mix of both multifunctional and industrial approaches. In this sense, the link with the area of production is important not only for territorial aspects but, more particularly, for the human skills existing in the area. This is true for products such as Salumi Piacentini, Schrobenhauser asparagus and Taureau de Camargue. Regarding the multifunctional aspects of the GI products considered here, some products (the two types of beef, asparagus and beer) are prone to have rather positive territorial impacts, whereas others (Salumi Piacentini) have more dominant sector logic with low levels of **multifunctionality**. GIs are distinctive products of specific regions with strong cultural identities for consumers and producers, and so can be powerful tools for rural development under the right conditions. However, this requires cooperation of all local stakeholders, both public and private.

Conclusions

The existence of similarities among GI products is evident, though there are many differences among the factors that influence them and the strategies carried out for their development. From the European viewpoint, the main question appears to be to what extent GI products and their corresponding processes and interrelationships enhance the ability of the EU, particularly through its regulations, to fulfil policy objectives such as the amelioration of producers' income, rural wealth generation and consumer protection (see Chapter 7). In other words, the EU considers that there is a strong connection between GI production systems and its capacity to fulfil policy objectives and related policy recommendations, because the GI production systems and EU policy link territorial and supply chain activities. Two dimensions of these systems emerge as predominant: the system's development level and the governance logic used to manage it (Sylvander, 2004).

Based on the two system dimensions of development level (developing and developed

Table 3.4. Archetypes of geographical indications (GIs) (see Appendix 1 for further details). Source: DOLPHINS project (available at: http://www.origin-food.org/2005/base.php?cat=40&page=40) and Sylvander (2004).

System	Territorial	Sector	Corporate
Developed Systems	*System II*	*System IV*	*System VI*
	Étivaz cheese (Switzerland)	Roquefort cheese (France)	Beacon Fell Lancashire cheese (UK); Bavarian beer (Germany)
Developing Systems	*System I*	*System III*	*System V*
	C de Calidad alimentaria (Spain) Ciliegia di Lari (Cherry of Lari) (Italy) Culatello di Zibello (Italy) Taureau de Camargue (France) Tuscany olive oil (Italy)	Azeite Trás-os-Montes olive oil (Portugal) Cariñena wine (Spain) Schrobenhauser asparagus (Germany) Specially selected Scotch beef (Scotland) Terrincho cheese (Portugal)	Salumi Tipici Piacentini (Italy)

systems), GIs can be classified into six different stereotypical forms, as described in the introduction to this book (see Table 3.4). Sorting the EU's GI products in this way provides a helpful insight into the relationships among system characteristics, policy strategies and their derived economic, social and territorial effects. From the DOLPHINS experience, empirical evidence shows that GI products differ from one another, not only in terms of their intrinsic characteristics, but also in the structure of their systems and in the objectives pursued by producers. These differences among GIs result from differences in the historical and social development of the populations that created them.

Whether or not it is officially protected, a European GI product's potential is strongly determined by the nature of the objectives pursued and the capability of the key players to manage the entire system. The path taken is different based on whether the GI's goals are directed at developing a rural community with the involvement of local citizens, or at developing marketing strategies that can attract more distant consumers and increase overall competitiveness. The potential development of a GI can be very high either way, but in both cases it depends on a mix of policies and actions that can influence their success.

Notes

[1] DOLPHINS (Development of Origin Labelled Products: Humanity, Innovation and Sustainability) is a concerted action founded by EU under the Fifth Framework Programme of Research: Quality of Life and Management of Living Resource (Contract QLK5-2000-00593). Available at: http://www.origin-food.org/2005/base.php?cat=40&page=40.

[2] Institutional quality labels are those recognized by the EU, national governments, regions, etc.

[3] Available at DOOR database (Database of Origin and Registration): http://ec.europa.eu/agriculture/quality/database/index_en.htm.

[4] Wines are not included in this list, though the World Trade Organization (WTO) defines them as GIs.

[5] The International Convention for the Use of Appellations of Origin and Denominations for Cheeses.

[6] Available at: http://www.wipo.int/lisbon/en/legal_texts/lisbon_agreement.htm.

[7] This organization should represent all the stakeholders of the GI production system. A formal definition of the structure of the organization is necessary and can take different forms: association, consortium, group of representatives of professional categories involved in the production process of the GI product, cooperative or interprofessional organization.

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4 Geographical Indications: Collective Organization and Management

Sophie Réviron and Jean-Marc Chappuis

Introduction

Chapter 2 stated that **collective organization** is necessary in Europe for the registration of **protected designations of origin** (PDOs) or **protected geographical indications** (PGIs), a requirement that appears to restrict the adoption of this legislation in some countries. The definition of **geographical indications** (GIs) given by the TRIPS Agreement (the Agreement on Trade-Related Aspects of **Intellectual Property Rights** of 1994) does not mention collective organization as a prerequisite. However, the European experience, in explaining the potential benefits of a collective organization and how to run it to achieve these benefits, may be useful to the initiators of GIs.

This chapter explains why and how, in a context of stronger competition for generic products in globalized **markets**, some European farmers and artisan processing enterprises, mainly in marginal areas, have built 'strategic **alliances**' to coordinate the production and sales of origin food products, the high quality of which is acknowledged by consumers who are willing to pay more for them. These collective organizations range from a loose operators' coordination system to a strong collective organization.

The chapter has four main sections. The first discusses the importance of collective organization in the European vision of PDOs and PGIs, and why operators in countries/regions may be eager or reluctant to adopt this approach. The second section highlights the reasons that may lead producers and small artisan processors to join a collective organization. The ability of GI production systems to create and distribute added value (value-added), and to provide stability and perspectives for the future, are major economic incentives. But operators also take a risk when entering into an alliance – which is characterized by mutual dependence. Neither is protection a guarantee of success, which depends primarily on the quality of the initiative's project. The third section of the chapter is dedicated to the most common organizational models implemented with success in Europe, and aligns with the case studies featured in this volume. We highlight the very specific management problems of running such a collective organization – combining co-operation and competition, discipline and freedom, and economic and non-economic values. Maintaining a common vision, aligning practices and avoiding opportunistic behaviours are daily challenges. Finally, the last section of the chapter describes the construction process of the organization and emphasizes the difficulties of scaling up the organization without losing the vision, strategic objectives and values of the initiators.

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Collective Organization in the European Vision of PDOs and PGIs

Collective organization is the masterpiece of the European vision of PDOs and PGIs. According to Barjolle and Sylvander (2000), the impact of PDOs and PGIs is the result of two major factors: the acknowledgment of product specificity, which leads to a favourable position on the market; and the collective mobilization of actors, which is necessary to define and implement the GI.

Acknowledgement of the product specificity meets two criteria, both of which are found in the TRIPS definition of GIs:

- *Specificity*, which makes the product clearly distinguishable from its competitors. This specificity is linked to a territory ('**terroir**' – see Chapter 1). According to the European vision, the terroir is not only defined as 'a limited geographical area characterized by interactions within an ecosystem', but also as 'a construction over time of collective production knowledged by a human community' (Casabianca *et al*., 2005).
- A mechanism of *consumers' acknowledgment***.** The product has a name and is trustworthy. In many cases, it is anchored in the past and its reputation has developed progressively. The product was inherited from previous generations and its reconstruction/revival is the result of transmission. Other products are more recent but meet the consumers' expectations; their reputation, linked to a name and an origin, is acknowledged by consumers.
- The European vision adds a third condition, *collective organization*, which has strong effects on PDO–PGI regulation and practice. This is an implicit condition reinforced by European Union (EU) PDO–PGI regulation. In the EU vision, GIs are considered to be collective property (as described in Chapter 2). In order to register, actors must group in a representative organization and adopt a common **code of practice**. However, protection is not reserved to partners who have built the PDO–PGI product. Entry is open to any operator who is located within the territory limits and respects the code of practice.

We must insist on the importance of collective organization in the European vision. The American researchers Babcock and Clemens (2004) highlight the fact that in Europe 'producers and processors *as a group* hold exclusive rights, and therefore also receive any additional economic value that results from *their* investment in the quality, authenticity, reputation and *goodwill* associated with their GI product. GIs reward *collective traditions* and *collective decisions* while allowing for continued product evolution. GIs also allow producers to *pool resources* in order to target consumers willing to pay for attributes not found in generic commodity products' [italics added].We observe that this vision is clearly a southern European approach, most successful in Italy, France, Spain and Greece, but less attractive in northern countries such as the UK, the Netherlands or Denmark. In Belgium or Switzerland, we note an internal boundary between the regions that have applied for PDO or PGI registration (Wallonia in Belgium, Romandie in Switzerland) and those which express low interest in it.

The collective organization condition seems to be unfamiliar, and even unacceptable, to producers in some countries, for example in the New World (USA, Canada, Australia). According to Barham (2008a), 'Americans prize independence and self-reliance, and these attributes fit well with an overall economic perspective that emphasizes competition and stresses individual effort'. She adds: 'understanding the strong emphasis on individual effort and responsibility provides some insight into why trademarks appear more logical to Americans as a way to protect intellectual property interest in a given product. … GIs actually represent something much closer to a common property right. Common property customs and laws are unfamiliar to Americans, and intuitively run counter to their emphasis on individual competition and achievement'.

In many countries that seem reluctant to adopt PDO–PGI products, we observe a development of local food systems based on a

face-to-face relationship between producers and buyers, chefs or consumers. Most buyers shop at the farmers' markets and/or have long-term relationships with small farmers and artisan processors, with direct or local sales (for the UK, see Kirwan, 2004; for the USA, see Barham, 2008a and Trubeck, 2008). In the absence of industrial copies or name usurpation, and because their small potential size does not justify certification costs, these initiatives do not claim a protection scheme.

However, external shocks may persuade producers to join a collective GI organization. Barham (2008a) argues that major subsidy cuts are on the horizon in the US agricultural budget, and that these cuts could have a sudden and very negative influence on the well-being of rural communities in the USA. Mid-scale farms/ranches and related agro-food enterprises that are unable to market bulk commodities successfully, and are too large to sell food directly to consumers, will be the most vulnerable to any future cuts in commodity subsidies. The commodity market will be gained by the most competitive regions in the USA and by delocalized, large-scale farms in Brazil or Argentina within the CAIRNS group (which includes 19 countries from Latin America, Africa and the Asia-Pacific region). Other mid-scale farms will have to find alternative food supply chains to survive.

Further threats to producers are production decline and usurpation of names by competitors, e.g. the Agneau de Charlevoix initiative in Quebec (Chazoule and Lambert, 2005; Barham, 2008b). As in Europe, protection against imitations and willingness to increase reputation by a valuable quality signal may become a powerful incentive to apply for a PDO–PGI label.

The following section discusses the economic and non-economic reasons that may lead producers and small processors to develop or join a GI collective organization.

Benefits for Producers of Joining a GI Collective Organization

The PDO–PGI protection scheme cannot supersede the willingness of operators to build up a collective organization with common goals. A GI initiative cannot be imposed by policy makers because of the strategic decisions and risks that have to be accepted by all operators.

Different reasons may explain why farmers and small processors initiate and join 'strategic alliances' to coordinate production and, in most cases, sales of a typical, artisan, local food product. These reasons are mainly economic. However, social expectations can be strong incentives for producers to join. The style and organizational choices of the initiatives are shaped by common social values.

Economic benefits

Some farmers realize that they are in a very weak position on mainstream markets where, in order to survive, be efficient and succeed, it is necessary to provide standardized quality at lower cost. These farmers typically produce small volumes of a very 'special' quality at high production costs. Undergoing a slow, extensive production process, often in marginal regions of low agronomic potential, their food products are not competitive despite their valuable promise to consumers: taste, **typicality** and a production process respectful of both people and environment. These producers wish to disconnect from the mainstream markets and secure production through a better anchorage in the consumer markets.

Producers are also concerned with the issue of survival. Long-term visibility is necessary to continue to invest. In many European countries, the reform of the agricultural policy has raised farmers' worries regarding the future and led them to renounce farm transmission. Domination through costs is never achieved; it is jeopardized daily by competitors. Domination through differentiation allows steady improvement of the position, increasing reputation and trust, and the authorization of long-term strategies.

Individual strategies, such as direct sales, are a good response to unbearable flaws of the mainstream market. However, the business scale remains very small. Farmers cannot

sell on national or international markets. They receive no assistance for technical, food safety, marketing and commercial problems, and must handle everything themselves, which requires personal entrepreneurial skills. In contrast, collective organization offers a high potential for growth, as shown in the European case studies in this volume. In relying on task specialization and the transparency of value creation and distribution in the supply chain, producers are able to concentrate on production. Members benefit from economies of scale and services that isolated, small-sized structures cannot afford. Research has shown that a collective PDO or PGI organization reduces uncertainty of quality for both consumers and producers (Barjolle and Sylvander, 2000; Barjolle *et al*., 2005). Building a collective organization may lower the cost of launching a product on the market (e.g. the negotiation costs), because commercial partners are agreed and controlled by the organization, hence there is an increased trust (Réviron *et al*., 2004).

A 'channel captain' (a leading company that pilots the chain and makes major strategic decisions) may also be useful to market a GI as regards commercial performance. In this case, however, producers are mere suppliers of the company and have no power of decision on strategic choices and added-value distribution. Collective organizations are a credible alternative to the entrepreneurship form of capitalism. In both cases, business is made to create wealth by producing and marketing a differentiated product to consumers. But the 'channel captain' is characterized by a 'principal/agent' relationship, where the firm faces a risk of suppliers' 'hidden action'.[1] In collective organizations, this relationship is replaced by a contract based on controlled trust between partners. This type of collective organization is well suited for small-size producers and artisan enterprises, allowing them economies of scale without losing their power of decision. It has the proven ability to create lasting value which improves with reputation and prevents partners from harsh delocalization. Producers join a collective organization because of its experience or ability to make decisions that benefit the group. Nevertheless, operators remain independent; they can, in most cases, control the decisions and can leave the initiative if they prefer to resume full power of decision.

A main economic reason for joining GI collective organizations is their ability to negotiate a price premium at consumer level for high-quality, differentiated products so that producers benefit from price premiums. When they join a collective organization, agents mainly seek a higher sales price compared with industrial markets. This 'premium' is paid by consumers who acknowledge the superior quality of the product offered, in order to avoid asymmetric information on quality and the associated risk of purchasing non-guaranteed products (Moschini *et al*., 2008). This point is developed in Chapter 5. However, a premium at consumer level does not guarantee a premium at farmers' level. It may be captured by intermediaries taking advantage of the producers' lack of information.

Recent research studies conducted in Europe and worldwide acknowledge the ability of GI product organizations to create and distribute added value among partners through an efficient marketing strategy and organizational performance (Réviron *et al*., 2009). Table 4.1 presents a comparison of French and Swiss PDO cheeses (Barjolle *et al*., 2007). In most cases, the initiative was able to negotiate a good price at consumer level and to distribute higher prices for milk to the producers compared with milk delivered to the dairy industry. The Cantal initiative did not achieve good results mainly as the result of an organizational failure.

The next part of this section demonstrates that a collective organization allows producers to combine commercial ambition, democratic decision making and strong non-economic objectives. GI collective organizations are characterized by a specific spirit.

Social and identity expectations

Behind the economic motivations for entering into a GI collective organization, other less obvious reasons reflect a willingness to preserve and enhance a rural territory and a quality of life. All the case studies analysed in

Table 4.1. Creation and distribution of added value: comparison of French and Swiss cheeses with protected designations of origin (PDOs). Source: D. Barjolle and D. Bourdin, survey of PDO cheese consortia, data from 2004; published in Barjolle *et al*. (2007).

Cheese	Beaufort	L'Étivaz	Comté	Gruyère	Mont d'Or	Vacherin Mont d'Or	Cantal
Country	France	Switzerland	France	Switzerland	France	Switzerland	France
Cheese production 1990 (t)	2,957	300	31,545	21,775	950	453	16,146
Cheese production 2000 (t)	4,063	315	44,356	26,207	3,286	560	19,245
Cheese production 2004 (t)	4,410	354	43,555	26,719	3,724	582	18,828
Yearly variation between 1990 and 2000 (%)	4	1	4	2	25	2	2
Yearly variation between 2000 and 2004 (%)	2	3	0	0	3	1	–1
Milk producers	625	65	3250	3200	310	100	2,900
Milk volume (as 1,000 l)	48,510	3,899	435,550	293,909	33,516	5,238	184,514
Cheese processors	27	65	29	260	310	13	29
Ripeners	16	1	10	12	11	11	49
Cheese price paid by consumers (euros/kg)	17.0	15.4	10.0	11.5	17.0	14.8	8.0
Milk price paid to the producer (1) (euros/kg)	0.48	0.69	0.35	0.52	0.36	0.55	0.28
Price paid to the producer for milk delivered to industry[a] (2) (euros/kg)	0.28	0.45	0.28	0.45	0.28	0.45	0.28
Extra value from PDO (%) (1) – (2)/(2)	71.4	53.3	25.0	15.6	28.6	22.2	0
Milk by producer per year (kg)	77,616	59,982	134,015	91,847	108,116	52,380	63,626
Producer turnover (euros)	37,256	41,388	46,905	47,760	38,922	28,809	17,815
Part of the turnover that goes to the producers (%)	31	49	35	50	19	33	34

[a] In most cases, the industrial milk is produced with silage. This table cannot allow us to measure added value because it was not possible to assess the extra costs of PDO production.

Europe (Barjolle and Sylvander, 2000; Réviron and Chappuis, 2002; Arfini *et al*., 2003; Sylvander, 2004) highlight non-economic objectives based on common social values. Agents try to stop an economic drift from destroying their roots and identity. These social objectives are essential. Common social values link the partners and will later explain the very specific decision-making process between members. They are the foundation of the collective organization and will remain strong during the whole life cycle of the alliance.

Using a discourse content analysis method, French sociologists Boltanski and Thévenot (1987) proposed four types of social values to analyse social groups: the 'market' nature (*marchande*), the 'industrial' nature (*industrielle*), the 'domestic' nature (*domestique*) and the 'civic' nature (*civique)*:

- The 'market' nature is characterized by Boltanski and Thévenot as 'violent'. It is based on 'the scarcity of goods that puts into competition the agents who want to own them. Competition between these rivals leads to instability'.
- The 'industrial' nature is based on 'efficiency, performance, the ability to meet the needs, to master a function. … This ability is necessary to prepare the future. Tomorrow will be more efficient than today'.
- The 'domestic' nature is defined as 'a link to the generations, the tradition and the hierarchy, which sets an order amongst group members'.
- The 'civic' nature overcomes what separates people to link them in a collective action. 'The mandate provides people with the legality of the rules, regulations and laws and of the official delegations'.

PDO–PGI alliances are rooted in a territory and are issued from a territory. They are nourished by 'domestic' values but must be able to include 'market' and 'industrial' values to achieve commercial performance. Even in a small alliance, negotiations and delegations are necessary to pilot the collective action. But, in all cases, self-selected partners know each other personally. Granovetter (1991) insists on the role of the social network, historically built and based on personal relationships, which creates trust among its members and leads them to share information and delegate decisions.

Separating a GI alliance from the mainstream markets

A collective organization means that operators decide to group to align practices, inform consumers about the 'special' high quality of the product and physically separate their products from the mainstream. They build an 'alliance' to better enter the consumer market. The aim here is to describe the separation process of a GI group from the other operators.

The common sense of the term 'alliance' refers to a close association for a common objective and mutual benefit. The term 'strategic alliance' has a more precise meaning in industrial economics. It was defined by Dussauge and Garette (1991, 1999) as 'an association between several competing companies, or potentially competing companies, who choose to bring to a successful issue a project or a specific activity by co-ordinating their competencies, means and necessary resources rather than to implement this project or activity on an autonomous basis, facing directly the competition of the other firms engaged in the same activity, or to share, in a definitive way, and on the whole range of their activities, the totality of their resources'. The term 'alliance' has been used mainly for joint-venture type 'horizontal alliances', when development or technology transfer is the stake. We argue that the definition of Dussauge and Garette is much broader and particularly relevant in characterizing the organization of GIs in Western Europe.

Building up an alliance involves new risks for the partners, stemming from mutual dependence. They agree to contract only with members of the initiative (except for direct sales to the consumers that may be authorized subject to specific rules). Moreover, they must entrust the collective organization with making important strategic decisions and accept common rules and discipline. Repu-

tation is shared with close competitors and may be destroyed by opportunistic behaviour by one of them (Nalebuff and Branderburger, 1996).

Producers and processors separate from the other agro-food systems and group together. They may constitute a common centre of coordination that will help them build and run a collective strategy. This separation thoroughly modifies the structure of the supply chains, in that it creates a vertically coordinated food system (according to Zylbersztajn and Farina, 1999) with a clear boundary. This is a very original organization that competes with the other (mainly industrial) food systems on the relevant consumer market. Figure 4.1 presents the case of a PDO cheese alliance with a common centre of coordination.

Separation is a complex process. A GI product is not only defined by its geographical limits but also by the members of the alliance. The PDO–PGI registration may create specific problems because it decides who is inside and who is outside. Barham (2003) emphasizes this problem of the geographical area limits: 'Defining the exact boundaries and definition of an AOC [appellation of origin] can be controversial among producers …. Neighbors who follow slightly different processing methods may find that one of them is included while the other is not'.[2] At the same time, a PDO–PGI registration does not permit operators to run the organization as a private club (see Chapter 2); it obliges current partners to accept new operators who are located in the geographical area and respect the common code of practice, but who were not part of the initiators' group.

Figure 4.1 shows that the partners of the PDO cheese alliance are clearly specialized and do not process and sell products simultaneously on the PDO cheese market and on the non-PDO cheese market (artisanal or industrial). This is not a common rule. In many cases, processing firms or ripeners are not specialized (e.g. the Roquefort cheese dairy companies). They produce and sell

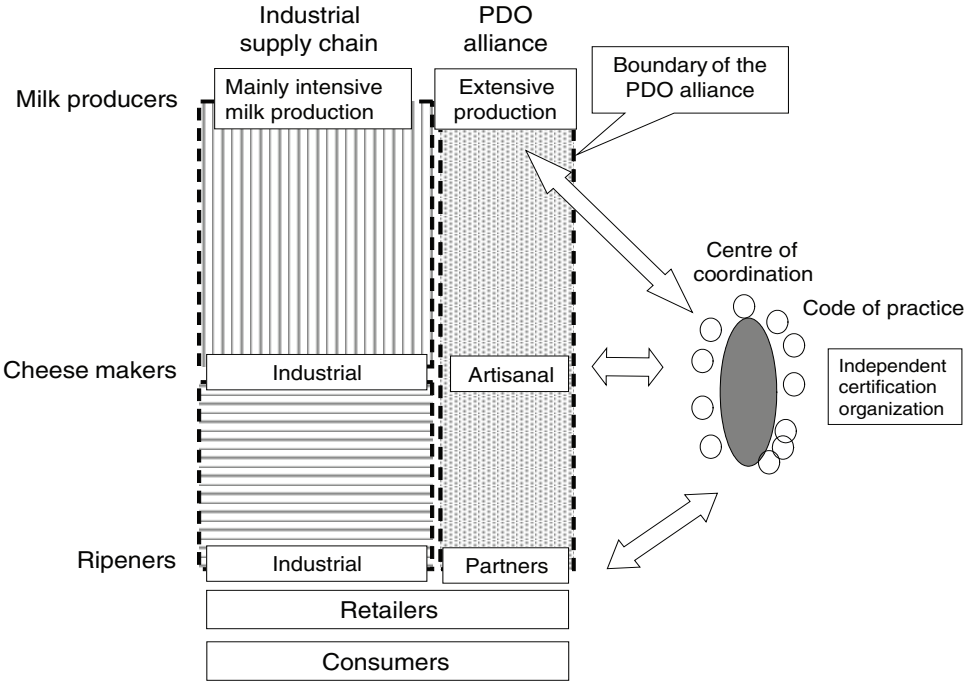

Fig. 4.1. Separation of a protected designation of origin (PDO) cheese alliance. Source: Réviron and Chappuis (2002).

various PDO and non-PDO products. This may create serious problems if their commercial involvement is not in favour of the PDO product and/or if decision making about the distribution of added value to the producers is kept secret. Good commercial results for the PDO product may be used to support other activities when accounts are not clearly separated, and prices paid to the producers may not reflect the real commercial result of each product. There is a similar problem with PGI alliances.

Production per PDO–PGI alliance may seem small. But, in some countries (France, Italy, Switzerland), combined PDO and PGI products of a given sector can represent an impressive market share of the national market and of exports. In Switzerland, the artisanal[3] cheese market segment represents 40% of the milk outlet and more than 70% of dairy exports (Fig. 4.2). Considering that these production systems are labour intensive, they may have a strong effect on employment, which is particularly welcome in marginal areas (see Chapter 6). Prices paid to the producers are much higher and farm transmission is encouraged.

This section has highlighted the benefits versus the risks of joining a collective GI organization. The following section addresses the issue of the organizational form: how to build and run a GI alliance.

Which Organizational Form for a GI Alliance? The European Experience

Success in selling a GI product requires from both farmers and processing enterprises a technical knowledge and a willingness to produce together a high **quality product**. Commercial performance is essential. PDO–PGI organizations cannot survive and develop unless they are able to create added value, obtain premiums from the consumers in response to a clear promise and pay premiums to the producers. This begs the practical question of the types of organization capable of reaching these objectives.

The European experience shows regular

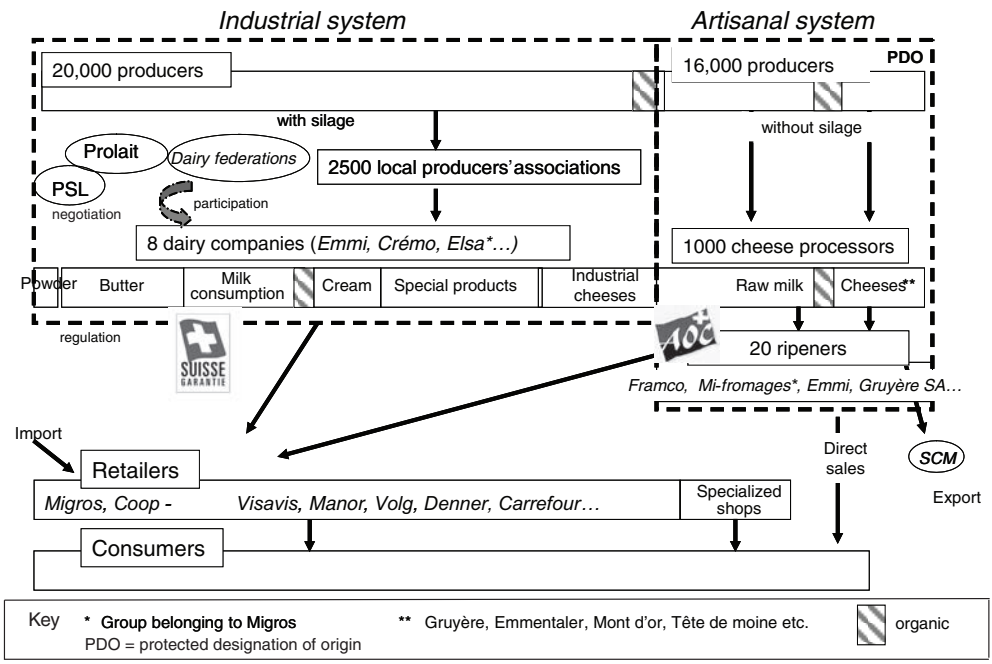

Fig. 4.2. Map of the dairy sector in Switzerland, 2003.

organizational patterns that have been verified in different countries and sectors. We have observed: (i) discipline and controls to avoid quality drifts, (ii) very few organizational models, and (iii) in most cases, that adding value involves partners (producers and processors) in a complete marketing strategy to obtain this higher **recognition** from the consumers (see Chapter 5), with a highly specific management style taking into account a combination of economic and non-economic objectives. In this section, we describe these regularities, which are unusual in the food sector.

First, partners are co-responsible for the product quality and for its image among consumers. It is absolutely crucial to avoid quality defects or slow drifts towards a lower quality, which may affect the product reputation and the cohesion of the organization. As shown earlier, when a partner sells his products under the same banner as a competitor, his reputation becomes 'mutualized'. If the product quality is not guaranteed, he will not be protected against potential bad partners. This will lead to conflicts, and the good producers will leave the group. Secondly, marketing a differentiated product implies questioning the technical practices of the agents and aligning these practices in order to market a common quality. This technical effort, which is linked to the marketing strategy, requires competencies and a facilitator able to coordinate the work and to help the farmers and processors build and respect the code of practice.

The code of practice is the masterpiece of the collective organization. Building it is one of the first and major steps of the alliance's construction. It defines what is authorized and what is not. These technical decisions have crucial consequences for positioning the product on the market, for the composition of the alliance and for the effects on **rural development** (De Roest, 2000). The code of practice may be modified to reflect internal and external changes. Its application is under permanent control in order to protect partners and guarantee the perfect execution of the promise to the consumers.

Protecting the product quality to avoid short-term individual strategies is a difficult task, not easily fulfilled by a volunteer. Quality controls, negotiations and conflict resolution require a specific, structured, internal governance, as has been observed in the European case studies. Two types of coordination may be distinguished:

- A limited coordination: partners only delegate the quality issues to the collective organization; marketing and promotion are handled individually (often the case of established firms with strong trademarks). In most cases, a **certification body** is involved and coordinates the collective action.
- A developed coordination: partners build and run a marketing strategy with common tools and actions. In this case, a centre of operations with a paid manager coordinates the collective action.

In all cases, however, regularities can be identified in the organizational pattern. This issue is developed in the following sections.

Examples of successful organizational models in Europe

Interesting regularities were identified in the organizational pattern of European PDO–PGI products using case-study comparison methods. A limited number of models were observed: the most common was an **interprofessional association**; the second was a professional association with a single level in the supply chain; and the third was a collective organization piloted by a channel captain (very often a cooperative). Even in the case of coordination limited to quality issues, an interprofessional or a professional association is built to interact with the certification body.

An interprofessional association gathers members from various levels in the supply chain (Fig. 4.3), for example milk producers, cheese processors and ripeners. It has no commercial activity: it does not sell or buy goods. Its mission is to coordinate the members' actions in order to ensure that the common objectives are reached. One of the main parts of this mission is quality issues carried out in collaboration with an

independent control body (left-hand side of Fig. 4.3). The association is piloted by an assembly of delegates, which is divided into colleges (producers, processors and ripeners) with voting rights, and a board, which hires a facilitator whose mission is to help the operators work together. Decisions are made collectively. Acceptance of new members located in the geographical area is allowed when the product is PDO or PGI registered. This model is the most common (e.g. Roquefort cheese in France, Gruyère cheese in Switzerland, etc.).

A *professional association* is composed of operators from one level of the supply chain, very often processors of a PGI product (Fig. 4.4). It is piloted by a general assembly of delegates and a board, with a paid facilitator. Parma Ham in Italy is an example of a one-level association; this model is very common for PGI products. In most cases, a professional association becomes an interprofessional association in order to integrate suppliers and/or buyers in the alliance (with a multilevel code of practice). Such was the case with the Parmiggiano Reggiano cheese consortium in Italy, which began as a cheese processor association and later decided to associate cheese ripeners.

A *cooperative* has commercial activity and is involved in trading. It is rare, and is found when historically specific and costly assets have led to centralization (ripening …), as was the case with L'Étivaz cheese in Switzerland. It is piloted by the members' (general) assembly and a board, which hires a director. This third model (Fig. 4.5) differs from the two types of association in that a cooperative has commercial activity: it buys and sells products. The remunerated manager has much more power than the associations' facilitator. In some cases, the members of a cooperative decide to build up an inter-professional body to avoid conflicts of interest. The cooperative statutes may limit entry of new members.

Despite these differences, the three models share a very specific type of management based on the alliance's original combination of economic and non-economic objectives.

A specific type of management

In all cases, successful management mobilizes two skills:

- *Technical skills*: aligning practices and building a common code of practices is generally one of the first steps of GI organization. It is necessary to guarantee product quality, taste, safety and predictability to the consumers. But too industrial an

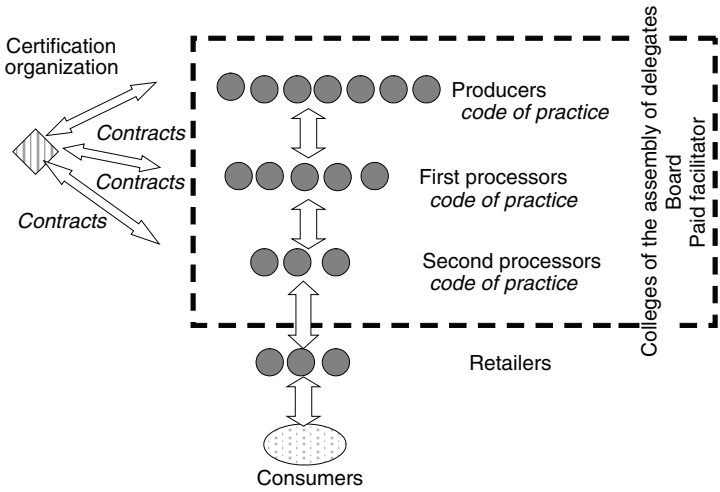

Fig. 4.3. Model 1: an interprofessional association.

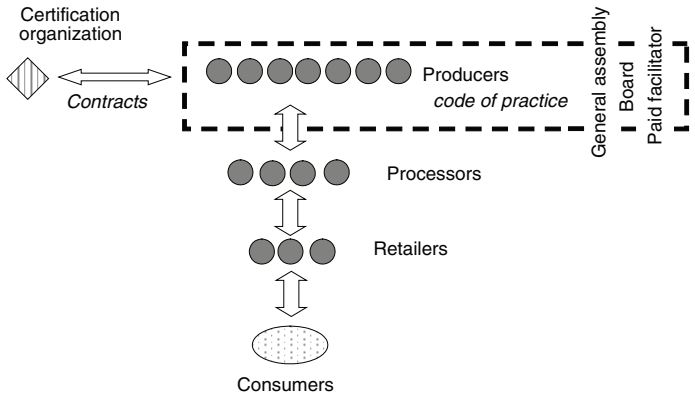

Fig 4.4. Model 2: a professional association.

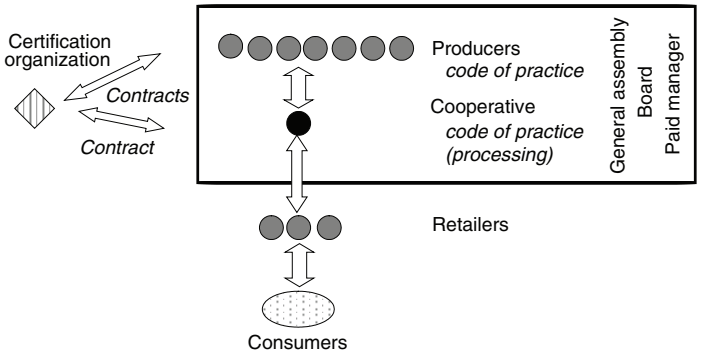

Fig 4.5. Model 3: a cooperative.

approach may lead to the loss of the alliance's spirit, thereby weakening it. Absolute product standardization is also dangerous. First, there is a risk of losing the differentiation with competing generic products and, thus, the price premium on the market. Secondly, it may generate tensions between partners and reduce motivation. In contrast, the artisanal production process may be valorized as a positive quality (full-flavoured products as opposed to tasteless industrial products). The products may then be anchored in the 'slow food' product line.

- *Social skills to ensure internal cohesion*: the GI supply chains operate as tribes, with strong personal relationships within a delimited area. The staff and leaders must avoid autocratic and/or technocratic attitudes that do not respect the decision-making process. They must be entrusted by the partners and create a democratic leadership which is adapted to the GI spirit.

Farmers and small processors are linked by neighbourhood and even family ties. They share a common history and heritage. They have learnt from their parents the specific know-how to produce a typical artisan product. Their commercial relationships are mainly 'domestic' (Boltanski and Thévenot, 1987). Trust is based on personal social links and reputation, following a very particular mechanism of social belonging (Granovetter, 1991). Internal cohesion is not always easy to maintain because social proximity does not avoid conflicts; it might even generate them. Hidden interests or jealousy may lead to serious internal crises, and the facilitator or

manager often plays a crucial role in solving these. The management must beware of quality drifts that may compromise reputation and always defend the product and 'good' partners.

In the case of extensive task delegation

When partners decide to develop a common marketing strategy and to undertake common actions such as promotion, case-study analyses show that a facilitator (or a director, in the case of a cooperative) is generally hired to run the centre of coordination which will help operators to build up and implement the collective strategy. The choice of management staff is a key factor of success. Various qualities and qualifications are required in order to help the partners balance domestic trust and industrial/commercial efficiency. The *technical* and *social skills* already discussed are complemented by:

- *Commercial skills*: leaders must have a clear commercial vision in order to help the consumer identify a product's **specific quality** and attributes, and express his/her willingness to pay a premium for them. Leaders must also develop marketing competences. Quantity coordination and indicative prices are often part of product positioning. Specific skills are required to launch an efficient promotional strategy.
- *Management skills*: classical management tools such as quality control, traceability and analytical accounting must be used on a standard basis within the GI supply chain.
- *Networking skills to build a supportive external network*: Chapter 6 highlights the importance of an external network that supports or bans the efforts of the initiative. External communication towards regional and national authorities, NGOs (non-governmental organizations) or the press may be crucial at some points in the initiative's life cycle.

In the case of limited coordination, partners do not delegate these missions and develop these skills within their own enterprises.

Theoretical status of these organizational models

In a PDO–PGI collective organization, operators (producers and processors) transfer part of their power of decision to a collective centre of coordination that is better experienced and able to come up with decisions that benefit the group. However, operators remain independent, retain in most cases control over the decisions and can leave the initiative if they wish to resume full power of decision. These characteristics qualify these collective organizations as 'hybrid forms' according to new institutional economics. Hybrid forms are governance structures (Williamson, 1991) between the spot market (where buyers obtain goods from various sellers) and firm hierarchies (the vertical integration of activities within a single firm). They are characterized by inter-firm coordination and cooperation, specific contracting and mutual dependence. Hybrid forms are a very interesting example of 'co-petition', a mix of cooperation and competition, in order to develop a market.

In a recent paper, Ménard (2004) proposes a typology of hybrid forms. He distinguishes four types: *trust, relational network, leadership* and *formal government*. Hybrid forms based on *trust* are the closest to market arrangements. Decisions are decentralized and informal coordination is implemented through mutual influence and reciprocity. *Relational networks* are a tighter mode of coordination than trust, with formal rules and conventions framing relationships among agents and restricting the risk of opportunism. Hybrid arrangements may be coordinated by a leader. *Leadership* emerges as a mode of coordination when a firm establishes its authority over the partners either because it holds specific competences or because it occupies a key position in the sequence of transactions required. In *formal governments*, although partners remain independent and may even compete on segments of their activities, a significant subset of their decisions is coordinated through a quasi-autonomous entity, functioning as a private bureau with some attributes of hierarchy.

What is the most appropriate type of hybrid form and which are the most

appropriate selection criteria? Ménard (2004) follows Williamson (1991) in identifying asset specificity (site specificity, temporal specificity, specific buildings, equipment, human capital, etc.) as the major selection tool (Fig. 4.6). But he views authority, defined as the delegation of part of the rights of decision, as the main coordination mechanism. His classification is clearly based on the distribution of power of decision between seller and buyer. The major role given to asset specificity has been discussed in food economics, and quality issues are thought to be crucial (Verhaegen and Van Huylenbroeck, 2002; Raynaud *et al*., 2004; Ménard and Valceschini, 2005; Réviron *et al*., 2006).

A crossing (Réviron *et al*., 2006) of the typologies of Verhaegen and Van Huylenbroeck (2002) and Ménard (2004) identifies a clear link between an initiative's endeavour towards quality and the level of authority delegated to the centre of coordination. Calling upon a wide set of initiatives in the agro-food sector, which cover the complete range of hybrid forms from trust to formal government, the authors show a definite correlation between an increasing drive for quality and a higher degree of authority from the centre of coordination. Because of the common code of practice that defines formal rules and convention framing relationships among partners, all European PDO and PGI initiatives are classified in Ménard's (2004) typology as a 'relational network' at the borderline of 'leadership', even in the case of coordination limited to quality issues. This regularity may be explained as follows:

- Product quality is fixed collectively within the alliance and is part of the common PDO or PGI code of practice. As a result, asset specificity (site specificity, specific equipment, specific human capital, etc.) is quite high, but products may be redeployed on direct sales and local food markets. In the case of coordinating governance (according to Verhaegen and Van Huylenbroeck, 2002), the intended quality is developed by at least one level of actors in the chain, but does not require uniform management. Approved technical leeway is left to operators in order to maintain the artisanal character of the product.
- The main decisions are made democratically. However, there have been cases (mostly with PGI products) of drifts

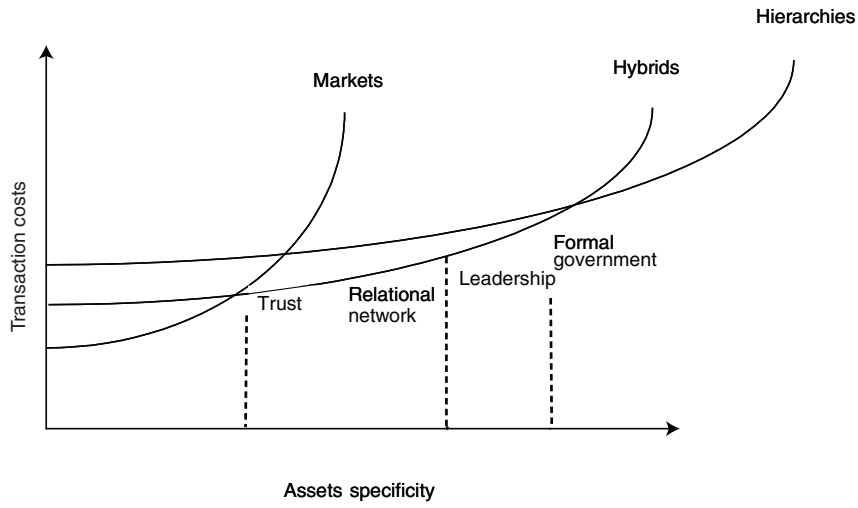

Fig. 4.6. Ménard's classification: four types of hybrid forms (governance structures) between spot markets and firm hierarchies. Source: Ménard (2004) and Williamson (1991).

towards leadership because of the weight of a few processors. The PDO–PGI protection scheme reinforces this democratic decision-making process. It requires the constitution of a 'demanding group' whose members accept the aligning of practices. Starting and running a registration process generates new arrangements and decision-making rules between partners.

- PDO–PGI initiatives combine 'domestic', 'merchant', 'civic' and 'industrial' values (according to the definition given by Boltanski and Thévenot, 1987) where the spot market is merchant oriented and the hierarchy is industry oriented. This specific social style best applies to the relational network type, with its association of common rules and leeway.

Figure 4.7 positions PDO–PGI alliances in Ménard's (2004) classification. It reflects the major consequences on the decision-making process and management style, as seen above. Very loose cooperation or too centralized a management does not seem to be an efficient way of running the collective organization. PGI organizations are more likely to adopt a leadership pattern. This is due to a weaker link of producers, who are often less involved, to the leading power of some important processors. Because of the higher risks to quality, meat products often lead to a higher degree of authority from the centre of coordination (Réviron *et al*., 2006).

The European experience shows interesting regularities in the organizational pattern of PDO–PGI alliances, clearly linked to the elaboration and control of the code of practice. In most cases, a collective organization has proved to be an efficient system to apply such formal rules. Research currently conducted in other countries worldwide will show whether or not similar conclusions can be reached in other contexts and other legal systems.

The next section addresses specific issues of the alliance's life cycle, such as birth and growth, for new GIs wishing to create and develop collective organizations.

Building and Scaling Up a GI Strategic Alliance

Chapter 3 has shown that many European PDO or PGI collective organizations were established before the PDOs or PGIs were protected. When they fitted the protection scheme, the PDO–PGI registration did not change their previous organizational pattern (see the L'Étivaz cheese case study from

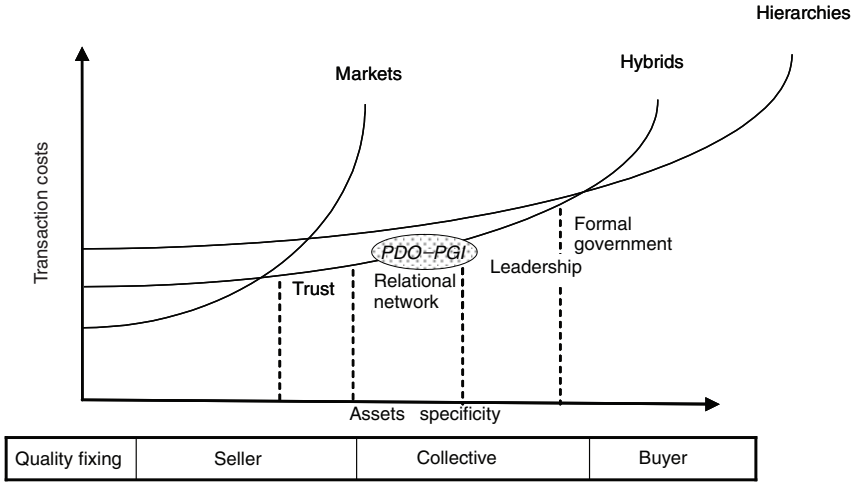

Fig. 4.7. The positioning of protected designation of origin (PDO)–protected geographical indication (PGI) alliances in Ménard's hybrid forms classification. Source: Ménard (2004) and Williamson (1991).

Switzerland). Other more recent alliances had to build up an organization to associate isolated operators (for example, Taureau de Camargue in France). The question of how to launch and scale up a collective organization is still relevant in Europe, and recent research has focused on the steps of this building-up process.

Birth and first steps

The birth of a formal collective organization is never easy, and we know of many cases that should 'crystallize' into a GI supply chain, but do not succeed. Although the main conditions appear to be fulfilled (product typicality, reputation and demand for the product), the collective organization is lacking.

Recent research has identified the crucial steps of the organization-building process from birth to youth, using actor-network theory concepts. The regularities observed are not limited to GI products and apply to different types of promise of **sustainability** to the consumers (ecological, ethical, animal welfare, origin). GI products are a particular case in a more general theory. The analysis of a large set of European case studies (including recently registered PDO–PGI products) shows that the alliances to market special quality products follow the four steps of a 'translation cycle' (Brunori *et al*., 2006). They are initiated by farmers and processors and start with the creation of a temporary, informal discussion group (top-down initiatives from public authorities are often a failure unless the project is taken over by professionals). After a while, the local group feels the need to change its organization to achieve its marketing goals and to formalize the partners' rights and duties. This consolidation phase, which includes building the common code of practice, occurs early on in the alliance's story and leads to the exclusion of some producers and processors. At this very early stage, the new alliance will make important strategic decisions that will transform it from a step-by-step institution into a formal institution and decide on the initiative's global performance.

Scaling up: conditions of entry into the alliance

A successful alliance will face an increasing demand for its product. New questions arise once internal growth of current members is no longer possible (which happens rapidly because of the artisanal nature of production, which often cannot increase volumes without losing quality).

The decision to scale up is crucial and we know of initiatives that have decided against it. Scaling up is different from growth. It is an in-depth change of the initiative's strategic vision resulting from new outlets and/or new investors and new partners, and opens up a new translation cycle (Brunori *et al*., 2006). In scaling up, an initiative may lose its initial social values. Newcomers are not pioneers that share non-commercial concerns, but businessmen attracted by the commercial success of the initiative (which is often represented by a label). A change in the members' values may lead to very serious crises when the newcomers have access to the committees that make decisions. The initiators may feel upset about the evolution of their organization and may even decide to leave it. Newcomers must be tested on their objectives and goals and social tensions must be anticipated.

The entrance of new partners into an alliance is a difficult step. The legal statutes of the organization and public or private regulations that protect collective designations have an important effect on partner selection and on the conditions for joining the alliance. In the case of a registered PDO or PGI product, entry must be guaranteed to any operator in the geographical area who respects the code of practice. In the case of a collective trademark, the present members of the alliance are allowed to demand respect for the common rules, but also to demand admission fees that may be very high and differ according to the newcomer. This admission fee is the price to pay to reap the benefit of the initiators' efforts to build the collective brand reputation. In the case of a certification mark, the owner cannot reserve the mark for himself or refuse to share it with a producer that respects the operational rules. The owner is allowed to ask for a 'fair' fee for operating the mark, to cover promotional and control costs.

Conclusion

We have observed very efficient and successful PDO–PGI organizations in many European countries. Their future clearly depends on their ability to meet consumer demand. This issue is developed in Chapter 5.

Another challenge is the institutional framework, which has the power to ban or support the initiatives. First, the protection scheme is a masterpiece of the PDO–PGI system. It is often difficult to separate the effects of a private production system (built by the operators) from those of public protection. However, it is obvious that the protection scheme reinforces some features of the initiatives, such as the democratic decision-making process and the discipline resulting from the code of practice. Second, more general regulations, such as the antitrust law, may hamper the PDO–PGI coordination system if price and volume aligning by independent artisanal enterprises were no longer allowed.

A third institutional risk (which may turn into an opportunity or a threat) is agricultural policy. In some countries, general regulations regarding direct payments are indirectly in favour of PDO–PGI products. A modification of this regulation could hamper PDO–PGI product development. More general regulations concerning collective organizations, such as the 'interprofessionals' of France and Switzerland, the 'Consorzi di tutela' in Italy or the 'Consejos regulador' in Spain, benefit PDO and PGI products. In countries where PDO–PGI products have developed, the public authorities guarantee a helpful institutional framework, in consideration of the positive effects of PDO–PGI products on rural development. This issue is developed in Chapter 6.

Notes

[1] Hendrikse (2003), pp. 95–96.
[2] Barham (2003, p. 136.
[3] Raw milk cheese processed in small village processing units, most of them PDO-registered products.

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5 Geographical Indications, Consumers and Citizens

Angela Tregear and Georges Giraud

Introduction

So far, chapters in this book have examined **geographical indications** (GIs) from the point of view of supply-side actors and functions such as policy makers, legal institutions and supply chains. The purpose of this chapter is to consider GIs from a demand-side perspective, that is, from the point of view of the buyers and users of GI products. Although often ignored or under-represented in texts on GI policies and systems, it is crucial to take account of the consumer and citizen perspective for the following reasons. First, the products and labels of GI systems exist in a marketplace, and supply-side actors rely upon the decision-making choices of consumers and citizens for survival and growth. Secondly, GI products are the tangible outputs of cultural traditions. The ways in which these products are purchased, prepared, transformed, cooked, served and eaten are all components of those traditions, and thus buyers and users contribute actively to the special character of GI products. Thirdly, taking the perspective of GIs as socially constructed phenomena, in which the contemporary meanings and value of GI products and labels are co-created by different actors, consumers and citizens represent an active source of the creation of meaning around GIs, through their beliefs and perceptions as individual buyers, and also through their values, desires and choices as members of wider communities. For all these reasons, the consumer/citizen perspective has much legitimacy, and the voices of these stakeholders deserve to be heard in debates about the future development of GI systems.

This chapter draws mainly from existing studies in Europe to present what is known about how GI products and labels are perceived and used by consumers and citizens. First, an overview is given of the nature of contemporary food markets and the role of origin within these, highlighting the flexible and multifaceted use of origin by both producers and consumers. Next, evidence is presented on the **market** for GI products, describing what is known about who buys GI products and why. The chapter continues with information on how consumers and citizens respond to GI labels. The penultimate section seeks to build on the preceding material by proposing a conceptual framework for identifying types of GI product usage. The chapter concludes with consideration of the marketing and policy implications arising from the consumer/citizen perspective of GIs.

Food Markets and the Role of Origin

Contemporary global food markets are characterized by a number of key features, including rapid change, intensive competition, concentration of production and supply chains, and saturation of markets. In many ways, consumers face unprecedented levels of choice, diets are more varied and there is a proliferation of product and brand options. In such circumstances, particular consumer interests and concerns come to the fore, such as food safety and traceability, enhanced quality and speciality, and ethical, welfare and environmental concerns (Gracia and Albisu, 2001; Weatherell *et al.*, 2003). Explicit identification and imagery related to origin – whether by country, **region** or more specific place or territory – have become a popular tool used by food marketers to appeal to these needs and concerns, especially in the 'old' Europe. Foods with clearly identified origins give the impression of greater traceability and, for some consumers, also communicate higher safety. Origin identification and imagery can also convey enhanced quality and speciality through the link to particular production practices or natural environments. Origin can also convey welfare or environmental advantages by implying extensive, low-tech, artisanal production systems. In countries from Finland (e.g. Söderlund, 1998), Germany (e.g. von Alvensleben, 2000) and the UK (Groves, 2005) to France, Italy, Spain and Portugal, consumers state that indication of origin is an important attribute that they look for when buying food products.

However, as origin is a flexible and multifaceted concept, open to many different interpretations and manipulations, consumers are faced with a wide array of different images and meanings of origin in foods, which are often quite different from the specific meaning of origin in GI products. Consumer interest in origin, therefore, is not an indication of singular growth in demand for GI products. Furthermore, many other 'alternative' and 'special quality' products exist in the marketplace that also address contemporary consumers' needs and concerns (e.g. organic food, and welfare-friendly, fair-trade, local, traditional or farmhouse products). The concept of origin features is an attribute in many of these products. For example, 'local' products feature the concept of origin to the extent that the place of production, and its proximity to the point of sale, is the key attribute conveyed to the consumer. Organic food also features aspects of origin because consumers are invited to consider the provenance of such foods in terms of the methods of production. Therefore 'origin', from the perspective of the food marketplace, exists as a much broader phenomenon than the specific conceptualization of a GI. It is used purposely and flexibly by many different types of food manufacturers and service providers, as part of their marketing strategies to gain competitive advantage. The consequence is that, for consumers, GI products are only one type of 'alternative' product in the marketplace, competing for consumer attention in an intense and diverse marketplace. Moreover, the particular embodiment of origin that appears in GI products may be only weakly understood and poorly appreciated by consumers. Supporters of GI systems therefore face many challenges in communicating the specific meaning of origin in GI products to consumers, and in conveying how such products are unique or beneficial relative to other alternatives.

The Market for GI Products

After introducing the chapter with these cautionary remarks about the concept of origin from the consumer perspective, this section considers the part of the food market that is *specifically* related to GIs: who buys GI products and why? Unfortunately, estimates of GI market share are notoriously difficult to make. Not only are specific data on GI purchase and consumption not gathered on a routine or large-scale basis, estimates based on attitudinal surveys are problematic because of the tendency towards positive bias: actual demand for GIs lags behind expressed interest (Giraud, 2001a). Estimates from panel data are more reliable but not well suited to GI products because these products are infrequently purchased and have significant

levels of distribution through non-mass channels, which are not recorded in panel studies. Estimates also tend to be product and country specific, and overall show much variability. For example, Bertozzi (1995) claims that the share of the cheese market comprising PDO (**protected designation of origin**) cheeses (formerly designated as AOC (Appellation d'Origine Contrôlée) and (Denominazione di Origine Controllata) cheeses) in France and Italy is 15% and 43%, respectively. In the same sector, the results of CNIEL (Centre National Interprofessionnel de l'Economie Laitière) in France indicate that PDO cheese production in 2007 was 193,631 t out of a total of 1,903,653 t,[1] or 10.2% (CNIEL, 2009). However, Gracia and Albisu (2001), based on review of secondary sources, estimate that around 30% of European consumers 'tend to buy' origin-labelled products, although the national proportions vary from around 80% in France and Spain, to only 8% in Sweden. Recent survey work in the UK suggests about 12% of the population regularly buys regional foods (Groves, 2005). In summary, it is problematic to talk of 'the GI product market' as if it were a single entity, because sizes and shares vary according to country and product type, label, brand, and so on.

On the question of who buys GI products, the picture is also very fragmented, and variations in consumer profile are reported according to factors such as product type, location and type of outlet. Results from the pan-European RIPPLE project (a European Union (EU)-funded, multidisciplinary international project examining the role and potential of regional quality products for rural development in peripheral areas of the EU) are illustrative of this, with no clear distinction between northern and southern European states (Trognon *et al*., 2000). Regarding the socio-demographic profile of GI product consumers, various studies have indicated that, in some countries, consumption is somewhat linked to consumers' age, education levels and income[2] (Kupiec and Revell, 1998; Marques and Teixeira, 1998; Söderlund, 1998; Skuras and Dimara, 2004; Groves, 2005). Other studies have found different results, however, particularly in relation to consumer income (Sylvander *et al*., 2000), where it has been found that consumers interested in origin labels are those in the highest and lowest income groups (Giraud and Amblard, 2003). Giraud (2001b) concludes that a 'splendid mosaic' of consumption patterns for GI products exists in Europe.

Indeed, the weight of evidence from existing research suggests it is more meaningful to segment GI product consumers on the basis of attitudes, psychographics or values, rather than on socio-demographic criteria (e.g. Trognon *et al*., 2000; Sánchez *et al*., 2001). For example, in a study of Irish speciality cheese consumers, McCarthy *et al*. (2001) identify that a psychological disposition of the consumer towards innovativeness and involvement most meaningfully distinguished buyers from non-buyers. Meanwhile, Skuras and Dimara (2004) found that Greek consumers' expenditure on regional wines is linked to the extent to which they value features of cultural tradition and heritage when buying regional products. Loureiro (2003) finds a similar effect for wine consumers in the USA. Therefore, GI product users may be categorized according to the underlying needs or concerns fulfilled by the purchase of GI products. These needs can be diverse. For some consumers, following the perspective of consumption as a means to attain cultural capital (Bourdieu, 1979), GI products may be a way of showing one's aesthetic good taste and distinction from others. For others, GI products may be a means of compensating for stress caused by an overabundance of food choice (Fischler, 1988). GI products may also represent a means of identifying with family roots, or of demonstrating regional or rural belonging, in contrast to the deracinated (uprooted) urban setting in which many consumers exist (Warde, 1997). Alternatively, some may see the purchasing of GI products as a way of supporting types of agriculture that they agree with and value (Tregear and Ness, 2005). For the latter two needs, GI product usage may be interpreted as an expression of citizenship or a 'citizen act'. That is, users choose GI products to address their concerns about the social and environmental world around them in a reflexive way. These

consumption choices may also be supplemented by participation in voluntary or community actions to address the same needs. Of course, for consumers where local GI products are so much a part of everyday life, purchase and usage patterns may simply be automatic and habitual. In these situations, consumers behave in an unreflexive way, not consciously or explicitly addressing any particular concern or goal with their GI product usage.

Yet, however it is stimulated, GI product usage is also clearly influenced by a range of macro and micro factors. For example, at the macro level, the degree of importance played by GI products in the food habits of local populations will depend on the extent to which countries or regions have well-established conventions towards territorially defined food quality and geographically specific gastronomic practices. Differences in recent history between many northern and southern European countries can be observed on this point. GI product usage will also be influenced by the extent to which a country or region is rural and/or has static populations, as these factors are influential on the emergence of particular types of food culture, practices and enterprise. In contrast, at the micro level, studies reveal that the context of consumption can play a crucial role in GI product usage. For example, meals prepared for the reception of guests and involving high levels of self-commitment lead most often to the purchase of several GI products, in contrast to everyday meals (Giraud, 2001a).

GI Labels and Consumers/Citizens

Having considered who buys GI products and why, this section considers how consumers perceive and judge GI labels. Earlier, it was argued that origin is a popular tool used by a wide range of food marketers, and that, as a result, many different types of origin-related identities, images and labels exist in the marketplace. What do consumers understand of these and of GI labels in particular? A well-established and extensive literature exists on the effects of 'country of origin' or 'made in' labels on consumer choice, which highlights, for example, the influence of ethnocentrism on consumer behaviour, and how country images affect perceived product quality (e.g. Han, 1989; Roth and Romeo, 1992; Juric and Worsley, 1997). Such studies demonstrate that many consumers show a basic preference for products from their home country or region (the ethnocentric effect), while, in the case of non-domestic products, consumers often draw from their own preconceived notions of what a country is like to make judgements about the quality of products from that country (the country image effect). However, GI labels are a special type of origin indication, embodying more precise information than a 'made in' label, and acting as the sole or principal identity for a product rather than as secondary information to support a private brand name. A distinction also has to be drawn between consumer/citizen perceptions of GI labels as product names and GI labels as information signals about official **protection** schemes.

Various studies indicate that, although consumer awareness and knowledge of GI product names are growing (Souza Monteiro and Ventura-Lucas, 2001; Dimara and Skuras, 2003), GI protection scheme labels seem to suffer from relatively weak spontaneous consumer **recognition**, even in southern European countries where they are more established and widespread (Teixeira and Marques, 1998; Sanjuán *et al*., 2000; Bonnet and Simioni, 2001; Fotopoulos and Krystallis, 2001). Maturity of the GI scheme is an influential factor in this, however, as most of the latter studies relate to the relatively recent PDO/PGI (**protected geographical indication**) scheme in Europe, whereas the longer-established AOC designations, for example, register high consumer awareness in France (Trognon *et al*., 2000), as do producer **consortia** marks in Italy (van Ittersum *et al*., 2000). In general, though, consumers' recognition of official GI labels is weaker than their recall of large private brands and even of retailer brands. The situation is exacerbated by the great proliferation of marks and brands in contemporary food markets, described earlier, which serves to increase consumer confusion.

Where awareness and knowledge of official labels do exist, marketing theory

proposes that such labels act to overcome the information asymmetry between buyers and sellers (Akerlof, 1970), thereby reducing the buyers' risk of making the wrong choice. For repeat buyers, official GI labels act as information shortcuts, guaranteeing authenticity and speeding up the choice process. For first-time buyers, who are unable to experience a product before purchase (Nelson, 1970), official GI labels act as signals or cues of quality. In these circumstances, a consumer's judgement process of the label can be moderated by factors such as level of familiarity with the region and product category, level of product complexity and extent to which the consumer is involved in the purchase. Appearance of an official designation has been found to coincide with willingness to pay a premium (Fotopoulous and Krystallis, 2001; Stefani *et al*., 2006) and the perception of enhanced quality (van Ittersum *et al*., 2000), as well as overall preference (van der Lans *et al*., 2001), although measurement always has to take account of positive response bias, which may be greater among certain social groups (Arfini, 2000). Also, studies have shown that the existence of an official GI label on a product is not in itself enough to guarantee consumer preference. For example, Loureiro and McCluskey (2000) show that consumers do not have preferences for origin-labelled products when the accompanying quality attributes do not match up to expectations. Giraud (2001b) identifies a similar phenomenon, whereby region of origin may be a decisive criterion in the buying process only if the difference between alternative products is low.

The above work is based on the conceptualization of consumers as primarily rational beings. However, in the matter of food choice, consumers are often operating in a non-rational, affective, or emotional way (Köster, 2003). This type of behaviour may be expressed particularly for GI products because of their special character, their embodiment of symbolic capital and their potential to evoke deep feelings in consumers – such as identity, heritage, pride, belonging, dreams or fantasies (Sylvander *et al*., 2000). Thus, GI product usage can be more than a series of discrete, logical judgements or trade-offs between perceived physical product attributes, it can also be the expression of a user's culture, upbringing, lifestyle and value system. In circumstances of affective behaviour, official GI labels may be problematic. First, it is challenging for deep, abstract feelings to be captured within an official label, because, in affective GI product usage, the relationship that consumers/citizens develop is between themselves, the product/production environment and the constructed meanings, rather than between themselves and an official label. Secondly, official designations may be actively detrimental in the context of affective behaviour, as they risk imposing an 'industrialized' identity on GI products. This is because official labels tend to be associated with the globalized food system, where brands and labelling information have to substitute for strong, direct relations between buyers and sellers. It may be argued that consumers/citizens behaving in an affective mode are more likely to prefer GI products with a local or unbranded identity, when they use their own feelings to judge authenticity, within the context of a whole community, holiday or consumption experience.

A Conceptual Framework of GI Product Usage

So far, this chapter has considered who GI product users are, why they buy or use GI products, and how they respond to GI labels. Overall, the chapter has demonstrated the fragmented and variable demand base for GI products, and the complexities of meaning construction around origin identity and the interpretation of official GI labels. This section proposes a framework for mapping the factors that are salient to the usage of GI products and labels to identify meaningful, and distinctive, types of user behaviour. The framework draws from the results of the research already presented for the specification of its key elements and how these are interrelated. The types of behaviour that are distinguished may be helpful to the stakeholders involved in the development and marketing of GI products and the

associated communication campaigns, because they are linked to the ways in which consumers/citizens learn about GI products, gather information before purchase, and make quality judgements. The framework, which was first developed within the DOLPHINS (Development of Origin Labelled Products: Humanity, Innovation and Sustainability) project, is presented in Fig. 5.1. It proposes that user behaviour is stimulated by a range of micro-level factors, including the level of complexity of the product, the circumstances of usage and the perceived benefits derived from usage. These, in turn, are influenced by macro factors, which include the profile of the user and the profile of the region from which the GI product comes.

The conceptual framework can be explained as follows. First, it proposes that the type of region in which GI product usage takes place – its level of rurality, food culture tendencies and identity – has an influence on both user behaviour (by shaping the kind of GI products that dominate in the region, in terms of their complexity, scale of production and distribution, and levels of renown) and on the type of 'food users' that exist (in terms of their socio-demographic profile, as well as their predominant food-related interests and concerns). In turn, the type of GI products and users that prevail within a region influence the reasons why GI products are used, and the benefits that are associated with them – whether these are physical quality characteristics, desire to show belonging to a community or to demonstrate good taste, or support a particular cause or concern. The benefits that are associated with GI products are then linked to certain types of usage that are suited to enjoying those benefits, e.g. GI products with perceived benefits of symbolizing cultural belonging may be used primarily in connection with special consumption occasions such as festivals or seasonal events. Finally, the framework proposes that the accumulation of these preceding factors influences the type of behaviour that users exhibit at the time of purchase, including the level of involvement felt, the attention paid to product and labelling information, and the basis on which the authenticity of the product is judged.

Clearly, the interplay of individual influences at each stage of the framework may lead to a variety of outcomes in terms of user behaviour. Future research is needed to explore and understand these interactions in more depth. For now, two broad types of user behaviour can be highlighted from the framework, both quite distinct from one another and with important implications for the communication of official GI protection labels. These two types are called 'Proximate' and 'Distant' behaviour. Proximate behaviour is exhibited by users with high levels of knowledge of a GI product, stimulated by their cultural background and proximity to the production area (either geographical or cultural). Distant behaviour is exhibited by users with low levels of knowledge and attachment to the GI product, who either live far away from the production area or have weak cultural proximity. The two behavioural types, and their implications for official GI labels, can be illustrated by the case of Roquefort blue-veined cheese. Roquefort is a well-known product with a specific origin, in a category (cheese) that is quite complex in production (therefore open to lots of variation) and which contains a proliferation of types and brands. Cheese is also complex in that it can be used in a functional sense, but is also subject to 'gourmandizing' (like wine). However, the ways in which the benefits of this product are perceived, and the patterns of choice at the time of purchase, are different according to whether the user is behaving in a proximate or distant mode.

'Proximate' usage behaviour: Roquefort in its home region of Aveyron

Following the framework, Aveyron is a 'Type of region' with high rurality, a strong food culture and many GI products. Many consumers are highly involved with food, and with local food and cuisine in particular ('Type of user', Fig. 5.1). GI products such as Roquefort are seen by many as embodying the region, so usage may be motivated, at least in part, by the desire to express belonging and identity ('Perceived benefits/Type of usage'). In terms of purchase behaviour,

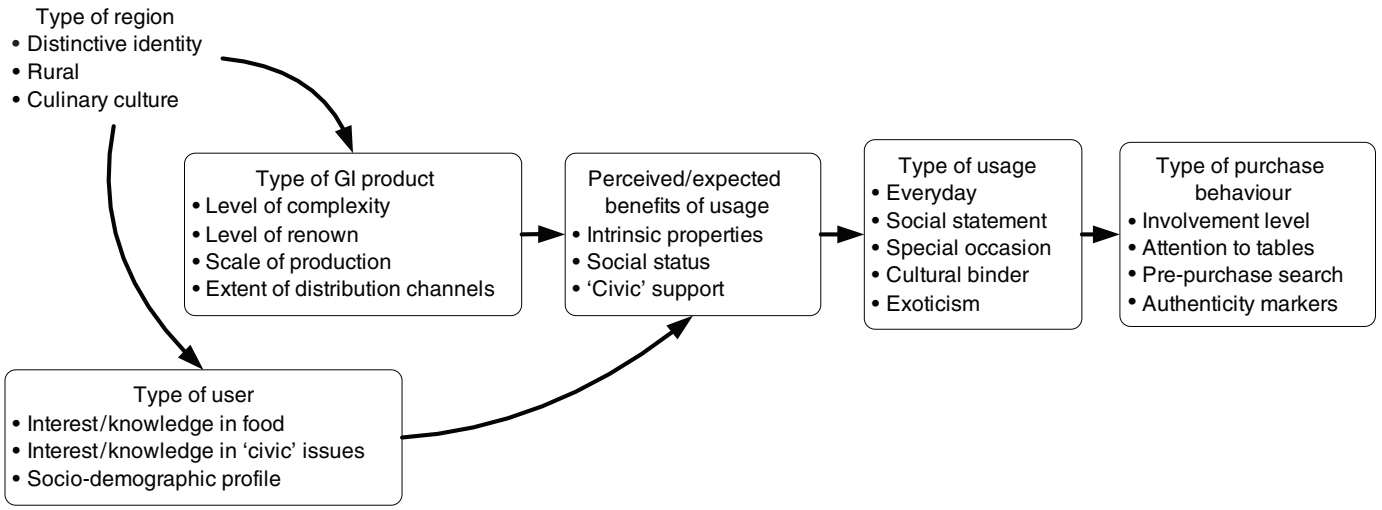

Fig. 5.1. Conceptual framework of geographical indication (GI) product usage. The framework was first developed within the DOLPHINS project; see Tregear (2002).

therefore, many consumers may buy direct from suppliers, with the product in a 'raw' format (little packaging, etc.). Consumers/citizens can draw from their own knowledge and experience of the product to make judgements about quality/authenticity, or perhaps use local retailers or consortia marks as a proxy. Importantly, the consequence for official GI labels is that they play a relatively weak role in the purchase decision of users exhibiting proximate behaviour, because of the high levels of product knowledge and familiarity that are involved. Indeed, users exhibiting proximate behaviour may find Roquefort with an official GI label less appealing than a version without it, because such labels may be perceived as adding an unwelcome 'industrial' identity onto a physical item of which the users themselves feel already competent to judge the quality.

'Distant' usage behaviour: Roquefort in London

To illustrate distant usage behaviour, the example is proposed of Roquefort usage among a hypothetical consumer/citizen group in London. In terms of the 'Type of region' (Fig. 5.1), London is a cosmopolitan city in an industrialized country, where historical forces of industrialization, urbanization, trade and agricultural policy have resulted in a food culture which is not territorially anchored, and indigenous GI products are increasing only from a very small base. Moreover, as a large city, London does not have a single, distinctive food culture, and food habits are influenced quite strongly by the media (often for exotic dishes and cuisines), although interest in locally produced and organic food is growing. For our hypothetical consumer/citizen group in London ('Type of user') – female, early 20s, relatively affluent – interest in food quality is relatively high, as is concern for food safety, provenance and the environment. A GI product such as Roquefort may appeal to this group because it is perceived as exotic, of the very highest quality, and essential to the construction of an authentically French meal as a special occasion ('Type of usage'). Roquefort may also accord social status to this group of consumers, indicating their aesthetic taste and sophistication ('Perceived benefits of usage'). Given that knowledge about cheese – and Roquefort specifically – is not culturally derived, information appearing on the product itself is likely to play an important role in product choice for users exhibiting distant behaviour. Such users have to rely upon product-related information to judge quality and authenticity in the absence of their own cultural learning and familiarity. The consequence is that official GI labels have a potentially strong role to play in the context of distant usage behaviour, as they provide useful information about quality and authenticity that buyers do not otherwise possess. However, there are two crucial caveats to the successful fulfilment, in practice, of this strong role. First, it is conditional on users being sufficiently involved in a the purchase of a GI product to examine labels closely and compare alternatives. In the hypothetical example presented here, we assumed relatively high involvement levels and therefore the motivation to expend effort on product scrutiny, but clearly this will not be the case for all users. Secondly, the role of official GI labels is dependent on the extent to which users recognize official designations and trust these as the most authoritative badge of authenticity. In practice, many distant consumers may be unaware of GI protection schemes and their labels, so these are not taken into account when choosing between alternatives. Other proxies for judging authenticity, such as other packaging, labelling or branding information, or retailer recommendations, may be more powerful in the context of distant behaviour.

Conclusion

GI products are growing in demand and importance in the marketplace. They compete in contemporary food markets with 'alternative' and other special **quality products**, and, from the perspective of the consumer/citizen, may be only a weakly understood type of food product with an origin identity, alongside many others. The

GI product market itself is complex and fragmented in nature, and GI product usage is influenced by a range of macro and micro factors, stimulating both rational and emotional responses from users. Official GI labels have the potential to perform a useful and powerful information role for at least some consumers/citizens (those exhibiting distant behaviour, in the proposed framework of GI product usage), but this potential rests on consumers being aware of the label and trusting it as the most authoritative marker of authenticity. What are the lessons for future marketing and policy making from this evidence on the consumer perspective of GIs?

A first recommendation is the need for greater acceptance of the legitimacy of the consumer/citizen perspective by all supply-side actors in GI systems. To date, the development of GI systems and protection has been overwhelmingly science and production driven. The role of citizens and consumers in contributing to the social capital of GI products, and to the construction of their value and identities, deserves much greater recognition, and the benefits of involving demand-side actors in the preparation of **codes of practice**, and in community activities and initiatives may be great. The need for understanding of the consumer/citizen perspective is all the more pressing in view of the current dynamics of food markets and popularity of origin as a marketing tool, as only by involving users can supply-side actors understand how to develop and communicate the concept of 'GI origin' effectively.

A second recommendation is that supply-side actors have to recognize and overcome a marketing conundrum that is common to all suppliers of goods with an ideological or craft dimension (Tregear, 2003). Successful marketing, in theory, requires anticipation of customer needs and a willingness to adapt to those needs if existing products are not sufficiently appealing, relative to the competition, in order to provide producers with an adequate financial return. However, as supply-side actors in GI product systems frequently argue, such adaptations are difficult to countenance because they risk loss of 'essence' and veracity of the GI product. So there is a tension between GI products as marketable goods and their status as vehicles for tradition and cultural expression. In such circumstances, there are two strategies that supply-side actors can adopt to improve their market orientation with minimal compromise. The first is to develop a better understanding of the market. As the evidence presented in this chapter indicates, GI products do not appeal to all consumers. By identifying and targeting key groups better, resources can be allocated more efficiently to the buyers most likely to share the ethos of the product and its producers, and who, therefore, are most likely to pay a premium price. This strategy can be pursued without undertaking major modifications to the GI product itself. The second strategy is to be more creative with the intangible attributes of GI products. Food-chain actors (including scientists) have a classic tendency to focus only on the functional attributes of products – taste, texture, physical quality – when developing marketing strategies. Intangible attributes, which may include qualities such as tradition, rusticity, sophistication, family values, care, fun or fantasy, have much potential for attracting customers to GI products, and can be conveyed through packaging, branding, communication activities and/or choice of retail outlet. In cases where there are constraints over manipulations of the physical product, the scope for innovation and development at the intangible level can be much greater, and also more meaningful to consumers/citizens.

In terms of policy making, official GI labels face two consumer-related challenges. First, the weight of evidence indicates that many consumers make choices on GI products by using attributes other than official designations: e.g. consortia marks, firm brands, packaging information and imagery, retailer recommendation; or – in the case of users exhibiting proximate behaviour – their own knowledge and experience. Therefore, official labels are often not performing the market signal task that is desired. To increase the effectiveness of official labels, policy makers should consider the different types of user behaviour that exist and focus on the particular types or occasions where there is the greatest potential for the label to be an active choice tool. Following the framework

presented in this chapter, distant behaviour could be a logical type to focus on. The second challenge relates to a 'credibility gap' in what official GI labels certify for consumers. From a consumer perspective, official labels are intended as guarantees of product authenticity. However, there is a lack of clarity regarding exactly what is being authenticated; specifically, the designations do not offer explicit guarantees to consumers on the kinds of attributes which the evidence shows are increasingly important, such as health, safety, animal welfare or environmental protection. Even the tradition/heritage aspects of GI products are problematic in official labels, because, following the perspective of **social construction**, tradition and heritage are the results of representations from different protagonists, not an objective, singular fact that can be certified (Bérard and Marchenay, 1995). The future development of GI systems and certification should consider how to align codes of practice and qualification criteria with dimensions of importance to food consumers/citizens.

Notes

[1] Not including fresh cheese.

[2] To date, the specific influence of each one of these factors has not been isolated; however, income is somewhat linked to education (effect of qualifications) and age (effect of career trajectory).

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6 Origin Products, Geographical Indications and Rural Development[1]

Giovanni Belletti and Andrea Marescotti

Introduction

Rural development is becoming increasingly important for populations around the world, and is finding its way on to government agendas in both developed and developing countries. Tendencies towards greater globalization, favoured by the ongoing process of trade liberalization, have led to a wide restructuring and reorganization of economic and social spaces, thus affecting territorial competitiveness. The vitality and the very survival of entire rural **regions** are sometimes endangered, particularly where local human and natural resources cannot easily be managed so as to find new bases of competitiveness (OECD, 2006).

This is particularly true in marginalized rural areas where, owing to a complex 'bundle' of factors – infrastructural, structural, geographical and cultural – it is not easy to achieve price competitiveness, and other forms of leverage are not quickly available. The crisis that many rural areas are facing may endanger their local economies, exert negative effects on the quality of the environment, threaten social relationships and livelihoods, and cause a loss of culture and traditions. Then again, the growing attention paid by consumers and citizens to 'non-commodity outputs', which is partly shifting the demand towards environmental, social and cultural goods, seems to offer new opportunities for development, even in remote rural areas.

The concept of rural development encompasses all these different economic and non-economic issues, with varying emphases according to authors and cultures. Given that the concept of rural development itself is interpreted in different ways in time and space, the links between **origin products** (OPs) and rural development should be analysed in a contextualized way: here reference is made particularly to the European Union (EU) perspective, both for the concept of rural development and for the legal **protection** tools associated with **geographical indications** (GIs).

The rural development potential of OPs comes from their strong links to their territories of origin and from the specificity of the local resources used in the production process. Consumers are looking for a reconnection to the locality where food is being produced, sometimes for reasons of identity, in other cases for food safety and quality. Given this conjuncture, GI production systems are expected to exert positive rural development effects: economic effects (both

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

inside and outside the OP supply chain, at a local level), and social, cultural and environmental effects.

In order to explore the contributions of OPs to rural development we first need to conceptualize both OPs and rural development, and then analyse how different actors involved in OP systems mobilize these resources within their strategies. The examples of EU **protected designations of origin** (PDOs) and **protected geographical indications** (PGIs) can highlight different categories of positive effects that OP product valorization can have on rural development, as well as some ambiguous effects.

Conceptualizing Origin Products: Territory and Community

The specificity of OPs comes from their strong links to their territories of origin (Delfosse, 1996). There are three relevant dimensions in determining the **typicality** of agro-food products: the specificity of local resources used in the production process; the history of the product and of its production and consumption tradition; and the collective dimension, including presence of a shared knowledge at the local level (Barjolle *et al*., 1998a; Bérard and Marchenay, 1995, 2004; Mollard, 2001; Pecqueur, 2001; Casabianca *et al*., 2005).[2]

The specificity of local resources determines the peculiarities of product quality attributes, coming from the 'physical' environment where it is produced, and particularly from the pedo-climatic environmental and genetic resources. Nevertheless, the typicality is not only a matter of natural resources, as it is always through the action of people that natural resources express their potential – through the growing, breeding, handling and processing practices that result in a specialized product.

These practices are usually very specific, and transmitted through time from one generation to the next, in a process by which local actors adapt the techniques to the specific environment and culture on the basis of contextual local knowledge and scientific progress. With time, the evolution of the techniques and know-how developed by local actors creates, modifies and adapts the specificity of OPs to the local socio-economic, environmental and cultural context. Moreover, there is also a consumption tradition specific to the place of origin: namely, knowledge of how to eat the product and when, how to prepare and cook it, how to taste it and how to evaluate its quality.

History and cultural traditions are closely connected to a third specificity of OPs, the collective dimension (Berriet, 1995; Barjolle *et al*., 1998a; Belletti *et al*., 2003). Actually, what clearly makes a difference between an OP and other specific **quality products** is that the link with the territorial area has been created, consolidated and modified over time, within a community of producers and consumers, in such a way that the OP becomes part of the common local patrimony, something that cannot be individually owned and managed. The process of knowledge acquisition (often contextual and non-codified), accumulation and sedimentation makes an OP the expression of a community of producers and often of the overall local community organization, values, traditions and habits. That is why we refer to a *patrimonial* dimension of OPs (Bérard and Marchenay, 1995): the product characteristics, and the way of producing, storing, marketing, consuming and appreciating an OP, are all part of the patrimony of the local community, which alone should have the right to use it to attain economic, social and cultural benefits. The link between the OP and its territory should repose in cultural aspects and local identity, especially when the OP determines the 'historical memory' of the local population, and becomes an element of identity to the point of serving as a catalyst of local community action, one that can reinforce promotion initiatives at the local level (Bérard *et al*., 2008).

The upshot of this observation is that typicality is not built solely on production processes and product features, but mainly on relationships among actors within the system. They are the ones who interpret and give meaning to the links between the product and its environment. The specificities of an OP are,

therefore, the result of a complex evolutionary process of negotiation among the local producers, between the producers and consumers in the local community, and, when the product reaches more distant **markets** and consumers, between the local system and non-local consumers and citizens. These specificities explain the particular contribution that OPs can exert on rural development.

Conceptualizing Rural Development: a Polysemous Concept

Rural development is becoming one of the most important political objectives in many countries and regions of the world. Notwithstanding its growing importance, the definitions of 'rurality' and 'rural development' are very vague, with various meanings in both the economic literature and political discourse.[3] There are many definitions of rurality, often depending on the objectives of the researchers or analyses of policy makers. The meaning of the term 'rural' changes with time, adapting itself to the prevailing general economic and social change. Especially in recent times, the concepts of 'agrarian' and 'non-urban' have been replaced by a more precise articulation that follows the social and economic changes observed in non-urban areas and the variability of situations and trends. Sectorial and territorial integration is now considered a key element of modern rurality in Europe (Basile and Cecchi, 1997).

The emerging concept of 'rurality' refers to a territory where agriculture is losing its economic leadership, but still plays, even within rural policies, a crucial role, not only in the use of the land and management of natural resources, but also by providing a basis for diversification, integration and development in rural communities. It has now been fully acknowledged that agriculture plays a significant role in meeting social requirements that can no longer be limited to accomplishing the basic function of food production, but extends to managing the environment and landscape, preserving local cultures threatened by increasing mass production and providing recreation and services. The concept of **multifunctionality**[4] (OECD, 2001; SFER, 2003) has been built upon both the new face of agriculture and of rural areas and the new needs of society.

In fact, starting from the mid-1980s, the concept of rural development has been included more and more often in agricultural policies, especially in the EU Common Agricultural Policy (CAP), with a fairly clear definition. The rural development policy of the EU is increasingly oriented towards supporting diversification of economic and social activities in rural areas, with the goals of improving quality of life for local and external citizens, and of preserving rural resources. Other recent approaches consider rural development in an endogenous and/or neo-endogenous (Lowe *et al*., 1995; Murdoch *et al*., 2003) and sustainable dimension: this means that the participation of the rural community in the definition of the objectives (a bottom-up approach to policy making), the role of local resources (goods, skills, contextual knowledge) and respect for the natural and social environment all play a central role in rural development discourse.[5] The three European Conferences on Rural Development organized by the European Commission (EC, 1996 – Cork, 2003 – Salzburg and 2008 – Cyprus) provide plentiful evidence of this evolution. According to this logic, there is an increasing dependence on political spheres (Pacciani, 2002; Pecqueur, 2002; Allaire and Dupeuble, 2003), which is translated into a zoning of public action (Perraud, 2001) and a revaluation of local public administration and local actors.

Based on these new notions, alternative views of the development of rural areas and agriculture have been emerging. Thus 'new rurality' is conceptualized as a reaction to the paradigm of mass production (modernization) that has prevailed in recent decades. The new paradigm stands out both at the level of local economic systems and at the level of firms, and is no longer based solely on economies of scale and specialization, but rather on *scope economies*, diversification and new interconnections among stakeholders in rural areas (Brunori, 2003; Ventura and Milone, 2005). These changes entail a redefinition of

identities, strategies, practices and networks, in which farmers no longer have a monopoly (Ploeg and Roep, 2003).

These conceptualizations of the 'new rurality' turn rural development into a complex issue based on different principles from the 'standard' model, and bring the mechanisms at work into question. Development is conceived as the result of complex social dynamics as well as a shared cognitive paradigm that guides stakeholders in their use the resources of the rural community. The multiple values of territories are rediscovered by local stakeholders, who share them and build individual and collective identities.

Rural development includes a set of different practices that are, however, interrelated: the conservation of the landscape and other values associated with the environment, agro-tourism, organic farming, the products linked to the region, etc. (Ploeg and Roep, 2003). The organization of the supply of goods and services, on the basis of a recombination of local resources, is theorized thus: there is a growth of forms of cultural economy (Moran, 1993; Ray, 1998) which are based on the capacity to link products to local resources (Mollard, 2001; Pecqueur, 2001; Di Iacovo and Ciofani, 2005). The productive vocations of regions and the products of local traditions are encompassed in this perspective, which aims both at increasing the self-esteem of local communities and promoting their visibility to the outside world.

Rural development, according to a more general view of economic development in regional studies (Storper, 1997), is now therefore based on the reinforcement of the territory as a factor of competitiveness of production systems, based on network building (consolidation of the relationship both within the rural system and between the rural system and the outside) and careful use of specific rural resources (Allaire and Sylvander, 1997). All this leads to the importance of the collective dimension and of the role of localized production systems – which some studies analyse as 'Alternative Food Networks and Short Food Supply Chains'[6] – in rural development dynamics. In this context, OP production systems are perhaps the most meaningful case to examine.

The Multifunctional Virtuous Circle: Positive Effects of Origin Products on Rural Development

The valorization of OPs, whether by means of GI special protection schemes or more informally, is increasingly seen as a powerful tool to reach private and public aims and to encourage positive dynamics in rural development, by virtue of their deep roots in the rural world. Above all, OPs are expected to exert more positive influences than other kinds of food products on a number of facets of rural development: the local economic system, the environment, landscape, biodiversity, culture, regional identity, social cohesion and the reproduction of specific local resources in rural areas. OP production systems are therefore seen as providing both local and global **public goods**. In fact, not many empirical analyses have been carried out on the positive or negative contributions that OP systems may exert on any of these dimensions. Scientific studies – both theoretical and empirical – on this subject often refer to an 'ideal type' of OP system, a sort of idealized 'virtuous OP system' (Boisseaux, 2002) that is capable of attaining a fairly high number of beneficial effects on rural development.

Owing to the above-mentioned specificities, and its deep and multiple links with its '**terroir**', the 'ideal typical' OP system is in principle *multifunctional*. It can have multiple effects beyond the production of commodities, and thus may contribute to several societal objectives at once, thereby satisfying the market dimension while producing positive external effects and **externalities** (Belletti *et al*., 2003). Because of these special features, OPs incorporate different values. Consumers pay a premium for quality attributes corresponding to the general food or nutritional value of a product (i.e. its hedonistic or private value). At the same time, public values are derived that are both local (the rural amenities that local actors can incorporate into their private and collective strategies) and global (the values of the environmental and cultural features that are being sustained) (Belletti, 2003).

The multifunctional virtuous OP can therefore have beneficial effects on the firms that produce it, but also side effects on the

local economy through the supply of other functions (positive external effects), some part of which can be internalized by other actors, both local and non-local, via the market mechanism. This process is capable of reproducing and even increasing the stock of the resources used in the production process, thus guaranteeing the cycle's **sustainability** over time (Belletti and Marescotti, 2002; Vandecandelaere *et al*., 2009). As shown in Fig. 6.1, the 'core' of the virtuous circle is the OP production system.

The starting point is to consider the OP as a **social construction**. On the basis of a set of local resources, the behaviour and strategies of the actors (both individual and collective) construct the OP over the course of time, setting off action that aims to give value to the local resources used in the production process by employing a specific set of tools and methods (for example, a designation of origin, or a wine route, or other tools and initiatives). The product has to be 'validated' by the outside, which is accomplished by society through the market and/or by other forms of validation (such as public support schemes), which, in this virtuous circle, leads to the remuneration of the resources used.

Thanks to its deep roots in the local context, the functioning of the OP production system implies direct economic effects connected to the marketing of the product, and also indirect effects, as it has a positive impact on the stock of other forms of capital (Bourdieu, 1987): natural capital, social capital (trust, organization, norms and codes, institutions), human capital (knowledge and techniques) and physical capital (equipment and non-renewable resources). Other local and non-local production systems may also benefit from this accumulation of capital, thus conditioning the quality of life of the local community in a way that goes beyond the actors directly involved in the OP production process.

Put another way, this 'core circle' offers opportunities for activating parallel processes in the rural area, by means of the OP itself (exploiting the reputation of the OP name) and by means of the specific local resources that the virtuous circle contributes towards its reproduction and accumulation. In the first case, the OP itself is a resource used by other actors (or by the same actors that produce it, thereby activating new production processes) in other production processes (for example,

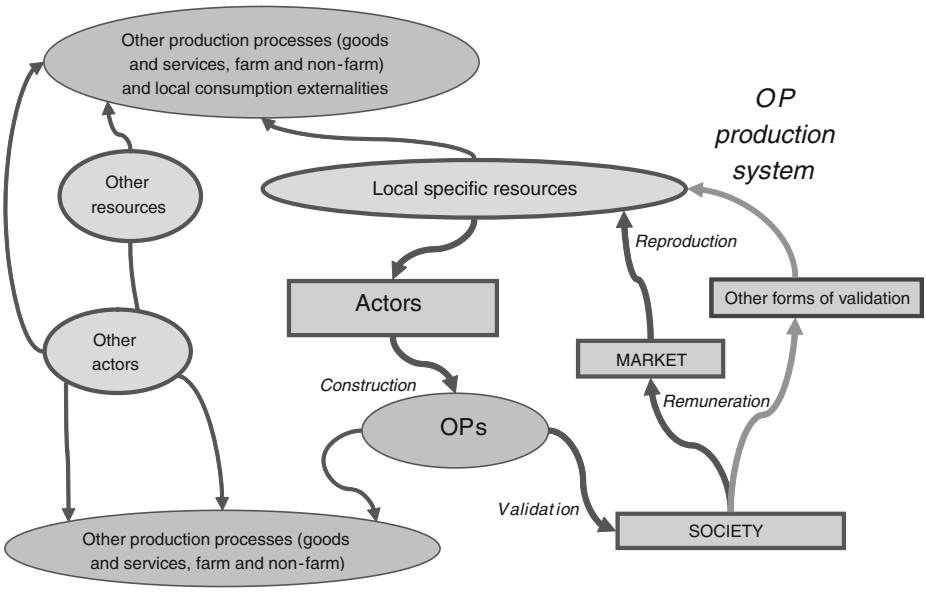

Fig. 6.1. The 'virtuous circle' of origin product (OP) valorization.

restaurants). The OP is, therefore, one of the most important elements of attraction in a 'bundle of goods and services'. In the second case, the specific resources safeguarded by the OP virtuous circle enter other production processes (for example, landscape amenities that enter the processes of tourism and are 'sold' by local tourist agencies) or consumption processes (for example, landscape amenities enjoyed by inhabitants and tourists).

We can, therefore, identify four different categories of positive effects that OP valorization is expected to exert on rural development by virtue of the specificities of those effects (Belletti *et al*., 2008):

1. *Support to the OP supply chain*: OPs should be seen as an economic activity that is likely to improve the economy of rural areas. OP support and promotion are expected to add value to OPs on the market, allowing for the development of local enterprises (especially small and medium enterprises) and of the OP production system as a whole. Other local institutions beyond the supply chain firms are also interested in this role of OPs, with a great deal of importance given to the effects on employment and incomes and to the maintenance of agricultural and small and medium processing firms. Many studies devoted to OPs[7] deal with the analysis of the 'functioning' of OP supply chains compared with those of conventional products, based on the hypothesis that localized supply chains rely on specific organizational structures, and stressing the peculiarity of the firms, especially their relationships at a local level. The underlying hypothesis is that the proximity of economic and social activity helps to reduce transaction costs between firms thanks to the trust, norms, conventions and tacit and explicit rules existing among local actors.

2. *Support to rural economic diversification*: OPs can generate positive 'external' effects on local rural development dynamics. These effects can be integrated into strategies that go beyond the supply chain and can lead to the production of a 'territorialized basket of goods'. Therefore, these strategies develop transverse positive effects of OPs on the territory and the birth/strengthening of diversified economic activities (hospitality, other services, handicrafts), along with strengthening farming enterprises themselves.

3. *Empowerment and activation of human resources, and the development of local social organization*: Through the sense of local identity that it fosters, the OP can be the *starting motor* of a process of reflection on local development dynamics, stimulating networking and cooperation among actors (firms inside and outside the OP supply chain, local institutions, inhabitants), which can lead to the development of new local strategies. OPs are therefore not only the 'result' of a valorization strategy, but can be simultaneously the lever of mobilization and reactivation of local resources. This approach is different from those covered by the first two concepts, and one that is potentially more far reaching. It implies the involvement of capable stakeholders, and in marginal socio-economic situations should be implemented in advance and separately from initiatives aimed directly at markets and the commercialization of the OP.

4. *Protection of the environment, amenities and local cultures*: The environment is also an important part of the 'OP virtuous circle'. By nature, OPs are more linked than other products to local (natural and built) resources and/or they are an expression of traditional farming and processing systems (Belletti, 2003). Often, the special quality of an OP is based on specific native plant varieties or breeds, and frequently these are threatened by extinction: thus, the protection of biodiversity may contribute to supporting rural development strategies, and vice versa. Traditional production techniques often help the preservation of traditional landscape features, protecting against land and soil degradation. Traditional farming and processing systems, already adversely affected by the intensification and/or extensification of agriculture, are generally threatened by the disappearance of OPs owing to their lack of competitiveness with standardized products and production methods. The simple maintenance of farming in less favoured areas, characterized by unfavourable natural conditions and increased production costs, can also be an environmental benefit. Human

know-how in traditional farming systems contributes to environmental and cultural biodiversity, and to landscape quality.

When taking into account the 'virtuous circle' and the categories of potential positive effects, the valorization of the OP should not be considered a single step, but rather as a 'process' with different phases closely connected to one another. Each of these phases requires specific tools and can be supported by specific public policies. The functioning of the OP virtuous circle may express all the potential contributions that OP production systems can give to the sustainability of rural development: economic sustainability (strengthening local supply chains and offering opportunities for the diversification and integration of economic activities in the rural areas), social sustainability (local actor cohesion, empowerment, inclusion, etc.) and environmental sustainability (biodiversity, landscape, land use, etc.).

From Theory to Practice: Actors' Strategies and Conflicts

In the real world there is not only one 'model' of OPs, but a set of differentiated situations, some of which can be quite distant from the virtuous circle. Moreover, OP production systems are not static but cover complex trajectories. They are subject to change depending on transformations taking place at both the local and global levels of the system, and also on internal actor characteristics. Effective 'performance' of the virtuous circle so that it provides the various positive contributions that OPs are capable of contributing to rural development depends on aspects of the economic organization of GI production and marketing, and on facets of the valorization process. The extent or size of the circle depends on the relative importance of the OP system in the local economy and on the relevant aspects of the local area (soil and water utilization, landscape, local food culture, etc.).

OP contributions to rural development vary according to the type of actors involved in the product's valorization and their particular objectives and strategies. Quite often, the OP catalyses a variety of interests that go well beyond the supply chain actors themselves to include, in varying degrees, other categories of actors. These interests are linked together through the diversified 'values' incorporated into and generated by the OP, values which go beyond the economic sphere to cover the social, cultural and environmental dimension (Belletti et al., 2003). The most important group of actors are those associated with the firms producing the OP. Some are engaged in craft production processes which cannot easily be industrialized. Actors in this type of OP production system are mainly members of small and medium enterprises, not completely specialized in OP production. In other cases, the production system is based on cooperative firms that can reach scale economies in production and marketing functions, or on large private firms. The contributions made to rural development can vary according to the characteristics of the firms involved and the role they attach to the OP within their strategies. Frequently, a heterogeneous group of non-professional producers are part of the chain as well (hobby farmers, pensioners, 'amateur farmhands', etc.).

Together with more or less professional firms supporting OPs, a special role is played by local public institutions and 'intermediate institutions' (for example, **producers' associations** and **consortia**, chambers of commerce, tourist associations). These stakeholders may have converging or conflicting interests. Added to the mix are other actors external to the local production system, but who may be interested in supporting OPs. Owners of processing and distribution firms often become involved, as well as research institutes and various associations (environmental and consumer groups, etc.).

Strategies around OPs pursued by these different categories of actors are very differentiated, and normally they aim at specific categories of positive effects chosen from among those mentioned earlier in this section. Studies have identified two main approaches which actors may adopt with regard to the economic role of the OP: a supply chain strategy, or a territorial strategy (Pacciani

et al., 2001; Tregear *et al*., 2007). The supply chain strategy involves the building of a strong network of actors in the production and processing of the OP, focusing energies on managing production levels, improving physical product quality and implementing effective marketing. With this approach, the OP contributes to socio-economic well-being through the existence of a strong producer network, increased employment opportunities within that network, and increased revenues from the effective management of the supply chain and marketing of the product.

The territorial strategy involves a different conceptualization of the OP as a rural development asset. Here, actors perceive OPs as offering a series of related resources, including environmental (e.g. distinctive landscapes, local animal breeds and plant varieties), cultural (e.g. techniques, know-how, local folklore and heritage), and economic (e.g. skilled employment). Thus, OPs are seen as having the potential to contribute to a wide range of initiatives that encourage diverse activities and novel interactions between multiple types of actors/events (e.g. tourist trails, markets, festivals, educational initiatives, community events). In this strategy, it is territorial identity and its association with the product that are the basis of value generation, in addition to the physical output of a single supply chain. The identities and associations are seen to be utilizable by a broad range of actors who may apply them to a 'basket' of goods and services, resulting in a wide distribution of economic rent. Another less frequent strategy, which is a subset of the territorial strategy, is directly aimed at enhancing non-economic positive contributions to rural development using the OP product as a tool, especially for the conservation of culture and the environment. Public and research institutions and citizen associations are normally the initiators of this type of strategy.

Actors pursuing these different strategies activate individual or collective initiatives that make use of the OP and its related assets (i.e. landscape values) to reach their specific objectives. Strategies and initiatives elaborated around the OP can conflict with one another (as in the case of the unregulated commercial exploitation of OPs, which conflicts with the protection of unique resources and local environmental equilibria). The activation of a given strategy by a group of actors can also cause losses to other OP stakeholders, which points out the fact that OP valorization can have negative effects, which should also be taken into account. The valorization of an OP activates complex dynamics within local production systems and, more generally, within the rural area that the OP occupies, and affects many different types of local actors. These dynamics lead to a modification of the organization of the system and of the values and aims of the actors, with consequent changes in the equilibrium at the basis of economic, social and environmental sustainability. To complicate matters further, local actors that fall outside the scope of the valorization strategy for a particular OP are, none the less, affected by the changes it brings about. The diversity of the characteristics and the aims of the actors directly or indirectly involved may cause serious problems when an agreement on collective strategies about OP valorization has to be reached, as in the case of the definition of a PDO–PGI **code of practice**.

To analyse the different contributions that OPs can make to rural development, we should focus on the mechanisms by which actors conflict or converge around a valorization project. How are the economic and social resources that form the basis of the OP reproduced (or not …)? What are the institutional and governance structures brought into play to manage this process? If 'development' means that private strategies are sufficiently compatible to guarantee a collective benefit, then the point is how can different individuals and/or private valorization strategies make a contribution to or be a hindrance to a positive global effect on rural development, sectorial integration and social cohesion?

The functioning of the OP production system, thanks to its deep roots in the local context, exerts direct economic effects linked to strictly commercial aspects, but, indirectly, it also exerts positive and negative effects on the accumulation of the different types of capital involved (human, physical, social and

natural). The valorization of OPs is, therefore, often considered through the lens of sustainability; hence, this evaluation should take into account economic, social, cultural and environmental aspects.

Equity issues are another important consideration in evaluating the impacts of an OP on rural development. OP valorization processes often modify the distribution of economic and non-economic benefits among the agents concerned. For example, a general positive outcome on incomes may be observed, but it may come from the fact that some firms improve their position at the expense of others (Barjolle and Sylvander, 2000). Two key issues in relation to the increased market value of the product created (i.e. the added value – or **value-added** – included in the price of the product) are the horizontal distribution of benefits among the various firms and categories of firms involved in a single phase of the OP supply chain, and the vertical distribution of benefits among the agents of the various stages of the supply chain (farmers who produce the raw material, and the processing and commercial firms). Often, the supply chain firms belonging to the upstream phases and furthest away from the final market are likely to be deprived of the added value of the OP, even though they contribute greatly to the construction of the OP and of its image, and also to the effects it has on the territory.

Valorization initiatives around the OP have to be analysed not only from an individual point of view (that of the actors who elaborate the strategy, based on efficiency and effectiveness criteria relative to the aims of the strategy), but also from a collective and general point of view. This means taking into account the point of view of the actors who did not take part in the valorization strategy, and the effects on different members of the rural society and region, as well as the effects on the region's collective resources (environment, landscape, social cohesion, etc.). **Interprofessional bodies/associations** and local public administrations can play an important role by stimulating convergence among the different actors and mediating the conflicts that arise from differing OP strategies.

GI Regulation Schemes and Rural Development: the Case of EU Regulation (EC) No. 510/06 (PDO/PGI)

Among the specific OP valorization tools available, the registration of GIs by means of a special legal protection scheme is the one most heavily used. The issue of whether and how to protect and regulate the use of GIs is increasing in importance all over the world (see Chapters 2 and 8). In political discourse, within producers' organizations, and more often than not in academic literature, GI special protection schemes are presented as having positive effects on supply chains (see Chapters 3 and 4). Their effects on rural development, if they are analysed, are presented in terms of the economic performance of the supply chain, in part because positive effects on other dimensions of rural development dynamics are more difficult to evaluate. In spite of this, the 'rural development justification' for GI regulations is growing in many official documents. EU Regulation (EC) No. 2081/92 (1992) and the new Regulation (EC) No. 510/06 (2006) (EC = European Commission or Council) mention rural development as one of the main motivations for EU PDOs and PGIs).[8]

Besides the characteristics of the GI product and production system, the effects of GI special protection schemes mainly depend on the legal and procedural characteristics of the schemes and on the specific way that the process of protection is constructed and managed. The analysis of EU PDO and PGI systems offers insight into some of the GI protection effects. The issue of whether and how PDOs and PGIs can reinforce the effects of GI products in rural areas and the risks inherent in their use make it necessary to define the main characteristics of these legal protection schemes. The recognition of a PDO or PGI, according to EU Regulation (EC) No. 2081/92 (now Regulation (EC) No. 510/06), proceeds from an application by a producers' association representing the local production system. The application should contain proof of the links between the quality of the OP and the territory of origin, and be accompanied by a code of practice that contains the specification of the characteristics of the raw

materials, the production process and qualitative requirements of the product that limit the area in which it is possible to carry out the production process (or certain phases of it, as in the case of a PGI). Once EU protection has been obtained, the producers wanting to label their own products with the name registered under the PDO–PGI scheme must observe the rules of the code of practice.

A request for PDO–PGI protection can therefore be analysed as a collective process that leads to a codification of the production rules of the OP, aiming at validation and legitimation by an authority (in this case the EU) (Bérard *et al*., 2000; Lassaut and Le Meur-Baudry, 2000; Allaire and Wolf, 2004). EU registration criteria for a PDO/PGI and national application procedures (Sylvander, 2004) do not require that the code of practice guarantees positive effects on rural development, but they do require that the area of production to be delimited (in order to guarantee the economic effects on supply chain phases and firms located in this area) and that the process of production be codified (in order to prevent unfair competition and as a guarantee to consumers). Potential economic effects on the supply chain are varied. They are derived in the first instance from the fact that PDO–PGI recognition and the codification of OP production rules can prevent market crises owing to the usurpation of the name. In addition, PDO–PGI recognition transforms the geographical name (and the reputation that it enjoys) into a 'club good' (Thiedig and Sylvander, 2000; Torre, 2006) which has local and selective characteristics (that is, the geographical name can be used only by firms within the codified area of production that conform to the code of practice). PDOs and PGIs are powerful tools for the qualification of an OP and they can modify the structural conditions of competition between territories of production and between the different phases of the local supply chain.

The most commonly mentioned effects of PDOs and PGIs are (i) the differentiation of OP products on the market, price increases (also due to the decrease of 'imitations' of the 'original' OP as codified in the code of practice) and/or increases in production volume and sales, (ii) strengthening of the territorialization of these effects in the area of production, and (iii) generally creating conditions for better coordination of the actors (firms and institutions) involved in the GI production system (see Chapter 4). Retaining and supporting small and artisan production units and farm-based processing in rural areas are often perceived as a goal associated with PDOs and PGIs, largely as a result of collective marketing initiatives that facilitate market access. In addition, the code of practice may include requirements which directly discourage trends towards concentration, such as limiting the supply area for raw milk for a cheese factory. While some studies stress a loss of efficiency associated with these requirements, others find them justified by an increase in the average quality of the product (Barjolle *et al*., 1998b). The magnitude of these effects on a rural area depends on the relevance that the GI production system has for the local economy; induced social and environmental effects can come from keeping firms, population and traditional farming systems in the rural area, as well as by way of downstream effects on the supply sectors of the GI production system. Positive effects are not automatically obtained by PDO–PGI recognition, but depend on the characteristics of the OP and on how PDOs and PGIs are established. Empirical evidence is not systematic or even positive. For example, many recognized PDOs and PGIs are not used by firms because the increase in GI product prices and other benefits do not compensate them sufficiently for the increase in costs (certification costs and other types of costs connected with the use of the PDO–PGI scheme and its implementation in the firm's organization) (Belletti *et al*., 2007).

Analysis of the distribution of economic effects among different types of firms and among the different phases of the supply chain is a crucial point, linked to sustainability and to equity issues. Even when price premiums are achieved, the extra profit (coming from the 'territorial rent') may be advantageous to larger processing and distribution firms that can sell GI products abroad and/or on modern and long marketing

channels, rather than accruing to small producers. If control systems are absent or functioning poorly, the reputation acquired by the denomination may be captured and usurped by external actors. In addition, even though an increase in the price of a GI product may encourage producers to increase their production of certified quantities, it may lower the prices of unlabelled but still genuine GI products, thus discouraging producers who are incapable of complying with the official specifications. In fact, some evidence points to the difficulties faced by small–medium and/or artisanal firms in making use of PDOs/PGIs, in particular in marginal areas and when the quantities produced are small. Therefore, there seems to be a serious risk of expropriation of producer rents when official GI recognition systems are set up, especially when these systems introduce a 'modern' logic of quality assurance. In contrast, PDOs/PGIs can also stimulate firms to 'upgrade' by introducing modern quality certification systems.

The choices made in the code of practice (about the area of production, process and product characteristics) can exclude some firms from the use of the geographical name on the 'original' product, generating conflict between different firm typologies (e.g. industrial versus artisanal firms). Furthermore, the coexistence under the same quality sign (the protected geographical name) of GI products with real differences in quality levels can cause a problem of cannibalization and marginalization of the products with the highest production costs (Anania and Nisticò, 2004). The choice of which phases of the production process to link to the original territory (for instance, meat processing, but not animal breeding), which entails a choice between PDO and PGI, can exclude entire components of the territorial system of production from the benefits of name protection. Exclusion effects can also have consequences for an OP as a whole. For OPs produced in very small quantities and characterized by small or very small firm structure, the PDO–PGI registration process itself can be inaccessible. This is why PDO–PGI applications are often located in dynamic rural areas rather than in marginal and disadvantaged ones: PDOs–PGIs appear to be more the effect than the cause of the development of the rural area,[9] but there is no agreement on this point and, in fact, some important PDOs are located in mountain areas, especially in Alpine regions.

Following the logic of endogenous rural development, it is important to discuss the impact that PDOs and PGIs can have on other categories of effects. Local socio-economic dynamics can be influenced by the very path leading to the application for the PDO/PGI, particularly during the discussion phase and the process of drawing up the code of practice. The application requires the constitution of a producers' association, and in general encourages producers to meet and discuss which, in practice, is not a frequent event in rural contexts. In effect, it encourages collective action and the establishment of cooperation mechanisms between local firms, and between firms and the local community (Casabianca, 2003; Marescotti, 2003). Writing the code of practice can stimulate reflection and self-criticism in farmers and other firms involved in the local OP production system, as well as in other local actors.[10] This can have positive effects on the capacity for planning new initiatives in the rural area. However, problems and conflicts frequently arise when identifying the boundaries of production areas, the characteristics of production techniques and the final quality of the product to be labelled. These conflicts point to the more general issue of inclusion/exclusion effects, both within the local production system and between inside and outside producers. Sometimes a group of actors applies for a PDO/PGI with the explicit aim of excluding other competitors; in other cases exclusion effects are not anticipated, but come only as a consequence of the way the PDO/PGI functions.

The rules of the recognition process, which are national rules in some EU countries, should guarantee the participation of different actors at the local level. Local institutions such as public offices and private associations can mediate between different positions and promote governance mechanisms that allow the strong participation of local actors in the PDO–PGI recognition process. PDOs and PGIs can also reinforce the effects of the OP on the environment, both natural and

man-made, first because they can increase remuneration of specific local resources linked to OP systems. However, the remuneration does not automatically guarantee the reproduction of these resources. In general, there is no guarantee of the continuity of a 'traditional character', of the 'environmental friendliness' of methods of production and of the use of specific factors, bearing in mind that the techniques are flexible and that the methods of production of OPs are subject to tensions with regard to modernization. The market success of PDOs and PGIs can also have negative effects, inducing an over-exploitation of natural and local specific resources if no common rules are established.

The PDO–PGI code of practice can control unsustainable practices in the production and valorization process of the OP through the codification of rules that are more consistent with traditional farming systems and local ecological equilibria. The effective incorporation of such rules comes from actors' decision making, taking into account on the one hand the need to be competitive in production costs and on the other hand the opportunity to differentiate the OP by stressing the peculiarities of its origin. External experts, local institutions and public administrations charged with approving codes of practice may play an important role in this regard, both by forcing the producers to consider these aspects, and by providing the OP system with the necessary tools to meet the demands of the codified practices (funding, training, technical assistance, etc.).

The question is whether the burden of preserving the local ecological system can be placed on the code of practice of a GI protection scheme. The risk is that more rigid OP environmental rules may not be accompanied by effective communication to consumers so that the environmental benefits perceived by the consumer are incorporated into the product's value. In this case, the costs of imposing a new code of practice may exceed the benefits of the PDO/PGI to the producer. PDOs/PGIs per se are not necessarily relevant for environmental issues, but, if the code of practice considers environmental impacts, the PDOs/PGIs can potentially be more effective than non-context-specific environmental schemes – such as organic agriculture.[11]

Concluding Remarks

The changes taking place in agriculture and the rural world, and the shift to a new paradigm of development, enhance the potential of OPs. Their specificities – a link with the territory, the use of traditional production processes, the collective and identity formation dimensions – are coherent with increased attention towards the multifunctionality and diversification of agricultural and rural activities, and can prove to be important levers in activating and consolidating the dynamics of sustainable rural development.

As we have seen in the previous paragraphs, the valorization of an OP is a very complex matter, one that can have very different impacts on the various actors involved in the OP system, and also on the economic, social and environmental aspects of the system itself. Valorization of OPs to reach the full development of all of their potential positive effects requires an integrated set of tools in each phase of the process, from the mobilization phase of actors and resources to that of qualification and marketing. Most of these tools imply the participation/involvement of many actors in the OP system, and these tools exert a direct influence on the actors as well. This collective aspect should be carefully taken into account in the evaluation of the effects of OPs on rural development. Several valorization tools can be used, which follow different strategies and have different aims, depending on the initiators of the valorization initiative. Each valorization tool exerts effects on different dimensions of rural development, and these effects can be conflicting (for example, positive on some economic variables and negative on other environmental variables).

Up until now there have been few empirical scientific studies or publications on

the effects of OPs and PDO–PGI protection schemes on rural development, in particular with regard to social, cultural and environmental dimensions. Nevertheless, there is some truth in the fact that OPs are a more powerful tool than other possible tools, because of their (potentially) strong links (which are variable from case to case) with different dimensions of the rural areas that they come from. But products are not a 'starter': the triggering factors are always the local actors and policies that support their empowerment and coordination. Of course, most of the effects of an OP on rural development dynamics vary according to the contents of its code of practice which, in turn, depends on the strategy of the actors promoting GI recognition schemes and on the dynamics activated in the process of GI recognition. In any case, the legal protection of a GI is a means of preventing any delocalization or unfair competition from other areas that could usurp the reputation which has been collectively built on the GI.

The effects of GI schemes also depend strongly on the legal and operational characteristics of the protection schemes (see Chapters 2 and 7). Different schemes, for example, can imply different procedures for recognition (that is, different access to small and to large firms), an operational logic that is more or less formalized (consequently carrying with it different bureaucratic workloads for firms), different contents and levels of guarantee for consumers and, consequently, different certification costs.

In conclusion, recognition of a PDO/PGI cannot make an effective contribution to the different aspects of rural development processes on its own. GI recognition scheme policies should instead be a part of a more comprehensive policy which, at the relevant territorial level (municipality, region, small area ...), encompasses all the aspects relevant to maximizing the desirable effects of the OP on the rural system. GI recognition schemes are not a substitute for policies and government interventions that would support OP development-based strategies. In particular, they cannot on their own overcome structural problems at the production, processing or distribution level, problems such as lack of coordination and difficulties with access to credit, and problems with human resources and professional competence. All of these should be considered in an integrated way at the local level, which implies a search for appropriate institutions and policy coordination on a local scale.

Notes

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[2] Although these three dimensions may be less relevant for non-local consumers, their consumption behaviour is driven by the 'reputation' of the OP, which is still built upon one or more of the three dimensions (Belletti, 2002).

[3] 'Building an "objective" or unequivocal definition of rurality appears to be an impossible task …. Member States have generally developed their own definitions of rural areas. They are often based on socio-economic criteria (such as agricultural patterns, density of inhabitants per square kilometre or population decline) and are quite heterogeneous and not universally applicable. At EU level, there is no common definition' (EC, 1996).

[4] Multifunctionality has taken over the debate on agricultural policy reform at the multinational level. But approaches to multifunctionality vary according to national positions in this debate and the OECD (Organization for Economic Cooperation and Development) has undertaken a work programme to produce a common working definition (see OECD, 2001). The issue of multifunctionality is also very controversial in the framework of international negotiations.

[5] Some authors go even further by including certain social values in rural development, particularly inclusiveness (facilitating and making possible the participation of the weakest members of society) and the equal distribution of benefits (Di Iacovo, 2003).

[6] See, for example, Ilbery and Kneafsey (1999, 2000), Leat *et al*. (2000), Marsden *et al*. (2000), Renting *et al*. (2003), Ilbery and Maye (2005).

[7] See, for example, Barjolle and Sylvander (2000),

Sylvander (2004), Arfini (2005) and Belletti and Marescotti (2006) for a review.

[8] Support for rural development is one of the most important 'justifications' for GIs that has been raised by those who defend the right to protect geographical names from usurpation and misuses, as stated in EU Regulation (EC) No. 2081/92 and confirmed by the new Regulation (EC) No. 510/06: 'Whereas, as part of the adjustment of the Common Agricultural Policy the diversification of agricultural production should be encouraged so as to achieve a better balance between supply and demand on the markets; whereas the promotion of products having certain characteristics could be of considerable benefit to the rural economy, in particular to less favoured or remote areas, by improving the incomes of farmers and by retaining the rural population in these areas'.

[9] For instance, in Italy the authorized production areas of the most important PDO products (Parmigiano Reggiano, Grana Padano, Prosciutto di Parma, Prosciutto di San Daniele …) are located in Pianura Padana, which is one of the richest areas of the country.

[10] The creation or strengthening of intermediary institutions is not a direct effect of PDO–PGI pursuit. Indeed, EU Regulation (EC) No. 510/06 does not call for the presence of a body that represents the agents of the production system after registration. After registration, the PDO/PGI becomes a private 'affair' between the producer and the **certification body** (under the supervision of the public authority); anyway, the registration – by marking the zone and method of production – can promote the spontaneous establishment of an intermediary institution.

[11] Environmental schemes (such as organic production) are based on the codification of production rules based on technical knowledge and not on producer and contextual knowledge. Therefore, they can exert positive effects mainly on 'non-contextual' environmental goods, but not on contextual goods such as the preservation of territory-specific plant varieties or breeds.

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7 Public Policies and Geographical Indications

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Introduction

Chapter 2 discussed the various means employed by public authorities to address the legal **protection** of **geographical indications** (GIs), e.g. **protected designations of origin** (PDOs) and **protected geographical indications** (PGIs) in the European Union (EU), and the issues at stake in the international arena. This chapter sets out to widen the debate, situating protection policies in the broader context of the public policies with which they are more or less directly involved. First, after presenting the historical and geographical justifications behind GI protection policies, it will be seen that they relate to various wider public policies (second section), with which they may be consistent or contradictory (third section). Lastly, we will look at the impact that GI protection policies may have so as to demonstrate the need for converging justifications in the future (fourth section and conclusion).

The Legitimacy of Protecting Geographical Indications

Affixing the GI to product names was initially a commercial practice and, indeed, still remains one. The categorization of products by their origin remains the most common identifier in the absence of any guaranteed characteristics (see Chapter 1). But an indication of origin contributes to the construction of product quality in a process that implicates various types of actors. Accordingly, public policies have been involved in regulating such indications. Throughout the 19th and 20th centuries, the ways and means of specifying product origin in public policies gave rise to a series of arguments that can be found today both in the specialized literature and in the preambles to regulations. Generally then, public action varies with the commercial and agricultural history and the social structures of the country concerned, as well as with differing and changing justifications.

Sylvander *et al.* (2006) list four types of justification[1] established over the course of time, and in sequences specific to individual countries, in the **social construction** of an instrumentalized GI protection policy, which involves:

1. trade and competition regulations (industrial property rights and consumer protection);
2. control of supply on agricultural markets;
3. territorial development, local development, regional development and **rural development**; and
4. protection of traditional know-how and resources (natural and cultural heritage).

Justification by market rules (legitimation 1)

A first form of justification is established by reference to the fundamental **market** conditions. Public authorities make provisions for the smooth operation of market mechanisms and, in particular, to prevent anything being done that is contrary to good practice as regards (i) unfair competition among suppliers on the market (producers, processors or traders), and (ii) consumer protection against fraud.

As they are assimilated to industrial property, GIs are considered to be an investment aimed at establishing a product's reputation. Although this investment is made collectively and over many generations, fame and reputation are assets of those companies that legitimately avail themselves of them. Usurpation of this investment may constitute unfair competition because of the usurper's lower production costs (to the detriment of certain **specific qualities**). Implementing legal systems of protection, in instrumental terms, involves defining who are the legitimate holders of the **intellectual property rights** (IPRs) concerned. In so far as arguments about product quality and the connection between a product's characteristics, its reputation and its geographical origin are involved, it has been necessary, beyond the initial attempts to delimit simple geographical areas (relating to the simple definition of an indication of origin – or **indication of source**), to come up with definitions focused on production conditions, with the development of product specifications in relation to producer practices and consumer expectations.

The **instruments** involved in such justification are:

- competition policy, especially regulations on product labelling and advertising (protection of designation of origin is integrated into competition policy and is also contested in this same context, with any controversy over the role and character of producer groups);
- brand policies, especially collective trademarks, brands or certification trademarks, with institutions such as national industrial property offices and the World Intellectual Property Organization (WIPO) as administrators of agreements and international registration systems; and
- policies to protect consumers against fraud and counterfeiting.

The first considerations relate to acts of unfair competition through the misuse of GIs. Imitators of GI products, turning out products that fail to meet the GI requirements as regards production methods, and specific qualities afforded by the natural and human factors of the GI area of origin, can produce imitations at lower costs (and in greater quantities) than can legitimate producers. Furthermore, many GI products are from mountainous or less-favoured areas (where transport facilities, population densities, weather, etc., may be quite particular) and so imitations can be produced with greater industrial and logistical efficiency than in the area of origin. Producers who abide by local custom and fair practice have to bear a certain level of cost because of the processes and methods inherent in these practices. Box 7.1 presents the particular example of competition concerning Swiss L'Étivaz cheese.

Producers may be at an advantage or a disadvantage by virtue of their geographical location and their proximity to consumer centres. Imitators outside the area of origin may enjoy a geographical advantage and so compete on unfair terms with other producers. Ultimately, as the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights of 1994) acknowledges, GIs are IPRs like patents and trademarks in that the efforts of a community of producers to build a reputation have a commercial value that should be protected against usurpation.

The arguments about *consumer fraud* or *misleading conduct* can be summarized in three points:

- Consumers may be easily misled about the *true geographical origin* of a product. In buying 'Roquefort cheese made in China' consumers are misled about its origin through confusion because they are entitled to expect a Roquefort cheese to be

Box 7.1. Competition around L'Étivaz cheese.

The making of L'Étivaz alpine pasture cheese over a wood fire is an old-established local practice that gives the cheese its distinctive flavour (Bosset *et al.*, 1997). Heating the curd over electrical or gas appliances is cheaper but the resulting cheese tastes perceptibly different. Practices are no longer fair in that consumers are unable to evaluate taste when making purchases in mass retail outlets, for example. Imitators can make considerable savings by usurping product reputation and taking advantage of consumer trust. Making L'Étivaz cheese over electricity or gas down in the lowlands may cost half as much as making alpine pasture cheese over a wood fire. Consumers know that it is more expensive to make cheese in the high mountains over a wood fire and are willing to pay around 25 Swiss francs per kilo for such a product. Producers making cheese down on the plain using electricity or gas break even at a price of 12.50 Swiss francs per kilo. If these producers sell their cheese as L'Étivaz, thus usurping the name, they can sell it at 25 Swiss francs per kilo and make an exorbitant net profit by misleading consumers. Consumers will not find the cheese exceptional in any way and, after a while, will find out that this example of L'Étivaz is in fact made down in the valley and that its high price cannot be justified by a particular production method or by specific sensorial properties. Lowland manufacturers will cut prices to keep their customers, but mountain producers will be driven out of business because the market price prevents them for recouping their costs and they will have lost their customers' confidence.

made in the Roquefort area of southern France. In a decision of 9 January 1990, the Fort-de-France *Cour d'Appel* (Court of Appeal) in Martinique, French Guiana ruled that producers of white rum were compelled to indicate its source if omitting such an indication might confuse or mislead consumers.[2]

- Consumers may also be misled about *production methods*, especially when they associate GIs with local, fair and well-established customs and practices. For example, traditional balsamic vinegar from Modena is barrel aged for 12 years, whereas imitations are made by adding caramel. As another example, Italy's *Corte di Cassazione* (Court of Cassation – a court that reviews and possibly overturns previous rulings made by lower courts, which is roughly equivalent to supreme courts in other countries), in its decision No. 2965 of 22 November 1961), imposed a 15-day prison sentence and a fine on a seller who sold cheese as Parmigiano Reggiano, which was then a controlled designation of origin (CDO) product (the national form of protection before the PDO/PGI system). Tests proved that the cheese did not have the characteristics of Parmigiano Reggiano. Similarly, France's *Cour de Cassation* (Court of Cassation), in a decision of 5 July 1994, prohibited producers of mixed cheeses (Roquefort and other cheeses) from labelling their products with the wording '*au Roquefort*' (with Roquefort), even if the Roquefort that was added complied with the Roquefort specifications. The particular methods of production and the reputation of a product should not be extended to a food preparation of which the product makes up only a part, that part being often in a very small amount.
- Consumers may, in addition, be misled about the *specific quality of a product* because they are unable to evaluate every aspect of its quality at the time of purchase (Akerlof, 1970). This is the case when buying wine, which, being bottled, cannot be tasted before purchase, and consumers often have difficulties in obtaining post-purchase reimbursement. Consumer trust in names such as Champagne guides their choice of purchase because they believe that they are more likely to acquire the hoped-for or expected quality. In a decision of 29 March 1994, France's *Cour de Cassation* ruled that a foreign company's use of the trade name 'Cuban Cigar Brands' for imported cigars not exclusively from Cuba was misleading in France, in regard to consumer practices and the meaning associated with 'Cuba' (and 'Havana', which is registered under the Lisbon system) as proof of origin and quality. Another interesting illustration is a

decision of 22 May 2002 in which a producer was prevented from labelling a PDO product as 'Camembert de Normandie' with the qualification 'grand cru de lait du Pays d'Auge,' which was a requirement common to all PDO 'Camembert de Normandie' cheeses.

Justification by control of market supply (legitimation 2)

Confronted with the familiar difficulties of adjusting supply and demand on **generic markets** for agricultural commodities, states have set up systems for sector regulation in the context of their agricultural policies. Quality differentiation, in so far as it is correlated with yield, has been used as a public policy instrument to control sector supply (see Chapter 3). A significant example is the conversion of the Languedoc vineyard of southern France, a **region** that was once specialized in wines of indifferent quality. In creating the common viticultural market, the 1971 European regulation set the vineyard in competition with those of Italy and Spain in a context of surplus aggregate European supply. With the impetus of the French government, and not without a hard struggle, those involved changed over to the '**terroir**' wine model (a change of restrictions on variety, definition of zones and production), which had the advantage of regulating the market by segmentation.

The argument that quality is an instrument for controlling agricultural supply could be invoked by national policies, or by regional policies where the regions were given the relevant authority, or where, as in Languedoc, it was a specialized region. But this argument is also raised by supply chain actors. The issue of controlling supply is also important for local actors in territorialized supply chains. Controlling output volumes confers power over the market, a domain regulated by competition policy. Tension arises in this respect between quality and quantity. Here, there is a controversy among economists: some consider that GIs may foster anti-competition practices of market management, others argue that the relevant market is broad and that protected producer groups are open to new entrants by law.

Justification by rural development (legitimation 3)

Policies for protecting and promoting GIs may be justified by their impact on rural development.[3] In this viewpoint, GIs become one of the factors of policies directed at rural areas. The line of argument refers to **externalities**, or to geographically restricted **public goods** related to local production systems that ensure goods of a specific quality. This justification is advanced by various private actors in political action networks. For example, firms closely associated with the territory through production standards tend to support policies offering protection against relocation. Local actors may also bank on production synergy between GIs and other types of rural activity related to the territory, such as tourism, farm processing or direct sales (Barjolle and Thévenod-Mottet, 2004). Externalities include effects in terms of image and producer identity. In this perspective, it is possible to evaluate the various arrangements for producing specific **quality products** whose connection with the area is variable (Allaire and Sylvander, 1997).

This form of justification has been invoked for 'endogenous development' (in various countries since the 1970s), for regional development (especially with regionalization in Italy and Spain), and for 'rural development' in Europe (the 1996 Cork Conference, Agenda 2000; see Chapter 6). Support measures for local quality initiatives and for adapting commercial channels and facilities have been programmed in the European rural development regulation (Regulation (EC) No. 1257/99). The political networks corresponding to these various movements have been developed in a series of stages.

Justification by heritage, protection of traditional know-how and protection of resources (legitimation 4)

Policies for the protection or promotion of GIs may be thought of as ways of conserving

biological resources such as animal breeds, plant varieties or types of ferment, and of maintaining both biodiversity and individual and collective human knowledge, which is related to the very existence of such resources (an ethnobiological perspective) and which is mobilized through social arrangements (Larson, 2007; Thévenod-Mottet, 2010). To consider GIs as IPRs is to recognize them as a form of collective knowledge with a heritage value (Deffontaines, 2005; Dupré, 2005). The conservation, use and value enhancement of local knowledge about nature are at the centre of the negotiations of the Convention on Biological Diversity (CBD) and its Article 8j (Bérard *et al*., 2005). This justification emphasizes the issue of conserving biodiversity in general, and of enhancing the value of local biological resources and the knowledge associated with them in particular. It also features in the report by the UK Commission on Intellectual Property Rights[4] and in a memorandum of the WTO (World Trade Organization) secretariat adopted by the TRIPS Council in 2002,[5] and was explored in an international symposium organized by UNESCO (the United Nations Educational, Scientific and Cultural Organization) in 2009 and entitled 'Localizing products: a sustainable approach for natural and cultural diversity in the South?'. This is a future-oriented justification addressing the issue: will developing countries take up this instrument to meet their needs for protecting biodiversity and protecting/enhancing traditional knowledge (see Chapter 10)?

It can be taken nowadays that a connection with a 'terroir' is part of the conservation of collective knowledge. This connection is sometimes seen as a 'terroir effect' (spoken of in wine circles), meaning that the specific sensory characteristics of the product (taste, texture) are the result of the physical environment (soil, climate) in which it is produced. Although this link with the natural terroir is often proclaimed, it has been difficult to demonstrate and explain it until now, even in the viticultural world, where the link between the quality of a wine and the outstanding nature of a terroir is often spoken of as though it were self-evident. In this sense, terroir is a kind of black box: the input is known and an output is obtained but exactly what takes place in between remains a mystery. For example, the aromatic characteristics and texture of Parma ham and the fact that it keeps well are the result of the dry and windy climate of the Piedmont region; green lentils from Le Puy owe their colour to the region's microclimate, which dries them before they have reached maturity. Several studies have shown the influence of biophysical factors on the sensorial characteristics of products.[6]

However, these simple, identifiable and more or less measurable associations aside, the terroir effect stems from a highly intricate combination of natural and human factors within a historical context, the scale of which is essential. Interdisciplinary studies associating biotechnical and social sciences are plentiful these days and have led to precise and somewhat differing definitions of terroir (Casabianca *et al.*, 2005): a terroir is a limited geographical area where a human community has constructed over the course of history collective production knowledge based on a system of interaction between a physical and biological environment and a set of human factors where the socio-technical itineraries involved reveal originality, confer typicality and engender a reputation for a product originating in the terroir.

The specific characteristics of GI products, and their close relationship with the geographical area (both human and natural features) in which they originate (see discussion on terroir in Chapter 1), have brought about the **recognition** of related values within legal frameworks (see Chapter 2). From ancient times until the 1883 Paris Convention, such recognition was very fragmentary and largely informal. But since the 19th century the legal and institutional recognition of GIs has become increasingly systematic, at least in Southern Europe. Accordingly, public policies devised to protect GIs have been connected with various forms of justification corresponding to periodical opportunities for integration into general political trends. Initiatives such as the international Slow Food movement also refer directly to the conservation of culture and knowledge that is attached to the terroir

through products that explicitly or implicitly meet the GI definition.

Links between GI Policies and Other Policies

In political science it is customary to consider that sector-oriented public policies have evolved historically as a result of shifts in the balance of power between economic and social sectors, and of action by pressure groups. Such evolution entails contradictions among policies. Let us examine this more closely in conjunction with GIs. We shall cover agricultural policies, competition policies, consumer policies and rural development policies in turn. This section examines whether those policies are consistent with each other and with the main objectives of a high degree of legal protection for the GIs of traditional food products.

Market policies (consumer and competition policies) and GI policies

Consumer policies

Policies for OPs/GIs are relevant to broader consumer policies, for example with respect to the provision of information on food traceability, dietary health and food safety. GI policies offer no direct contribution to the latter two concerns as there is no scientific justification that OPs/GIs offer specific dietary health or food safety benefits per se. However, GI policies do contribute to the political aims of furnishing consumers with better information about the origin of foodstuffs as part of broader concerns about traceability. GIs do this by providing more open information about product sources, production processes, the actors involved, etc.

Competition policies and market segmentation

Uncertainty about quality **standards** entails difficulty in combating the risk of fraud and free riding. Take cheese makers as an example: in the case of raw milk production, the quality of milk delivered by producers is a crucial factor for the final quality of the cheese. Unfortunately, defects in hard cheeses arise several months after production, during the ripening phase. Cheese makers and maturers thus have an incentive to set clear quality standards and controls in order to obtain a product of guaranteed quality (milk for cheese makers, fresh cheese for ripeners). These quality standards go beyond the minimum quality standards set and policed by public measures for ensuring food safety. They are linked, for example, to maximum specific bacterial content, which is below the minimum degree specified by law, even though the milk is unpasteurized.

This situation of incomplete information about product quality and the size differences among firms in the market are both reasons that help to explain why vertical integration does not take place. Other factors explain why farms (e.g. those producing raw materials like milk) do not gravitate towards factory processes and corporate ownership (Allen and Lueck, 1998). Among these factors are the fact that GI systems often ensure a better return on the raw material (either through a more equal share of the added value (**value-added**) among all the actors in the supply chain, or through facilitated access to the market and direct sales), which may help to maintain and even increase the number of small producers (Barjolle and Thévenod-Mottet, 2004).

Market failure due to uncertainty about quality is linked to the reputation effect (Shapiro, 1982). Reputation is important to the end consumer. Cheese, for example, is an 'experience good', with the final consumer being unable to judge the quality of the cheese completely when buying the product. When demand does not exceed supply, as is currently the case for cheese in Western Europe, the price premium is the expression of a consumer preference. This preference is an indication that consumers recognize a high standard of quality owing to a clear differentiation strategy. The market price pays for the cost of building and maintaining the product's reputation.

To summarize, the high-quality strategy is the only means of generating price

premiums to cover the high production costs and therefore of maintaining production in remote areas. In order to guarantee quality over time without the risk of cheating, transactions have to be organized within a single firm or in some hybrid form. The single-firm hypothesis is not always relevant because the artisanal character of production is a crucial factor in the product's image and reputation, and very often entails a structure of scarce competition. Hybrid forms are therefore the way that transactions are governed. Strict vertical and horizontal coordination may be able to guarantee the standard of quality for PDO cheeses. Ordinary promotion may build up a good reputation with consumers. Consumers' willingness to pay ultimately provides a high enough selling price to maintain a sufficient incentive to produce high-quality products and prevent the risk of cheating (Barjolle, 2006).

These aspects of competition and quality are particularly strong in Europe where the policy develops legitimization through market organization and competition. However, analyses that have been conducted reveal theoretical and political controversies about adapting strategies practised by **origin product** (OP)/GI actors with respect to competition policies.

Agricultural policies and GI policies

In the WTO Millennium Round (now collapsed), negotiations on agricultural policies were examined in terms of their possible anti-competition effects worldwide. Aid is classified into three categories depending on its distorting effect:[7]

- orange box (aid for production and export), with the most distorting effects,
- blue box (aid for rural development or tackling crises), with fewer distorting effects, and
- green box (aid for correcting negative environmental effects, decoupled aid), with no distorting effects.

To align itself on the consequences of the agreements entered into under the GATT (General Agreement on Tariffs and Trade) and then the WTO, the EU set about reforming its agricultural policy in 1984 with, for example, the introduction of milk quotas. Then, in 1992, it introduced a process of decoupling aid from production. Agenda 2000, launched by European commissioner Fischler, the 2002 mid-term review and the Luxembourg Agreements of 23 June 2003 were a continuation of this process.

Currently, under the CAP (Common Agricultural Policy) first pillar (which is production related), Member States may partially decouple aid, and a single payment per holding has been introduced. To comply with WTO agreements, this aid must pay for an environmental service. The second pillar, directed at rural development, has always represented a modest share (10%) of the CAP budget, which does not especially encourage the development of OPs/GIs as features of endogenous rural development; its budget is to be increased by a levy on direct payments (3–5% over 3 years). These funds will help farmers to adapt to the European standards referred to above. However, as the 1999 Berlin Agreements capped the overall budget, it is not certain that the real levels of financing will follow (Sotte, 2007).

It is still difficult to say whether changes in the world and in Europe will affect GIs and their supply chains. For four decades, the CAP promoted productivity on the strict basis of reducing production costs, and its provisions have not favoured quality products (even grass premiums were not necessarily a step in this direction). Sometimes, even, agricultural policy has resulted in difficulties for OPs; for example, the 1984 dairy quotas may restrict the development of a prosperous cheese AOC (appellation d'origine contrôlée). Admittedly, specific outputs such as organic farming have received support, but sparingly so. It is noteworthy, then, that, for the first time in CAP history, the 2003 Luxembourg Agreements provide specific aid for quality supply chains, including GIs.

From this perspective, EU Regulation (EC) No. 510/06 (see Chapters 2 and 6) consolidates the GI protection policy as an EU instrument for agricultural policy and rural development. Points for discussion are plentiful and, in the medium term, the

Member States will have to examine a new proposal for the European Commission covering, among other things: the areas of application (extension to non-farm and non-food products); the definition of the protection of geographical names by other means than those of EU Regulation (EC) No. 510/06 on PDOs and PGIs; the laying down of regulations on the wording of PDOs and PGIs as ingredients in composite foodstuffs; and the examination of the utility of setting up a European Agency for managing European quality signs. In this framework, this regulation provides for a high level of protection for GIs with a clearly established connection to terroir.

Overall, in terms of European strategy, agricultural policy has shifted from 'legitimation 2' (control of supply) to 'legitimation 1' (organization of market and competition). Now, at the same time, the developed countries of the EU have struggled to come up with a competitive strategy based first on the search for comparative advantages on costs. The abolition of export aid, of internal support and of customs barriers are called for at the WTO by the emerging countries and the Cairns Group (which includes 19 countries from Latin America, Africa and the Asia-Pacific region). As the world market price is far below the cost price in Western Europe (because of high labour costs), a possible alternative for farm production in Western Europe is a strategy based on specific quality in close connection with territory. This presupposes that the markets of developed countries are supplied with high value-added foodstuffs, which use almost exclusively agricultural products with a strong attachment to the territory concerned. This supposes a greater consistency between agricultural policy and OP/GI protection policy.

Rural development policies and GI policies

The main observation to be made here is that public policies for OPs/GIs in the scope of rural development may consist of:

- Financial support to selected aspects of the production, processing or marketing of OPs/GIs. The principal source of subsidies is agricultural and regional policies, meaning that OPs/GIs are not necessarily the specific target of the policies, but are usually part of broader projects with many different goals and priorities.
- Organizational help for the structuring of supply chains and local networks.

The first point concerns the EU level as well as national and sub-national levels, whereas the second, where relevant, is often related to the actions of sub-national authorities.

European Union level

Rural development issues are part of the main competencies of the EU, meaning that the competencies of the Member States are limited. Several regulations mention rural development goals in relation to OPs/GIs:

- Regulation (EC) No. 1257/99 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF). This is the framework for horizontal coordination for all the measures related to rural development, whether they are tied to the CAP or to regional policy. It defines the content of what is considered as 'support for rural development'.
- Regulation (EC) No. 1261/99 on the European Regional Development Fund (ERDF): a few additional measures issued from that regulation and integrated into European regional policy Objectives 1 and 2 may have a positive effect on OPs/GIs (support for local endogenous development, financed by the ERDF).
- Regulation (EC) No. 2826/2000 on information and promotion actions for agricultural products on the internal market. This measure comes under the CAP first pillar ('market' measures).

Hence, European Community initiatives are policy tools directly implemented by the EU Commission in reference to its own goals. They entail the implementation of local plans

that enact in a specific way the general goals of the Leader+ and Interreg III initiatives.

National and sub-national levels

The degree of autonomy of national and sub-national levels is clearly limited in so far as policies at these levels are constrained by EU policies:

- First, rural development aid granted by the Member States and/or regions must comply with the Community rules on state aid, the ceilings fixed by the Council in the agricultural regulations and directives, and with the Community rural development rules.
- Secondly, Member States and/or regions have a right to implement their own measures, but national aid must be declared by the Member States and approved by the Commission.

However, there are in fact subsidiary potential sources of policies, especially in terms of regulation and organization. In effect, the actual contents of the policies are nationally/regionally defined, even if their guidelines and areas of intervention are defined at the highest level (the EU). Furthermore, the implementation process allows bottom-up inputs and opens up scope for negotiation. The concrete implementation in each Member State/region may reveal contrasting contents, although the nomenclature used to characterize the measures seems unified; the evaluation of implementation is still ongoing. Seen from below, the concrete measures applied in rural areas are indeed varied and complex.

The debates on rural development related to geographical indications clearly underline the facts that:

- in countries with few GIs, the organization of producers into supply chains with minimal **codes of practice** has little bearing on rural development, while
- in countries with a stronger GI tradition, somewhat more qualitative outcomes are generally expected, even if this demand for OPs/GIs is rarely formalized.

Clearly then, European rural development policy (CAP second pillar) provides indirect support for GIs by relying on legitimizing arguments of the 'rural development' type.

In conclusion to this section, it can be confirmed that GIs are a complex concept as they refer to various orders of justification depending on different states of reality by period and country (Sylvander *et al.*, 2006). Even so, these justifications are obviously not perceived and promoted in the same way by the different stakeholders. Some lobbies and academic schools of thought may contest these justifications (considering, for example, that GIs are anti-competition) and contest them in other areas, such as public health. One might mention the combat against alcoholism (for wines),[8] nutritional factors (for fatty acids in dairy products)[9] or the health factor (for cheeses made from raw milk).[10] None the less, research in these various areas is far from unanimous, the effects not being specific to GIs (for the first two cases) or not proven (for the third).

Impacts of Public Policies Related to OPs and GIs and their Legitimacy

Impact analysis is an important instrument for legitimizing OP/GI policies no longer *ex ante* but *ex post*. Before seeing in the conclusion how such policies might converge, they are presented in turn in this section.

Impacts on consumers and citizens

There is a shortage of consumer studies to explain consumer behaviour and perception of OPs/GIs. It appears there has been little empirical research into the validity of the common premise that 'by highlighting the place of origin through official endorsement or certification, a product's appeal and attractiveness to the consumer is increased' (Tregear *et al.*, 1998). Some studies have been conducted at national level in France, Italy and Switzerland, but even in these countries they are wanting. Other studies have been conducted by research institutes, supply chains or regional authorities, or in the context of legal cases (especially in Germany). They

yield interesting information, but we are still a long way from understanding consumer attitudes towards OPs/GIs.

Based on our current understanding, the following is a summary of GI impact related to public policy as regards consumers:

- Origin: existing consumer research reveals evidence for segments of consumers exhibiting preferences and willingness to pay for OPs/GIs. When mentioned on a product, origin becomes a purchasing criterion for around 28.5% of consumers (Debomy, 2005). Often this preference is on the basis of perceived end product quality, but factors such as a connection with the past, health and environmental benefits, and a desire to support local producers, may be important too. Proximity to region is a key factor in OP/GI uses, but the nature of its influence seems to vary with latitude (north/south). Given this evidence of consumer support, it can be seen that public actions to support OPs/GIs have some basis in consumer concerns and interests. Nevertheless, some studies report that origin is only one of several product attributes that consumers consider.
- Quality: for European consumers, the main dimension of OPs/GIs is enhanced quality, which can be understood in terms of both taste and production methods.
- Tradition and small businesses: some consumers are responsive to the traditional aspect of OPs/GIs. These products provide a link with their forebears and are a means of preserving a cultural heritage. Rooted in the past and in geography, they become reference points and contribute to constructing an identity for themselves.
- Health and environment: some consumers think that OPs/GIs are healthier. They also believe that OPs/GIs are safer (e.g. Finland, Germany) and more natural (e.g. Italy) than industrial products. For Belgian consumers, OPs/GIs are environmentally friendly.
- Public spiritedness: in some cases, as in the UK, consumers think that their purchases can help rural communities and farmers.
- Price and accessibility: it should be recognized that general studies of consumers' food-purchasing behaviour emphasize the importance of the pragmatic factors of price and accessibility to food choice. Public policies on OPs/GIs do not work to bring OPs/GIs to consumers at the prices and to the outlets that many would prefer.

Research shows that different consumers see different benefits in OPs/GIs – quality, health, environment, culture, support for the rural community, etc. A potential problem in the promotion of OP/GI designations within public policies is that current designations do not contain specific guarantees about such diverse issues. Many OPs/GIs will offer some of the above benefits, but these are not judged to a specific standard. As a result, a potentially negative consequence of public actions to support OPs/GIs is the emergence of a credibility gap between supporters of GIs and consumers' concerns about perceived benefits from OPs/GIs (see Chapter 5). This credibility gap is probably even more marked for GI externalities (the environment and rural development) which are still poorly perceived by civic-minded consumers.

Impacts on the nature and degree of competition among producers

In fact, advantages in terms of price or cost differences and in the maintenance of incomes are unstable in the long term. This feature cannot therefore fully explain the lasting success of certain traditional food products that has been reported by empirical research (Barjolle and Sylvander, 2002). For this reason, the value of OPs/GIs is a function of the impact generated by players' coordination in the frame of a specific product.[11] There are some exceptions, in cases when OPs/GIs have been awarded a protected denomination in spite of there being only one applicant (there are several UK examples) but these remain unusual.

Implementation, to varying degrees, of these different skills is likely to explain the perceived differences in commercial success of products and in the micro-economic viability of businesses within different branches of activity. A study of 21 PDO or PGI products supports this assertion at theoretical and empirical levels alike (Barjolle

and Sylvander, 2002). Besides this strategic capacity, the economic value of EU Regulation (EC) No. 2081/92 lies in the already firmly established fact that PDO and PGI products generate added value, the overriding interest in which is found in a demarcated region, which is more often than not an underdeveloped one.

Impacts on rural development

Two sets of issues can be identified:

- Are the targets of rural development policies relevant? This is a problem of legitimacy.
- Are the ways the policies are implemented relevant? This is a problem of governance.

The impact that OPs/GIs may have on rural development changes greatly from one situation to another. As a consequence, non-targeted support for OP/GI strategies to enhance value may not always be the best way of impelling positive rural development dynamics.

Owing to the multiplicity of policies, the diversity of their scope, and the heterogeneity of the issues at stake, there is a certain need for coordination within two main dimensions:

- On the one hand, there is a search for relevant decentralized levels and coordination tools for integrated rural development, as outlined by many attempts, such as rural/agro-food districts (Italy), '*pays*' and *Contrats Territoriaux d'Exploitation* (France), supply chain councils (Belgium), region+ projects (Switzerland), local groups and the European Leader+ initiative, etc.
- On the other hand, producer groups mainly have to find some consistency between the quality of the product, the local production systems and the market (sector integration), which requires time, money and skills, which they sometimes lack.

However, when existing, the specific action of sub-national authorities can have a very substantial effect on the structuring of producer groups and their integration into local and regional networks. Some researchers assume that some sort of specific action is more important than financial aid, and is even, in some cases, more important than legal protection through arrangements such as the PDO–PGI scheme.

Producer groups need not only money and legal protection, but also technical skills, organizational competencies and networks through which they might enhance their competitiveness. Conditions are therefore partly right for making an impact (Barjolle *et al.*, 2009). However, as Chapter 6 related, research shows that evidence is disparate, and methods and development indicators are not yet refined enough to draw any firm conclusions on this point.

Conclusions

This chapter on public policies has focused on the legal protection of GIs in the context of the overarching European public policies with which the fate of OPs/GIs is often bound up. It has shown that OP/GI protection policies are not always in phase with other sector-based policies, such as agricultural policy, competition policy, consumer policy or rural development policy. Actor networks and the public or private institutions that defend them are then induced to carry these issues to a global arena and secure recognition of their legitimacy by working out the contradictions revealed.

At Community level, as seen, national and European policies have invoked, in history and in space, a range of forms of legitimation extending from market organization and competition, through consumer protection and control of market supply, to rural development and the conservation of natural resources. To go beyond this, actor networks are led to mobilize to demonstrate the impact of OPs/GIs in various areas of legitimacy by globalizing them. Behind the commercial promise of products lies the question of their value to society (or their societal quality) and, more specifically, of their contribution to sustainable development in various dimensions. In this respect, several studies report impacts on territory, environmental protection and conservation of biodiversity. However, for methodological reasons, these arguments are

still poorly supported internationally and research is still required in this area. The arguments are unfamiliar, disparate and lack tools (criteria and measuring methods), all of which justifies approaches in terms of endogenous development rather than in terms of impact analyses (Chapter 6). Such a demonstration should obviously address not only European developed countries, but also developing countries and even countries whose governments oppose the establishment of a coherent and effective multilateral system for the protection of GIs.

This legitimation work is being conducted actively by actor networks in circumstances challenging sectoral boundaries and the very idea of sectors (Sylvander, 2006). This is what Smith *et al.* (2005) and Smith (2006, 2007) name the 'problemization' of issues, which may take two different forms: 'technization' or 'politization'. The first ('technization' of issues) involves concentrating on technical features, in terms of an expert appraisal aimed at strengthening positions intellectually by responding to opponents' arguments and presenting new ones. The second ('politization' of issues) involves creating and influencing a political balance of power. Chapter 8, on globalization, will address these issues more closely.

Notes

[1] All of these justifications are more or less explicitly invoked in the preamble to EU Regulation (EC) No. 510/06 (formerly 2081/92) on protected denominations of origin and protected geographical indications.

[2] Decision No. 041304 and decree of 7 December 1984 on the labelling and presentation of foodstuffs.

[3] It being understood that while most GIs are agricultural and so essentially related to rural areas, there are some GI products whose effects on rural areas are very slight or not readily ascertainable (particularly non-food craft products).

[4] UK Commission on Intellectual Property Rights (2002), p. 91.

[5] WTO (2002), §21, p. 9 mentioning views expressed by the EU (EC/MS, European Communities and their Member States) and supported by developing countries at the TRIPS Council: 'Under certain circumstances geographical indications could be a particularly important way of protecting traditional knowledge, for example for identifying products originating from a "protected area" as defined in Article 1 of the CBD where producers decide to link their collective production standards and related traditional knowledge to conservation goals'.

[6] Morlat, 1996; Demarigny *et al.*, 1997; Zannoni, 1997; Barjolle *et al.*, 1998; Asselin *et al.*, 1999; Pillonel *et al.*, 2002; Scheffer, 2002; Coulon *et al.*, 2004; Casabianca *et al.*, 2005.

[7] In the event of conflict, the country concerned is exposed to a panel risk in the WTO dispute management body, which may lead to sanctions.

[8] De Lorimier (2000); German and Walzem (2000).

[9] Agabriel *et al.*, 2004; Chilliard and Ferlay, 2004; Loor *et al.* (2005); Lucas *et al.* (2006).

[10] Donnelly, 2001; Knoll, 2005.

[11] Under EU Regulation (EC) No. 2081/92 the existence of a group of stakeholders is a prerequisite for applying for PDO status.

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8 Globalization and Geographical Indications

Gilles Allaire and Bertil Sylvander

The fact that **geographical indications** (GIs) are widely recognized is a historical product of the extension of trade. As described in Chapter 1, it is the development of long-distance trading that has brought about diversity of products on **markets**, with products consequently being identified by their origin. The need for agreements to regulate product names has arisen at times when international trade has been expanding. The current international framework is a product of globalization of the world economy. There have never been so many countries as today enjoying a modicum of **recognition** of GIs. This development is driven by two main forces: the concentration and internationalization of food-distribution activities controlling the diversification of the quality on offer to consumers; and the determination of producer organizations to maintain their products on the market and to recoup some part of the value created for producers – including small producers in developing countries. This lies behind many new initiatives to secure recognition and make the most of local knowledge and resources, and to find inroads for these products into the markets of industrialized countries.

The economics of GIs cannot be considered independently of developments in the food economy as a whole. Food markets are undergoing a shift towards services and differentiation among quality attributes (Allaire, 2004; Daviron and Ponte, 2005). The development of commodity-supply farming has been superseded by an internationalized and sophisticated agro-food economy in which GIs are **standards** among standards (Wilkinson, 2002; Busch *et al*., 2005). GIs are voluntary standards based on collective rules (see Chapter 1) enforced within different legal systems (see Chapter 2) surmounted by the World Trade Organization's (WTO's) Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement of 1994. They are strategically and diversely mixed with designs and trademarks by firms, large or small, depending on the type of industry.

As an example, wines are nowadays distributed far from their place of production through supply channels where small family producers rub shoulders with the biggest firms in the agro-food sector. They enjoy long-standing recognition of origin in Europe and, more recently, ex officio **protection** under Article 23 of the TRIPS Agreement. The way that wines are identified on the market is based on a complex world of signs obeying several identificatory rationales. 'New World' wines (those from Australia, New Zealand, the USA and Argentina) have found their place on the international market alongside European wines of protected designations of origin (PDOs) that develop close ties with their **terroir**. The New World producers,

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while drawing inspiration from European wine growing, have gone in for technological innovations and have promoted a form of identification of wines based primarily on varietals and secondarily on origin.[1] Moreover, for different market segments, individual and group producers have developed policies of differentiation by trademarks, which also operate in the GI context.

In Europe, table wine obtained by mixing wines of different provenances now makes up a very small market share, and all wine-growing areas have switched to the GI model. Internationally, the GI wine market has become more diversified because of the use of origin in the New World – generally with weaker constraints than for French AOCs (appellations d'origine contrôlées) – which preceded them, and also because of the differentiation of forms of GIs in Europe as a result of the collapse of the market for table wines. Such a diversified situation may prove detrimental to reputation as conveyed by signs, which is what a GI is. Conversely, competition on the wine market illustrates that a single sign cannot account for the different qualitative dimensions combined in a product's reputation, and the market's actors have every incentive to multiply signs to identify their products.

Generally, private standards are playing a growing part in the international agro-food economy (Fulponi, 2006). This prompts debate about the linkages between GIs and other aspects of qualification of agricultural goods (safety, environment, fair trade, etc.). Private standard-setting organizations are developing as an institutionalized solution to the global problems that arise when international conventions are absent in the relevant domain (as is the case for standards pertaining to **sustainability**), or as a way around WTO rules limiting the ability of states to enforce production requirements over the products they import. Standards are soft law.

GIs have a higher level of legal recognition than private standards, as the TRIPS Agreement requires member states to have a minimal system of protection for GIs. However, here again, the debate turns on the importance of hard versus soft law. Controversies at the WTO over the GI protection system focus on the compilation and the nature of a world GI register and on the extension of the degree of protection of wines and spirits to all types of products. Some WTO members (including the EU and Switzerland) are seeking to raise the bar for everyone (to a multilateral registration system, provided for in Article 23), while others defend a less constraining system. As noted by Josling (2006) a core point underlying the debate is the form and substance of intellectual protection known by the term 'geographical indication'. This issue has been the subject of transatlantic talks for at least 20 years, and is an outstanding matter clouding WTO negotiations.

The setting-up of an international register and the extension of Article 23 to all products would be, the EU argues, an important step towards recognizing GIs as a specific type of intellectual property and would encourage the extension of the *sui generis* legal system of protection already existing in Europe and India. The proponents of this step expect that a convergence on the definition of GIs can be achieved in this way. The word 'terroir' – which in French is related to the substantial link between a community of producers and territory-specific resources – has recently gained more currency in English, at times being explicitly linked to the specific kind of **intellectual property right** (IPR) afforded by GIs (Barham, 2003). Josling (2006) refers to the same word 'terroir' to characterize the European position to promote a *sui generis* system of GI protection.

This chapter debates whether GI protection systems converge or diverge. First, a framework of analysis of global economic and institutional changes is presented; then the main drivers of institutional changes in GI regulation are addressed. The hypothesis here is that diversity is maintained both by the strategies of firms and communities involved in GI marketing, and by legal protection systems and their supporting policies.

Globalization

Globalization is a process powered by and resulting from increased trade in goods,

services, money, people, information and culture (Guillén, 2001). However, the same author remarks on the extreme diversity of definitions and viewpoints on the causes and effects of globalization that can be matched with the great empirical diversity of situations with respect to the state of progress of the phenomenon worldwide (unsuccessful WTO talks, highly uneven trade liberalization with technical barriers still active, national and sectoral economies variously included in the market economy, delays due to democratic deficits and wars). There is also a multiplication of market segments, of strategies and of types of standards about which it is difficult to say, as for Guillén (2001), whether or not it is leading to worldwide convergence. On one side, distribution firms top the rankings of world firms, and private standards are drawn up in multinational sectoral fora; on the other side, markets break up as they become coordinated. Labour productivity levels remain extremely disparate depending on sectors and countries.

To portray globalization we identify as follows a set of changes in several domains which go together, build upon each other and are variously advanced in different parts of the world:

- The social and scientific representation of citizens as informed consumers, which assumes that the various categories of citizens are dependent on the market for their diet and major personal services.
- The regulation of markets by a mix of private and public standards and standard-setting organizations. Knowledge services, which are developing, include the marketing of standards, of qualification signs and of procedures (audits, patents pertaining to designs and business models, franchising, certification and forum participation, etc.).
- The dominance of neo-liberal principles of public governance (subsidiarity, public/private partnership, accountability and evidence-based policies that substitute political debates with expertise).
- Shifts in public concerns and funding of agricultural production and **rural development**, with environmental, safety and health concerns becoming predominant.

The market paradigm and quality

As the market economy develops worldwide for both services and commodities, and particularly for food supplies, individuals are essentially seen by managers and policy makers as market participants. This does not mean simply that consumers are provided with marketing cues by retailers and media, but that citizens are assumed to have the capacity to participate in the market. Also, this does not occur in developed countries alone but also in developing countries, where diet is nowadays essentially made up by market buying, with supermarkets providing commodities that are generally supplied by large international companies.

To invest in quality differentiation and reputation is to rely on the market. The more the market economy develops, the more the variety of resources, including food items, comes from the market. At the same time as the market extends, consumer demand for variety grows. This development is connected with social trends such as the rise in the general level of education, mobility and knowledge. Access to market capacity (knowledge and credit) is at stake in developing countries and is a prerequisite to benefiting from the market opportunities opened up by trade liberalization. Under certain conditions, differentiation has opened opportunities for local products to be marketed on a large scale, particularly in developing strategies based on GI qualification. In this way, local production systems have been confronted with scaling-up issues.[2] These include both identifying and formalizing specific local knowledge (the qualification process) and involvement in media and standardization fora, which secures a reputation extending beyond the local communities.

Since the 1980s, many authors have emphasized a 'quality turn' corresponding to the increasing variety of food services. The differentiation of food qualities concerns the whole system of food production and provision. The diversification of food services (prepared food, lunch services, various information services, etc.) and of food items in the marketplace rests on an increasingly complex circulation and mixing of ingredients,

including different types of standards (Allaire and Wolf, 2004). The industrialization of food chains has been renewed by biotechnological innovations and, concomitantly, consumption patterns have undergone substantial transformations with the development of services at the end of the food chains. Although quality norms concern the large industrial food systems, a new regime of innovation has developed through the extension of 'alternative foods'. Organic or ethnic products may be mentioned in this category. Whether they have a GI or not, **origin products** (OPs) are also involved in this evolution. Such goods play a role in popular representations of food that extend far beyond their markets (Allaire, 2004).

While commodity (generic products) markets (**generic markets**) could be regulated by states (or, in the European Union (EU), by the Common Agricultural Policy (CAP)) through sectoral policies, quality-differentiated markets require private standards and global regulations. This has led to a form of institutional gap. While in the previous industrialist period, state administrations and industries at a sectoral level concentrated standardization capacities, the development of new models of production and new services mobilizes local resources and, at the same time, is based on global norms. The new food standardization regime intersects the process of building more localized production or processing technical norms with emergent global norms related to the UN's Millennium Development Goals and sustainability-inspired programmes, promoted by both states and social movements or non-governmental organizations (NGOs). Three trends characterize this regime: international agreements following the creation of the WTO, but remaining incomplete; multi-actor initiatives to set up global norms by products (e.g. sustainable forest norms), which tend to constitute entry conditions for certain markets; and the renewal of marketing strategies that implicate the various stages of the supply chain (agro-food chains).

Public and private quality standards

The evolution of the international trade regime and the reforms of agricultural policies ('rural policies', which replace agricultural policy tools that were held to be market distorting) fit in with the neo-liberal credo put to the fore by the Washington Consensus. While states seem to be losing their muscle, neo-liberalism is clamouring for public/private partnership in the provision of **public goods**. For example, the development of environmentally friendly practices relies both on mandatory rules and on voluntary standards. Food quality standards and signs, like environmental standards and norms, are perfect examples of the double dynamics of the decentralization (private and voluntary standards) and globalization (WTO and other international agreements) of market regulation and market institutions. Fulponi (2006) claims that this movement is mainly induced by big retailers at the world level. Alongside public health standards, private standards emerge in coalitions of firms (e.g. GFSI, the Global Food Safety Initiative). This phenomenon, Fulponi argues, does not stem from consumer demand, as consumers are not informed of B2B (business to business) norms, nor does it stem from any intention to pre-empt state regulation, but from a new way of competing: excluding some firms from the market, improving competencies, specifying production conditions, establishing new management systems, making transaction cost savings by not multiplying separate certifications for each coalition member. Henson and Reardon (2005) show that the development of private standardization associated with public standardization may have potentially varied and contradictory effects: positive effects (complementarity with public policies, assistance in bringing firms up to standard, head starts for some leading businesses) and negative effects (the capturing of public good by private interests, lobbying effects that drag quality down).

The marketing of quality on a large scale is characteristic of mature economies – often referred to as knowledge or services societies, and of the notion of 'economy of quality (or qualities)' (Allaire and Boyer, 1995; Callon *et al*., 2002). It aims to characterize a change in the form of market competition, focusing on conception and design characteristics, and on the distinction of the modes of production with regard to public values. In general, conception costs, which entail knowledge building and transfer, exceed production costs when product differentiation strategies

predominate. Private standards, and especially agricultural standards related to origin and mode of production, are kinds of collective design models. Models of conception and design, and various types of standards themselves, become market goods and acquire strategic value in the organization of industries, trade exchanges and retail activities.

The change in the governance of markets and in competition among actors in food chains, known as the quality turn, institutes several types of fora where product specifications and production standards are debated and negotiated among various types of actors – private or governmental, scientific experts and NGO representatives – whether specialized or not. A quality forum is a network, a cognitive framework for quality controversies (including health and environmental impacts), and a legal framework allowing standards to be set and implemented.

Generally, a quality forum is based on the activity of what we call a standard-setting organization (SSO). Quality fora include SSOs, influential media and social movements (e.g. Slow Food). This new type of competition regime may be called a media regime (Allaire, 2005), in which movements of opinion play a key role (Wilkinson, 2006). Producers, processors and retail firms have strategic resources in play within quality fora, and engage in strategic behaviour known as forum shopping.[3] Economists have formalized forum shopping as a trade-off between the cost of participation in a particular quality forum and the benefit (collective quality reputation) that it provides (Lerner and Tirole, 2004).

Quality fora, certification and competition

In the context of globalized competition, a strategic challenge for individual firms and value chains collectively is to position themselves in the new quality universe and to select designs among standards and certification schemes (forum shopping). We distinguish at least two types of SSO: public (national or international) and private or cooperative standard-setting organizations (see Box 8.1).

Box 8.1. Some worldwide standard-setting organizations.

- The International Organization for Biological Control (IOBC) was established in 1956 as a global organization affiliated to the International Council of Scientific Unions (ICSU). The IOBC promotes environmentally safe methods of pest and disease control. It is a voluntary organization of biological control workers. This organization does not certify products or firms but acts as a scientific body. In Switzerland, the supermarket chains Coop and Migros may mention it in their product labelling. The IOBC has been particularly active in defining and promoting this mode of production, which is gradually providing a scientific basis for all environmentally friendly modes of production.
- For organic farming, national rules have been laid down in more than 120 countries, at the European level and in the framework of the *Codex Alimentarius*. Parallel to that, the professional organization IFOAM (International Federation of Organic Agriculture Movements) has established its own standards and accreditation system.
- The EUREPG.A.P. initiative was founded in 1997 by retailers grouped in the Euro-Retailer Produce Working Group. They decided to harmonize their own often very different standards regarding product safety, environmental and labour standards. The development of common certification standards was motivated to cut certification costs. According to its website, EUREPG.A.P. worked out 'harmonised standards and procedures for the development of Good Agricultural Practices (G.A.P.) in conventional agriculture including highlighting the importance of Integrated Crop Management and a responsible approach to worker welfare'.[4] The first code was created for fresh fruit and vegetables. The standards are revised every 3 years with public consultation. Over the next 10 years, a growing number of partners around the globe joined in, and this led EUREPG.A.P. to become GLOBALG.A.P. in 2007. Growers and growers' unions can be registered by GLOBALG.A.P. if they are certified by certification bodies recognized by GLOBALG.A.P. There is in principle no labelling, as this is a 'business to business (B2B)' initiative, but some producers and/or retailers may inform consumers about the certification of the product.

Two phenomena are involved in the dissemination of standards: a process of adoption by proximity (in value-chain segments or territories) and a process of competition among the areas of standardization formed by the various fora. The first type of forum and SSO ties in with national and international legal systems governing trade. For GIs, WIPO (World Intellectual Property Organization),[5] WTO (TRIPS), EU Regulation (EC) No. 510/06 or India's *sui generis* system of GI protection are such public fora. This type of forum generally includes NGO stakeholders on an international basis. Depending on whether or not the conceptions of IPRs attributed to GIs are substantial, the European GI forum, which includes other advocates of a *sui generis* system of protection, could be called the terroir forum. On their side, developing countries opting for a specific GI protection system (e.g. India or South Africa) emphasize the cultural and long historic heritage aspect of the substance of GIs. The oriGIn association (Organization for an International Geographical Indications Network) plays a role in activating the GI forum, while specialized agencies in Europe (such as the French INAO – Institut Nationale de l'Origine et de la Qualité) are involved in transferring institutional knowledge consistent with their goals.

Each type of quality forum corresponds to specific certification procedures with specific costs and advantages. Where GIs are protected by trademark regulations, certification costs are mostly private costs; where GIs are protected by a specific regulation and administration, a greater part (even all) of the certification costs are publicly supported. But there are several parameters of diversity. Under the European system, certification schemes vary within countries and industries, even within GI systems. Those involved may choose among different private or collective certification schemes and among different legal frameworks when operating internationally.

The trend in recent decades has been for states to pull out of certification (in countries where it had an important role) and for outside experts to be used (certification bodies). These bodies participate in constructing benchmarks on the market, but the expected role of standard-setting organizations and certification bodies is not confined to organizing markets – these bodies also have the capacity to adapt to a changing environment (Sylvander, 2004): opening up the market to new countries and new operators who do not work to the same rules, food scares spreading through public opinion movements, uncertainties related to quality control and measurement (Barzel, 1982). Both flexibility and rigour in certification appear to be strategic characteristics of quality fora.

Forum shopping is developing in different contexts, whether it is for protecting GIs as IPRs or for certifying production methods, as in organic farming, for example. Thus IFOAM (the International Federation of Organic Agriculture Movements), an outgrowth of the international organic farming movement, draws up production standards that complement or sometimes contradict the national and international standards with which they compete. Militant firms within IFOAM, with commercial networks working to these standards and that have helped to develop them, find an interest in having them adopted. Others, in contrast, with diversified business strategies, have to adapt to several competing standards. As IFOAM provides an accreditation service, the actors in diversified strategies have to be certified by different and competing bodies.

GIs and intellectual property rights regulations

Since 1995, IPRs have been governed under the TRIPS Agreement overseen by the WTO. These new global governance mechanisms of patents, copyrights, trademarks, GIs and other forms of IPRs have prompted a number of disputes that have revealed the importance of IPRs in today's economies to a large audience of entrepreneurs and policy makers (May, 2006). While one of the most obvious of these debates has been the, at times emotional, dispute over the supply of AIDS-related drugs, this has not been the only issue to attract wide public attention. Issues have

ranged from digital downloading to the protection of GIs. Perhaps the most important issue is the functioning for the last 10 years of the WTO's cross-sectoral dispute settlement mechanism, which has been used to mediate international disputes over IPRs, notably leading to the change in European GI regulation. But it is notable that the TRIPS Agreement does not decide on what the substance of GIs is. Rather, it requires members to include reference to GIs within a general IPR framework or to provide specific protection for GIs, thereby allowing national laws to remain diverse.

The shift of governance from the WIPO to the WTO is often presented as a case of jurisdictional forum shopping. Here, this means that powerful states (the USA and the EU) consider the new WTO as a more effective forum in which to harmonize IPR laws, expecting less resistance to both the control of IPRs and the liberalization of relevant markets (knowledge services in general, especially design, innovation assistance, standard-setting procedures, training and so forth). But the WTO has also become an effective forum for alternative interests. In the context of globalization of services, including food and services for agriculture, local producer organizations and their political backers have valid reasons to demand protection of local knowledge.[6] In Europe, what is at stake is not only the resistance of the terroir qualification of European wines (in any case the European wine industries are facing international competition leading to structural adjustments), but the creation of new opportunities for rural development under the European Agenda 2000 and CAP reform. Debate continues over whether the TRIPS Agreement is advantageous or not for developing countries, and over the potential role for national GI regulations. Economists concede that it is a less costly means than patenting to protect local knowledge and cultural heritage (Rangnekar, 2004).[7] In addition, it is a more participative approach.

In the meantime, however, the WIPO has remained an active forum. It works to maintain its position in the global governance of IPRs, not least through new international copyright treaties (May, 2006). The WIPO still manages the Lisbon Agreement register and is a forum for proponents seeking to extend the Lisbon type of protection for GIs. Generally speaking, the international agreements related to GIs in place before the TRIPS Agreement have become less relevant but still constitute a complex legal situation owing to their multiple implications and imbrications.

The Proliferation of GI Fora

WTO members are engaged in renewed negotiations over the TRIPS Agreement that began in the Doha Round in 2001 and have not made much progress because of antagonism among the projects in contention (the last session in Geneva in 2008 failed before the issue of GIs was gone into). One group of countries (including the EU) is seeking to bolster regulation internationally, extending the ex officio protection of Article 23 to all products and setting up an international register of protected names (like the Lisbon register); other countries (including the Cairns Group – 19 countries from Latin America, Africa and the Asia-Pacific region) object to this proposal. Such opposition may be found among political networks within the same country. For example, some free-trading developing countries, such as Brazil, set up systems for protecting their cultural and natural heritage. The stalled trade talks allow considerable disparity to remain among the conceptions of GIs as IPRs and among the legal systems present. Could this disparity be reduced or is it rather an aspect of the new standardization regime?

Most proponents of extending TRIPS Article 23 are likely to be expecting a future convergence of GI statuses, which are now diverse, as previous chapters have illustrated. Those who expect protection systems to converge argue that divergence is a threat to the specific character of GIs: that it weakens the terroir model of substantial qualification of GIs and, its strongest proponents claim, that it will ensure the victory of the liberal trade philosophy and spell the end of terroir heritages. Opponents of the terroir position denounce the bureaucratic and protectionist

character of such policies. In this arena, there are two main areas of debate, in terms of law and public policies: specificity or not of the status of GIs as IPRs according to development policies, and their meaning in terms of reputation value as regards markets.

In what follows, we explore three aspects of these debates over the international protection of GI rights: first, we emphasize the contradictory economic arguments being made which, in the end, fail to indicate the best system, as this is dependent on political choices; secondly, we discuss how the diversity of GI situations that has emerged leads us to conclude that the diversity of GI fora will probably persist; and, thirdly, we present the arguments of the political debate in relation to the specific goals of public policies favouring GI protection and development.

International protection and GI status harmonization

A technical and political issue at one and the same time, and one on which talks are faltering, is the public cost (for states) of an extended specific protection system. Opponents fear excessive bureaucratic costs compared with the informational benefits that consumers would derive. In actual fact, the current system too has a cost and the issue is rather one of the implications of changing this. Generally, harmonization and internationalization of the GI legal protection system can only reduce private transaction costs without necessarily greatly increasing public costs, as the **instruments** for managing an international register, for example, already exist to some extent, and economies of scale are possible. Moreover, internationalization of the system could, for example, save spending for the poorer countries while providing the benefit of protection in principle for their local knowledge. Institutional change is able to modify the distribution of transaction costs between private and public sectors and within the chain, and finally to have an impact on the market power of various actors.

Josling (2006), former President of the Agricultural Economics Society, claims:

> The disagreement between the US and the EU over the treatment of GIs in bilateral and multilateral trade agreements is indeed a disagreement over terroir as a sound basis for protective regulations. The US does not protect GIs with specific legislation, preferring to use trademarks that do not grant rights on a geographical basis, or certification marks that relate to other attributes as much as geography. The EU has an extensive system of GIs and is keen to see the protection of these (and others) become an obligation for all countries.

Josling considers this controversy over the substance and significance of GI rights as a part of the continuing tension between regulations that are based on 'product standards' and those that regulate 'production and processing methods,' as exemplified in the controversy that there has been over genetically modified foods.

In this view, 'standards' relate to corporate (private) market governance, while 'norms of production' relate to public implementation and control. How a GI acquires value (reputation) on the market is one thing; the global economic effect of a specific system of GI protection, which is ultimately a political issue, is another: who are the final owners of the intellectual right relating to a GI? In any case, the substance of a GI is a recognized link between the product specificity and its origin (see Chapter 1). GI protection by trademark regulation in the USA makes the intellectual right a collective property (collective mark or certification mark entailing private costs) while the European system makes it a right protecting a community heritage that is not limited in time, and is regulated and protected by *sui generis* law. One of the key rules of the European regulation is the presentation of the application for accreditation, which has to be made by a group of proponents representative of the territorial stakeholder communities. The institutional issue here is that of transaction-cost distribution; both business interests and the capacity of states to develop public policies bearing on the development of the GI economy are at stake.

Josling (2006) adds:

> We know little about the underlying economic impacts of using exclusive geographical labels to identify goods in a global marketplace. (…) It would be fortunate if GIs provided information to consumers who would then rescue farm policies by paying handsomely for quality goods. It would be less desirable if GIs restricted innovation and investment in quality and confused consumers with an overload of information of dubious value.

As is shown in this book, there is no miraculous effect of GI qualification, and we can observe a diversity of situations over space and time with regard to who benefits from GI marketing strategies (Allaire and Sylvander, 1997). There is no automatic macroeconomic effect of GI protection, and the role of the legal system of protection is not to be evaluated by its global direct effects on farmers' incomes and the subsequent economy of farm subsidies (where they exist). The form of this system affects the capacity of the various actors in GI systems to negotiate and to create and capture rent. It interacts with several aspects of consumption, trade and development policies. If consumers are willing to pay a premium for certified OPs, including their specific modes of production, producers will generally capture a part of the rent and at the same time deliver local territorial public goods. The existence of such **externalities** both helps and justifies public policies for GI development (see Chapter 7). In addition, quoting Harvey (2004), Josling (2006) points out that it is one of the 'fundamental problems of developed country farm policy, that the standard support instruments encourage undifferentiated and poorly marketed commodities at a time when demand is increasing for **quality products**'[8] and that GIs 'may be a constructive way out' of this problem. But, while acknowledging certain potential advantages of the European system, Josling takes up the criticism levelled at GI protection by conventional economists – that they might provide for unjustified reserved advantages (which in fact relate to all types of IPRs) and 'the question of whether it encourages or discourages technical change and favourable developments in marketing',[9] which are, he says, empirical and contingent issues, on which it is not possible to draw macroeconomic definitive conclusions.

On the issue of unjustified rents, the economic argument is as follows: on the one hand, using a GI as a proxy for information about the consumer attributes of a good may have sound economic as well as social justification. On the other hand, if the link between quality and location is not so reliable then the information may deflect choice and instead provide marketing advantage for one group of producers by restricting competition. So the 'asymmetric information' argument for GIs rests at least in principle on an empirical foundation, and is subject to investigation.[9]

In real situations, such investigations can be undertaken by the courts when cases are presented, or by administrative accreditation procedures where GI registries exist. Yes, it is an empirical issue. In both systems, some protagonists can transitorily suffer from change in the attribution of intellectual protection for their particular GIs. But this is not a macroeconomic argument. The competition among types of standards and certification bodies is supposed to provide a reputation reflecting the 'true quality' of the product. According to standard economics, if the link was 'not so reliable', the information under discussion would not support any value. Empirical studies support this point. While consumers may find it difficult to get the relevant cues for their choices in a vast universe of quality signals, they are not misled by information on origin if that information is not relevant or useful. So the 'asymmetric information' argument is not reciprocal. The issue of maintaining relevant information about product quality, in accordance with the reputation and the signs that the product bears, is a permanent collective challenge for GI value chains.

This question ties in with the issue of innovation, depending on the legal procedure for revising standards, but mainly on the type of governance of the various value chains affected by this issue. A more global issue is raised by Josling (2006): 'If recognising the links between location and quality encourages the improvement of standards [in general], such product differentiation [by GIs] is likely

to be desirable'. It is clear that GIs are standards within standards. To make value emergent, GIs have to comply with high-quality standards; otherwise, the marketing strategies will become inefficient and producers will lose money. It is actually unlikely that any GI policy in itself can generate unjustified rents. On the contrary, one can identify conditions of success for GI development where protection plays a role among several other key factors (Barjolle and Sylvander, 2002), and the various models of GI regulation are diversely able to integrate sustainable norms of production and to promote innovation in marketing tools.

The basis of GI diversity

The diversity of production and marketing systems characterized by their origin is part of the global evolution of the economy and geography of food, as pointed out by many commentators. It is explained how the actual history of each territory has combined with their specific territorial or sectoral parameters of governance, and not primarily by the form of the legal system of protection. None the less, the diversity of legal systems and related quality fora can be strategically exploited. A shift in the EU quality forum, for example, opened a clear opportunity for wine makers in the Napa Valley (California) to register their products in Europe and benefit through this quality sign from a price premium on the US market – as well as protecting their name in EU countries at reduced cost. Even if ongoing international negotiation results in a clear recognition of GIs as specific IPRs, the different quality fora themselves, and the policies associated with the variety of national registration frameworks, will likely remain diverse. GI systems and quality fora will remain different in their market share depending on food industries – in the way that they relate to terroir, ethnic patterns, fair trade or other attributes of specificity, and in the way and the extent to which they contribute to sustainable rural development.

An important point concerning the diversity of GI systems is the degree of resource-specificity linked with origin in product processing. In so far as an origin acquires a reputation, the **region**'s producers are inclined to draw a benefit from reference to that origin. Similarly, if certification by origin itself becomes valuable, producers whose production has little relation to the origin will endeavour, nevertheless, to benefit from such certification. This is the rationale behind market differentiation and monopolistic competition. It leads to the permanent challenge of maintaining a necessarily multiform image of the product, and so to investing in the various fora where the product's reputation is in play. The diversity of actors and systems corresponds to an irreducible diversity of economic strategies to which the legal system of regulation must adapt. Thus, the European compromise behind the 1992 Regulation (2081/92) led to two types of quality signs for GIs: PDOs and **protected geographical indications** (PGIs). PDOs were inspired by French AOCs, aimed at maintaining the link with the terroir and are managed half by professional farming groups and half by industrial groups. PGIs complied more with an industrial logic (raw material does not necessarily come exclusively from the area protected for processing activities). As legal instruments themselves diversify to adapt to the diversity of production chains, it is foreseeable that GI qualification fora will be multiplied even in Europe.

The diversity of public policy goals related to GIs

Arguments supporting public policies to protect GIs fall into four categories (Sylvander *et al.*, 2006): (i) consumer protection against passing off in accordance with competition laws; (ii) management of quantities supplied by an industry (terroir quality being associated with lower output); (iii) endogenous local development and social cohesion; and (iv) biodiversity and protection of cultural heritage. One argument in favour of extending the TRIPS regulation could be to achieve better coherence across these different dimensions of GI political economy.

As far as consumer protection and competition laws are concerned, the issue is that of the transaction cost added by certification procedures relative to the value of information. This value is only maintained if the connection between the product's name, its locality and quality is itself established, at least via the product's own reputation. Josling (2006) infers that an international arrangement (say a register) is only justified if the transaction cost is lower than the gain that consumers derive from being better informed. But it has been expounded above that one cannot measure completely either the additional transaction costs or the overall benefit of knowing where the products that one eats come from. None the less, a mounting consumer demand for such information is evident over the past decade.

As far as control of the agricultural supply is concerned, practices of limiting supply and of collusion over price fixing are restricted by competition laws, to which farming has been no exception since the 1990s, either in Europe or in the USA. Competition authorities may reach different conclusions depending on the considered definition of the relevant market. Some accept management by **consortia** implementing collective control. But, one way or another, some form of leadership and certification and marketing procedures allowing some control over supply are required for producers to control the market, without removing competition among producers for all that. Quality criteria associated with GIs allow some control of volumes, thereby justifying state backing for the development of quality to control overall supply in a sector (as with European wines).

These policies generally promote employment in producing regions too. However, competition is operative at several levels. For the product itself, it is operational in terms of the reputation of brand names or individual trademarks that is built up in particular places (testing and guides, competition and medals, etc.). Competition also exists among territories and GI products. The reputation that GIs command may become a factor in the competitiveness of (and competition in) national agriculture where free movement is facilitated (particularly by protection) and where there is demand for this form of specification.

When qualification by origin is a successful market strategy, the rent it generates is reflected both in the price of land and processing firms, and in amenities or local public goods. The first aspect leads in the medium/long term to a change in the structure of land ownership and capital, as is observed in countries where a *sui generis* scheme is in force. But, as far as territorial, local, regional or rural development is concerned, public policies have grounds to seek to develop a GI standard that optimizes positive effects on employment, rural vitality and environmental quality.

As for the protection of traditional know-how, natural resources and cultural heritage, the very nature of intellectual property is at stake in the substance of GIs. The character of GIs as a common good combined with collective intellectual property was implicitly recognized by the 2005 WTO panel (Marie-Vivien and Thévenod-Mottet, 2005). The principle of recognition of local knowledge as a common heritage of humankind could be translated into material reality assuming the worldwide reservation of traditional names for products from developing countries, and assuming that a system could be devised to resolve conflicts with compensation, 'grandfathering', etc., if the names are already in use elsewhere.[10]

How these ends combine in specific national policies reflects each country's particular legal conceptions and political interests. In other words, the diversity of these policies cannot be entirely explained by economic theory. On the contrary, theory must try to account for such diversity. As a conclusion to the foregoing developments, three quite distinct outcomes can be imagined:

- A situation where multiple interpretations, legal resources and institutions lead to increasing divergence over the GI concept, progressively bleeding it of the content given to it by the EU and even by the TRIPS Agreement. Prolonged absence of public means of control at international

level, subject to current development of bilateral agreements, would lead to regulation by court cases available to firms and **alliances** of firms with substantial financial resources. Some commentators fear even that GI status might be increasingly construed as a simple indication of origin (**indication of source**).

- A situation where international negotiation would lead to an agreement on the level of protection and the setting up of a register, and on public means of control. Most disputes would be settled multinationally (within the WTO, say) on the basis of scientific arguments, judicial decisions and the opinions of international organizations (such as the *Codex Alimentarius*). This hypothesis supposes that changes in political equilibria and unexpected events modify the current balance of power.
- A hybrid situation arising out of the current position where, as seen, different types of SSO and quality fora coexist. The general framework is formed by the TRIPS Agreements, the Lisbon Convention (1958 and 1967) and the bilateral agreements signed by various countries, which could be supplemented by an international register of GIs or reserved names. The coherence of this framework presupposes the coexistence of international institutions (such as the WTO, the *Codex Alimentarius* or the WIPO), of national public institutions (such as France's INAO), of unions (particularly the EU, and transnational institutions in the developing world), of professional groups and private actors (such as certifying organizations), of NGOs and of various stakeholder spokespersons. This array is structured by quality fora with a role in disseminating different versions of the GI standard. In this situation, which is where things stand at present, it is a matter for these fora of being attractive to organizations that are keen to be recognized and to be certified. With the new Regulation (EC) No. 510/06, the EU opened up to the recognition of products from producer organizations of non-EU countries. Colombian coffee producers were the first to seek registration under the European quality forum.

Discursive and Political Drivers of Institutional Change (Politicization or Technicization?)

Political scientists argue that changes in the balance of power in negotiations depend on the actors' capacity to make public what is at stake in their positions and their interests, and to do so in a way that goes beyond the narrow confines of the relevant sectors, so that the objectives and arguments appear legitimate in a general framework, beyond sector-based policies.

Chapter 7 showed that GIs are not always in step with other sector-based policies (such as agricultural policy, competition policy or consumer policy). It is important, then, for actor networks and public or private institutions defending them to take these stakes to a global level and have them recognized as legitimate relative even to these contradictions. This job is done actively by actor networks in conditions that bring into question sectoral boundaries and the very notion of sector-based policy. This problematization of stakes may take on two separate forms: that of technicization or that of politicization (Fouilleux *et al*., 2005): the first of these involves emphasizing technical and expert features; the second consists of creating and exploiting the political balances of power by shifting the problem field.

Technicization: research and expertise as a driving force in negotiation

Controversies feed on scientific expertise. The chapters of the first part of this book set out at length the controversial question relating to the definition of GIs, their role in the history of international trade, their legitimacy with regard to law and political science, their credibility with regard to consumers and citizens, and their efficiency in terms of rural and regional development. Research into GIs is conducted by universities and research centres financed by European programmes, and by the World Bank or national agencies. For example, the network of researchers behind this book came together out of a

European project and has been reinforced by seminars of the European Association of Agricultural Economists (EAAE) and by many European projects led by the authors of the book. One might also cite the network of academics around the International Centre for Trade and Sustainable Development (ICTSD) that conducted the IPDEV (Impacts of the Intellectual Property Rights Rules on Sustainable Development) project, with the aim of studying the impact of IPRs on sustainable development (see Rangnekar, 2006). Many economic and legal departments in universities worldwide are interested in IPRs and GI rights, as are many large law firms. Associations have also been formed that promote reflection, exchange and contacts among professionals and academics. Large international organizations (OECD – Organization for Economic Cooperation and Development, FAO – Food and Agriculture Organization of the United Nations, UNCTAD – United Nations Conference on Trade and Development,[11] WIPO, etc.), fully aware of the commercial, industrial and scientific challenges of IPRs and GIs, conduct studies and organize seminars aiming to review, evaluate or develop their political positions relative to international negotiations.

Politicization: policy networks

The Doha Round talks ended in partial failure on the general issues of free trade, and on the specific question of GIs. However, professional interest groups and lobbies have obviously pursued their actions in the wings. One might cite the example of the Wine Accord signed on 10 March 2006 between Europe and the USA, which authorized a number of technological additives in the wine-making process in exchange for an undertaking by the USA to put an end to generic denominations in the sector. It is imaginable that the actors in transatlantic trade might have wanted this agreement, which has been idling for 20 years, to come into force rapidly, probably to offset the failed multilateral Doha Round talks; see Vivas-Eugui and Spennemann (2006) on the greater rate of bilateral agreements in general (175 agreements signed since 1994), and on the GI issue in particular, between the EU and third countries on one side (e.g. Chile, Australia, Mexico, South Africa) and the USA and others (e.g. Morocco, Chile, Australia) on the other.

Alongside this, one can identify the increased action of NGOs (of the anti-globalization type) that brings together countries and professionals eager to protect traditional knowledge, genetic resources, regional geographic identifications, etc. Examples include Slow Food, which is, according to its website, 'A non-profit, eco-gastronomic member-supported organization that was founded in 1989 to counteract fast food and fast life, the disappearance of local food traditions and people's dwindling interest in the food they eat, where it comes from, how it tastes and how our food choices affect the rest of the world'.[12] Slow Food, which currently counts more than 80,000 members worldwide, also organizes the 'Terra Madre' annual gathering which showcases many terroir products. The oriGIn association was set up in 2003. It currently represents GI producers from more than 30 countries (of Africa, North and South America, Asia, Western and Eastern Europe) and pursues two objectives: to advocate the establishment of an effective international system of protection for GIs and to promote them as a tool for sustainable development for local producers and communities. In Europe, AREPO (Association des Régions Européennes des Produits d'Origine) was set up in May 2004 by 16 regions from 6 EU Member States (France, Italy, Spain, Germany, Portugal and Poland). AREPO is an institutional and professional network that now counts 18 regions from European countries keen to see that OPs closely tied to a territory are not drowned in some form of 'world farming'. Finally we might mention the 'Club des Amis des IG', founded at the initiative of Switzerland, which now counts 50 members, including the EU, India, Kenya, Bulgaria and Thailand.

These organizations and their major member states develop contacts between sessions during official talks and organize often concurrent seminars to disseminate

information, expert knowledge and experience about GIs, public policies and issues under discussion. On the fringe of the Doha Round talks, WIPO has often worked in partnership with 'regional' or national intellectual property institutes to organize seminars to inform about and promote the GI concept. In the arena of international organizations, the October 2005 UNESCO (United Nations Education, Scientific and Cultural Organization) agreement on cultural property should be cited. This 'Convention on the protection and promotion of the diversity of cultural expression' was voted for almost unanimously (the USA, however, did not join) and considers that cultural diversity must be considered 'world heritage' and be defended as an ethical imperative that is inseparable from respect for human dignity. It provides for international cooperation financed by a special fund and a dispute settlement procedure. The EU, which has set up a technical instrument for the cooperation and promotion of GIs,[13] regularly organizes seminars around the world. The ministers of agriculture and trade of the various countries monitor changes in non-EU governments closely with a view to forming allies for future WTO meetings, future disputes or future ministerial meetings. Thus, around the world, networks of alliances form, crossing various quality fora.

In the current period, where promoters and opponents of GIs exchange arguments and try to form alliances, both technicist and political logics coexist and feed one another. In the neo-liberal context, where states are losing power and a market of standards and certification is developing, discursive processes (opinion and expert knowledge) and politicization come into play, including in innovation and commercial strategies. The competition is then between the different fora that we have looked at. One outcome is that the main WTO members may well aim to extend the role of their protection systems beyond their borders. Indeed, efforts by Europe, as well as by INAO in France, to appear as effective and attractive certification providers for third countries would seem to confirm this trajectory for the near term.

Notes

[1] This contrast is currently toned down because of the overproduction that encourages many producers in these countries to promote the idea of terroir (e.g. Napa Valley in California, Barosa Valley in Australia).

[2] For scaling-up issues and upgrading, see the global value chain approach developed by Gereffi (1999).

[3] Forum shopping derives from the practice adopted by some plaintiffs to have their lawsuits heard in the court thought most likely to provide a favourable judgment. The notion becomes relevant in international trade owing to the diversity of international agreements and the differences between national regulations and jurisdictions. The notion is extended here to the strategic choice of certification schemes and quality qualification signals in general.

[4] http://www.globalgap.org/cms/front_content.php?idcat=19 (accessed 29 November 2010).

[5] The WIPO was set up by the Treaty of Stockholm in 1967. It has long defended GIs and manages the Appellations of Origin register under the 1958 Lisbon Agreements.

[6] The Rio Convention on biodiversity in 1992 called for local knowledge to be inventoried and protected (Art. 8g).

[7] For example, there is no fee to register foreign GIs in Europe.

[8] In fact, price control by the CAP before its reform, and agricultural sectors governed by national marketing boards in Switzerland and the Commonwealth countries before reforms in the 1990s, suffered from the same failing of standardization preventing demand-pulled innovation.

[9] Josling (2006), p. 339.

[10] Josling (2006), p. 362.

[11] UNCTAD was set up in 1964 and promotes the development-friendly integration of developing countries into the world economy.

[12] http://www.slowfood.com/international/1/about-us.

[13] Technical Assistance Information Exchange Instrument.

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9 Geographical Indications in the USA[1]

Elizabeth Barham, Jim Bingen and C. Clare Hinrichs

Introduction

This chapter seeks to open a broader dialogue about **origin products** (OPs) in the USA, and to focus on the opportunities and barriers facing this type of production in the American context.

In the first part of the chapter we overview the general situation of what we label 'American Origin Products' (AOPs), that is, products with **specific qualities** or characteristics that are deeply rooted in a given geographical area in the USA. Moreover, we illustrate our observations with some specific examples of producer group experiences. Our hope is that an explanation of the economic and cultural context for AOPs will create possibilities for broader discussions of how these products might be better recognized and protected in the future.

The second part of the chapter provides a more detailed examination of the legal context for AOPs, which is both complex and internationally contentious. Our comments in this section are not addressed towards any particular national or international dispute over contested names for products – a topic that has garnered the lion's share of attention from the news media. We focus instead on the overall system, national and international, which forms the context for AOPs, and ask how we might improve it to better protect them. We hope that this enquiry will also contribute to strengthening cross-cultural dialogue in the international debate over **geographical indications** (GIs) – the legal term that is applied to OPs globally.

We touch on some of the economic, social/political and environmental aspects of AOP production in the USA, but we emphasize that these factors interact as an *institutional context* for these products and their producers. This context includes arrangements that exist among producers themselves, government agencies that interact with them, educational and research institutions that support them and consumers who buy their products. It extends, as well, to encompass the effects of these products on **rural development** in their respective **regions**. Producing AOPs and bringing them to **market** create jobs and bring revenue to rural America. How can we better secure their current contribution to rural development and expand that contribution going forward?

The US institutional context embodies a set of assumptions that are at times uniquely American, as they are derived from a national history quite unlike that of most parts of the world. This broader picture sets the stage for a discussion about the legal status of, and legal changes to, AOPs that can enhance their economic viability. Making these legal adjustments also entails changing how Americans

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

perceive OPs and what they believe are appropriate roles for governmental institutions in regulating them.

A question of terminology

'Geographical indications (GIs)', as they are known in Europe and many other countries, are not well understood in the USA. Americans may be familiar with the notation on bottles of wine that the 'appellation', a French word meaning the name of the place of origin (**appellation of origin**), is protected. But they may never have stopped to ask, 'Protected against what? By whom?'. In recent years, a handful of journalists have explored GIs in well-known national newspapers or magazines, but only rarely do they use the term 'geographical indication', or attempt to place their stories in an international context.

The term 'geographical indication' is part of the legally binding treaty agreements governing the World Trade Organization (WTO), as the next section describes in more detail. But the key point here is that, for Americans, it is usually more effective to describe GIs as place-based products, labels of origin, or 'origin products (OPs)'. These terms are not well defined in the USA, but they convey more to the average American than GIs as a *category* of products.

Wine as a special case

The question of terminology is somewhat more complex in the case of wine, where Americans do generally associate the term 'appellation' with a wine area. This is significant in a historical sense; systems developed by other countries for protecting products from particular regions first emerged for wines, and were only later extended to cover products such as meats, cheeses and other products, including vegetables, fruits and nuts. But, as the next section explains, under American wine law the term 'appellation' can be applied to an entire state or even to multiple states (up to three contiguous states), as so-called 'political' appellations. In Europe and other parts of the world, an appellation corresponds to an ecologically defined area and indicates that the product bearing the appellation exhibits characteristics that give it a **typicality**, or make it representative of the region. But in the USA it is difficult, for example, to imagine wines coming from across states as vast as California or Texas that would share qualities or typicality in the same way that the term 'appellation' is applied outside America.

The American understanding of GIs, at least in the case of wine, is further muddied by the designation of American Viticultural Areas (AVAs), which are another type of wine appellation. The AVA system is administered by the US Department of the Treasury, which historically has been responsible for regulating and taxing alcoholic beverages in the USA (where the alcohol excise tax is known colloquially as a 'sin tax'; Mendelson, 2009). In most other countries, wine and beer are considered primarily as types of foods, and, therefore, are commonly regulated by a Ministry of Agriculture. These national ministries are also responsible for encouraging and supporting rural development, and with both national and European Union (EU) funding they commonly link the promotion of GIs to other programmes in a given GI region for environmental management, agrotourism and rural development. GIs thus become a lever for achieving goals such as the **protection** of small family farms and sustaining rural towns. In contrast, no office in the US Department of Agriculture (USDA) is specifically dedicated to appellations, AVAs or GIs, much less to implementing rural development programmes that include GIs.

One aspect of AVAs brings them somewhat closer to an international understanding of appellations: producers applying for AVA **recognition** are required to justify the boundaries of their proposed AVA region based on ecological grounds, namely, viticultural distinctiveness. This reflects an understanding that Americans share with the world that wine is directly affected by the ecological niche in which the grapes are grown. This could align the AVA system more closely with the European concept of an appellation, but the AVA system is only a few

decades old and has not applied consistent mapping principles to the delineation of regions. Consequently, some AVAs appear to be more justified ecologically than others. Furthermore, wine regions that figure among the most well known in America, such as Napa Valley in California – which by European **standards** might be more properly understood as a true appellation – do not gain the same degree of protection from the AVA system as do other GI products around the world. For example, Napa Valley producers as a group are obligated to pay through their Vintners Association for litigation in the USA and abroad to protect the Napa name. We explore this interesting and revealing situation in more detail in the following section.

These confusions and inconsistencies over terminology do not mean that GI products do not exist in the USA. Rather they reflect the fact that Americans understand very little about GI systems in other countries. So, lacking a clear system at home, they tend to think of GIs (or labels of origin) as merely 'brands'.[2] That is, they do not readily perceive the strong ties to place that stand behind these often well-known product names, even though, in reality, American GIs are regionally specific, often with a long history and a set of traditions based in the local ecology and producer know-how, a reputation with consumers and high standards for quality.

The current interest by consumers in 'local' food,[3] regional cuisines and traditional foods, and their recognition of many American wine appellations that are regularly featured on wine labels, all reflect the growing attention to food origins in the USA. The success of high-visibility American GIs such as Napa Valley wines, Idaho® potatoes, and Vidalia® onions is motivating other producers to follow in their footsteps. This trend is likely to accelerate because GIs also serve other goals related to rural economic development, ecology, food quality, food safety and traceability, as discussed below.

But, despite strong and growing interest in local food, Americans still lack a clear understanding of GIs, in part because of the absence of either federal or state government leadership in developing and promoting them. Such leadership is a crucial element of the institutional context of successful GI systems in other countries (Giovannucci *et al*., 2009a).

The Sustainability Dimensions of AOPs

The economic potential

In the EU and elsewhere, GIs have often proved to be important economic engines for the **sustainability** of rural regions that might otherwise be severely marginalized in a global economy. A GI product with a high regional economic impact not only generates local pride but also represents an investment for local people that cannot be readily moved away to another country, unlike some other forms of production (Bérard and Marchenay, 2008).

Regions that have a successful and well-protected GI are able to gain export dollars by selling the product out of the region, as well as being able to create jobs at home in its production. Also, as mentioned earlier, such products often become the basis for dynamic rural tourism initiatives that include farm visits and farm stays, local festivals and networks of local restaurants prominently featuring the famous local product. Napa Valley is an excellent example of this kind of development. It is commonplace now for tourists to travel to Napa to visit a number of wineries, vineyards and other sites, going for the regional experience that is Napa and not for a single destination. This kind of regional tourism can make an important contribution to rural economies if well managed at the local level (Pecqueur, 2001; Chazoule and Lambert, 2005; Barham, 2009).

When a positive symbiotic relationship of this kind occurs, the impact on the region in question and on the larger state and national economy can be profound. A study commissioned by the Napa Valley Vintners Association (Stonebridge Research, 2008) found that:

> The full annual economic impact of the Napa Valley wine industry in Napa County is $10.9

> billion. The impact of the Napa Valley wine industry on the State of California as a whole is $15.2 billion. The total impact of the Napa Valley wine industry on the United States economy is $42.4 billion.

However, the benefits work in both directions. A University of California study found a price premium attached to wines produced under the Napa Valley appellation (Bombrun and Sumner, 2003):

> Region of origin and, particularly, appellation are also important to price …. Out of 125 appellations included in [the study] … more than half have a significant impact on prices. For example, Napa Valley, one of the most famous appellations in California, produces wines that are, on average, 61 percent more expensive than wines with a California appellation. This means that a bottle of Napa Valley wine, other characteristics constant, costs $6 more, on average, than a wine with a California appellation.

The Idaho Potato Commission has found similar price premiums and beneficial regional economic impacts from its promotional efforts, noting approximately a 25¢ per hundredweight premium over the price that other US growing regions can charge. Economists estimate that the industry generates approximately US$5 billion in economic activity within the state of Idaho, and creates approximately 35,000 jobs, both directly and indirectly.

Lack of a national listing of AOPs

Regional economic impacts such as those just described are encouraging, but it would be preferable to be able to assess the impact of all AOPs on their respective regions and on the nation as a whole. The ability to do so would inform policy makers as well as producer groups interested in investing in AOP production. In fact, one of the first questions often asked about American GIs is 'What is the economic impact of these products on the USA at this time?'

To answer this question, we would need a national listing of US GIs as a starting point, but no such list exists. The US Patent and Trademarks Office (USPTO) registers certified trademarks with place identifiers, and many GIs would fall in this category, but the USPTO does not maintain a listing of this specific type of certification mark. Even if the USPTO did make a list available, there is currently no official process, publicly or privately run, to review and authorize products on such a list as authentic American GIs.

No standard methodology for assessing impacts

Assuming that a list of US GIs could be derived by contacting each state through their state Department of Agriculture, Land Grant University research offices and other sources, the challenge would remain of applying a similar approach to each product in terms of estimating its impact. Here again, there is no current national methodology agreed upon for such a study, although research projects undertaken in other countries have made steps towards devising a common approach (Barjolle *et al*., 2009; Giovannucci *et al*., 2009b). Obviously, we would like to know how the producers themselves fare in the market, what recent trends in sales have been, whether they export the product and to which countries, and so forth.

But, for a GI product, there is another layer of assessment that has to do with the economic impact of the product on the region in which it is produced. Regional economics employs a number of approaches to understanding the 'multiplier effects' of products in their region of production. This aspect is particularly important for GI products, because they can become part of the justification for additional public support to further their development or promotion.

No standard method of mapping AOP production areas

Setting aside the issues of a national list and agreed-upon methodologies for economic assessments, another important factor impeding economic study of US GIs is the lack of established maps of GI production areas. According to the definition used within

the WTO, a GI is distinguished by the fact that 'a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin'. One way to approach the idea of a 'given quality' is to focus on the contributions made to the product by the regional ecology. Perhaps, for example, it is a particular native species that originated in the region in question, or the product is highly influenced in its characteristics by the climate and soils of its region and so becomes distinctive in that way. Or the 'quality' of the product most affecting its distinctiveness may be the result of the particular know-how of the local people who produce it.

Countries with established GI systems have had to confront the problem of a methodology for mapping their GI areas consistently. This can be a thorny issue, as setting boundaries can be controversial and carries consequences in terms of a producer's ability to take advantage of the market potential of a given GI; and some New World countries further refining their systems for wine appellations have experienced the difficulties that regional wine mapping can present from the point of view of political pressures to adjust the boundaries (Banks and Sharpe, 2006). Leaving this aspect aside, the mapping of a region is an important step that must take place before a valid economic study can take place.

National data gathering not adapted to AOPs

Even with a map in hand, there are further difficulties with obtaining the data needed to conduct an economic analysis of a given product. US agricultural statistics are obtained by the USDA National Agricultural Statistics Service (NASS) through the National Agricultural Census, which is taken every 5 years (the last census was taken in 2007),[4] but their figures are not broken down according to GI regions. Questions could be added to future rounds of the census to obtain GI data, and interviews with NASS personnel indicate an openness to adding such questions. However, it is highly likely that the producers of many GIs would not know at this time how to respond to such questions. Many would need assistance in the form of a national listing of GIs that they could refer to, along with maps of GI areas, to help them know for certain whether their production falls into the GI category. For well-established producer groups (e.g. Idaho® potatoes) with well-organized associations, this would not be a problem. But it seems likely that the majority of producers in the USA today are not aware of what a GI is and whether their product qualifies because there is no official system to recognize them.

Thus, answering what appears to be a simple question about the impact of US GIs on the economy turns out to be not so simple. A move towards providing more structure for these products would enable policy makers to consider whether they should invest in particular products at the state or national level, to increase their production or expand their marketing programmes. A 'return on investment' calculation for these products is only possible at this time for the most organized and well-financed producer groups that invest in gathering their own data.

The Environment, Health and AOPs

AOPs as environmentally adapted products

Taking a long-term view, the benefits of GIs from an environmental and health perspective may be as important as their potential economic contributions. Many other countries have pointed to their GIs as examples of sustainable forms of production. The claim is based in part on the fact that there are GIs which have been in production in the same territories for hundreds of years without significant environmental degradation. There is also an argument to be made that GI producers have more of a stake in the environmental reputation of their region as it

is tied so closely to their product. There is not a great deal of research that has been devoted to this aspect of GI production, and, in the USA, such studies would once again confront the need for a listing and for maps as prerequisites.

None the less, examples of how some potential AOPs in the USA have an impact on environmental and health goals can be illustrative. The American northern native pecan is one such example. The tree can be used in river bottomlands (which flood regularly and often cannot be used in regular crop production) because the tree can tolerate water over its roots longer than many other trees. It provides an attractive food source for wild game and so can be integrated into lands managed for hunting leases, another good source of rural farm revenue in the USA. It is also a native, non-invasive species that is long lived and grows to be quite large, thereby contributing to the aesthetic quality of the overall landscape. Nuts from trees planted on public lands could even be looked at for their potential role in meeting the nutritional needs of disadvantaged rural populations, as the nuts are highly nutritious.

A significant number of potential AOPs would almost certainly be found among the products covered by the 'Made/Produced by American Indians®' trademark. Developed by the American Indian Foods (AIF) programme,[5] the mark represents an ongoing effort to identify and authenticate these products so that they can be better promoted in trade. The programme was undertaken by the Intertribal Agricultural Council (IAC) in 1998 with support from the USDA's Foreign Agricultural Service (FAS). While developed primarily for marketing purposes, the programme is also serving to maintain many products in production in their traditional settings, thus contributing to the *in situ* preservation of biological diversity. It also encourages tribal peoples to pass down the skills needed to continue production of various plant and animal varieties into the future, thereby supporting the continuation of traditions that will keep biodiversity on the land in Indian territories in the future (Nabhan, 2008).

Nature, culture and health

From a health perspective, elevating the recognition and respect for traditional American Indian products can have important implications for tribal peoples. They have often been disproportionately affected by nutritionally linked diseases such as obesity and diabetes, brought on in part by a transition to a less healthy Western diet higher in fats and sugars. It is thought that at least a partial return to more traditional styles of eating could contribute to better health among this population. From this perspective, the promotion of traditional American Indian foods at home can generate pride among younger tribal members regarding their food traditions and encourage their inclusion in more healthy diets.

The AIF programme has, over time, developed a number of requirements for using the trademark, which are contained within a guide that is available online.[6] The guidelines cover, for example, the percentage of raw agricultural product produced by American Indians (80%) required before a package can carry the trademark. Requirements are set for a variety of food products (meat, dairy products, fruits, vegetables, grains, nuts, berries), as well as for floral and nursery crops and traditional crafts. More will be said later about the steps needed to better define AOPs and establish standards for their production. However, it is useful to point out here that the AIF programme has already gained experience with this process that could be instructive to a national effort that would extend beyond Indian foods, and that this has been done in a way that is necessarily sensitive to the rich traditions and cultural diversity present across the tribes participating in the programme.

Social Realities for AOPs

Combating rural decline

The example of the AIF programme highlights the social embeddedness that is often a component of AOP production. Traditions associated with tribal products, many of

which stretch back over centuries of time, are the oldest in the USA. But many other products have histories going back into the earliest settlement of American territories by Europeans. Indeed, early settlers learned to cultivate many products found in their new home directly from tribal peoples who shared their techniques and seeds. They also brought seeds and livestock with them from their home countries which, over time, became closely associated with particular regions where they were found to thrive. American farming never resembled the peasant forms of production that dominated Europe and much of the rest of the world until the last century. Rather, beginning with colonial times, small farms and tightly knit farming towns were the norm, and so long traditions of regionally specific production still played a role in creating regional social identify and a sense of shared culture (Hess and Hess, 1989; Mintz, 1996; McWilliams, 2005).

Today, many AOPs exist in rural contexts that are severely challenged by economic and demographic changes that are outside local control (Hinrichs and Lyson, 2007; Kusmin, 2009). As in other industrialized countries, many rural regions of the USA are in overall decline and find themselves marginalized by increasingly globalized agricultural production. One major problem for rural areas is retaining their young people, as many leave their rural towns for education or job opportunities in urban areas and never return. Farms across America are facing difficult decades ahead in terms of farm succession, as the farm population is rapidly ageing and the pool of young people interested in taking over the farms from retiring farmers is disappearing.[7]

In Europe and elsewhere, GIs appear to have made a contribution to reversing rural decline, or at least to stabilizing certain rural regions, by providing jobs and income based on their particular speciality. Can AOPs make a similar contribution as farming shifts to a new generation? Some indications point in that direction. For example, many US GIs would be found in the wine world, and wine is a type of production undertaken with a long view, because it takes years to develop the vineyards and the production capacity to be successful. Many small wineries have been started in recent years in the USA by retirees with an explicit intention of passing their business on to their children. Other GI products, such as the pecan, may also encourage multigenerational farming because of the long time horizon needed before newly planted trees come into production (a minimum of 3 years, and more often 5 years). Also, regional traditions of production for GI products that encourage local networking may encourage more of a sense of community belonging among young people, and encourage them to stay with the farm.

AOPs and the future of rural America

Broader social trends may also bode well for increased organization and production of GIs in the USA. For example, new rural residents moving out from urban areas are likely to bring with them food tastes that depart from those of post-World War II America, tastes informed by urban chefs and international travel. This can mean an increased willingness to support local foods of all kinds, as well as a more sophisticated understanding of how niche products can sustain a rural area. The local food movement that is under way in the USA would seem to dovetail well with new attention to GIs, particularly by new rural residents interested in taking up farming. Most new farmers in the USA today are immigrants and women, and they are keenly interested in niche products with high **value-added** that can bring more revenue to the farm (see Applebome, 2009; Martin, 2009; Severson, 2009).

Along these lines, Kona Coffee on the 'Big Island' of Hawaii is an interesting case to consider. Several producers in Kona are retired from previous employment 'stateside', and have invested their retirement savings in their farms. They bring business connections and business savvy with them that were not present in the region before. Kona will never be a major volume producer, and so producers need to focus on obtaining the highest value that they can from relatively small farms. This means continually pushing the quality of

their product forward, and seeking out more ways to market direct (i.e. Internet sales) to retain more of the profit from their sales. Hawaii has struggled agriculturally in recent years, and so products such as Kona could be important to its future. But reaching its full potential will not be easy for Kona Coffee, in part because of ongoing difficulties protecting the intellectual property value of the Kona name from both outright fraud and from dilution by the marketing of Kona blends.[8] The island itself is also highly diverse and somewhat ethnically divided. Given the situation, bringing Kona Coffee producers together from throughout the region, while difficult, is none the less an effort that could reap large benefits for the island and contribute to better social integration overall.

In a larger context, whether or not Kona Coffee producers can coalesce and reach their full potential in the market is a question for more than just the producers. The coffee's reputation is intimately tied up with the image of the island as a tourist location. Much more could be done to integrate coffee production into that industry, particularly with island restaurants. However, even without intensive cross-sectoral coordination of this kind, the fact is that the presence of the coffee on the island, along with farm tours of various kinds, helps make a visit to Hawaii something special. Building from this reputation is not unlike what happens with well-known wine regions that enjoy sales from tourists after they return home. Over the long term, this can make a significant contribution to the economic well-being of the island through the multiplier effects of both local spending by tourists and extra-local purchases.

The Need for Better Coordination

Different roles of state and state government agencies

Every country protecting and promoting GI products is responsible for developing regulations that comply with legal requirements and that are adapted to a country's specific prevailing norms and institutional arrangements. Protection for GI products in the USA is carried out in a variety of ways that invoke agencies in different government departments. At this time, there is no unified system or hierarchy of responsibility for administering and overseeing GIs.

As discussed earlier, at least two major ways of understanding wine GIs coexist in the USA, one political (i.e. a state or county name) and one more ecologically based (an AVA). Both are overseen by the Alcohol and Tobacco Tax and Trade Bureau (TTB), part of the US Department of the Treasury. Food products that might be like GIs are generally protected as certified trademarks, administered by the USPTO; wine and beer makers may also seek trademarks to protect their product names. Some regulations within the USDA, such as Marketing Orders administered by the Agricultural Marketing Service, restrict the use of specific names for products (e.g. the Vidalia® Onion). But in this case, Vidalia® Onion producers have also sought protection through a state-level statute in the state of Georgia. A few other states also protect regionally specific products that generate significant producer and state tax revenues. The Florida Department of Citrus and the Idaho Potato Commission are examples of state agencies supported by self-imposed grower fees to protect their respective products.

Seeking a level playing field

With so few mechanisms to promote an understanding of GIs to producer groups or to the general public, it is often the case that producers of these products only begin to discover what a GI is and means when they encounter trade problems – usurpation of their names by another producer, either domestically or internationally. If they have procured a US trademark, and the conflict is a domestic one, they may attempt to find some protection through the Federal Trade Commission (FTC); the FTC can assist with enforcing their rights as trademark owners within the USA, but this authority is rarely exercised. The jurisdiction of the FTC lies only within the USA, however, and action

will be at the producers' cost. Should a dispute arise abroad, producers themselves are obliged to pay the fees of legal counsel with the appropriate foreign country expertise. This means that only those companies with high capitalization can consider pursuing offenders. The US Customs and Border Protection (CBP), a bureau of the Department of Homeland Security, also offers some protection against importation of goods bearing marks that infringe on a trademark registered through the USPTO. Trademark owners can access an online system for a fee to enter their mark(s) into the CBP database, which is then used by CBP officers to monitor imports at 317 ports of entry.[9]

As producers become more aware of the legal intricacies of the situation governing GIs in America, the complex arrangement of multiple departments with varying degrees of authority and little or no overt coordination can obviously be frustrating. Added to this is the overall difficulty for producers of finding clear information about how to proceed, whether they wish to protect themselves before problems arise or deal with them once they are at the door. Although interest in GIs has grown in some academic circles, there is currently no US centre devoted to the myriad of questions that arise related to GIs as a regionally based form of production. In the private sector, some individual lawyers and a few major law firms have developed specialized expertise to assist GI producers,[10] but even well-organized and financed producer groups may not know how to locate and access this expertise.

Our point here is not to criticize the government offices that attempt to meet the needs of US GI producers in various ways, but to reveal the current situation so that we might better see how to move forward. As a country, the USA should be interested in promoting its GIs for a number of reasons, not the least of which is that they are among their best and most famous products, and represent a valuable agricultural heritage. A dialogue across the different departments of the US government that directly affect AOPs would represent a positive step towards envisioning a better system for their producers and their regions, but this would require leadership from a high administrative level.

Producer Organization Lacking

Finding a producer voice

One reason why action has not already been taken in the USA concerning a structure for AOPs is the general lack of organization across producer groups themselves. Obviously, this problem is intertwined with the lack of an agreed-upon system for the public recognition and validation of AOPs. Without a strong organization, AOP producers stand little chance of being heard in the American democratic system, where it is often said that 'The squeaky wheel gets the grease'. Some AOP producer groups (the Florida Department of Citrus and the Idaho Potato Commission come to mind) are large enough and sufficiently well financed to be able to send members to Washington to visit elected officials about issues that concern them. But it is likely that the vast majority of American producer groups with products that could be considered GIs are not interacting *as* GI producers with their elected officials, if they are interacting with them at all. This lack of leadership among AOP producer groups in the political arena is compounded by the fact that producers are often not organized among themselves at the level of their region. This would particularly be the case with products having many small producers but lacking coordinated aggregation to bring their product to market as a regional speciality. Thus there could be any number of AOPs that are not perceived as such owing to lack of territorial organization. Here, the story of the Missouri Northern Pecan Growers provides an interesting case in point.

While the Missouri Northern Pecan Growers is a small group that is organized as a Limited Liability Corporation (LLC) under US law, the producers have done well with the product nationally and have even exported their pecans to several countries. Their product is distinguished in several respects. It comes from the northernmost

range of the pecan tree, one of the few native nut trees in the USA. It is smaller than pecans from more southern states, which produce more nuts from improved cultivars rather than relying on the native variety. The nuts have a high oil content which imparts a sweet and intense flavour sought out by consumers. Some scientists believe that the tree is the result of Native American cultivation, although this cannot be proved. There are, however, Native American tribes that produce nuts from these trees for commercial sale, and the product is in high and increasing demand in large markets such as China.

Taking a forward-looking perspective, one could imagine that larger and more profitable markets could be developed for the native northern pecan if the entire territory for the tree was mapped and the producers were organized into a **producers' association**. The Missouri growers are certain that their type of pecan can be found in Kansas and north-eastern Oklahoma. It possibly also grows in Illinois, Kentucky, Ohio and perhaps Arkansas. A study is under way to determine whether the nut can be distinguished using a genetic trace, or whether a map of its potential area of production would need to be based instead on ecological data related primarily to climate and soils. The region might be quite large, and there may be a large pool of potential grower association members, but it is likely that the majority of these growers would be small farmers with some trees included in a diversified farm operation, as few growers are known to be producing native pecans on a large, commercial scale.

There may be a significant number of US GIs of this kind that do not reach their full potential in the market, or draw consumer attention as a GI, for lack of sufficient collective marketing. The picture that emerges is one of many regions with potential AOPs that need producer organization to be realized, along with many other regions that are already organized (particularly in the wine industry) but are still lacking any kind of national organization of AOP regions to bring them all together so that they might better chart their future.

One programme that has attempted to address the need for the regional integration of sectors and actors to promote their local products is the Missouri Regional Cuisines Project.[11] The project assisted wine producers occupying ecologically coherent regions of the state of Missouri to organize on a regional basis, as well as to begin engaging with other sectors: producers of food products such as fruits, vegetables, meats and cheeses; the hospitality industry (locally owned lodgings and restaurants); economic and tourism development professionals; local and state government offices; and regional and state public universities and colleges. The project was quite successful in its pilot region, the Mississippi River Hills,[12] in helping local people band together to form a non-profit organization that could identity regional needs and target programmes and opportunities to meet them (Barham, 2009). This experience reconfirms the observation from Chapter 6 that recognition of a product alone cannot confer the rural development benefits that are often associated with GIs. What is needed is an explicit and concerted effort to coordinate the goals and actions of producers, government, education/research and residents so that local people are empowered to create and enact a comprehensive approach to achieving their chosen goals.

A Case for Better Outreach

The self-help principle

Within American business, there is a basic understanding that producers with particular interests to defend or promote should organize on their own first, and only then bring their needs to the attention of a public body. However, at the same time, individual producers may not feel that it is their responsibility to reach out to other producers to organize, even in their own region. State-level departments of agriculture often do conduct outreach programmes for rural communities and state producers to assist them with marketing and promotion, but they do not often take the form described

above, having an eye to integrating various aspects of regional promotion into a working whole.

For example, most states in the USA now have 'state-grown' agricultural promotion programmes, which typically involve using a marketing logo that incorporates the state's name. Such state marketing programmes expanded widely in the 2000s, with the availability of special federal monies for start-up through the 2001 Emergency Agricultural Assistance Act, and with the opportunities perceived in the growing consumer demand for local and regional foods (Patterson, 2006; Onken and Bernard, 2010). However, the eligibility requirements and product criteria for participation vary dramatically across these state programmes. This suggests inconsistencies across the USA in how such 'state-grown' labels actually differentiate agricultural products. Though some 'state-grown' agricultural promotion programmes might eventually expand to incorporate regional speciality products more explicitly (Onken and Bernard, 2010), many of these programmes now face precarious organizational futures, with budget crises in many state governments and the attendant slashing of personnel in state departments of agriculture, especially within departmental marketing divisions.

Government investing in business opportunities

While sustained government support of new agricultural marketing programmes appears challenging at both the federal and state level in the current US context, are there ways that the government might facilitate and encourage AOP producers to organize on their own? Investment in producer organization would be relatively small compared with other kinds of business investments made by federal agencies and state governments, for example in high-tech laboratories. Yet it can yield considerable dividends for rural areas. Once organized and able to be more profitable in the marketplace, producers would also be better able to invest in their own future through self-taxing mechanisms on their production.

From a public policy standpoint, better regional organization of AOP producers, and better organization across these groups as a whole, would provide a new tool for federal and state agencies to advance their missions. Because AOP producer groups occupy particular ecological niches or regions, they make good candidates for participation in research of all kinds related to the environment. Regional organization around a particular product makes them good targets for trade promotion programmes, creating new rural jobs through additional exports. There are also potential health and safety benefits of regional organizations of producers in relation to product traceability. Having a value-added attached to a product that is so closely tied to its region of origin heightens attention to traceability, but also rewards it with higher profit margins. In other words, the returns to government action to assist AOP producers through a variety of mechanisms could be expected to outweigh the costs.

A Fresh Look at AOPs

Clearly, there are several challenges confronting AOP producer groups in navigating the mix of government agencies and regulations that affect them, in gaining recognition from the American consumer for the specificity of their products, and in securing the legal protection that they need to thrive in both domestic and international markets. The stakes can be quite high for AOP producers, but their success will also determine whether places and people in rural America are able to take advantage of new opportunities that AOPs represent in a difficult period of agricultural transition. Clear and transparent market rules and a level playing field for small producers will be key to realizing any potential gains.

In conclusion, we will describe a recent initiative by USDA to begin bridging some of the institutional gaps that have frustrated AOP producers until now. Led by the Rural

Development Agency within the USDA, the project will take a first inventory of US GI 'nominee' products on a state-by-state basis as an initial step towards creating a national listing. Products identified at this stage will be considered nominees because there is no established process with appropriate expertise and oversight for recognizing them. A guide has been developed to help producer groups self-identify as AOPs (see Annex 9.1 at the end of this chapter). As the inventory is compiled, producer group representatives (where a group exists) will be contacted and identified. An outreach effort will be made to these producers to assess their interest in forming a national association. State departments of agriculture will be notified of the project and invited to suggest nominee products from their states. Bringing producers together will help them share their experiences with managing and protecting their products and to learn from each other. It will also provide them with a better opportunity to communicate as a group with government agencies that can assist them. In the long run, the goal is to strengthen and build AOP capacity and help these producers become more competitive in the market. Given that the highest value-added for OPs is often earned when they are exported, foreign market preparedness will be given special attention going forward. The potential for a more organized approach to AOPs to advance regional and rural development in the USA remains a central concern in this effort.

Annex 9.1. Guide to the Identification of an American Origin Product

The concept of origin products (OPs) is a relatively new one in the USA. Research is under way to identify 'nominee' products for an eventual national listing. Guidelines for identifying American Origin Products (AOPs) should be consistent with international practice. They should also conform to the legal definition of OPs established by international treaty. This means that AOPs should be consistent with the definition of 'geographical indications' (GIs), the international legal term for these products.

The definition of GIs is included in the Trade-Related Aspects of **Intellectual Property Rights** (TRIPS) Agreement of the General Agreement on Tariffs and Trade (GATT), the international treaty signed in 1994 that established the World Trade Organization (WTO). Article 22 of the TRIPS Agreement states that:

> Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

These elements must be adapted to US historical, cultural and legal conditions and traditions. The criteria below represent the essential elements of GIs as they have been implemented in countries in Europe and around the world. They are intended to encourage a discussion about the criteria themselves (their adequacy and adaptability; the need for additional or different criteria) and how they should be applied in the context of the USA.

Figure 9.1 illustrates the *Core conditions* for recognizing an AOP. These conditions do not exist in a linear relationship, but rather interact with one another in the product's region of origin. In countries with well-developed systems for recognizing and protecting GIs, another set of *Enabling conditions* (also shown in Fig. 9.1) allows for good governance of the value chain by producer groups and the government entities responsible for supporting them. The *Enabling Conditions* provide an indispensable structure for adequate legal and commercial recognition and protection of AOPs, and establish the foundation needed to bring them successfully to market.

More explanation of both *Core and Enabling conditions* appears in the notes below the diagram in Fig. 9.1.

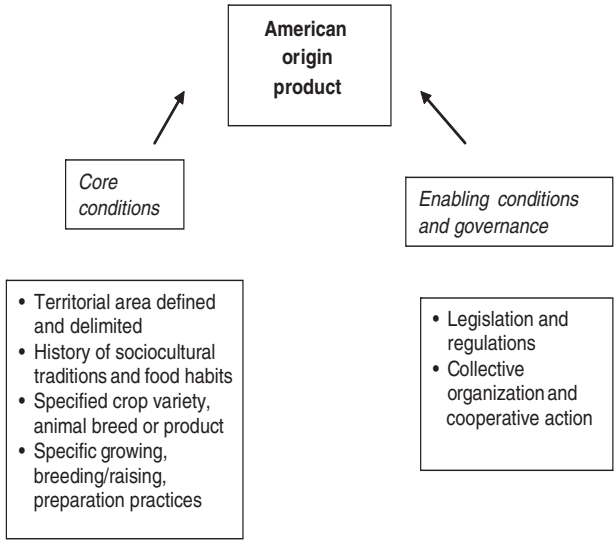

Fig. 9.1. Core and enabling conditions for recognizing an American Origin Product (AOP).

Core conditions

Defined and delimited territory(ies)/area(s)

- Defined boundaries based on multiple criteria, including biophysical features, especially soil and climate, and the human activities within the area related to the creation of an AOP

Specified crop variety, animal breed or product

- Includes the following: the historical significance; specific characteristics related to the specific agro-ecology of the defined territory/area; and reputation related to origins, culture and/or food habits; importance of identifying why and how a variety, breed or product is well known

Specific growing, breeding/raising, harvesting/collecting and preparation practices

- Identifiable shared production/breeding/preparation practices (including wild harvested food) and know-how related to the biophysical features and sociocultural activities in the defined territory/area which establish the typicality of a product
- The presence or development of a **code of practice**

History of sociocultural traditions and food habits

- Relationship to sociocultural occasions and values, food preparation and practices
- Specific recognition of indigenous (Native American) and other culturally/historically significant food traditions such as Cajun/Creole, American colonial era, specific regional food traditions (e.g. grits, barbecues) and immigrant communities

Enabling conditions and governance

Legislation and regulations

- Legal framework to use a particular geographical name for establishing and protecting the relationship between a product and a place (defined territory), i.e. the protection of origin
- Recognition of some **collective organ-**

ization (or cooperation organization) with responsibility to assure that the conditions of a named product are fulfilled
- Legal protection of specified crop varieties and animal breeds
- Government service(s)/agency(ies) to regulate and support place of origin products and producer-based groups responsible for a named product
- Defined governmental responsibility and accountability

Collective/cooperative organization and action

- Producer-based groups organized specifically for establishing and protecting the originality and authenticity of a specified product as a cultural/heritage item originating from a defined territory and sociocultural traditions and practices
- Defined group responsibility and accountability

14 February 2010
E. Barham and J. Bingen

Notes

[1] Disclaimer. The views presented in this chapter are strictly those of the authors and do not represent the opinions of their employers, government agencies, producer groups or any national or international body. Portions of this chapter also appear in Section I of *American Origin Products: Protecting a Legacy* (2010), edited by Elizabeth Barham with contributions by Elizabeth Barham, Jim Bingen, Patrick Kole, Stanton Lovenworth and Richard Mendelson. This publication, which includes a section with more detail on the legal aspects of GIs in the USA, is available for purchase from oriGIn (Organization for an International Geographical Indications Network), Geneva, at: http://www.origin-gi.com/images/stories/PDFs/English/oriGIn_Flash/oriGIn_Flash_American_Origin_Products__AOPs___Protecting_a_Legacy_EN.pdf (accessed 15 February 2010).

[2] For more discussion of the American tendency to view GIs primarily as brands, see Trubek (2008).

[3] The National Agricultural Law Center in the USA has an online Reading Room dedicated to Local Food Systems where links to a number of resources and websites can be found related to the local food movement in the USA. This is available at: (http://www.nationalaglawcenter.org/readingrooms/localfood/ (accessed 15 February 2010). The USDA Economic Research Service (ERS) also hosted a webinar on the topic of local food systems in June 2009, which is available at: http://www.ers.usda.gov/ConferenceCenter/LocalFoods/ (accessed 15 February 2010). See also Nabhan (2008) and Vileisis (2008).

[4] Results and reports on American agriculture derived from the 2007 Census of Agriculture are available at: http://www.agcensus.usda.gov/ (accessed 15 February 2010).

[5] See http://www.americanindianfoods.com/(accessed 30 November 2010).

[6] Official Guide on the Use of the Certified Authentic Made/Produced by American Indians® Trademark. Prepared by the Intertribal Agriculture Council. Available at: http://www.americanindianfoods.com/wp-content/uploads/2010/06/2009-02-27_trademark_guide.pdf (accessed 30 November 2010).

[7] A wealth of resources related to beginning farmer issues in the USA has been compiled by Drake University Law School for a conference entitled *The Drake Forum: America's New Farmers: Policy Innovations & Opportunities*, held in Washington, DC, 3–5 March 2010, and available at: http://www.law.drake.edu/centers/agLaw/?pageID=beginningFarmers (accessed 15 February 2010).

[8] See Giovannucci and Smith (2009) for a case study of Kona Coffee and the intellectual property challenges that it faces.

[9] Information on this system is available at: http://www.uspto.gov/trademarks/notices/tmrecordus customs.jsp (accessed 19 February 2010).

[10] See, in particular, the results of a workshop on GIs hosted by the law firm Dewey & LeBoeuf, '*Protecting Local Uniqueness and Identity: Tools to Protect Product Distinctiveness in the Global Economy*', 19 September 2007. Available at: http://www.deweyleboeuf.com/en/Services/Practices/~/media/Files/miscellaneous/ProtectingLocalUniquenessandIdentity_8663.ashx.pdf (accessed 19 February 2010).

[11] Details available at: http://extension.missouri.edu/cuisines/ (accessed 19 February 2010).

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10 Geographical Indications in Developing Countries

Denis Sautier, Estelle Biénabe and Claire Cerdan

The internationalization of **geographical indications** (GIs) is an increasingly important issue in developing countries. GIs can apply to a new range of products. Within the wide framework set by the World Trade Organization (WTO), the pertinence and feasibility of GIs rely on very diverse processes, justifications, stakeholders and **markets** – a situation that is illustrated in this chapter by the cases of Mexican tequila, Benin fine *gari*, Costa Rican coffee and South African rooibos. Nevertheless, a GI seems to be one of the potentially beneficial tools that producers could use to control the **intellectual property rights** (IPRs) associated with the identity of their products.

The chapter examines the continued development of GIs at an international level, particularly in developing countries.[1] The first part looks at the issues at stake, and at the reasons why GIs have acquired a widely shared empirical foundation, even though their legal definition was initiated within a specific historical and geographical context. This situation has triggered the apparently paradoxical development in which the **recognition** of **origin products** goes hand in hand with and fits in with globalization. The second part of the chapter examines the potential of and the issues involved in using the concept of GIs in developing countries; four key points are underlined: the role of producer organizations, consumers' expectations, guarantee schemes and the capacities of states and local institutions. The third part of the chapter highlights several GI options and the issues at stake in developing countries, based on examples from Benin, Costa Rica, Mexico and South Africa. The conclusion mentions possible future scenarios for GIs in countries in the South.

Geographical Indications: Eurocentrism or an Issue of Global Concern?

Is the presence of GIs on the international scene an issue of global public concern – the protection of the cultural and culinary heritage of nations – or the projection of a Eurocentric approach to culture? As shown in Chapter 2, GIs and designations of origin (DOs) were first legally recognized within a Southern European 'cradle' (France, Italy, Spain), and later as part of the 1992 European Union (EU) Regulation (EC) No. 2081/92. Subsequently, GIs were recognized by the WTO in 1994 as IPRs in the same way as trademarks or copyrights. European experiences seem to be put forward in all countries where GIs are being recognized, regularized or tested.

 Labels of Origin for Food (eds E. Barham and B. Sylvander)

The man, food and place relationship: ancient and generalized evidence

Attributing a geographical or local name to an agro-food product with a **specific quality**, characteristic or reputation is by no means limited to Europe. It is an ancient practice used worldwide. Some African examples include: Savalou *gari missè* (grilled cassava semolina) in Benin, Man mountain rice in Côte d'Ivoire, Mamou pepper and Boké palm oil in Guinea, Oku white honey in Cameroon and Karoo lamb in South Africa. Famous Latin American products include: *bocadillos* of Velez in Columbia, coffees such as Guatemalan Antigua or Jamaican Blue Mountain, Peruvian pisco, Cotija cheese in Mexico, and *cachaça* spirit of Salinas in Brazil. Similarly, in Asia, many specialities or more common products fit this definition, for example: Basmati rice in the sub-Himalayan region and Surin Hom Mali scented rice of Thailand; the Indonesian coffees of Mandeling in Sumatra and Toraja in Celebes; and Chinese Long Jin, Indian Darjeeling and Ceylon teas. All these goods have a name and a reputation that inspire trust and are recognized by connoisseur traders and consumers, who accept the payment of a higher price. The link to the place of origin stems from the products' history, the influence of the geographical environment on production and processing conditions and/or the specific know-how used in the different stages of production.

In developing countries, geographical denominations frequently serve as a proxy to identify quality in domestic markets. This is particularly the case when the population is largely rural (or was until recently), and confidence in food is still sustained by domestic or market conventions. A survey conducted in Vietnam, based on interviews with 169 consumers from Hanoi and Ho Chi Minh City, listed 265 Vietnamese food products that were associated with specific geographical areas and had a special quality reputation (Tran, 2005). In the Vietnamese language, such products are usually referred to as '*dac san*' (speciality products) or '*dac san phuong*' (local speciality products). The use of geographical names often implies specific quality characteristics on international markets too. The broad categories used on the international coffee market refer to products from various countries or **regions** (Jobin, undated), each with its own grade and a given price differential above or below the average world price.

Therefore, the novelty is not the existence of produce of origin, whose characteristics reflect the physical and human environment of a given region, but the characterization of origin through a more or less sophisticated codification process, and its recognition through an IPR.

GIs as an instrument for economic development

Geographical designations that develop over time and are commonly used in southern countries are at risk from fraud if they are not registered, particularly once their reputation has been established and their market value has increased. Fraud reduces market value and the abuse of names damages reputation. Consumer confidence can also be affected if a product does not live up to expectations. The loss of consumer confidence may lead to a drop in price and, as a result, producers may not maintain quality **standards**. In contrast, GIs help to protect goods with a reputation associated with a specific place and know-how. As a result, the product's quality and origin can be guaranteed for consumers (Addor *et al*., 2003). In this way, GIs may help to maintain quality standards as well as to protect and even increase the market share of products. This, in turn, encourages producers to continue to invest. CTA (2004) reports that 'in China, the recognition of Shaoxing yellow rice alcohol as a geographical indication helped limit fakes from Taiwan and Japan. Prices increased by 20%, the local market developed and exports to Japan increased by 14%'.

Thus, in the context of globalization, GIs may be used as a tool to help maintain added value (**value-added**) as well as to keep specific agro-food products within territories. GIs may also enhance the reputation associated with a region and, therefore, encourage

tourism, an activity with increasing potential in developing regions (Vivas-Eugui, 2001).

Sustained political interest from developing countries

Recent history shows that emerging and developing countries are very involved in international negotiations concerning GIs. Few areas dealing with specific quality have generated such intense intergovernmental negotiations.[2]

Membership of the WTO implies signing the TRIPS Agreement,[3] which provides a basic GI recognition for all products (agro-food and non-food goods), and additional protection for wines and spirits (see Chapter 2). Compliance of national legislation was required no later than the year 2000 for developed and transition countries, and the transition period for least-developed country members has been extended to 1 July 2013.[4] The challenge for developing countries is obviously that of reciprocity, i.e. international recognition of their own produce of origin through the TRIPS Agreement. The trend is for GI applications to be extended, in terms of both the countries and the goods concerned.

One issue in particular is the focus of negotiation. Many developing countries, including India, Kenya and Thailand, as well as the European Union (EU) and Switzerland, claim that the additional protection granted to wines and spirits should be equally applied to other goods. Other countries, such as Chile and Argentina, along with the USA and Australia, oppose an extension of the additional protection. However, a third category of countries, including Brazil, have not yet taken a stance (Lima, 2005). As Rangnekar (2004a)[5] points out, unlike other topics dealt with under the Uruguay Round of multilateral trade negotiations, the debate on the additional protection of GIs 'is transversal to the traditional North–South division and comprises many developing countries among the claimants. … it is right to say that the demarcation line rather reflects the split between the "old world" and the "new world"'.

The potential importance of extending the additional protection for countries of the South is well illustrated by the case of traditional long grain and scented Basmati rice, produced in the Himalayan piedmont and Indo-Gangetic plains of India and Pakistan (Marie-Vivien, 2008). Under the current minimum protection (Article 22 of the TRIPS Agreement), Indian and Pakistani producers faced with the trademark deposited after 1997 for 'American type Basmati rice' produced in the USA are responsible for proving that there is a risk of unfair competition or of misleading the consumer, whereas under the extended protection (Article 23), the mention 'American type' would not be allowed. The stakes are high: for India and Pakistan, Basmati rice has a heritage value, and total exports stand at 600 million US dollars (Addor and Grazioli, 2002).

Over the past 15 years, the Darjeeling tea producers have taken steps to protect their product in many countries through trademark law. Additional protection of GIs would enable them to stop multiple registrations. In the absence of additional protection, over the 'last four years, [the] Tea Board has spent approximately RS 9,400,000 (US$ 200,000) on legal and registration expenses, costs of hiring an international watch agency and fighting infringements in overseas jurisdictions' (Kumar Das, 2003).

Absence of a standard GI protection model

As mentioned in Chapter 2, WTO member countries have been granted a free hand in choosing the legal means for preventing the misuse of GIs. Each country decides whether or not to institute a registration system or authorities in charge of control, etc. The WTO Council for TRIPS notes that 'countries resort to a wide range of legal means to protect their geographical indications, be they specific geographical indication laws, trade names or trademark laws, consumer protection laws or the common law' (quoted by Charlier, 2005).[6] By late 2001, 61 countries (out of the 148 WTO members) had already developed positive GI

protection regulations and systems (Addor and Grazioli, 2002). Of these countries, only some (as in the EU) had adopted a double classification system distinguishing GIs (which are loosely linked to a place) from DOs (which have a stronger link to a place); all are now either **protected geographical indications** (PGIs) or **protected designations of origin** (PDOs).

From this review, we can conclude that the Eurocentric hypothesis is unfounded. Privileged man–food–place relationships have been identified in all sorts of regions. These relations lead to different sorts of GIs which provide information to consumers and contribute to the diversity of supply. The notion of GI is developing in the world under various forms. It cannot merely be restricted to the institutional arrangements defined within the EU. Moreover, the WTO agreement sets a very broad international framework for the recognition of GIs, and the legitimacy, implementation and efficiency of GIs largely depend on each national context.

GIs in Developing Countries: Potential and Issues

A GI, as stated by Hermitte (2001), 'establishes the joint work of nature and man in developing a product'. It refers to the specific quality production of a good, dependent on particular local conditions and, consequently, produced in a circumscribed geographical area. It is a peculiar IPR, given the fact that it is a collective right employed to reserve the use of the name for the local producing community in the related territory. Many geographical names in developing countries have been usurped outside the region or country concerned. For both economic and cultural motivations, the re-appropriation of the use of these usurped names is often essential for the recognition of GIs. Official recognition of GI products is then seen as a means, simultaneously, to protect and assert identity, promote economic organization and add value.

IPRs are concentrated in developed countries – 97% of all world patents belong to rich countries (Waglé, 2004). GIs are also unequally distributed between nations at the moment. However, they have the potential for a more equitable distribution because even subsistence societies, with low levels of technology, may promote their traditional products and know-how. Furthermore, GIs have the potential to protect the traditional indigenous know-how that is associated with agro-food production in southern countries and to legally regulate land-use strategies and harvesting practices, by means of various specifications. As a result, GIs provide a relevant tool to protect and promote biodiversity and related indigenous and traditional knowledge (Larson Guerra, 2004; Rangnekar, 2004a). Examples include the wild guarana (*Paullinia cupuana*) of the Satere-Mawe Indians in Brazilian Amazonia (Cerdan *et al*., 2009). The principle of protection through GIs is in line with the traditions of common property within indigenous and local communities in many southern countries. The protection is attributed to the group and the name of the product and not to fixed production procedures: 'GIs reward collective traditions while allowing for continued evolution' (Addor and Grazioli, 2002).

Of course, GIs are not a panacea given that their economic and social impact will be restricted because, by definition, they concern only certain goods and regions. However, as demonstrated in Chapters 3 and 5, their sum and duration may produce significant sectorial and territorial effects. GIs are primarily a market signal for specific goods. They were not initially designed for the purposes of **rural development**, biodiversity conservation or the preservation of cultural heritage, although they could become instruments for policies governing the latter if they are associated with the relevant 'smart' rules (Boisvert, 2006). This is possible because, unlike other standards, the contents of GI regulations are defined locally. This, in turn, depends on the negotiations which take place during the GI establishment process. In some cases, the increasingly prevailing presence of transnational actors (the agro-food industry, trade firms, **certification bodies**/agencies, non-governmental organizations (NGOs), etc.) could be an obstacle to the expression of local voices in these negotiations.

Given the limited number of GIs recognized or studied in developing countries, the issues discussed in this section proceed from the prospective analysis of case studies, rather than from a formal general assessment. Four key issues with a North–South discrepancy (Casabianca, 2003) deserve a closer look.

The role of producer organizations

As shown in the first part of this book, the impact of GIs in Europe can be related to two major sets of factors: first, the specificity of the product, which is critical to defining a clear niche market; and, secondly, the collective action which is necessary to set up and implement the GI (Barjolle and Sylvander, 2000). It is important that producers are organized, committed and empowered in accordance with the rest of the supply chain.

In some southern countries, the notion of local community is very strong and provides structure. Similarly, the legal status and recognition of producer organizations (**collective organizations**), and their experience and responsibilities in the economic domain, vary from one country to the other. Even producers' access to information regarding GIs differs. In many developing countries, GI implementation is the result of the necessary national adaptation to the WTO TRIPS Agreement, whereas in Southern Europe it was the result of the mobilization of producers from the bottom up. At the moment, GIs still mobilize ministries more than producers. 'It is crucial that ACP countries gain international recognition for their own GIs. But in many cases, this distinctive label has yet to become familiar in administrative circles (in trade or agricultural ministries), let alone among producers and their organisations' (CTA, 2004).[7]

Consumers' expectations

In Africa, Asia and Latin America, there are many unprotected GIs which are rooted in particular territories. They are not officially recognized but exist on the basis of tacit codifications, relying on the skills distributed among producers, traders and consumers. The relevance of formal GI recognition as a differentiation sign is not necessarily obvious; it has to be considered in terms of the context of production and trade. In order to establish formal GI protection, a relevant market needs to be identified which is likely to recognize the advantages of the GI and be prepared to pay for it as well. Consumers' interest depends on income as well as on cultural proximity. In addition, the geographical distance may also play a role in the search for formal guarantees (see Chapter 4). The need to formalize the production rules often arises when larger and more distant markets are targeted. There may be potential markets for tourism or immigrant populations, for instance.

Guarantee schemes

A GI is a technical, social and institutional construction based on the link between a product and a geographical and human environment. It is dependent on three factors: an original product; a responsible professional organization; and effective recognition (Sautier, 2003; Avelino *et al.*, 2005). A guarantee scheme is required in order to implement a GI.

As mentioned earlier, countries may resort to a wide range of means to protect their GIs. The cost of protection using GIs is a key issue in the debate. The main point is not the degree of sophistication or formalization of the rules, but the efficiency of the whole guarantee scheme – i.e. the consistency between rules, controls and sanctions. The structure of the guarantee system may combine components linked to collective commitments (within professional and social networks), private and third-party controls and public recognition procedures.

Capacities of states and local institutions

The role of the state varies, particularly between North and South. In the EU, considerable regulatory, technical and financial resources are involved in the function and management of GIs. This is consistent

with the production of **public goods** expected in the context of national and community agricultural food policies. In developing countries, though, public policies rarely take GIs into account. We saw earlier (Chapter 2) that many countries have not yet set up a specific legal mechanism and manage GIs using trademark or consumer protection laws. However, developing countries have proved to be very responsive to cases of bio-piracy and patent requests on traditional products or names. This has often triggered moves towards GI recognition (as in Brazil, Ethiopia, India, Indonesia, Jamaica, etc.).

None the less, the capacity of southern countries to inform the public and implement and control the establishment of GIs varies tremendously. The capacity of large emerging countries (such as Brazil, China, India), to invest in training, research or support services, as well as in legal capacity building, is simply not comparable to that of low-income, aid-dependent countries in sub-Saharan Africa.

Examples of GIs in Developing Countries: Heterogeneous Justifications, Markets and Stakeholders

Today, the question is no longer to determine *whether* GIs are becoming international, particularly in developing countries, but to understand *how* internationalization occurs, which rules apply, which stakeholders are affected, and what the aims and the effects are (Kop *et al*., 2006). Are they geared towards national or international markets? Do they develop from producers, governments or NGOs? Do they constitute a tool for rural development or a tool for achieving commercial gain? Do they generate added value, and, if so, how is it shared? What impact do they have on natural resource management? Is their establishment adapted to local human, financial and cultural conditions and values?

At the moment, the existence of GIs in developing countries is still a fairly recent phenomenon. Apart from Europe, as noted by Williams (2002), 'there are few remarks on the efficiency of the various frameworks used by WTO members to honour their obligations with regard to GIs'. In the European context, Sylvander *et al*. (2006) listed four successive main arguments for the justification of GIs: first, protection for the consumer against fraud; secondly, positive protection for producers; thirdly, subsequently this becomes an aspect of rural development; and, fourthly, more recently, the promotion of biological and cultural diversity (Bérard and Marchenay, 2004; Bérard *et al*., 2008). In developing countries, one can note the 'numerous concerns and needs that are often considered together whenever GIs are discussed' (Laing and Erasmus, 2004).

GIs provide a framework for the promotion and protection of specific resources on the basis of the development of local rules. As a result, GIs appear to be a tool capable of providing at least some answers to a number of issues, such as: improved market access (Devautour *et al*., 2004); the structuring of development projects; a means of protecting traditional knowledge (Rangnekar, 2004b);[8] and biodiversity protection (Larson Guerra, 2004). In addition, GIs provide a response to bio-piracy or trade-related imitation and fraud: 'Currently, 6 million pounds of "Antigua coffee" are produced in the Guatemala region but 50 million pounds of coffee are sold in the whole world under this name. Similarly, 10 million kg of "Darjeeling" tea are produced in India but 30 million kg are sold under this name worldwide' (EC, 2003).[9]

In order to analyse the diversity of existing or emerging GIs in southern countries, we propose to consider three main aspects: (i) the markets (from local to global); (ii) the production specifications and constraints (from low to high); and (iii) the strength of (state or non-state) governing institutions. This will be illustrated by four brief case studies:

- an industry-related export product (Tequila, Mexico);
- a local product managed without any state intervention (Savalou fine cassava *gari*, Benin);

- an export product associated with small and medium producers (Tarrazu coffee, Costa Rica); and
- a product destined for both local and export markets (Rooibos tea, South Africa).

Tequila (Mexico): a long-established designation of origin product facing strategic choices

In 1958, Mexico became a founding member of the *Lisbon Agreement for the Protection of Appellations of Origin and their International Registration*. In 1974, tequila, a Mexican national heritage beverage, became the first product to be awarded a DO in a developing country; it succeeded in acquiring worldwide status and distribution (see Box 10.1).

GI regulation and outcome

The official establishment of tequila as a GI efficiently boosted investments and markets, leading to worldwide exports and strong regional economic specialization. However, there is an uneven balance of power between distillers and agave producers within the supply chain. This is reflected in the easing of the rules for agave sourcing strategies and end-product specifications, which encourages the production of large volumes and of varying qualities. In the period 1999–2003, there was an agave shortage, as a result of fungal and bacterial attacks which destroyed the production of agaves. To counter the shortage, plantations were expanded in South Jalisco state, and vertical integration and contract farming were developed. In the face of this crisis, some industries switched to biomolecular research. But would tequila production from a genetically modified or laboratory-cloned plant still be legitimate as a GI product? Another strategy would be to revalue the genetic diversity of *tequileros* agaves (Valenzuela-Zapata *et al*., 2004).

The case of tequila clearly illustrates a mature GI that is governed by sector-based dynamics, as in the case of Roquefort cheese.

Cassava-based '*gari missè*': a premium-quality staple food from Benin

Gari is a fermented semolina made from cassava. It is a popular African food consumed by everybody across the social spectrum in

Box 10.1. Tequila: a recognized designation of origin product from Mexico.

Markets: Tequila is a drink distilled from blue agave (*Agave tequilana*), a plant that is endemic to the arid high plateaux of central Mexico. Until the 1960s, it was produced mainly for the Mexican domestic market by family businesses (Valenzuela-Zapata *et al*., 2004). Counterfeit products later appeared in Japan and Spain. Designation of origin (DO) was established in 1974. Output increased eightfold in 20 years, from 23 million litres in 1970 to 190 million litres in 1999 (Coelho and Castillo-Giron, 2004). While output and exports thrived, raw material (agave) remained low priced until 1999.

Specifications: Production constraints refer to the production area and product composition. The first official standard (1949) specified that tequila was a 100% agave-based drink. Constraints were significantly eased owing to the scarcity of agaves and price-cutting strategies from the industry. The ratio of agave required in the distillation was reduced to 70% in 1964, then to 51% in 1970 (+ 49% of other sugars).[10] In 1976, the agave production area was extended to nearly 3 million hectares. The current standard allows for alcoholic contents of 35 to 55 degrees (Diario Oficial, 2006). For some, this relaxation of rules means acceptance of adulteration in the guise of winning over new consumers (Martinez, 2000).

Institutions – a sector-based logic: The Tequila Regulatory Board hinges not on agave producers but on distillers who operate through consolidation and buyouts. Four firms, three of which are subsidiaries of the largest multinationals of the spirits sector, currently control about two-thirds of the tequila market. Thus, decision making and marketing policy leverage were gradually transferred from the region to export markets. The influence of these firms on the system may explain the recent failure to adopt a law in Mexico that intended to make tequila bottling compulsory in the region of origin.

the Benin Gulf region of Africa (Benin, Ghana, Nigeria and Togo). A particular type of *gari*, the *gari 'missè'*, is unique to a small area of Benin where specific localized processing techniques are used by a group of women processors in the small town of Savalou (Fournier, 2002) (see Box 10.2).[11]

GI regulation and outcome

The consumers' low purchasing power is often quoted as being one of the main obstacles to market development for differentiated products in Africa. However, this case from Benin sheds light on endogenous quality and price-regulation mechanisms. It shows that a high-quality local staple can reach and maintain a premium price on local markets without any legal protection or state support. Regulation in this case relies on the social control of production and marketing by groups of women processors. The proximity of the stakeholders and their territorial links play a key role in the efficiency and viability of these production systems. For traders and consumers, the fact that *gari 'missè'* is bought directly from the producers is important for ensuring product traceability and consumer confidence. Direct selling is advantageous for producers because of the higher prices and the fact that it differentiates their product from other types of *gari* available on the market. The producers receive economic and social benefits.

However, this system is clearly limited to a restricted number of processors. It is very resilient, although it is unable (nor does it aim) to satisfy the demands of market expansion. At the moment, official recognition of *gari 'missè'* as a GI is not an issue either for the producers or for the market.

The case of *gari*, with its local, social, non-state networks, is a typical development system based on territorial logic. It has several similarities with the 'cherry of Lari' system mentioned in Chapter 1 and in Appendix 1 (System I).

Costa Rican arabica coffee

In past years, coffee, which generates incomes for nearly 20 million families worldwide, has sold at unusually low prices: a 70% drop in the price for arabica coffee took place between 1997 and 2002. This crisis had a number of similarities with that experienced by the French grape and wine sector at the start of the 20th century: overproduction, a drop in prices, poor product quality, usurpation of certain names of origin, and a search for identification and differentiation strategies

Box 10.2. Gari missè: an origin product from Benin.

Markets: *Gari 'missè'* is a very fine, dry and crispy semolina. It is an identity product with a considerable reputation linked to its origin and to the traditional know-how used in processing. In Savalou, retailers come and buy this *gari 'missè'* directly from producers' homes and not elsewhere. The price is fixed according to a specific selling unit (a kind of big bowl), which differs from the one used in the market. This *gari* is not available on the local market because its producers do not want to be confused with other producers, and because of its higher prices. In addition to selling from home to retailers, sales to consumers by producers going door to door are also frequent. The price of *gari 'missè'* is significantly higher than that of ordinary *gari* (250 versus 130 FCFA (Communauté Financière Africaine franc)/kg), and its productivity is lower.

Production constraints: Production constraints and consistency of product characteristics are directly linked to the functioning of the social networks established at different *gari 'missè'* processing stages: joint purchase of raw cassava; processing through a rota of working groups; and product sales.

Institutions: This type of cooperation is based on pre-existing social institutions (such as family, ethnic group and neighbourhood). It guarantees honest relationships and mutual aid between members. Common standards and values are shared which means that a 'domestic' type of coordination is established: the rules remain largely implicit and are never formalized, but are respected by all producers (Fournier, 2002).

(Avelino *et al*., 2005). Indeed, 'gourmet' coffee fared better during the crisis. The existence of markets, for which the origin can be a determining factor for purchase and for attracting premiums, explains the importance that many producing countries attach to GIs and DOs (see Box 10.3).

GI regulation and outcome

A national framework for GIs has been established in Costa Rica. However, until the registration of Costa Rican banana in January 2011, no GI product had yet been officially recognized. National and territorial GI strategies for coffee can be complementary in terms of markets; but they are based on different justifications and stakeholders. This is also reflected in a second issue, namely that of establishing GIs for coffee: should the GI relate to green coffee (after the first processing), or roasted coffee (end product)? The sale of green coffee corresponds to current business practices. However, labelling a non-processed product can become a problem when it comes to controlling traders' practices (like bottling in the case of tequila or wine). The sale of roasted coffee would correspond to the DO process, where all processing stages must be carried out in the production area. However, this raises the question of product conservation and roasting know-how, which are important determining factors in the final quality of coffee. Different roasting practices are used depending on consumer markets.

This example of the development of a coffee GI approach is both a developed system,

Box 10.3. Arabica Tarrazu coffee: a potential GI from Costa Rica.

Markets: Coffee in Costa Rica – a country with a strong tradition of quality coffee cultivation – is a good example of how economic globalization, especially the application of free-trade regulations, fails to protect local reputations that prevailed in limited or state-regulated markets. These reputable products are threatened with imitation or smuggling if they are not given some form of protection and legitimization. Costa Rican law forbade the importation and sale of coffees from neighbouring countries. However, the opening of the Central American Free Trade Area (CAFTA) renders this Costa Rican national coffee regulation null and void. It instituted a set of shared rules for coffee cultivation and control in the country, which meant that coffee known under the trade name of 'Costa Rican coffee' could be sold at a premium price on global markets. In Costa Rica, for example, only arabica coffee could be cultivated – a situation that was unique in Central America. Following the authorization to import coffee from other sources, and with the growing presence of multinationals, government and national stakeholders in the sector are looking for a new strategy to preserve the reputation of the country of origin and the premium it enjoyed from importers.

Specifications: Some stakeholders in the coffee sector in Costa Rica see the geographical indication (GI) as an instrument for maintaining the competitive advantage built around the national reputation. This approach resembles that of Colombia, which successfully promoted its label of Colombian origin through a collective brand, and later introduced a GI approach. On 12 September 2007, 'café de Colombia' became the first non-European product registered as a protected geographical indication (PGI) by the European Union (OJEU, 2007). This nationwide vision is appealing as a market tool. However, such approaches are based on fairly wide-ranging qualitative criteria.

For other, more territorial stakeholders, notably cooperatives and medium-sized enterprises, GIs provide an opportunity to promote regional products that are already well known to professionals. This is achieved by improving transparency externally with regard to buyers or even consumers (as shown by the recent increase in direct e-sales for special coffees), and by consolidating production regulations at a domestic level. For example, in Costa Rica, many coffee producers, exporters and consumers recognize Tarrazu-Los Santos as the region that produces the best coffee in the country (Larrain, 2004). Multidisciplinary studies were carried out to identify the basis for this reputation (Avelino *et al.*, 2005), and specific environmental factors and local production practices were analysed in relation to the organoleptic quality of the end product. These data help when it comes to drawing up specifications and control rules.

given the antecedence of public coffee policies that established Costa Rica's national reputation on the global market, and a developing system, with regard to the more incipient territory-based segmented approach.

Rooibos: South African red tea

Rooibos is a herbal tea produced based on an endemic fynbos ecosystem plant species (*Aspalathus linearis*). Its use by the local inhabitants of the Cederberg region in South Africa has been documented since the 18th century, and it became an all-out production crop in the mid-20th century. Specific wild harvesting, cultivation and processing know-how were developed. Different qualities of rooibos are identified according to the production area (rainfall, soil and altitude) (see Box 10.4).

GI regulation and prospects

In South Africa, only wines and spirits benefit from a specific system of GI protection. The protection of other products is based on trademark legislation and the laws governing competition and consumer protection. No non-wine GI has been registered. However, rooibos is one of the products targeted by government and professionals as a GI candidate.

A common strategy for the sector could benefit all stakeholders. However, such a strategy could trigger conflicts with regard to the codification of practices, in particular between processors and large-scale commercial farmers on the one hand, and small community producers on the other hand. The cultivation and picking of rooibos in communities, as well as the use of pesticides in large plantations, have increased significantly and are putting pressure on the ecosystem. The **sustainability** of practices has been called into question and presents a real collective challenge. Nevertheless, specific differentiation strategies based on GIs could be developed by small-scale farmers and implemented in specific areas; they could strengthen the reputation of these communities, which are already recognized by

Box 10.4. Rooibos herbal tea: an origin product from South Africa.

Markets: The processing of rooibos, by eight processors – including Rooibos Ltd, which controls 75% of market shares – is carried out mainly in the production area. Methods of production are still largely similar to traditional methods. Alongside the industrial sector, which is supplied mainly by large commercial farms, some rural communities have their own marketing channels. Although these communities do cultivate rooibos, they still harvest the wild product.

The turnover of the rooibos industry was estimated in 2004 at 180 million rands[12] (6000 tons exported yearly, 4000 tons sold on the domestic market). The domestic market is largely dominated by the largest processor, Rooibos Ltd. With regard to exports, brands proposed by producers, processors and traders are numerous and vary according to market channels: fair trade, organic farming or 'wild' rooibos tea. However, although the marketing of rooibos is very dynamic, there is little attempt to promote the link between the produce and a territory and specific production practices.

Specifications: The properties promoted by the major processors are largely associated with health. There is a high price differential between individual commercial producers and small community producers. The latter command prices that are more than 40% higher because their export products are organic (compared with only 15% in the case of Rooibos Ltd) and are marketed through fair-trade channels.

Institutions – towards a sector-based or territorial approach for setting up GIs, going beyond the current corporate approach: Establishing a common **collective organization** is difficult given the heterogeneous nature of the stakeholders in the sector. However, following external threats posed by the registration of the name rooibos as a commercial brand[13] in the USA, and the risks of relocating production (to USA, Australia), at the instigation of the government, the industry has set up an **interprofessional organization**, the 'South African Rooibos Council', and is exploring the possibility of GI protection in order to secure its markets.

professionals as producing high-quality rooibos, as well as their related tourist activities. Rooibos cultivation is the main source of income of these communities and is closely associated with their identity.

The case of rooibos illustrates the development of a production system that is clearly associated with a territory, although it is not yet organized or promoted as such. The power exerted by Rooibos Ltd on the sector has meant that a corporate approach dominated the sector until recently. With the establishment of the South African Rooibos Council, there has been a move towards a more sector-based approach. The prospect of a specific community-borne GI may centre on the development of more territorial approaches.

Finally, it is not yet possible to conduct an overall assessment of the legal, institutional, social and economic conditions of the worldwide emergence of GIs. However, the few cases presented above, which are summarized in Table 10.1, already provide an indication of the diversity of the situations in existence. Such diversity is likely to continue in the future. However, the first experiences with new products outside Europe that have been successfully completed (as in the case of coffee from Colombia) may influence the style of GI that will prevail in the future.

In developing countries today, GI-related initiatives are being developed for several reasons and are led by several groups of stakeholders. Some result from a highly sector-based rationale, while others are built on territorial governance. An analysis of the early initiatives for qualification highlights the following guiding principles: market segmentation, rural development and protection of traditional know-how, which are briefly addressed below.

Quality segmentation and the search for competitive advantages on foreign markets

In order to live up to the new requirements of international markets (Europe, USA), producers in southern countries are increasingly using GIs as a tool. The importance of GIs to ensure name reservation is clearly recognized. The GI approach is seen as consistent with food safety, traceability and the opening up of new international markets. The stakeholder networks involved in these approaches are essentially export oriented. The specifications of these approaches draw inspiration from agro-food quality-control tools and methods, such as the traceability of goods from producer to consumer.

The search for alternative markets and promoting rural development

In view of the recent changes in agro-food systems associated with the crisis of production-oriented models, small-scale producers are using market segmentation and the development of **quality products** as a way of developing new strategies, based on

Table 10.1. Dominant characteristics of four cases of GIs in southern countries.

Product	Process[a]	Justifications	Main stakeholder	Markets
Tequila (Mexico)	DO recognized in 1974 Easing of rules	Name reservation Production crisis	Multinationals	Export and national
Gari missè (Benin)	Endogenous	Identity product Maintain know-how	Processing networks	Local and national
Coffee (Costa Rica)	Under discussion as: • country GI • DO	Maintain premium Quality segmentation	Interprofessional Cooperatives	Export (market in crisis)
Rooibos (South Africa)	Under discussion as: • GI	Name reservation Rural development	Processors State	National and export (growing market)

[a]DO, designation of origin; GI, geographical indication.

the supply of differentiated goods. They are also trying to innovate by pooling local resources and developing alternative marketing models. For example, the environment-friendly market, new forms of community marketing and the use of traditional know-how constitute some of the elements that can be used in a GI approach. The stakeholder networks involved include producer organizations, NGOs, some local governments and consumers' organizations.[14] These social networks address issues of rural development and the future of family farming.

The protection of local know-how and conserving biodiversity

A more recent trend suggests that GIs will become a potential tool for conserving and promoting the know-how of local populations and indigenous people. This seems promising as a way of strengthening the notion of GI. However, it remains a challenge: will developing countries be able to appropriate this tool to meet their needs regarding the protection of biodiversity and the protection/promotion of traditional know-how?

Conclusion: Issues Surrounding Potential Scenarios of GI Internationalization

The international recognition of GIs is a result of WTO negotiations. Civil society did not participate actively in the discussions until 2003, when oriGIn[15] was founded. However, GI internationalization is on the move. It appears to be an irreversible phenomenon. As pointed out by Larson Guerra (2004), 'in a sense, the rural products GI-fication tendency is unavoidable, not only because of the exponential growth of their use during the past decade, but also because of the strength of underpinning arguments (conserve, protect, promote and inform)'.

This international development may trigger a debate on the equivalence of rights as well as the obligations for GIs that are recognized under different schemes and different national legal frameworks. Within the EU, despite the presence of a unified European regulation on GIs (under Regulation (EC) Nos 2081/92 and 510/06), there are differences between countries as to the requirements of production rules, control mechanisms, etc. (see Chapter 2). Differences such as these are obviously much greater in the global context:

- some countries accept the declaration of a GI by an individual (others request demands by organized groups);
- some plan to resort to biotechnologies to manage an endangered or insufficient production;
- some are based on broad geographical delimitations, with fewer technical specifications than others;
- some entrust control and **monitoring** to private certification agencies, while in other countries the role of the state is central;
- some are guided by rural development objectives connected to collective action and professional organization, while others are essentially implemented as marketing tools.

The international recognition of the notion of GI may increase the likelihood of opportunistic behaviour (considering that not all GIs will have the same 'institutional quality'). This may be detrimental. However, the issue may also be considered from a different angle: by going global, GIs will better reflect the diversity of economic, political and social systems. Transition or developing states have the capacity to find mechanisms to develop GIs, without necessarily devoting the same amount of human and financial investment as do European countries. One of the main issues concerns the capacity of developing countries to invent new organizations and institutions that could efficiently manage the rules, controls and sanctions more cost-effectively than in the EU and have a different distribution of roles between private, collective (civil society) and public stakeholders.

For Europe, the future challenge will be to manage the relationship between the GIs defined within and outside community boundaries. For the first time, on 8 June 2005,

the European Commission received a request for the registration of a PDO/PGI on the community register from a country external to the EU. The request was forwarded by the Colombian authorities on behalf of the *Federación Nacional de Cafeteros de Colombia*. As mentioned in Box 10.3, on 12 September 2007, 'café de Colombia' became the first non-European product registered as a PGI by the EU (OJEU, 2007). The examination of this request was something of a test. Indeed, products registered within the requirements of EU regulations will enjoy the full protection granted to PDO/PGI and may also be marketed bearing the community PDO logo. This logo does not imply that the product originates from the EU, but that it is recognized by the European PDO/PGI regulations (Marie-Vivien and Thévenod-Mottet, 2005).

The decisions of the WTO regarding GIs are favourable for developing countries. Although few protected GIs currently exist in developing countries, they seem to have significant potential. As Addor and Grazioli (2002) pointed out, 'it should be acknowledged that it is not the number of GIs per country that should be taken into consideration when assessing the merits of better protection through GIs, but rather the economic potential of each correctly protected GI. This potential may still be low today, because a GI is recognized neither at the national nor international level, but may increase when producers become aware of the potential that GIs have for the marketing of their production, particularly if the GIs are better protected at the international level'.[16]

Notes

[1] The authors express their gratitude to J. Kirsten (Pretoria University, South Africa) and J. Wilkinson (Rural Federal University of Rio de Janeiro, Brazil) for their contributions to the chapter.

[2] Generic quality, on the contrary, generated numerous intergovernmental negotiations, e.g. through the FAO/WHO *Codex Alimentarius*.

[3] The 1994 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

[4] Decision of the Council for TRIPS of 29 November 2005.

[5] Ragnekar (2004a), p. 7.

[6] Charlier (2005), p. 446.

[7] CTA (2004), p. 5.

[8] 'First, the knowledge underpinning GIs remains public property. Secondly, in most jurisdictions, rights may be preserved perpetually as long as the man-product-territory relationship is maintained. Lastly, the scope of the protection, such as the absence of a right to sue and its foundation as a collective right, bring them in line with cultural and traditional rights' (Rangnekar, 2004b, p. 20).

[9] EC (2003), p. 2.

[10] Concomitantly a high-quality segment was created with a '100% agave-based tequila'.

[11] In the 'Mahis' language 'Missè' means 'we separated', emphasizing the strong desire of these women to differentiate their products.

[12] About 22.5 million euros.

[13] After acquiring rights in 2001 over this trademark, which was registered in 1994 by the South African company Forever Young, Burke International tried to claim exclusive rights to market the product under this name in the USA. In 2005, Burke International accepted the cancellation of the US-registered trademark, following the ruling of the Court of Missouri that the term rooibos was a descriptive generic term and therefore could not be used as a trademark. Appeals lodged in American courts were very expensive for Rooibos Ltd, as well as for the South African Department of Trade and Industry and the Government of Western Cape that supported it (about 750,000 euros).

[14] Such as the Slow Food network. See www.slowfood.it.

[15] Organization for an International Geographical Indications Network. See www.origin-gi.com.

[16] Addor and Grazioli (2002, p. 889.

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Epilogue: A Tribute to Bertil Sylvander

Elizabeth Barham

It is not an exaggeration to say that this book would not exist were it not for the guidance, hard work and vision of Bertil Sylvander. While it was completed after Bertil entered retirement in 2007, its every page is influenced by the efforts he made to create and coordinate the research team assembled here. Collectively, we pay him tribute and send him our gratitude for paving the way to our shared investigations.

It seems worthwhile to take this opportunity to say a few words about Bertil's career, which was marked by his unusual gift of sniffing out important research themes well before they were recognized by the academic establishment – sometimes as early as 30 years before their time. Other researchers who find themselves working on what appears to be the fringe of mainline research may take some comfort from the fact that, in the end, Bertil's sense of the future importance of his chosen topics has proved to be on target.

Bertil began his career in agricultural economics already influenced by what sociologists refer to as an 'outsider's view', owing to his parentage (half Swedish, half Algerian) and fluency in both Swedish and Arabic. The Mediterranean influence on his trajectory is fairly evident, as it is generally perceived that origin product systems sprang primarily from states in southern Europe. But the influence of Bertil's northern European heritage was also firmly established at the very beginning of his career, when he spent 2 years in Sweden (1969–1971). Besides the opening of the mind which is typical of such in-depth international experiences, Bertil was able to observe at first hand the effects of the social and political upheavals of industrial restructuring that had taken place in Sweden in the 1930s, followed by the agricultural restructuring of the 1960s. He developed a comparative mindset, and an intuitive sense for the content and direction of globalization.

These experiences, in turn, influenced Bertil's choice of research themes, topics that were not yet being discussed in France: the importance of actor coordination in commodity chains (the active role of farmers' unions and professional organizations in particular); the weight of consumer preference and demand in moulding the food system; differentiation and segmentation of product lines to meet that demand; the key role of consumers' concepts of 'quality'; and emerging concerns with a constellation of issues that would later coalesce around the concept of sustainable development.

In concrete terms, this led him as early as 1972 to studies on products with specific quality characteristics (Label Rouge poultry), later to topics such as organic agriculture, official 'Quality Signs' such as the French AOC (Appellation d'Origine Contrôlée), and eventually to the importance of geographical indications in Europe and the world.

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Always ahead of his time, Bertil often met with a general lack of attention to, and interest in, his chosen themes by research administrations, which could sometimes make his progress difficult. He also had to challenge the theoretical and methodological dominance of neoclassical economic approaches in his field, which offered an overly limited view of consumer behaviour and choice, and discounted the value of non-statistical approaches such as empirical case studies – the approach of choice for complex and emergent social realities, and also for building new theories of social change.

But his intuition served him well and eventually he witnessed many of his key themes take centre stage at both the national level of France and the international levels of the European Union (EU) and the World Trade Organization. By taking up the complex topic of geographical indications, Bertil moved his work forward in terms of its connection with public policy and, indeed, with international negotiations and the emergence of what can be referred to as a global politics of quality that seeks to respond to societal demands for sustainability.

In one way, Bertil's career can be viewed as a progressively widening circle that expanded from the local and national contexts in which he grew up to the larger arena of the EU and finally to the global stage. He gained experience as a research team coordinator at the national level through projects funded by French research entities (INRA – Insitut National de la Recherche Agronomique, and ANR – Agence Nationale de la Recherche), focusing on the themes of quality products, organic agriculture and AOC products. These studies helped him build theoretical perspectives on quality commodity chains, the importance of contracts and the nature of public–private institutional management of 'social goods' in production.

He then progressively undertook a series of more ambitious research coordination projects funded by the EU, building research teams that would span Europe and eventually reach out to encompass developing countries ('PDO–PGI products' (Protected Designation of Origin–Protected Geographical Indication products), 'Development of Origin Labelled Products: Humanity, Innovation and Sustainability (DOLPHINS)', 'Strengthening the International Network of Research on Geographical Indications (SINER-GI)'. Each of these projects responded to an EU need for greater internal harmonization of policies, as well as a need to position EU agricultural politics vis-à-vis the rapidly globalizing dynamic of international agricultural trade. As such, they stand as examples to other regions of the world grappling with the challenges of internal cohesion and external coherence.

This book is the result of Bertil's many projects and reflects the exciting ferment of ideas and confrontation of research realities that a rich international exchange of views can bring. No one knew how to value such research settings better than he. We hope that the book will be well used by those who wish to arm themselves with history and grounded research as they look to address the issues facing their producers and their rural countrysides today.

There is much remaining to be done to define what the place will be for origin producers and their products in the future. Few objects of research require such a span of knowledge and disciplines to be fully apprehended, ranging from the applied sciences of specific agricultural fields to the abstractions of global intellectual property regimes, and everything in between. But perhaps the staying power of origin products is in part the result of their complexity. They connect us to tradition and to our past; they provide livelihoods, pride and creativity for the present; and in many ways they prefigure the experiences that actual rural places, and indeed entire cultures, might expect as they evolve into an unknown future.

Bertil seemed to know instinctively the importance of these products as a kind of talisman, initiating us to the future. So we can think of no better tribute in the end than to recognize the impact his work has had on thousands, perhaps millions, of producers and their communities across the globe by elevating their concerns to a central place in research.

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Appendix 1

Case Studies in Europe

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Introduction

Angela Tregear and Filippo Arfini

Appendix 1 includes six examples of European **geographical indication** (GI) products which have been used as reference cases by the authors of the chapters throughout this book. The six case studies have been selected to represent a diversity of GI product systems, based on a categorization developed by researchers in the European Union-funded DOLPHINS (Development of Origin Labelled Products, Innovation and Sustainability project (2000–2004) (see Table A1.1). As highlighted in the Introduction to the book, GI products and the systems in which they are embedded are highly diverse in character, which leads to much complexity in the effects that different protection systems have on them. The purpose of the categorization presented here is to identify key discriminating dimensions of GI product systems, in order to analyse and understand these complexities better.

The categorization presented is based on two key dimensions. The first dimension refers to the type of governance logic that underpins the development of a GI product system, reflecting a polarity between systems based on public good conceptualizations of agricultural resources, whereby any values generated from the resource are shared between actors for local development (territorial logic), and systems based on private good conceptualizations, whereby resources are the property of private firms who retain any values generated (sectoral to corporate logic). This dimension is clearly important to the debates on the effects of GIs policies, as systems which operate according to a territorial logic are likely to interpret and implement protection schemes very differently from systems operating according to sectoral or corporate logic.

The second dimension of categorization refers to the stage of development of a GI production system, and reflects a polarity between systems that are relatively novel, where norms and routines linked to management and quality have not yet become established, and systems that are long standing, where such norms and routines have become well established. This dimension is important as it bears upon the interaction between policy development and system development.

On the basis of these two dimensions, six types of GI product systems are identified. It should be noted that the boundaries between each type are not intended as fixed, but rather to indicate cells in a continuum. Furthermore, the six example cases should not be considered as exact or 'ideal' manifestations of each system, but rather as close approximations which serve to illustrate well the dynamics of development and decision making which occur within each type.

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Table A1.1. Presentation of GI product system types and examples.

	Governance logic or system type		
Governance logic	*Territorial logic*	*Sectoral logic*	*Corporate logic*
	The product consortium not only sets up a common code of practices, but (i) either manages collectively part of economic functions and/or (ii) helps firms to negotiate with each other, mostly on a territorial basis in formal or informal contracts and institutions	The product consortium not only sets up a code of practices but (i) either manages collectively part of economic functions and/or (ii) helps firms in the same sector to negotiate with each other in formal or informal contracts and institutions	The product consortium only sets up the codes of practice
	There is a high degree of organization at the spatial level, with strong links with local institutions and close cross-sectoral relationships	There is a high degree of organization in the supply chain, which is rooted in the land (by the code of practice), has but weak links with local institutions and the local economy	There is no economic negotiation between firms
System type			
Developing systems	*System I*	*System III*	System V
Relatively recently developed systems, where the focus of actors is on developing effective procedures, e.g. for management and quality, to grow the initiative	Cherry of Lari (Italy)	Wine with designation of origin (DO) Cariñena (Spain)	Salumi Tipici Piacentini (Italy)
Developed systems	*System II*	*System IV*	System VI
Long-standing or mature systems where procedures, e.g. for management and quality, are well established between relevant actors	L'Étivaz cheese (Switzerland)	Roquefort cheese (France)	Beacon Fell Lancashire cheese (UK)

System I: Cherry of Lari (Italy)

Andrea Marescotti

The Product and Its Protection System

Cherry production is a secular tradition in the Municipality of Lari, a small village in the hilly area near Pisa, in Tuscany, Italy (see Fig. A1.1). The Cherry of Lari's long history is demonstrated by the presence of 13 native cherry tree varieties (Roselli and Mariotti, 1999), which, coupled with the peculiarity of the soils and the climate of the **region**, form the basis of the specificity and reputation of the product.

Since the 1970s, cherry production has suffered from a general crisis in agriculture due to the higher production costs incurred by local farmers relative to those on the nearby plains, and especially to the industrialization process that is occurring close to the area (furniture and motorbike industries), resulting in a decrease in the number of farmers available, particularly full-time farmers. In this framework, cherry tree growing has especially suffered owing to the high labour requirements for the picking and handling of the product. In addition, the native cherry tree varieties are threatened with extinction as the small number of local producers replaces them with new 'imported' varieties that better fit the demand of modern markets for hard, big and less perishable produce.

But, in recent times, the renewed interest of consumers in high-quality products and services, and of citizens in environmental issues, has offered new opportunities for agricultural and **rural development** in the Lari area. It was in this context that the idea was launched of applying for a registration as a protected designation of origin (PDO) product in accordance with the requirements of Regulation (EC = European Commission or Council) No. 2081/92. The idea initially came from some local small part-time producers, whose main aim was to stimulate agricultural production in the area by enhancing cherry tree growing and saving the native cherry tree varieties from extinction.

However, the PDO idea was very quickly 'captured' by other local actors, in particular the Province of Pisa, and the Chamber of Commerce and the Municipality of Lari, who aimed at using the reputation of the Cherry of Lari to strengthen the image of the village and promote the entire area for tourism, thereby enhancing local agriculture more generally. In addition, other local and non-local institutions, such as the local cultural and tourism association, Slow Food, and some research bodies interested in environmental conservation and economic and social promotion (the National Research Council, ARSIA (Agenzia Regionale per lo Sviluppo e l'Innovazione nel Settore Agricolo-forestale) – Tuscan Region, the University of Florence and the University of Pisa) began to show a greater interest in the specificity of the Cherry of Lari.

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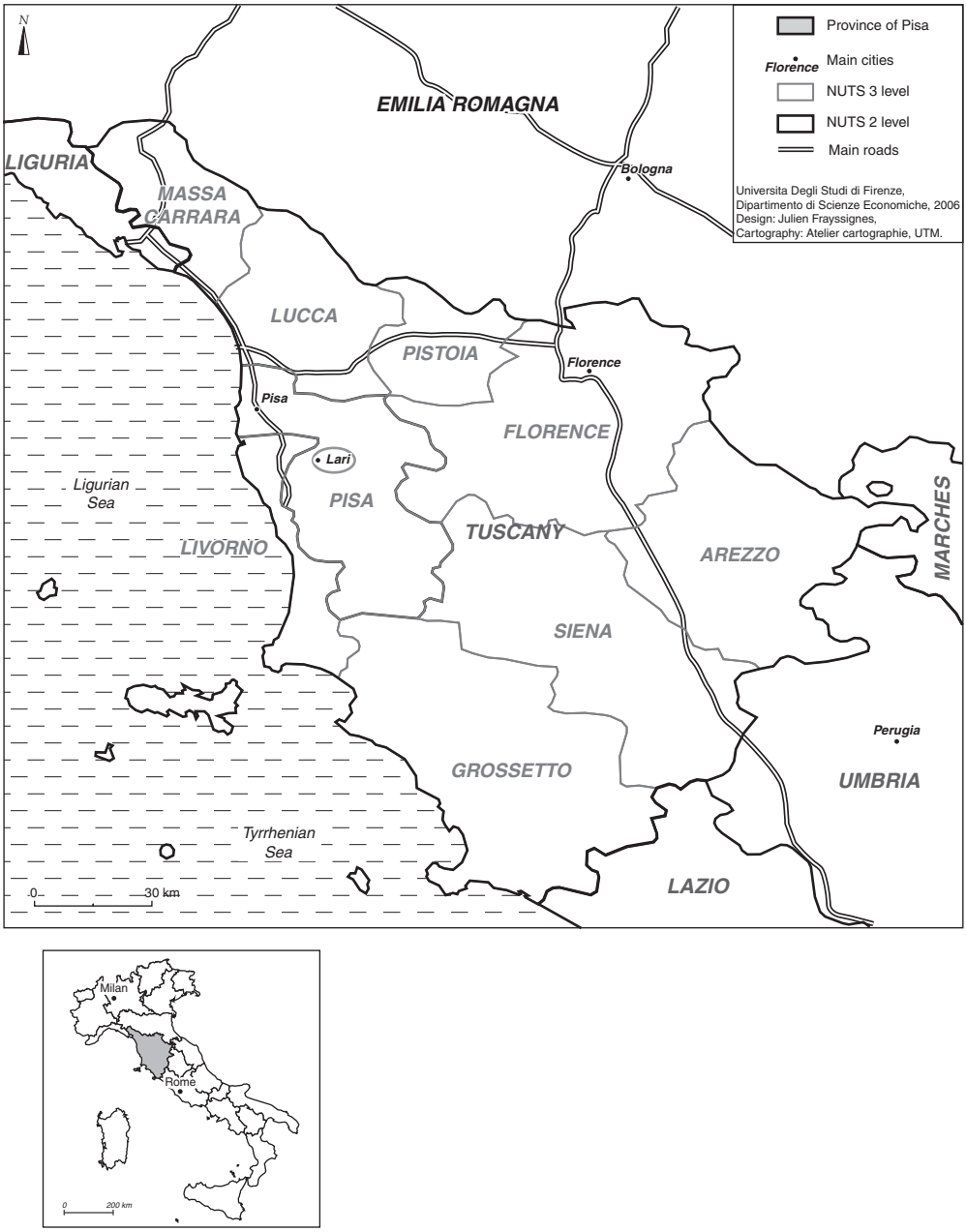

Fig. A1.1. Cherry of Lari case study, Italy: location map (NUTS = European Union population classification for the administrative area concerned, NUTS 3 = 150,000–800,000, NUTS 2 = 800,000–3 million).

Thus, from early on, the interest and involvement of the full-time producers themselves were rather low. Indeed, most were not aware of the meaning of the PDO, and rather sceptical about its effectiveness for such a small quantity of production and in such short marketing channels. Nevertheless, the growing interest showed by non-producers and non-local agents increased the awareness of the cherry producers of the economic, environmental (biodiversity), social and cultural value of the Cherry of Lari, stimulating the creation in 2002 of a **producers' association** which launched a number of research, education and promotion activities, and was charged with devising the product specifications to apply for a PDO.

Over the course of many meetings of the association, the product specifications were discussed, as well as the various problems and opportunities that could be expected to arise from the award of a PDO. In fact, consensus over the product specification was reached fairly easily, an accomplishment that may be linked to the homogeneity of the producers, with no 'market leader' type present. Yet, notwithstanding the agreement over product specification, to date, the PDO application has not happened. This can be attributed to producer concerns over increased production costs arising from certification, as well as to fears that the production area would be widened too much under the designation (owing to political pressure from public institutions, farmers' organizations, etc.) to involve the maximum number of producers even in non-traditional areas (Marescotti, 2003).

The Production and Marketing System

Currently, agriculture in the territory of Lari is made up mainly of a large but decreasing number of diversified small family farms. A great deal of their production is destined for self-consumption or local markets via short marketing channels. There are very few full-time farmers, and most of these grow fruit trees (peach, cherry, apricot, plum), olives and vegetables. The bulk of farming is part time and widespread, and agricultural activity is thought of as a hobby or supplement to the main source of income, which almost always comes from employment in industrial or service sectors and from pensions.

Although almost all farms in the Lari area grow some cherry trees, only a few (15–20) are full-time producers. These producers have a high degree of geographical and cultural proximity to each other, and employ homogeneous techniques and marketing channels in specialized orchards. For part-time farmers, growing techniques remain traditional, with most cherry trees scattered in the fields or planted on the borders of vineyards or small horticultural fields. Cherries are hand-picked and put directly into wooden boxes by family members. No secondary handling is required, and usually no additional labour is needed for cultivating and picking.

The bulk of cherry production, estimated at roughly 50 tons annually, is destined to self-consumption or is given/sold to friends or sold via short marketing channels. Only a limited amount of production is sold at traditional markets and, to a lesser extent, to a few mass distribution firms. A portion of the cherries (5%) is sold directly to consumers at the annual Cherry Festival.

No special vertical coordination mechanisms are used between farmers and other agents along the supply chain. On the wholesale markets there are non-specialized buyers and commission agents who act as intermediaries in the marketing of the product, taking care to sell the product to local retailers or restaurants and, less frequently, directly to consumers. Coordination between producers and wholesalers or commission agents is based on trust that originates from long-standing relationships, and no contracts are taken or required by producers or wholesalers. So far, production and marketing of the Cherry of Lari is managed individually by each producer, with no collective marketing. However, a collective brand project is now under discussion.

The Link with Consumers and Citizens

Local consumers know and appreciate the Cherry of Lari. One of the most important communication tools at the local level is the annual Cherry of Lari Festival, which has always involved a large share of the local population in its organization and implementation (local public institutions, schools, citizens, and local tourism and cultural associations), and attracts an increasing number of visitors. The Festival has long been the only promotional initiative taken by local producers, and has played a fundamental role in spreading the fame of the product outside the area of production.

Because the cherries are perishable, and they do not ripen after being detached from the trees, the consumption area is very close to the production area. This may explain why up to now there has not been a great need to protect the name of the Cherry of Lari from imitation.

At local markets and on many retailers' shelves, a premium price of about 20–30% is given to cherries from Lari compared with those of other provenances. The premium price is linked to the freshness of the product and to the reputation of the production area. Local consumers prefer to buy local products, especially when dealing with fruits and vegetables, as they are perceived to be fresher and safer.

The Link with Rural Development

The economic impact of cherry production in the territory of the Municipality of Lari is far less significant than its social and cultural importance. There are few cherry producers and the added value (**value-added**) is very small compared with the overall economy of the area. Even if we compare the value of cherry production with total agricultural value added alone, the percentage would be very low. So, from a purely economic point of view, we would say that the impact of the Cherry of Lari (and of the PDO) on rural economy is very limited. Rather, the importance of the Cherry of Lari is linked to its role as a 'cultural marker' for the identity and social cohesion of the local population and, more generally, to its multifunctional character and to the production of positive local **externalities**.

The recent history of the Cherry of Lari system shows how a strong external interest, driven by the rise of a new social demand relative to food and agricultural services (environment, landscape, biodiversity, culture and traditions), has had the effect of raising the consciousness of local actors, and especially of cherry producers. On the basis of this renewed positioning, and supported by local public and private institutions, they were able to join together – after a long history of individual action – and launch new initiatives linking production to consumption within short supply chains, and prompting local society to join in this effort.

Overall, therefore, although the PDO itself has not been realized, this process has delivered numerous benefits. It has reinforced solidarity and cohesion among the local farmers by bringing producers together when no association was previously active in the area (Casabianca, 2003). Through the producer association, the interests of producers are now represented in negotiations with agencies and institutions. Finally, the qualification process, by encouraging the defence and the promotion of the cherry, has acted as a catalyst for the involvement of other local and non-local actors. In this case, the qualification process has been the stimulus for collective action.

As a matter of fact, the meetings held within the producers' association helped explore many problems and issues, especially those concerning the future of cherry tree cultivation. The discussions paved the way for other collective initiatives on technical, agronomic and marketing issues. For example, a collective brand and a collective processing plant for producing jams with local varieties threatened with extinction have been set up and, with the help of the local Faculty of Economics at the University of Florence, a marketing plan was devised for this speciality product.

In addition, local public institutions have funded educational initiatives with local primary schools related to the cherry's history, and the producers' association has developed an agronomic research project with the Faculty of Agriculture of the University of Pisa to save the local varieties.

Encouraged by this renewed enthusiasm and producer cohesion, the local Municipality became influential in organizing a National Association of Cherry Municipalities, dedicated to reinforcing research and promotional activities for cherries across Italy. With the collaboration of local restaurants and agro-tourism offices, the Municipality has also promoted several initiatives related to the Cherry of Lari which are reinforcing tourism promotion and the image of the village as linked to the cherry's image.

The success of these initiatives has persuaded many producers to invest in the cherry by planting new cherry trees and joining the producers' association. Other non-cherry local agricultural producers proposed to the cherry association that they build on their networking initiatives to set up collective structures for the handling and marketing of agricultural and food products from the territory of Lari, and to contact consumer associations (purchasing groups) directly to sell the products. The Municipality of Lari is now trying to act as a catalyst to stimulate the nearby local municipalities to strengthen their efforts towards local agricultural promotion.

Conclusion

The Cherry of Lari is a good example of an older traditional production and marketing system which is now trying to restructure its organization by activating new relationships with the market and society, starting from a new local producers' network.

The initiatives taken in recent times by the newly formed producers' association, prompted and supported by an 'external' network of mainly local public and private organizations, show the will to activate new connections and make the reputation of the Cherry of Lari increase by capturing the new social demand for '**multifunctionality**' (product quality, environment, traditions and culture, ethics, social relationships, etc.). The system is now managed by the producers' association, flanked by the 'external' network, which cooperates with the producers to drive the system towards local public aims.

Within this framework, legal protection of the designation of Cherry of Lari is not yet perceived as a priority. None the less, even though the PDO application will not be pushed further and presented to the European Union, activation of the application process and the debate on the contents of the product specifications held within the producers association has stimulated producers to take stock of their potentialities and opportunities, as well as of the possible threats and problems. Discussion with external experts has helped to focus the problems and to identify possible solutions. Young farmers have shown increased interest, and some producers have indicated they would make new investments in cherry plantations and processing plants for jam. In addition, local public institutions are now increasing their support for the initiatives taken by local actors (Tregear *et al*., 2004).

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System II: L'Étivaz Cheese (Switzerland)

Sophie Réviron

The Product and Its Protection System

L'Étivaz cheese is a typical Swiss mountain cheese whose process of production is linked to the specific tempo of mountain life during the summer. L'Étivaz is a small mountain village that is located in the Pays d'Enhaut (Vaud region), not far from the city of Gruyères (see Fig. A1.2). Making cheese in the mountain pastures during summer is a tradition that goes back centuries. Each spring, the cows go up to the mountain pastures where they stay all summer, and the L'Étivaz cheese is produced with the raw milk in 'chalets' at an altitude above 1000 m. The product is artisanal and seasonal.

In 1932, in order to stop a constant decrease in production and continuous quality problems, 30 producers established 'The Association of L'Étivaz Mountain Pastures Cheese Producers'. In 1934, a cellar was built to ripen the cheeses produced by the association's members and, year after year, the production area grew larger within the Vaud region of the Alps.

In 1974, owing to increasing production volumes, the members decided to expand the ripening cellar and to transform the association into a cooperative. Then, in 1985, the 'Fédération Laitière' (Orlait) closed a cellar in the plain below, where part of the L'Étivaz cheese production was ripened. This event created a very serious crisis. The members of the cooperative decided to build new cellars in the village and to entrust the cooperative with management of the ripening cellar and the product sales. In 1988/89, the cooperative registered a trademark 'L'Etivaz®', with a protected logo and strict written rules. A **protected designation of origin** (PDO) label was requested from the Swiss Ministry of Agriculture in 1996 and the product was recognized in 2000. It was the first PDO product to be registered in Switzerland and there was no opposition during the legal process of registration.

Registration as a PDO was requested mainly to increase the reputation of the product (protection from misleading industrial copies, even if important, was not the main reason for the request). In fact, this decision helped to create a market segment for high-quality Swiss cheeses in Switzerland. The cooperative felt that the inclusion of PDO/PGI (**protected geographical indication**) labels in the Swiss Federal Agriculture Law of 1992 was a great opportunity which could help the product to better differentiate itself from its competitors and increase public awareness of its attributes. The objective was also to give a strong positive signal to the producers, to give them hope about the future and to encourage transmission of their farms to the younger generation.

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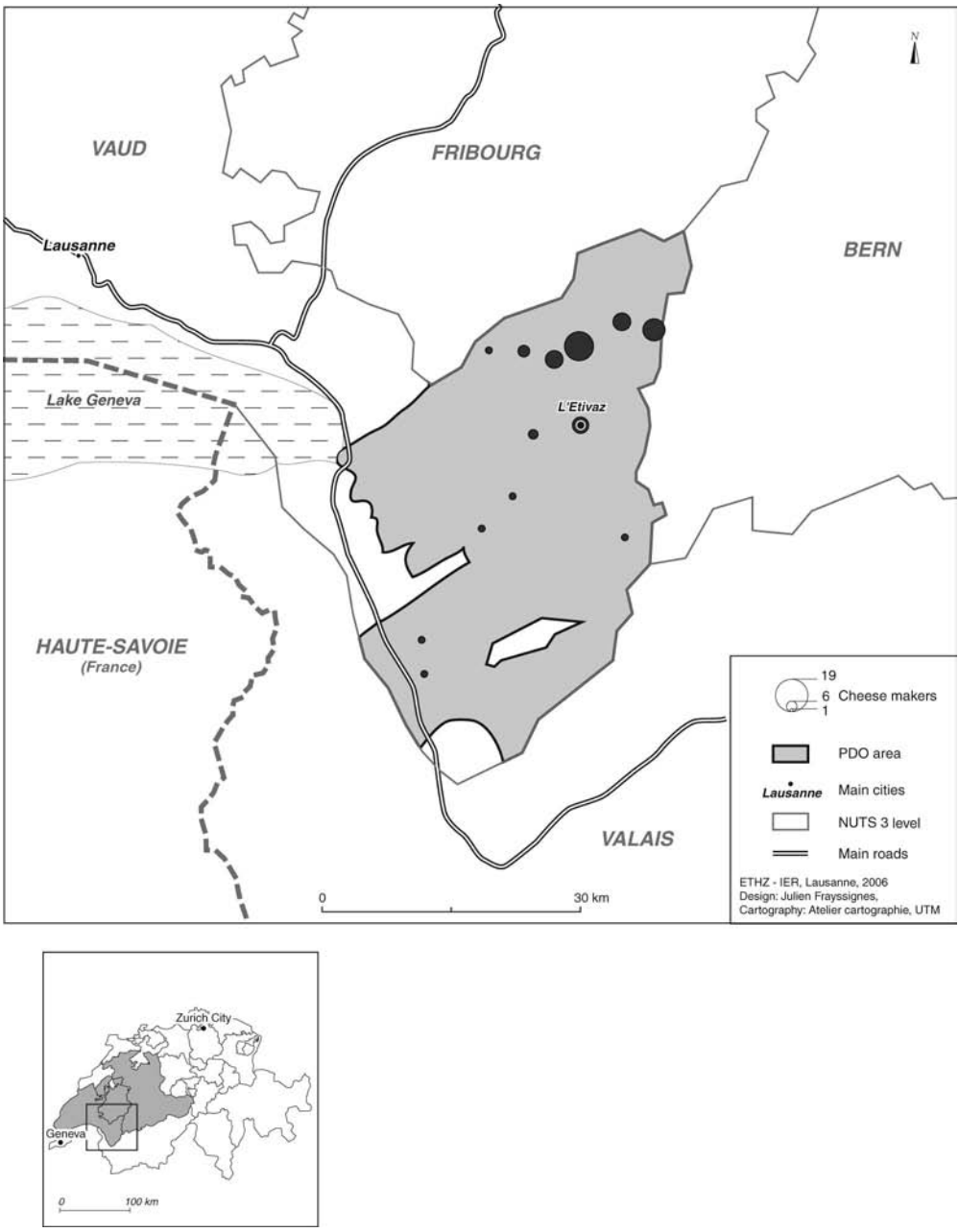

Fig. A1.2. L'Étivaz cheese case study, Switzerland: location map (PDO = protected designation of origin; NUTS = European Union population classification for the administrative area concerned, NUTS 3 = 150,000–800,000).

L'Étivaz cheese production follows a strict code of practice which reaffirmed and replaced the previous trademark rules when the PDO label was requested. The objective of the code is to maintain the artisanal and seasonal **typicality** of the cheese, which is linked to the following:

- production area: at an altitude between 1000 and 2000 m;
- processing of the cheese from the 10th of May to the 10th of October;
- raw fodder coming only from the mountain pasture, with no import of hay permitted;
- processing of the milk on the alpine pasture, with no transport of milk permitted;
- use of raw milk, cauldrons coated with copper and wood heating only;
- no storage of the milk for longer than 18 hours before processing; and
- cheese ripening for at least 4½ months.

The geographical limits of the production area were fixed according to the location of the cooperative members when the PDO was registered (see Fig. A1.2). The entrance of big firms is discouraged by a constraining **code of practice;** for example, a new ripener must build a cellar in the production area that will hold 3000 cheeses to obtain the designation.

Currently, the production volume of L'Étivaz cheese is still very small, around 500 tons, compared with the 28,000 tons production volume of Gruyère cheese (another Swiss PDO product). The alliance is composed of 80 producer–processors who farm 200 mountain pastures. In 2003, the cooperative decided to enlarge the ripening cellars (they had become a limiting factor), in order to welcome new members who were eager to join the alliance. However, entrance of newcomers is not welcomed by some of the existing producers, who would like to choose new partners, as in a club. The PDO registration requires free entry of operators located within the geographical limits, and who respect the code of practice. It protects the product quality and not the processing enterprises. PDO regulation is recent in Switzerland and this legal condition regarding entrance is not easily accepted by some operators.

The Production and Marketing System

The collective organization is piloted by a cooperative which combines discipline with support for the producers. The director plays an important role, listening to, involving and persuading producers to reach collective decisions in line with the global strategy. The cooperative is entrusted by its members with the following missions: resolving issues linked to the code of practice, quality control and traceability, marketing research, promotion, management of a collective ripening cellar, sales management, management of volumes and establishing prices.

The marketing strategy is very successful. The product USP (unique selling proposition) is clear and credible. Production is limited by a constraining code of practice and there is no overproduction problem. Each year, the cooperative establishes prices and negotiates quantities with the buyers (mostly wholesalers). As sales management is centralized within a unique enterprise, antitrust law does not apply. Direct selling is not authorized, in order to avoid a parallel market, although producers may sell cheese to the tourists during the summer at their mountain pasture 'chalets'. These summer pasture sales are regarded as in line with the image of the product, although the cheeses sold must be bought from the cooperative in the first place.

The cooperative members must respect the code of practice that takes into account the specific technical conventions of an artisanal production. Quality control is compulsory for all cheeses, whatever the sales channel. In this respect, the alliance has developed a level of know-how equal to that of an industrial firm (certification under ISO 9902; HACCP certification; certification under European Union (EU) Regulation (EC) 92/46 for export within the EU; and PDO certification delivered by the Organisme Intercantonal de Certification (OIC), an external

Swiss accredited body). This level of quality control was quite difficult to organize because of the dispersal of production over 200 different mountain pastures (a producer may have two or more production sites). The final quality of the resulting cheese is assessed only after ripening and is taken into account in establishing the price of each round of cheese.

Producers get a high price for their milk (0.80 euros/l as compared with the price of conventional milk, which is presently around 0.40 euros/l). They would like to increase the value of the milk produced in the winter to the same level by a coordinated diversification towards other dairy products (yogurts), but this strategy runs into legal difficulties because use of the name L'Étivaz was limited to the cheese when it was registered as a PDO.

The producers are committed to their collective form of organization because it gives them access to industrial services and the scaling up of benefits without losing their unique lifestyle. Individual producers cannot carry out the ripening of the cheeses alone, and this has led naturally to a mutualization of assets. Producers appreciate being able to delegate some tasks to the cooperative (mainly marketing), because it limits their work hours and opens new markets. Quality control is accepted because the reputation of the cheese is shared by all members and therefore it must be protected against cheating and opportunism, which would harm them all.

The Link with Consumers and Citizens

L'Étivaz cheese is a small volume 'connoisseur' product whose image is strongly linked to its geographic area of production. The marketing mix is coherent with this strategic choice: L'Étivaz is clearly a premium-quality hard cheese. The product is tasty, rare, artisanal and is a mountain product. Different sales channels are supplied: wholesalers (75% of sales), big retailers (21%) and direct sales (4%). Around 10% of the production is exported, mainly to France and Germany. The price paid by the consumer is a top price for a Swiss cheese (around 25 CHF/kg = 17 euros/kg) and this premium price is in part linked to the PDO registration, which has effectively increased the product reputation.

L'Étivaz cheese is easily recognized when it is custom cut at the supermarket counter owing to its very special cut-out logo which covers the whole wheel of the cheese and also because it is a well-known brand. However, when it is sold in pre-wrapped pieces, the packaging is made by the retailer and does not differentiate the product at first sight from other hard cheeses.

The promotion budget is limited and actions are targeted to reinforce the product's image: tastings with key clients, partnerships with hotels and restaurants in the region, participation in tourism and sporting events (such as the yearly balloon racing event at the Château d'Oex), and participation in events organized by the Swiss association for PDO/PGI products. L'Étivaz was the first PDO product to be recognized in Switzerland and this is a benefit for promotion. When a new product is registered, L'Étivaz cheese gets mentioned in many articles in the main Swiss newspapers and magazines as the 'older brother' of the newly recognized product. Overall, this publicity increases consumer knowledge of and sympathy for high-quality Swiss food products.

The Link with Rural Development

As the production volume of L'Étivaz cheese is very small, direct effects on **rural development** are limited. The cheese is made by the producers themselves. It provides a livelihood for 80 producers and their families, for some farm workers and for the 12 employees of the cooperative. This is not a large impact but it is, none the less, significant in a mountain region.

Cheese making does have important indirect benefits for tourism in the region. The beauty of Swiss mountain pastures is well known worldwide. Walking and hiking on the mountain

paths are very popular among tourists, as well as among Swiss residents, who 'go up' from the cities to the mountain areas during weekends and vacations. They appreciate the seasonal life of the mountain pastures, the movement of the cows up and down the mountainsides each spring and autumn, and being able to stop for a while at a mountain farm in the summer. The availability of a distinctive, tasty artisanal product contributes to a strong regional identity and image. A special building, 'la maison de L'Étivaz', welcomes and informs the visitors about the product and mountain life. The regional promotion programme features the cheese-making activity, which creates strong image attributes. Another important economic contribution to tourism is the maintenance of the skiing slopes. The cows graze during summer and thereby help the farmers to avoid heavy maintenance costs for their pastures, which, in turn, benefits the ski resorts.

Besides direct and indirect economic benefits, the cheese making creates non-market goods that are essential to the protection of mountainous areas. Cattle are the best solution, according to biologists, for maintaining open spaces in the mountains, preventing weeds from spreading and protecting rare flora. The code of practice of L'Étivaz cheese encourages having a fairly large number of cows with a relatively low milk yield per cow and extensive farming methods that benefit mountain protection. This contribution to mountain upkeep and the fight against weed invasion has other benefits: it maintains the famous typical Swiss landscape, and is also a very efficient preventive measure against natural disasters (avalanches and forest fires). As a result of all of these positive contributions, the **producers' association** (organization) has strong public support at the local level (from the Association for the Development of the Pays d'Enhaut, label 'Pays d'Enhaut'), the regional level (from the Vaud region, with a law encouraging promotion of '**terroir**' products) and the federal level (from the Federal Office for Agriculture, which gives specific subsidies to mountain farms, along with subsidies for investing in and promoting PDO/PGI products).

Conclusion

L'Étivaz cheese is characterized by a very efficient collective organization in regard to its commercial performance on the market, the economic performance of the producers, and the social cohesion of the alliance (Chappuis, 2002). Its positive effects on the region (both direct and indirect) are essential to this mountain area. Its success appears to be linked to a variety of causes: farmers' long experience with cooperation and mutual aid; a qualified and committed top management team; a relatively small size which allows the members to maintain relationships that are driven by 'domestic' concerns, based on family, friendship and neighbourhood; and the shortcomings of alternative outlets for milk that the producers encounter when selling their winter milk. All of these factors create common social values and common economic interests that reinforce the alliance.

However, each time a farm is to be transferred, the question of adhesion to the alliance is reopened. The change of generations is a crucial issue in mountain regions, where the number of farmers is decreasing very quickly. The PDO label gives them visibility and relative security about the future, which increases with the product's fame. This positive signal may attract farmers born outside the region or reassure families and help young farmers stay on their land, with a resulting set of positive spin-off effects in favour of sustaining mountain life.

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System III: Cariñena Wine (Spain)

Ana I. Sanjuán-López

The Product and Its Protection System

Cariñena is the name of a county in the Ebro Valley, in the region of Aragón, located in the north-east of Spain (see Fig. A1.3). Since the Roman age, vineyards have existed in this area. References to Cariñena wine appear in chronicles of the 15th century. In the 19th century, phylloxera infection killed large areas of vineyards in France, and some of the French grape producers settled down in Cariñena, boosting wine production, commercialization, research and technology. In 1932, the *Estatuto del Vino* (Statute of Wine) created designations of origin (DOs) in Spain, and Cariñena was recognized with this distinction, and became the oldest DO in the region of Aragón, and one of the oldest in Spain. Later on, in 1975, the regulation of specific rules of the DO Cariñena was approved by the Spanish Ministry of Agriculture, and it was registered as Quality Wine Produced in Specified Regions under Regulation (EC = European Commission) No. 1607/2000. The latest modification of the regulation and the regulatory body took place in 2009.

The DO Cariñena occupies an area of 15,925 ha, spread over 14 municipalities. The vineyards are located at between 400 and 800 m above sea level. The climate is dry, with extreme temperatures, and is influenced by the wind named *cierzo* (or mistral). Soils are mainly of reddish limestone and gravel, well suited for vineyards, as the scarce humidity is retained for long periods. In 2008, around 50 million bottles of DO Cariñena wine were sold, of which around 61% were exported, and a total of 2083 grape growers and 56 winemakers were registered as eligible for growing grapes and elaborating wine carrying the DO certification (MARM, 2010).

The main differentiation of Cariñena wine from other DOs originates from the use of autochthonous varieties, which have been used historically in the area, such as Grenache (Garnacha) – both red and white, Cariñena (also called Mazuelo) and, more recently, Tempranillo; they provide a distinctive taste and also a high alcohol content. Since the 1980s, big improvements in technology have occurred in the wine sector in general, and Cariñena wine has kept pace with these. Technological improvements have been introduced in the vineyards (plantation systems, sanitary crop controls, etc.) and the winemaking process (systems of grape reception, the handling of fermentation deposits, pneumatic presses, ageing caves, bottling plants, oenological practices, etc.). Likewise, new varieties have been introduced in order to match evolving market needs, while at the same time keeping the identity of Cariñena wines through the maintenance of autochthonous varieties.

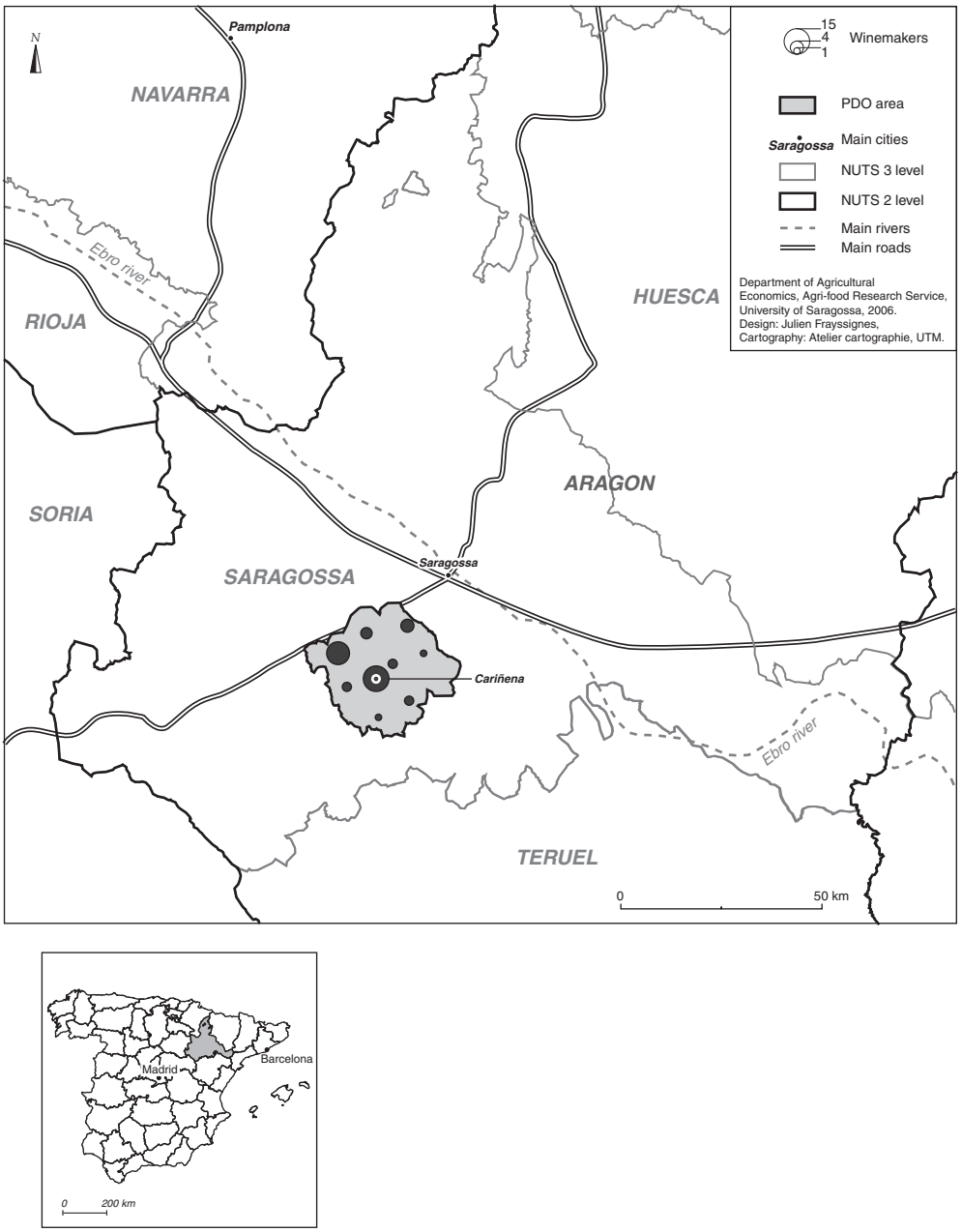

Fig. A1.3. Cariñena wine case study, Spain: location map (PDO = protected designation of origin; NUTS = European Union population classification for the administrative area concerned, NUTS 3 = 150,000–800,000, NUTS 2 = 800,000–3 million).

The DO Cariñena is ruled by a **Code of Practice**, which defines specific instructions on the grape varieties allowed, the growing practices, grape yield and harvest, processing techniques, ageing practices, bottling and labelling. The implementation of the Code of Practice is supervised by a Regulatory Body, formed by members of the industry and the public administration, and the control of the product and its processes consists of **inspection** and certification. The wineries and vineyards are inspected by members of the Regulatory Body, and the certification is made by a certification committee formed by members of the Regulatory Body, the Regional Administration and consumers' organizations. Only those wines that pass the physical, chemical and organoleptic analyses are qualified to carry the DO certification. Otherwise, the use of the name 'Cariñena' is forbidden and wine must be marketed as 'table wine' or marked in bulk.

The Production and Marketing System

Wine is not a homogeneous product, even if the territory may provide some common basic features. As a result, the processing industry is also heterogeneous. Firms of different sizes and with different levels of capital investment, technology endowments, human resources, market targets and legal administrative structures coexist. According to figures collected by Albisu and Sanjuán (2003), the smallest winery in Cariñena produced 5500 litres of wine in 2001, and the biggest around 11 million litres. Interestingly, in recent years, several new small privately owned wineries have started up in the area, with high investments in technology and human resources; these are trying to position their product in the medium-to-high quality-price segments.

First and second layer cooperatives manage the largest quantities of Cariñena wine. The first layer cooperatives horizontally integrate the grape growers and the downstream processing and marketing stages of the supply chain. Some of these cooperatives have joined in order to gain economies of scale and to gather the economic resources necessary to improve the elaboration and marketing of their wines as they try to diversify their production and enter the medium–high price-quality segments of the market. Moreover, by joining to make a bigger organization, the public sector has contributed to the capital investments involved. As a result, the largest winemakers in Cariñena are second-layer cooperatives: *Grandes Vinos y Viñedos* and *Grupo San Valero*. *Grandes Vinos y Viñedos* comprises over 700 members, has access to the grape production over 5000 ha and produces 11 million litres of wine. *Grupo San Valero* comprises over 700 active members who own about 4000 ha of vineyards; this has been structured as a group with two wineries, focused on two different segments, in order to avoid the image transmitted by the low-price segment damaging the perception of the higher price segment.

The decisions concerning the marketing and distribution of wine with the DO Cariñena are individually taken by the firms. There are not common strategies apart from the generic promotions stimulated by the Regulatory Body. Besides the benefits in terms of **recognition** and image improvement, there is a benefit for small–medium firms in the sense that they may find it easier to contact the distribution channels. The final product marketed by the firms is not homogeneous in terms of price, quality and fame and, accordingly, individual firms face distinct market segments and need to apply different marketing approaches.

The DO certification coexists with individual brands, and is used by both small and large firms. The DO differentiates Cariñena wines from other origin-labelled wines and reinforces (or provides) fame for individual products, while at the same time adding value to the product. Nevertheless, not all the firms have the technology, the structure, the capacity or the marketing capabilities to bottle wine (only 32 out of 56 wineries have bottling plants) and so, despite the product having passed the controls and received the permission to carry the DO, part of it will eventually be sold in bulk or as table wine (Sanjuán and Albisu, 2004). As an illustration, in 2001 only 49% of the total wine produced by authorized winemakers in Cariñena was marketed with the DO label, but this amounted to 74% of the sales value (Albisu and Sanjuán, 2003). From

another viewpoint, small- and medium-sized firms belonging to the DO get incentives in terms of quality controls and technology, together with the technical and marketing advice provided by the DO which helps the firms to market their products.

The distribution of Cariñena wines is equally done through traditional retailers, large distribution channels and on-trade channels (restaurants, bars, hotels), although the trend, in accordance with the wine sector in general, is towards a decreasing presence of traditional retailers in favour of the large distribution and on-trade channels.

The Link with Consumers and Citizens

In the past, Cariñena wines were used for mixtures as a result of their robust body and high alcohol content (around 17 degrees). This has become a disadvantage, as it has generated a bad collective image and relatively low reputation that is not in accordance with the quality improvements developed over the past few years. Besides, the low price positioning of many Cariñena wines may have also reinforced that negative image. As a matter of fact, most wines currently marketed have an alcohol content of 12–13 degrees, while consumers may still be misled by the particular taste of the Grenache variety, which is high in polyphenols. Winemakers manifested their concern about the relatively bad reputation of their wines in a personal interview carried out by Albisu and Sanjuán (2003) in 2003. The Regulatory Body is making a constant effort to promote the product and to change this perception, through generic promotions and public relations activities. Most of the generic promotion, however, is undertaken within the region (Aragón), which is what has contributed to improving the perception of Aragonese consumers – although not that of other Spanish consumers.

The recognition of the DO Cariñena is higher within the boundaries of the home region. In Aragón, the level of acknowledgement is over 90%, ranking first among the four origin-labelled wines of the region; in the neighbouring regions of La Rioja and Navarra, over 50% of consumers acknowledge DO Cariñena (Sanjuán *et al*., 2006), while, on average, awareness falls to 28% in Spain (MAPA, 2000).

Citizens are attracted by the numerous changes that the DO Cariñena is undertaking, and there is a new wave of recent investment that is coming from non-agricultural sectors. This means that the reputation of the wine is improving, and returns on investments look promising as well.

The Link with Rural Development

The population of the county of Cariñena is 10,719 inhabitants, and the proportion of the active population dedicated full time to agriculture is 19%. Vines are the most important and profitable crop on irrigated land and the second most widespread in non-irrigated land (after durum wheat). Altogether, the vineyard area represents 27% of the total crop area of the county (Portal de Comarcas de Aragón, 2010). Most grape growers take care of their own plots as part-time workers, so that vineyards provide only one source of their incomes, and not necessarily the most important. The location of the winemakers in the area contributes to the generation of employment and retention of revenues within the region, although some of the grape and wine related revenues may flow outside the county as some of the people engaged in these activities live in Zaragoza, the main city of Aragón, which is located only 50 kilometres away from Cariñena.

The name of Cariñena is known thanks to its wines, and there is strong potential in the area, not only because of its historical, cultural and natural assets, but also because of its good communications with the main city in the region. Nevertheless, there is not a network of diversified activities; initiatives are mainly individual. For instance, there is a Museum of Wine, but visits to it are not exploited in connection with visits to wineries, a wine route or

other gastronomically oriented routes. Even though there are cultural routes in the area linked to the birth house of the well-known painter Goya, and to pottery handicraft workshops, these are developed in isolation. Therefore, using the wine as a pole of attraction could provide many more opportunities which have not yet been implemented.

Conclusion

The DO Cariñena dates back as far as 1932, and is a good example of how a sector with historical roots adapts to market circumstances and how the Regulatory Body and wineries have to invest in communication to transmit those changes to consumers – as happens in Type III systems within the geographical indication (GI) archetypal framework described in the introduction to this Appendix.

The DO possesses a Code of Practice, implemented by the Regulatory Body, which defines specific rules concerning the area of production, the grape varieties, growing practices, winemaking, bottling and quality controls. The certification requirements impose restrictions and an extra cost to the firms, which, nevertheless, they are eager to accept because they are aware of the price premium that their origin-certified product can get at the marketplace. The DO certification coexists with individual brands, usually very little known and in any case less recognized than the DO. The DO provides, then, an overall image and fame for the collective and adds value to the product. It also gathers together a very heterogeneous group of firms, with different legislative structures, sizes, degrees of diversification, etc. Accordingly, the marketing policies are carried out individually, although there is a constant effort to promote the DO collectively by the Regulatory Body.

There has been a constant effort to search for higher product value that could be added to grape production; from bulk to bottled wines, from regional to national and international markets. Although many farmers live in the large nearby city of Zaragoza, outside the county, they have been engaged with all farming activities, which has had a clear impact on their attitudes towards preserving and promoting their rural dwellings. The biggest changes in the last decade have been the conglomeration of cooperatives, the search for new products and the efforts to change the image that they present to consumers. All those changes have found recognition by people living in the region and by the public authorities, as well as by wine critics and specialists.

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System IV: Roquefort Cheese (France)

Julien Frayssignes

The Product and Its Protection System

Like all the famous cheeses in France, the history of Roquefort cheese begins with a legend. According to this legend, a young shepherd forgot his meal (bread and white cheese) and left it in a cave. On his return, he noticed that the mould that had developed on his bread had spread to the cheese. Thus was Roquefort cheese born. The cheese has been known to exist since ancient times; archaeological research has identified a centuries-old cheese tradition dating back to around 3500 BC. Official recognition of Roquefort cheese also dates back centuries. The Parliament of Toulouse affirmed its specificity as early as 1666 (in the Old Regime). Around 1920, legal protection of the product was instituted as a result of the desire of local actors to stabilize the market. Cheese processors wanted to have exclusive rights to the cheese in order to build a kind of regional monopoly. Regional milk producers wanted the authorized area of milk production to be properly defined to prevent the processors from accessing supplies of milk from outside the region (some processors had proposed building dairies in other countries). The resulting Law of 1925 is the expression of a compromise between these goals. There were numerous conflicts between processors and milk producers in reaching agreement on this law, but the necessity for cooperation eventually prevailed.

Roquefort is a blue cheese produced exclusively with raw ewe's milk which has been inoculated with the blue spores of *Penicillium roqueforti*. The milk may only be derived from ewes of the Lacaune breed, which may be grass fed or given fodder and feed grain of which 75% comes from the designated production **region**. The cheese is ripened for a minimum period of 90 days. Part of the ripening takes place in natural caves which are located under the village of Roquefort-sur-Soulzon (in Aveyron) (see Fig. A1.4) and are delimited by a judgment of the tribunal of the city of Millau made on 12 July 1961. These caves are characterized by a constant temperature and humidity all year long. As already stated, the cheese has benefited from legal protection since the Law of 1925, which forbids anyone from using the name 'Roquefort' in labelling their cheeses unless they conform to the established **code of practice**. The region of production is essentially rural. Agriculture and agro-food activities represent an important sector of the economy (about 15–20% of employment) and, in 2000, 95% of agricultural income was derived from raising sheep, making it the primary agricultural activity.

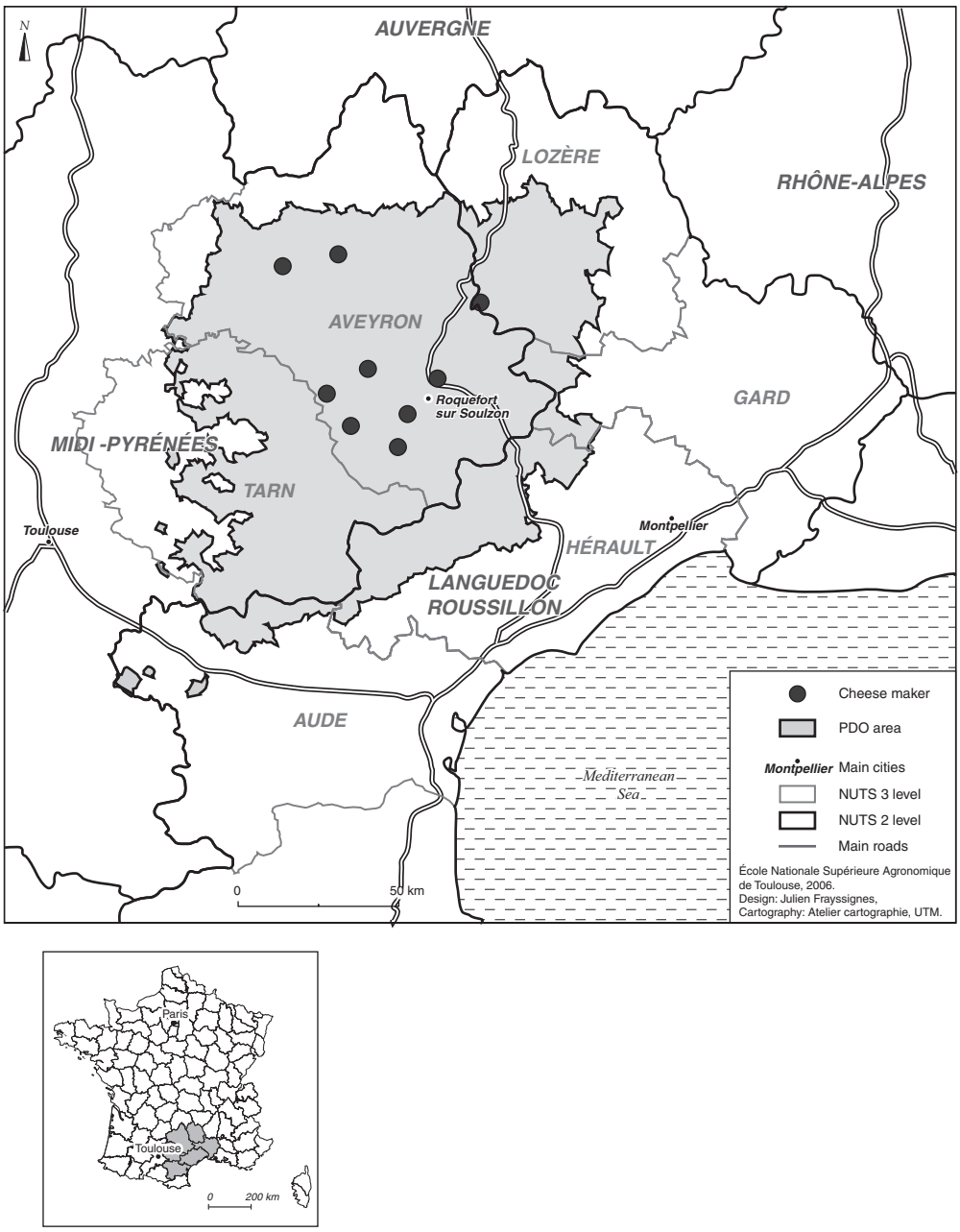

Fig. A1.4. Roquefort cheese case study, France: location map (PDO = protected designation of origin; NUTS = European Union population classification for the administrative area concerned, NUTS 3 = 150,000–800,000, NUTS 2 = 800,000–3 million).

The Roquefort cheese supply chain is based on specific resources and on a production system with particular characteristics. This production system was developed during the 19th and the 20th centuries, with the construction of dairies throughout the region, research on refrigeration of the cheeses, and so on. The actors of the emergent supply chain contributed to the elaboration of what can be called the 'Roquefort cheese model'. In the context of a scarcity of ewe's milk in the region, the model was oriented towards intensification and increases in productivity. This model is characterized by several specific elements which include mechanization of milking, the use of artificial insemination, etc.). The resulting increases in regional milk production were quite large between 1960 and 1980, and beginning in the period from 1970 to 1975 overproduction became structural (Brossier and Valceschini, 1991). The market for Roquefort cheese could not absorb the increased milk production, which led to steps being taken towards diversification in 1972/73. In doing this, the 'Roquefort cheese model' became the first cheese production chain in France to move towards production control and quality improvement. This transformation of the production system contributed to the emergence of an early, very specific cheese manufacturing know-how that is now well known all over the world.

Adherence to the code of practice is guaranteed by a complex system of controls which apply to every stage of Roquefort cheese production. At the present time, and in connection with INAO (Institut National de l'Origine et de la Qualité – the French National Institute for Designations of Origin), the actors in the supply chain are developing a specific system of auto-control destined to formalize the most important elements of the code of practice and to verify that they are appropriately applied. Part of the certification procedure addresses the quality of the milk used. Supply chain actors have progressively developed a 'grid' with specific, precise and strict criteria. This grid governs in part the price paid for milk. For ewe's milk, the primary quality criterion is the level of fat that it contains. Also, sanctions are imposed on the producers in the event that pathogenic bacteria are found to be present. Finally, milk producers who use silage in feeding must be willing to assume the extra costs of specific controls applied to this practice. The Regulation (EC = European Commission or Council) No. 1107/96 confers PDO (**protected designation of origin**) status on Roquefort cheese. The cheese is now regulated by the decree of 22 January 2001, which abrogates the previous decree of 29 December 1986. In France, all products benefiting from AOC (appellation d'origine contrôlée) status have been controlled through INAO since 1990, and all Roquefort cheeses must therefore carry the INAO label. Moreover, this logo must be accompanied by the collective brand of the **interprofessional organization** 'Confédération de Roquefort', and symbolized by a red ewe. Those labels are very often combined with trademarks, such as 'Roquefort Société' (the most well-known brand) or 'Roquefort Papillon'.

The Production and Marketing System

The supply chain is organized around two types of actors: milk producers and industrial cheese processors. Farms deliver their raw material to collectors, who transport it to large dairies belonging to processors and located in the region of production (see Fig. A1.4). Milk is then routed towards the Roquefort-sur-Soulzon caves in order to be matured. From that point forward, only the industrial processing companies deal with the cheese manufacturing and marketing. Relations between the two types of actors are close and very structured. Indeed, the chain is characterized by specific rules established by the actors themselves. Every year, ewe's milk producers and dairy processors negotiate the milk price within the chain. The price depends on milk quality and on the market. From 2000 to 2006, the price remained at more than 1 euro/litre, which is very high. The annual production of Roquefort cheese is about 18,000 tons. In 2004, 180 million litres of milk were collected, but only 90 million (50%) were used in the production of Roquefort cheese. The remainder was processed into alternative

products. Today, seven firms produce and sell Roquefort cheese. Concentration of the industry has remained high, with the largest firm representing 70% of the production ('Roquefort Société', established in 1842, which belongs to the Lactalis group). In 2004, about 85% of the cheese was sold by major grocery distributors; small firms have always had their own distribution network (such as retail creameries and restaurants), and 3000 tons of Roquefort cheese was exported.

Since 1922, milk producers have belonged to the 'Fédération Régionale des Syndicats d'Eleveurs de Brebis' (FRSEB, Regional Federation of Sheep Producers Unions). Following this lead, industrial processors created their own organization in 1928: the 'Fédération des Syndicats des Industriels de Roquefort' (FSIR, the Federation of Industrial Unions of Roquefort Processors). In spite of divergent goals, these two organizations realized over time the necessity of working together, and, in 1930, the 'Confédération de Roquefort' was created by joining them together. By agreement with INAO, management of the Roquefort AOC has been carried out by this organization since that time. The Confederation of Roquefort works as a real interprofessional organization. The power of the two groups (milk producers and industrial processors) is equivalent because each of them possesses one vote, and decisions are taken unanimously. Relations among actors are regulated within the framework of this organization, especially when it comes to negotiating the price of milk. Management of raw material supply is also done collectively based on an innovative system created by the Confederation in 1987 that restricts excess milk production.

The key words that now characterize the supply chain are *cohesion*, *perenniality* and *self-governance*: *cohesion* because the numerous crises due to divergent goals have always been regulated within the chain, *perenniality* because the chain has managed to preserve its unity and guarantee its reproduction over time, and *self-governance* because the actors established their own rules very early on, without drawing on regional or national institutions. The best example of this self-governance is the system of payment for the milk, which is called 'Individual Reference Volumes'. In 1987, each milk producer obtained a maximal quantity of milk to produce (their 'Reference Volume') calculated on the basis of the volume they had produced in the previous 4 years (1983–1987). However, the relations among the actors are far from always being friendly. Over the history of the supply chain, and still today, many conflicts have taken place between milk producers and industrial processors. These conflicts have emerged over a number of issues: the code of practice, the delimitation of the area of production, the price of milk and the implementation of a three-tiered system of milk pricing in 1987. Until it was resolved, this last decision caused the most serious crisis for the Confederation of Roquefort, even raising the possibility that the interprofessional organization might be disbanded (Frayssignes, 2001).

The Link with Consumers and Citizens

Marketing of Roquefort cheese is carried out in two primary ways, either individually or through **collective organizations**. Individual marketing is done by firms which work to enhance their trademarks ('Roquefort Société', 'Papillon', 'Le Vieux Berger', etc.). The Confederation supports collective marketing by efforts to promote the name of Roquefort and the AOC. Contrary to other AOC cheeses such as Comté, the origin of the product is not stressed as a front line of promotion. Rather, advertising campaigns insist essentially on the know-how of producers and processors and on the aged quality of the product. Among competing blue cheeses, Roquefort cheese seems to be the reference for consumers and in upmarket products, notably because of its higher prices relative to other cheeses. This difference can be explained by the higher costs of production (raw ewe's milk), and the age and reputation of Roquefort cheese further differentiate the product from other blue cheeses. Nevertheless,

the commercial success of the cheese leads to the emergence of imitation products, coming for example from Lactalis competitors such as the Bongrain group, which created the 'Saint-Agur' cheese. With the help of an advertising campaign and packaging relatively similar to that of Roquefort cheese, the Saint-Agur trademark manages to position itself in the same range of products, with a price roughly equivalent to that of Roquefort.

From the commercial point of view, the AOC label is a selling point, but the basis of the success of the cheese is first and foremost due to the 'Roquefort' designation. We said that 85% of the cheese produced in the Roquefort region is sold by major grocery distributors, but each processing firm produces a large range of products, differentiated by weight, taste, marketing, etc., which include non-Roquefort cheeses and other non-cheese products made with ewe's milk, such as cream. The variety of these products is reflected in their prices.

This diversification strategy is an important characteristic of the Roquefort cheese supply chain. The payment system for ewe's milk also takes the diversification into account because milk processed into Roquefort cheese receives a higher price than that used for feta (1.10 euro against 0.70 euro per litre). The maintenance of high prices for feta has been called into question by the European Union (EU) decision which assigns the PDO for feta to Greek producers, and, as of 2007, the use of the feta designation has been forbidden to all other EU countries. French producers have therefore been obliged to change their practices to be in accordance with the European regulation. The quantity of milk processed into Roquefort cheese depends directly on market outlets but, in general, the supply is managed collectively. When an industrial producer runs short of milk, it can be supplied by another company in the Confederation. This cooperation is possible because there is no official individual agreement between industrial companies and milk producers; however, it does raise a question as to whether such practices are compatible with competition practices as authorized by law.

The Link with Rural Development

Currently, economic activities linked with Roquefort cheese involve about 2400 milk producers and 1700 industrial jobs in processing firms and dairies. The economic contribution of the supply chain is very important: in the south of Aveyron, it accounts for 45% of all jobs and more than 50% of regional agricultural **value-added**. If we include related jobs (in transportation, for example), then activities linked with Roquefort cheese account for about 10,000 jobs. Thus, the Roquefort cheese supply chain is definitively the key economic player in the region. This very specific situation has contributed to the emergence of a territory principally dedicated to milk and cheese production. Many local and regional firms work primarily in connection with the Roquefort cheese supply chain (suppliers, providers of services, etc.), and ensure its productive functioning: the logistics, relations with local costumers, quality management, research and development, and so on. The Roquefort cheese supply chain seems to work as a true local production system characterized by a relatively significant capacity to adapt to its economic environment. The specific resources that have developed regionally have contributed to the emergence of an innovative pole of services and skills based on agricultural and agro-food activities (Frayssignes, 2005). The reputation of Aveyron is notably due to Roquefort cheese, although Aveyron does not benefit from a well-known gastronomic reputation as does a region such as 'Périgord' for example (Bessière, 2000), because many people don't know where Roquefort is located in France, although everyone knows the cheese.

In terms of employment and value-added, the contribution of Roquefort cheese to **rural development** in the region of its production is enormous. As with many profoundly rural territories in France, southern Aveyron belongs to the 'diagonale aride' (arid diagonal), which stretches across the country from the north-east to the south-west. This band is characterized by low-density population. Thus, the fight against demographic decline is one of the most

important issues in Aveyron, and the resilience of the Roquefort cheese supply chain seems to be an essential condition for maintaining the agricultural and rural population; in 1999, this was only 18 inhabitants per square kilometre, with a significant percentage of farmers without successors. The links between agriculture and rural development are therefore very tight. However, from the point of view of endogenously led development in particular, it would be helpful for the network of relations between the Roquefort cheese supply chain and local actors to be reinforced.

In spite of its economic contribution, the impact of the supply chain on rural development is not easy to measure. The area of production is certainly enhanced by the presence of the product, but it doesn't seem to be a priority, in particular for a firm like Lactalis. For example, the link between agriculture and tourism is very weak. The main point of interest in the region is the village of Roquefort-sur-Soulzon, where the caves are located, which receives approximately 200,000 visitors a year. But this has very little impact on the rest of the territory. Unlike other regions, such as the Auvergne and the Alpes, there is no tourist initiative such as a 'Route des Fromages' ('Cheese Trail'), which could enhance territorial resources – even though an initial effort, the 'Réseau de visites de fermes en pays de Roquefort' (Network of Farm Visits in Roquefort), began a few years ago; this is actually the only example of formal coordination between agriculture and tourism in the region.

This situation is essentially the result of the high level of income generated by the work linked with Roquefort cheese. The supply chain has unconsciously precluded local actors from making use of alternative development projects. This explains why agro-tourism is not very developed among the milk producers of the area. The sector-related logic has always prevailed, and relations between supply chain actors and institutional actors, when they exist, are usually conflictual in nature. Nevertheless, we have noticed the emergence and growth of several local alternative products made with ewe's milk by actors located outside the Roquefort supply chain (for example, the future AOC 'Pérail de brebis'). The recent creation of the 'Centre de Ressources du Rayon de Roquefort' (Resource Centre for the Roquefort Area) follows this development. 'Roquefort territory' is gradually becoming a land dedicated to the ewe, which in terms of rural development, opens up new prospects.

Conclusion

Roquefort cheese is an interesting example of a developed system based on a sectoral logic (System type IV within the geographical indication (GI) archetypal framework described in the introduction to this Appendix). By working as a real interprofessional organization, the supply chain demonstrates many special characteristics (long history, partial self-governance and cohesion – despite strong conflicts). None the less, the link with the local economy seems to be very strong, considering the economic contribution of the chain in terms of employment and added value. In the future, the capacity of actors to work collaboratively, combined with their specific skills (technical, marketing, management), will be a key factor in perpetuating the supply chain.

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System V: Salumi Tipici Piacentini (Italy)

Claudio Montanari and Kees De Roest

The Product and Its Protection System

Coppa Piacentina, Salame Piacentino and Pancetta Piacentina are traditional cured pork salamis produced in the province of Piacenza, situated on the western side of the Emilia-Romagna **region**, which is in the north of Italy (see Fig. A1.5). They were recognized as **protected designations of origin** (PDOs) by the European Union (EU) in 1996, thus increasing the number of origin-labelled salamis coming from this part of Italy – where the pork-processing industry is well developed. In fact, the production area may be considered part of a larger pork-processing district which encompasses the province of Parma and produces many other PDO pork products, some of which are well known at the international level. The three registered names refer to three different types of cured seasoned pork products obtained from the cervix muscles of heavy pigs (Coppa Piacentina), from a mixture of loin and lard (Salame Piacentino) and from bacon (Pancetta Piacentina). For all three PDOs, minimum standards are prescribed both for the characteristics of the raw material used and for the production techniques – and in particular for the minimum ageing period, which is assumed to have a fundamental influence on the quality of the finished products. The raw material is derived from heavy Italian pigs that are typical in this area; they weigh approximately 160 kg live weight at slaughter, and are bred and fattened according to the same rules contained in the **code of practice** established for Parma Ham. This type of meat is also used for other PDOs and for **protected geographical indications** (PGIs), and accounts for a large proportion of the meat processed by the pork industry in the north of Italy.

Production processes are based more on non-material assets than on local conditions linked to ecological aspects of the **terroir**, such as climate or soil conditions. Historical documents dating back as far as the Middle Ages testify to the skill of local pork butchers, highlighting the particular tradition of salami production associated with the region. Over the past century, localized, specific traditions within the region have influenced one another, and Emilia-Romagna's production knowledge has spread outside the region. Both of these phenomena have weakened the ties between specific local areas in the region and the techniques they originated. Today, the production technology and techniques are well known throughout the north of Italy, and easily appropriable by operators within the pork-processing sector. The resulting characteristics of the three PDOs produced in Piacenza are linked to the strict requirements found in the code of practice for the length of the ageing or salting period, the average beginning and ending weights of the products and the types of casing material used.

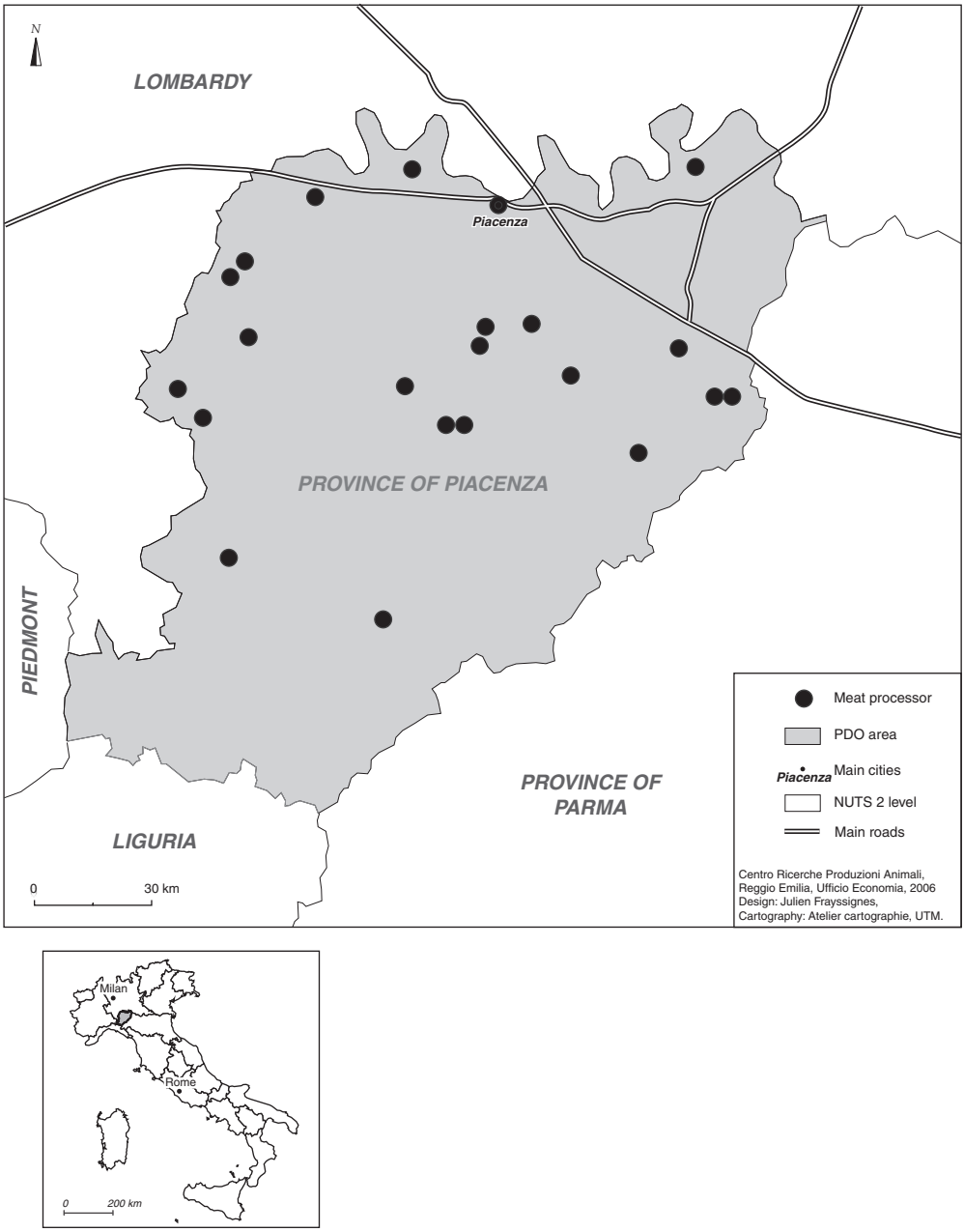

Fig. A1.5. Salumi Typici Piacentini case study, Italy: location map (PDO = protected designation of origin; NUTS = European Union population classification for the administrative area concerned, NUTS 2 = 800,000–3 million).

These techniques are the heritage of a long tradition and guarantee higher quality than the standards applied to generic products.

In 2002, only two of the 22 pork processors in Piacenza were not certified for any of the PDO labels; of the remaining 20, 13 boasted certification for all three salami PDOs. Most processors in Piacenza are small or medium-sized firms. The most recent data available indicate that 70% of processors in Piacenza had less than 20 employees. Industry-wide pork production turnover in 2002 was estimated at approximately 90 million euros, less than 6 million of which came from PDO production. All of the PDO-producing firms are members of a consortium (Consorzio Salumi Tipici Piacentini) founded in 1971 to promote a collective branding policy in favour of locally cured pork products. During the 1980s, and up until the first half of the 1990s, before any specific code of practice was established, the consortium was not very effective. It suffered from a lack of funds and was limited to managing what was basically a generic collective brand. The approval of Regulation (EC = European Commission or Council) No. 2081/92 created a common European normative framework for 'typical' agro-food products, and encouraged the consortium to develop a production certification plan, just as consortia in other provinces of the region were doing or had already done. The leading example came from the nearby district of Parma, which in the 1970s had already managed to build up a strong, successful brand image for Parma Ham based on its historical reputation and on designations fixed according to Italian law. Within the high-quality cured pork market, increasing competition among origin-labelled salamis pushed producers in different areas of Italy to organize themselves into consortia and follow the same strategy.

After **recognition** by the European Union (EU) occurred in 1996, a quality-control system was been set up following the requirements of EU Regulation No. 2081/92. In January 1998, a third-party independent body, ECEPA (Ente di Certificazione Prodotti Agroalimentari), was created to oversee control of production. In May 1999, ECEPA was recognized by the Italian Ministry of Agricultural Policy as the official certification body, and in September of that same year it certified the first pork processors for PDO production.

In addition to the 22 local processing firms, the certification system includes 22 slaughterhouses and several hundred pig farms, covering the entire supply chain. Periodic controls are carried out to verify that conditions for participation in the PDO-certified chain of production are being met. Controls include physical, chemical and organoleptic analyses of products, as well as verification of all record keeping documenting compliance with the code of practice. Self-control mechanisms agreed to by slaughterhouses and processing plants to guarantee product traceability are also checked.

The Production and Marketing System

Each pork-processing firm operates as an independent business with its own marketing policy, processes both PDO-labelled and unlabelled products and develops its own strategies for diversifying what is offered on the **market**. Only in a few cases have firms developed stricter speciality standards for two or three types of non-PDO salamis.[1] At any rate, in this category of product, whether it is a PDO or a non-PDO with PDO-like characteristics, it represents the top of the line in quality. Differences in non-regulated production techniques, in marketing channels and in scale lead to a high degree of variability in the use of the PDO mark among companies. Furthermore, PDO salamis made by the firms may have different quality standards and yet still remain within the limits set by the code of practice. The ageing period may be higher, for example, or the use of spices may be different, depending primarily on the company's customers and their preferences.

Research carried out in 2002 shows that the percentage of total sales made up by PDO products was highest among larger firms. For some of these firms, the quantity of PDO production can outstrip generic production. Smaller firms, however, are more likely to retain

a higher proportion of their total production potentially eligible to become PDO salamis as unlabelled salamis (i.e. salamis which meet all the prerequisites set by the code of practice, but which the producer decides to sell without a designation of origin). In the case of Coppa and Pancetta, 40% of the production processed in conformity with PDO norms but eventually sold without an origin label comes from the smaller firms. These small firms exploit their strong reputation on the local market and towards local consumers; they do not need a PDO label to qualify their products. Although they produce in compliance with the code of practice, the non-PDO labelling of the products of these small firms reduces the costs of certification.

The high concentration of PDO production among few firms demonstrates that within 2 years of establishment of the label only a few companies were successfully running a differentiation strategy based on the PDO. The origin label has offered different opportunities to local processing firms, and such wide differences in the percentage of their certified production reflects different approaches to PDO policy. Firms which have invested in PDO marketing tend to distinguish themselves by demonstrating a higher level of dynamism. They look at modern forms of distribution as an opportunity to go beyond the narrowness and fragmentation of traditional retailing outlets to reach bigger and concentrated consumption areas. The **value-added** created by origin labels has reinforced market relationships among the leading local firms and the multiple retail chains that sell the PDOs under their private label and in store spaces reserved for typical Italian food products. Smaller firms cannot seize these opportunities, either because they do not have a large enough production capacity to satisfy the demand of a large retail chain, or because they are not able to put into place the quality-assurance system required. The regularity and consistency of orders required by chain retailers are not adequately remunerated as they pay lower wholesale prices to the processing firms.

In contrast, there are firms, and not necessarily smaller ones, which are strongly tied to the markets in which they traditionally move and do not feel the need to label their products with a PDO mark. Their main sales channels (small retailers, restaurants, etc.) do not justify the 'costs' involved in certification. Quality may be excellent, and all prescribed requirements for the origin label may have been followed, but some customers – in particular, local customers – are simply not concerned with the PDO label. They make their purchases based on their own evaluation of the product.

The Link with Consumers and Citizens

Salumi Tipici Piacentini are three of the many PDO/PGI pork products on the market in Italy that compete with one another. The province of Piacenza as a whole is less known for its production of high-quality pork products, to some extent owing to the fame of the province of Parma, which is internationally known for its traditional salamis. Coppa Piacentina, for example, is a direct competitor of Coppa di Parma, and these products share the top-quality coppa market. Similarly, Salame di Felino, whose name refers to a small village in the province of Parma, is probably better known among ordinary consumers than is Salame Piacentino. It should be noted that at this point neither Coppa di Parma nor Salame di Felino has been recognized with a PDO. These designations are often used even for products that cannot be compared in terms of their quality standards to the Piacenza PDOs. But behind the sales strength of these salamis lies an effective promotional effort carried out by many of the leading firms of the sector that have been able to promote Parma-labelled pork products. The relatively low number of associated firms and the small-to-medium size of the firms involved are the main obstacles to an efficient and widespread promotional policy in favour of Piacenza PDOs. As for the PDO mark, many consumers do not care about it yet, which explains the phenomenon of the production of high-quality coppa which does not carry the PDO label. At the local level, consumers and small retailers are more attracted by the firm label, so within local marketing networks the PDO label does not add significant value to the product. But consumers outside

the production area may become acquainted with the products of Piacenza and be willing to pay for origin-labelled products, thus contributing to an enlargement of the market. Within a context of market expansion, and considering the increasing interest of many retailers in certified food, origin labelling may become essential for gaining a competitive advantage.

The Link with Rural Development

In recent years, some institutional tools have been created to build networks among different local activities to increase opportunities for **rural development** by connecting sectors (tourism, non-food craft products and recreational services), starting with typical products. One of these tools is the 'Consorzio Piacenza Alimentare', which was promoted by the local Chamber of Commerce and associates 50 firms among the members of three local consortia for the safeguarding of typical products of Piacenza (Consorzio Salumi Tipici Piacentini in the salamis sector; Consorzio Vini Colli Piacentini in the wine sector; and Consorzio Formaggio Piacentino in the cheese sector). The Consorzio Piacenza Alimentare was created to strengthen the position of the provincial food-processing industry on national and international markets, and to increase the integration of associated sectors, such as tourism. This project springs from the need to overcome individual and fragmented policies and undertake common strategies focused on the territory and its resources. It foresees a series of services to the firms which can be integrated with the activities of the individual companies and consortia involved in the project (for example, participation in international food fairs such as Foodex, Prodex, Alimentaria and Cibus). It includes a series of promotional interventions such as communication campaigns aimed at consumers and at the trade sector, the organization of tasting events, the creation of stands for sales locations and collaboration with tourist-sector operators to organize guided tours of the companies.

Conclusion

Salumi Tipici Piacentini may be considered an example of the development of a set of GI products driven more by corporate logic than by territorial or sectoral logic. Variables identifying a corporate form of governance as the driving force of the system seem to prevail over those that characterize systems governed by sectoral or territorial logic. This is mainly the result of the characteristics of the actors involved (final processors), their organization in the PDO supply chain and their approach to the PDO scheme. Every local pork-processing firm is a multi-product company following its own goals, which are linked to different perspectives of firm development. Many of them are direct competitors on local and/or national markets, and competition is the main force driving their market strategies. Territorial logic seems to play a weaker role, considering the actual participation of the actors involved in the PDO chain. From this point of view, the PDO is just one more marketing tool among others, and the fact that some firms do not label their product PDO although they are in complete compliance with the code of practice is meaningful.

The realization of the PDO project for Salumi Tipici Piacentini was favoured by certain factors. Social and institutional frameworks were essential in supporting the local consortia, with the aim of promoting local food products and creating synergies with related sectors. Moreover, conflicts between producers were not so strong as to undermine the project, as had happened with other attempts to obtain special designations for other Italian pork products, which broke down as a result of competing interests among the stakeholders involved. The small number of firms involved, their long shared experience through other consortia during previous years and the absence of pressures from larger processors or market leaders involved in trade in local products have prevented divisions in the community of local producers and led to their success.

Note

[1] In 1963, the Consortium of Parma Ham was founded by an initiative of 23 producers. In 1970, the National Act No. 506 conferred national protection on the origin (production area) and on the code of practice of Parma Ham. In 1990, a new National Act was issued that tightened the code of practice and, finally, in 1996 Parma ham obtained EU recognition based on Regulation (EC) No. 2081/92.

System VI: Beacon Fell Traditional Lancashire Cheese (England)

Angela Tregear and Mitchell Ness

The Product and Its Protection System

Beacon Fell Traditional Lancashire cheese is a pressed, semi-soft, cows' milk cheese which is specific to the region of Lancashire, a relatively large county situated in the north-west of England (see Fig. A1.6). The north of the county is rural and hilly and well suited to pasturing, hence there is a long tradition of dairying and cheese making. Lancashire cheese had become recognized as a distinct variety by the 18th century (Mason, 1999). The traditional cheese is produced as follows. After the addition of starter culture and rennet, the curds are cut. After pitching (pushing the curds from one end of the vat to the other so that the whey can drain more easily), the curd is allowed to settle and the whey drained off. The curd is lightly pressed, broken and drained until dry. The original curd is then finely milled, during which process new curd is added; it is then mixed and salted. The cheeses are lightly pressed for 2 days, bandaged, waxed or buttered and left to mature. The cheese is sold from one month old onwards, but reaches full maturity at 6 months old.

In the 20th century, the production of Lancashire cheese was strongly influenced by the political and economic forces that affected cheese making more generally in the UK (Tregear, 2003). This led to differences between the traditional cheese described above and an industrial version, which appeared in the 1960s. These changes were, first, in 1933, the creation by the UK government of the Milk Marketing Board (MMB), a statutory monopoly with powers to buy and sell all milk produced in the UK (Blundel, 2002). Secondly, industrial scale, state-owned creameries were created to process the milk, with the remit to mass produce a handful of British territorial varieties according to standardized recipes. These policies had the effect of making small-scale, on-farm cheese production uneconomic, hence the mid-20th century witnessed a sharp decline in the numbers of UK artisan cheese makers, and a widespread move of cheese production from the farmhouse to the industrial creameries. For Lancashire cheese, a hard, acid version was created which was more suited to being made in 'block' style, on an industrial scale. As the industrial version was easily mass produced and distributed through multiple chains, it quickly became popularized, and it is this cheese that is now regarded as 'Lancashire' in the UK, despite being produced on a large scale by creameries outside the region.

The traditional version of Lancashire cheese is registered as a **protected designation of origin** (PDO) under Regulation (EC = European Commission of Council) No. 2081/92, and the registered name is 'Beacon Fell Traditional Lancashire Cheese'. Ten cheese makers hold

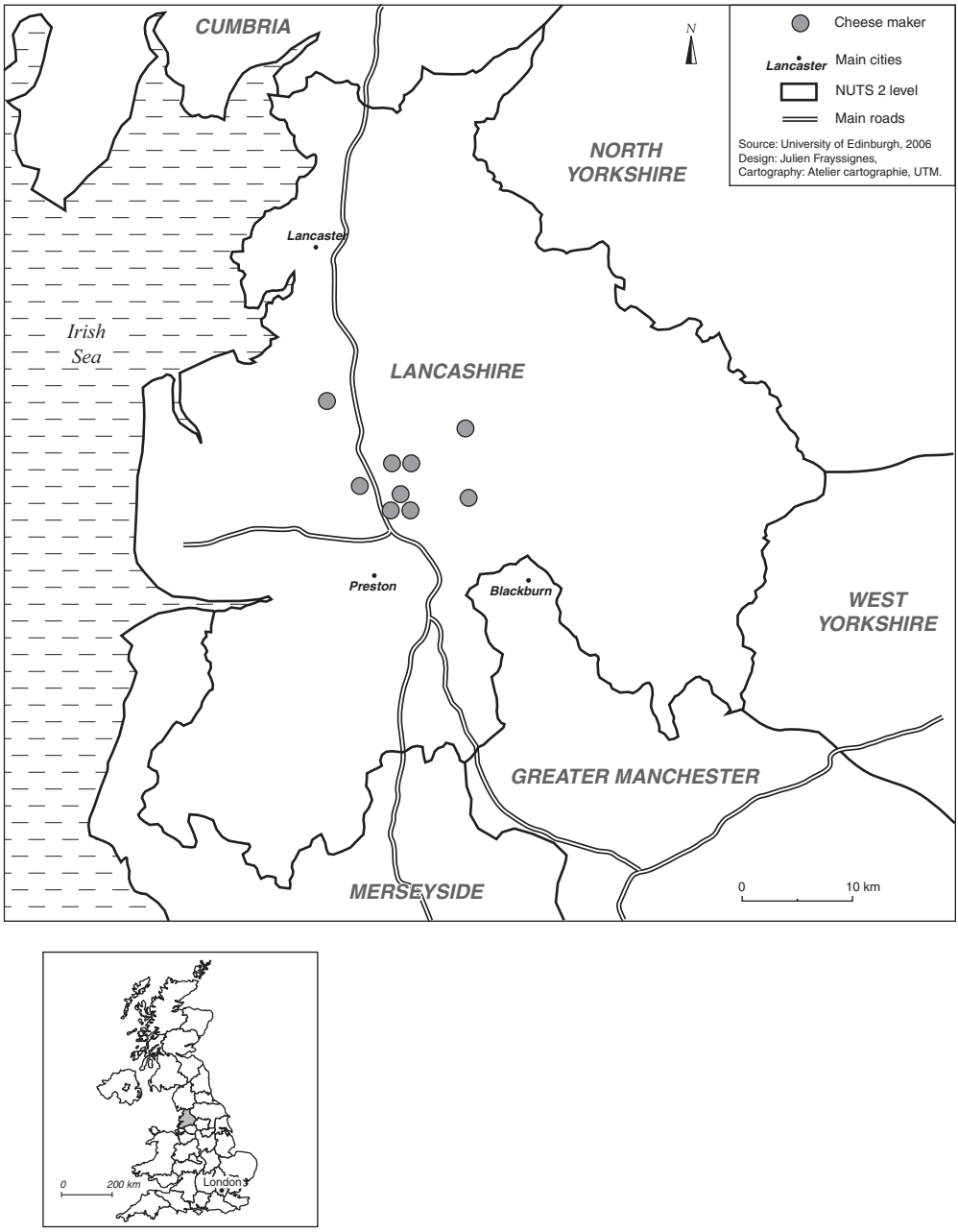

Fig. A1.6. Beacon Fell traditional Lancashire cheese case study, England: location map (NUTS = European Union population classification for the administrative area concerned, NUTS 2 = 800,000–3 million).

the PDO, of which seven are small and three are large. The smallest produces approximately 50 tons of cheese a year, and the largest produces approximately 500 tons. The geographical area of production is defined as the Fylde area of Lancashire, north of the River Ribble and including the Preston and Blackpool district of Lancashire.

The PDO application process was initiated by an individual cheese maker – the largest in the area – who perceived a potential marketing advantage to his business in obtaining the designation. Ironically, it was this cheese-making family which first introduced the acid version of the cheese in the 1960s which later became popularized as 'Lancashire'. This cheese maker stimulated the interest of the other cheese makers in the area via the reactivation of a pre-existing **producers' association** – the Lancashire Cheesemakers Association. This association had been originally created to undertake collective milk price negotiations with the MMB, but had effectively been disbanded since the dissolution of the MMB in the 1980s. The applicant group reached agreement on the production specifications, as described above. However, the applicants had to identify a product name for protection as the name 'Lancashire cheese' had been ruled to be generic. Also, there was no pre-existing specification of the geographical boundaries of the production area. The association adopted a pragmatic approach. A hill called Beacon Fell was identified as a relatively central geographical feature, equidistant from the location of all the applicant cheese makers. Hence, the protected name applied for, and designated, is 'Beacon Fell Traditional Lancashire Cheese'.

The PDO status is enforced under Trading Standards Authorities and civil courts. Protection is provided under **intellectual property rights** and trademark law (the Trade Marks Act of 1994 and the Trade Mark Rules of 2000). Defined product characteristics are covered by the UK Trade Marks Registry. Otherwise, the geographical aspects of the PDO are covered by the Food Labelling Regulations (1996), the Food Safety Act (1990) and the Trade Descriptions Act (1968) under the guidance of the UK Food Standards Agency.

The Production and Marketing System

The production and marketing of traditional Lancashire cheese is not an integrated system. Cheese makers operate as individual businesses with their own supply arrangements and contracts, and their own distribution channels. In most cases, milk is supplied from the cheese makers' own dairy herds or those within the family enterprise. The cheese is typically made on the farm. In most cases, the traditional cheese is produced alongside a portfolio of other cheeses. For example, for the largest producer, traditional Lancashire cheese represents only a fifth of total output. This producer also distributes other cheeses, both national and imported varieties, in the UK, continental Europe and the USA. Distribution channels vary among the cheese makers. Many distribute to wholesalers or specialist cheese retailers, often located in London or other large urban centres outside the region. The three largest producers distribute to supermarkets, where their cheeses are often merchandized as premium products, with joint branding of the cheese maker's brand name alongside the supermarket's own label. The use of farmers' markets is also common: one small-scale producer sells 100% of its output through local farmers' markets, though many other sell only a proportion of their output through this channel.

There is no common or collective branding of traditional Lancashire cheese. Producers apply their own brand names, typically family business names, plus an appropriate description of the product. The PDO is seldom used by producers on product labels. Only one producer – the largest – uses the PDO, and that in connection with a supermarket contract. The cheese makers are generally not active in advertising their products. Some of the producers have websites, but otherwise they rely on the promotional activities of other channel intermediaries such as wholesalers, specialist cheese retailers and supermarkets.

The Link with Consumers and Citizens

In most of the marketplace, there is a weak link between traditional Lancashire cheese and consumers/citizens. Although awareness and knowledge of the traditional version are higher in the home region, and also among certain segments of the cheese-buying public who are enthusiasts, for most consumers 'Lancashire' cheese is the industrial acid version of the product which they might use for cooking, as an ingredient, or for other everyday uses. Non-industrial or artisan-produced cheeses are generally considered 'speciality' cheeses in the UK. They are considered premium products and their identity is linked strongly to the individual cheese makers who produce them. These perceptions are encouraged by the marketing strategies of small-scale cheese makers, who personalize their products with their own brand names, and who enter into short and direct distribution channels with customers, thereby building one-to-one relations with them. The revival and protection of traditional Lancashire cheese have not inspired the same levels of public or citizen response witnessed in other regions such as Yorkshire, where a serious threat of extinction via the closure of a single creamery in Wensleydale prompted a group of local community leaders to stage a management buyout. Local consumers of traditional Lancashire cheese lack this type of public focal point or community movement.

The Link with Rural Development

The link between traditional Lancashire cheese and **rural development** activities and benefits is not singular. In terms of socio-economic benefits, all of the producer actors do engage in some level of direct marketing and/or use short distribution channels, which can be interpreted as offering benefits in terms of retaining revenues within the region, in generating employment and in stimulating social interaction. With the support of regional agencies and local government bodies, producers are also involved in initiatives such as tourist trails, and community activities such as courses and educational visits (although these efforts are constrained by the size of premises and regulations covering hygiene, safety and insurance). However, the very small number of producers involved and their small size mean that these socio-economic contributions are modest. The cheese makes more of a cultural contribution, as the cheese is made using a traditional 19th-century recipe, and its production sustains traditional methods and skills. However, the celebration and sharing of this cultural heritage in the wider community are somewhat underdeveloped.

The existence of the **geographical indication** (GI) protection mechanism makes little difference to the operation system of traditional Lancashire cheese and its impacts on rural or regional development. Only one cheese maker actually uses the PDO name and designation, and this is on products destined for supermarket outlets. Hence, the designation is not acting as a market signal, nor is it actively contributing to the valorization of the product. The PDO qualification may be considered to have brought more benefits in terms of reactivating a producers' association and thereby encouraging more interaction and collective effort among the cheese makers. Nevertheless, even after several years of holding the designation, the cheese makers still act very much as individuals, with their own sourcing, branding and marketing, not to mention community activities.

Conclusion

Traditional Lancashire cheese is a good example of an established, corporately governed GI product (System type VI in the GI archetypal framework described in the introduction to this

Appendix). From the mid-20th century there has been little history of collective activity in the production and marketing of traditional Lancashire cheese, and the current producers, in spite of the existence of a cheese makers' association, operate as separate businesses. The application of Regulation (EC) No. 2081/92 is problematic: in a context where the territorial name of the product ('Lancashire') is considered generic and therefore not eligible for protection, and a qualitatively descriptive name is invented which is not a powerful market signal. Instead, producers use their own family names or brand names to identify and distinguish their products, which can be protected via trademark laws. The case illustrates some of the consequences of applying a GI protection system derived from common law principles to an example where producers have no recent history of collective action and where the conventions towards branding and product identity are based on private law principles.

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Appendix 2

System Maps: Protected Designations of Origin and Geographical Indications (PDOs and PGIs)

Introduction

This appendix includes four maps. The first (Fig. A2.1) shows the numbers of food products registered as protected designation of origin (PDO) products in Europe in 2010, and the second (Fig. A2.2) shows the numbers of quality wines registered as PDO products in Europe in that year.

The third map (Fig. A2.3) shows the numbers of food products registered as protected geographical indication (PGI) products in Europe (and Colombia) in 2010, and the last (Fig. A2.4) shows the numbers of quality wines registered as PGI products in Europe in that year.

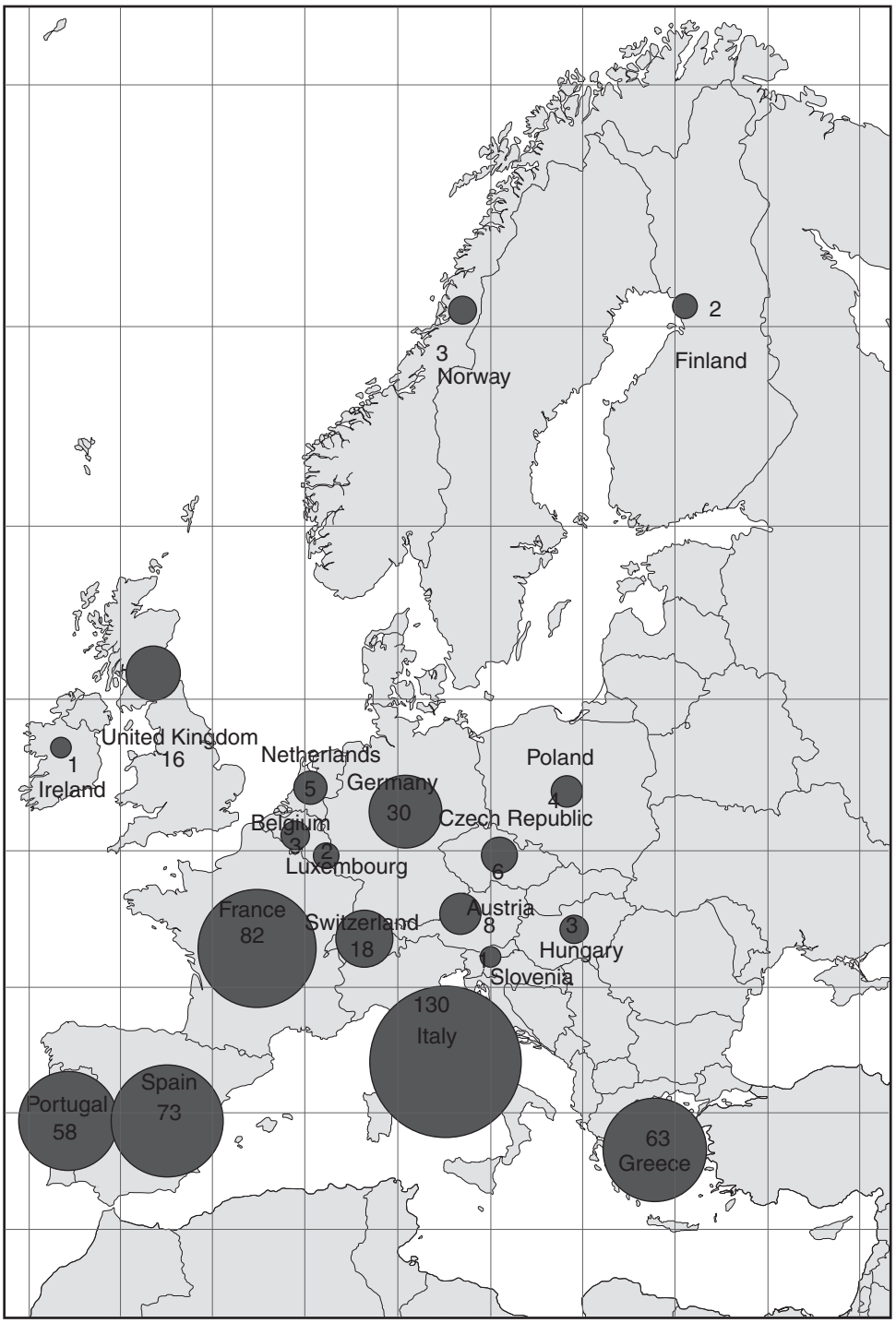

Fig. A2.1. Numbers of food products registered as protected designations of origin (PDOs) in Europe, by country, 2010. Source: European Commission Directorate General Agriculture and Rural Development (DG AGRI)/Federal Office for Agriculture, Switzerland.

Fig. A2.2. Numbers of quality wines registered as protected designations of origin (PDOs) in Europe, by country, 2010. Source: European Commission Directorate General Agriculture and Rural Development (DG AGRI)/Federal Office for Agriculture, Switzerland.

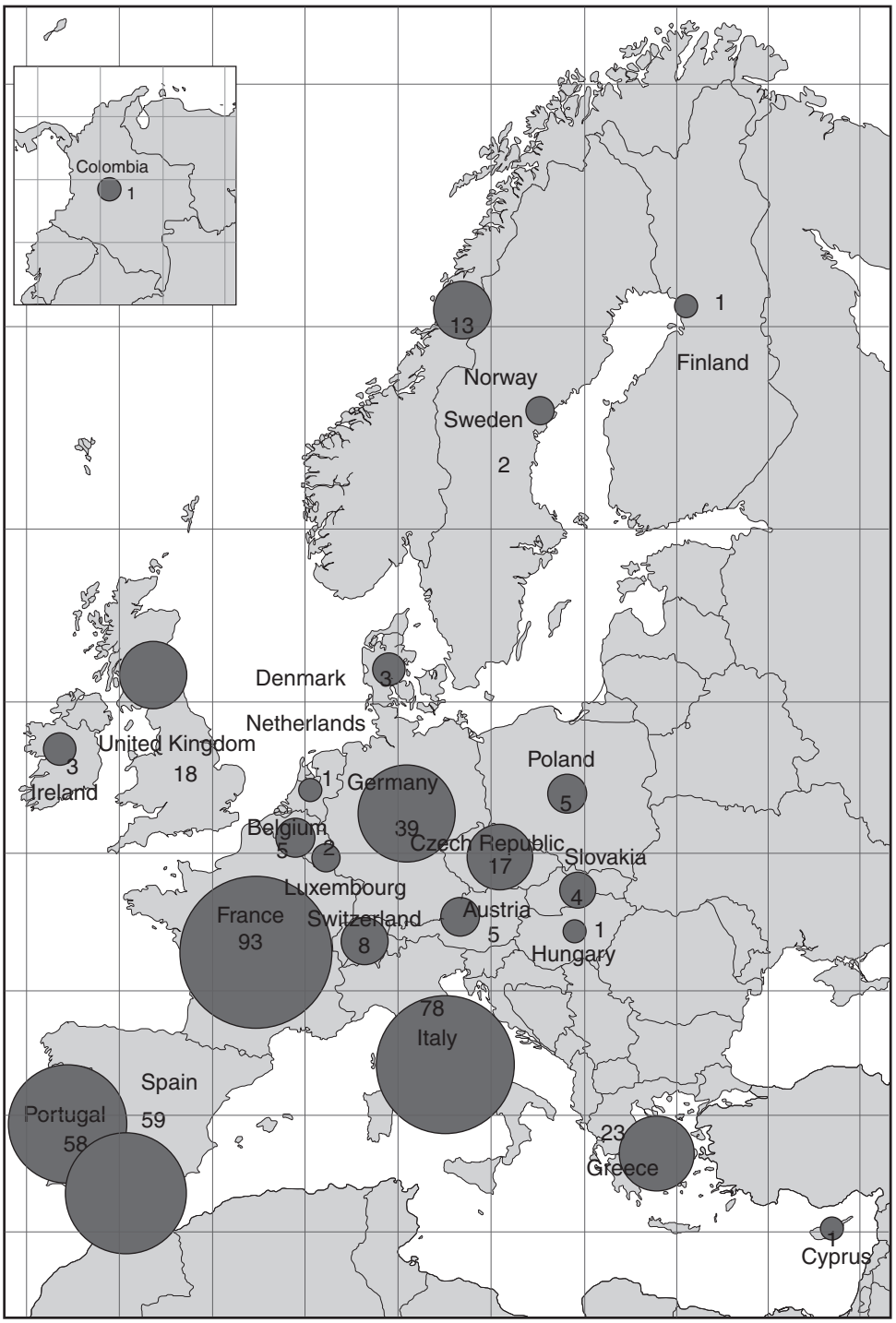

Fig. A2.3. Numbers of food products registered as protected geographical indications (PGIs) in Europe, by country, and in Colombia, 2010. Source: European Commission Directorate General Agriculture and Rural Development (DG AGRI)/Federal Office for Agriculture, Switzerland.

Fig. A2.4. Numbers of quality wines registered as protected geographical indications (PGIs) in Europe, by country, 2010. Source: European Commission Directorate General Agriculture and Rural Development (DG AGRI)/Federal Office for Agriculture, Switzerland.

Glossary

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The terms defined here are marked in bold text the first time they appear in any given chapter or case study. Terms are also given in bold text below at the beginning of each definition and where they appear in any definition.

Alliance: A particular form of **collective organization** between independent firms cooperating to share certain common objectives, and combining their resources and expertise to realize these objectives in the interest of each participating firm. Alliances are justified by their benefits in reducing transaction costs, seeking synergies in research and risk reduction. The forms that alliances take can be quite varied: joint ventures, subcontracting, partial integration, agreements on technology sharing, etc.

In the area of **geographical indications (GIs)**, a strategic alliance might be established, for example, between producers and processors who form an **interprofessional association** to coordinate the production and sales of a local product so that consumers are willing to pay a **value-added** for the product, feeling confident that it will have the specific level of quality that they are seeking (see Voisin *et al*., 2000).

Appellation of origin (AO): This is defined in the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, adopted in 1958 under the auspices of the World Intellectual Property Organization (WIPO). According to Article 2 of this Agreement, an AO is 'the geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.[1]

Certification body: For a product to be certified, a third party must give written assurance that the product, process or service being certified meets specified requirements. Certifications are offered through a certification body, which is usually a business organization but can sometimes be a professional or regulatory body. Potential consumers of a certification wish to understand the nature of the certifying body and the certification process. The well-known ISO (International Organization for Standardization) is an NGO (non-governmental organization) acting as an international **standard**-setting body and composed of representatives from national standard bodies. Several requirements are attached to ISO certification: neutrality, effectiveness, competence, etc. In some cases, certification bodies are officially accredited as in accordance with ISO standards requirements (e.g. Cofrac (Comité français d'accréditation) in France).

In the field of **geographical indications (GIs)**, certification bodies establish **codes of practice** and assure that producers respect these codes. By providing indications of actors' qualifications, certification bodies recognize distinctions among groups of producers, and thus take part in regulating the market.

Code of practice: A documented list of precise practices to be implemented, along with standards of production to be met, in making an **origin product**; usually agreed upon by the **producers' association/consortium**. The code refers to standards, minimal standards, product specifications, production mode and production conditions.

In EU Regulation (EC) No. 2081/92 (now 510/06), related to the recognition of a **protected designation of origin (PDO)** or **protected geographical indication (PGI)**, the code of practice should contain the specification of the characteristics of the raw materials and of the production process, and the qualitative requirements of the product. Note that qualitative requirements may apply to the raw materials, elements of the processing, and/or the final product. The code of practice should also delimit the area in which the production process must take place (in the case of a PDO), or in which certain phases of the production process must take place (in the case of the less stringent PGI).

Collective good: A collective good, whether produced by the public or private sector, is a good that can be used simultaneously by several actors without any diminution of its attributes. The consumption of a collective good by one additional actor does not reduce the satisfaction of all other actors (the principle of non-competition) and it is not possible to exclude any actor from consuming the good (the principle of non-exclusion).

Collective organization: A general economic term to denote a group of actors (producers, but non-producers may also be included) organized to share functions and/or resources, which is quite generalized in business (i.e. it is not restricted to specific **quality products**). There are several possible configurations for collective organizations, including **alliances**, **consortia** and **interprofessional associations**.

In the European Union (EU), the formation of a collective organization is a precondition for obtaining **PDO–PGI** recognition. Note that protection, once granted, is not reserved to those partners who initially requested PDO–PGI protection; entrance is possible for any producer located within the delimited territory if they meet the established **code of practice**.

Consortium: A formal type of **collective organization** including various players (producers and/or processors) implementing common rules (**codes of practice**) and/or common economic functions (financing, promotion, quality grading, etc.), and possibly applying for **protection** (see Arfini and Zanetti, 1997).

Externality: An externality, or spillover effect, is the consequence of the interdependence among economic agents, such that one economic activity has an effect on the other. The effect can be harmful or beneficial. The pricing of externalities escapes the **market** mechanism, and therefore must be approached by other means.

Generic market: A generic market (see the general definition of a **market** below) is an economic organization where supply and demand encounter competing goods whose quality is not specified by a public **code of practice** or guaranteed by a **certification body**, although the generic product may bear a trademark. Generic products are usually of a standard industrial type, produced at lowest cost and competing in the market based on their low price. In addition to their availability, their main distinguishing attribute as perceived by the customers is their price. Other terms used for 'generic market' include: 'low-cost market', 'conventional market' and 'mainstream market' (Storper and Salais, 1997).

Geographical indication (GI): In 1994, when negotiations were concluded on the 1994 WTO (World Trade Organization) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), governments of all WTO member countries had agreed to set certain basic standards for the **protection** of GIs in all member countries. Article 22:1 of TRIPS states that: 'Geographical Indications are for the purpose of this agreement indications which

identify a good as originating in a territory of a member, or a region or locality of that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin'.

The TRIPS agreement does not provide for any specific legal system of protection for GIs; this is left to member countries. If a member country has established a formal registration process to recognize GIs within its territory, then we can refer to a registered product as a **protected geographical indication (PGI)**, or a **protected designation of origin (PDO)**. However, GIs may exist without protection, or when they are seeking protection, and these often become the basis for disputes between nations (see, in particular, Chapters 1 and 2).

Historicity: This indicates that a product has a long-lasting heritage and has a reputation with consumers that has been built up progressively through time. Production methods have been inherited from previous generations and the reconstruction/revival of the product is the result of a compromise between transmission of a tradition and innovations judged compatible with the tradition by local actors.

Indication of source: Any expression or sign used to indicate that a product or a service originates in a country, region or a specific place, without any element of quality or reputation (according to the Madrid Agreement, 1891, Art. 1.1 and the Paris Convention, 1883).

Inspection: The systematic examination of a product, and/or the process of its production, to assure that it meets generic standards (sanitary, labelling, etc.), as well as specific standards required by the established **code of practice** for that product. Inspection systems can be implemented at three levels: (i) autocontrol, implemented by the producers themselves; (ii) collective control, implemented at the level of the organization producing the product; and (iii) state control, implemented at the national level. Successful inspection allows the product to be certified so that it may be sold under the **PGI** name.

Instrument: A social and technical device that organizes specific relations among the actors involved in a collective action according to the objectives of the coordination, as well as the meanings and representations of the collective action. By its choice and its uses, it helps to materialize, operationalize and evaluate the action. It also defines the scope of the actors concerned and their role in the collective action.

Intellectual property rights (IPRs): The term intellectual property (IP) reflects the idea that the subject matter is the product of the mind or the intellect, and that IP rights may be protected before the law in the same way as any other form of property. However, the use of the term and the concepts it is said to embody are the subject of some controversy, and IP laws vary from jurisdiction to jurisdiction, such that the acquisition, registration or enforcement of IP rights must be pursued or obtained separately in each territory of interest. Nevertheless, these laws are becoming increasingly harmonized through the effects of international treaties such as the 1994 WTO TRIPs Agreement, and GIs are recognized as IPRs in the same way as patents, trademarks or software.

Interprofessional association: An interprofessional association is a private organization, recognized by the state, that brings together upstream and downstream partners from the same product chain with the purpose of better regulating that product's market, assisting with the implementation of agricultural policy, analysing the implications of different contractual arrangements, guaranteeing equality among members, encouraging performance improvements in the chain and defending its interests. Although this organizational form originated in France (under French law 2006-11, 5 January 2006, in the French Rural Code), the notion of an interprofessional association is broadly recognized today in texts governing the Common Agricultural Policy (see Coronel and Liagre, 2006).

Market: Within economics, a market is defined as a social arrangement that allows buyers and sellers to discover information and carry out a voluntary exchange of goods or services. It is one of the two key institutions that organize trade, along with property rights.

Monitoring: Monitoring is used for oversight, control and assistance, and is often carried out by government-funded entities in the EU. In terms of the action being judged, monitoring verifies that interventions are well managed, and it produces a regular analysis of the progress of outputs.

In terms of the judgement criteria used, monitoring passes judgement according to the operational objectives to be achieved; it determines indicators to identify apparent success and failure. In terms of the professional skills and know-how required, monitoring officials need to have recognized competence in terms of the organization, management and establishment of tracking systems relevant to the product in question. Monitoring includes a support dimension, as officials observe operators and assist them by providing tools and procedures to help them in their professional practices, as well as by providing critical analyses of the conditions under which the operators carry out their duties.

Multifunctionality: According to the Organization for Economic Cooperation and Development (OECD, 2001), multifunctionality refers to the fact that an economic activity may have multiple outputs and, by virtue of this, may contribute to several societal objectives at once. Multifunctionality is thus an activity-oriented concept that refers to specific properties of the production process and its multiple outputs. The concept is intended to recognize that, beyond its primary function of supplying food and fibre, agricultural activity can also shape the landscape, provide environmental benefits such as land conservation, the sustainable management of renewable natural resources and the preservation of biodiversity, and contribute to the socio-economic viability of many rural areas (OECD, 1998).

Multifunctionality is sometimes distinguished from the concept of **sustainability** (see below), with the latter seen as more goal oriented and pointing to corrective action to be taken when current agricultural practices are considered to be not sustainable, while multifunctionality is seen as more process oriented. The OECD (2001) views multifunctionality as a characteristic of the production process that can have implications for achieving multiple societal goals. It emphasizes the joint production and (both positive and negative) **externality** and **public good** aspects of the multiple outputs of agriculture and their implications for policy formation, and thus may have a normative aspect.

Origin product (OP): In this volume, we use the term origin product for any product whose origin is either (i) *implicitly* known by the consumer owing to long historical association of the product with the place in which it originates, or (ii) *explicitly* identified with that place via a label carrying an identifying **geographical indication (GI)**, whether or not that associated GI is protected. Thus, the term origin product is used when it is necessary to include all such products, whether or not they are designated by a GI or are protected.

It is important to note that many OPs are not exchanged on markets with a GI. Producers sometimes are not even aware that their product could be considered an OP. When local and/or non-local actors gain this awareness and pursue a GI to recognize the origin tie of a product, it is often the first step towards greater **value-added** for the product (see Chapter 1 for a longer discussion of the nature and characteristics of origin products).

Private good: A private good exhibits two main properties: it is (i) excludable – it is reasonably possible to prevent a class of consumer (e.g. those who have not paid for it) from consuming the good, and (ii) it is rivalrous – consumption by one consumer prevents simultaneous consumption by other consumers.

Producers' association: See **Collective organization**.

Protected designation of origin (PDO): According to EU Regulation (EC) No. 510/06:

'"designation of origin" means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff

- originating in that region, specific place or country,
- the quality or characteristics of which are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors, and

– the production, processing and preparation of which take place in the defined geographical area.'

Note that the acronym 'DO' was also associated with Spanish and Italian designations of origin (see Case Studies III and V) which existed prior to the passage of EU regulation 2081/92. All are now either PDOs or **PGIs** (see below) under the EU classification system. Under particular country programmes of protection, PDOs are also known as 'protected denominations of origin'.

Only products which meet the various geographical and quality criteria defined in an agreed **code of practice** may use the protected designation. Protected designations are treated as **intellectual property rights** by the Customs Regulation (EC) 1383/03. Within the EU, enforcement measures vary: infringement may be treated as counterfeit, misleading advertising, passing off or even as a question of public health.

(See also the broad definition of **Protection** in a separate entry below.)

Protected geographical indication (PGI): Recognized in the EU according to Regulation (EC) No. 510/06, a:

'"geographical indication" means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff:

– originating in that region, specific place or country, and
– which possesses a specific quality, reputation or other characteristics attributable to that geographical origin, and
– the production and/or processing and/or preparation of which take place in the defined geographical area.

… Notwithstanding [the definition of designation of origin given above] certain geographical designations shall be treated as designations of origin where the raw materials for the products concerned come from a geographical area larger than, or different from, the processing area, provided that:

(a) the production area of the raw materials is defined;
(b) special conditions for the production of the raw materials exist; and
(c) there are inspection arrangements to ensure that the conditions referred to in point (b) are adhered to.'

The designations in question must have been recognised as designations of origin in the country of origin before 1 May 2004.'

Only products which meet the various geographical and quality criteria defined in an agreed **code of practice** may use the protected indication. Protected indications are treated as **intellectual property rights** by the Customs Regulation (EC) 1383/03. Within the EU, enforcement measures vary: infringement may be treated as counterfeit, misleading advertising, passing off or even as a question of public health.

(See also the broad definition of **Protection** in a separate entry below.)

Protection: The method(s) by which actors engaged in the production of a good protect it against attempts at usurpation and abuse. Protection is a major element of innovation and commercialization strategies. Methods of protection can take various forms. They are distinguished principally according to their origin – whether they are voluntary or obligatory – and their type. In terms of type, while most methods of protection are of the legal type, they can also result from a court or administrative decision, or from contractual agreements, either verbal or written, among the actors concerned. Protection methods also differ according to how they are enforced. According to the form they take, they define different types of property: individual property (patents, individual trademarks, collective trademarks), collective property (certification trademarks), or public property (**protected designation of origin**, or **protected geographical indication** – see above).

Public good: Within economics, public goods are considered to be those produced directly by a public agent (the government), or delegated to be produced by them on behalf of the greater society. These goods are generally considered to be **collective goods**.

Quality convention: In this volume, a quality convention is considered to be a shared understanding that establishes a form of social organization among actors that share it, resulting in a collective exteriorized representation of this common point of view. This exterior representation provides the basis for individual as well as reciprocal expectations concerning behaviours, competencies and material objects involved in enacting the convention. The convention also defines the final characteristics of the goods and services that it governs. In the case of **geographical indications**, a quality convention represents a specific understanding and expectation concerning the goods to be produced such that (i) producers commit themselves to respect these expectations, (ii) consumers are willing to pay for them, and (iii) certification organizations are able to guarantee that the expectations are met in order to prevent fraud. Government agencies, at different levels of authority, may also play a role in quality conventions, for example by authorizing **certification bodies**/organizations in their functions (see Orléan, 1989, 1994; Salais, 1989; Murdoch *et al*., 2000).

Quality product: As used in this volume, refers to a product produced following a **quality convention** (see above).

Recognition: The principle by which a product is recognized as distinct from other products of the same type (notably, those produced according to **generic market** standards, see above). Recognition may be informal, for example when it is demonstrated through purchasing habits. However, producers will most often seek a formal means of recognition because it helps them to differentiate their products, which can be particularly important in raising their value in long-distance or export **markets**. The process of product recognition by recognized public authorities includes identification of the specific characteristics of the product that are tied essentially to its place of origin and the specific know-how of the producers at that place, and at times the identification of particular races of animals or varieties of plants used in its production.

Region: Region is a geographical term used to refer to a medium-scale area that is larger than a specific site or location. Regions are conceptual constructs and thus their relative size may vary among cultures and individuals. The term does not imply a political jurisdiction when used in this volume, unless so specified.

Regional planning: The totality of methods used by the public sector to influence the spatial organization of persons and activities at different scales (city, region, state, nation, multinational region such as the EU). Notably, it includes efficient local use of land, infrastructure and zoning for the sustainable growth of a region. This approach can address region-wide environmental, social and economic issues which may necessarily require a regional focus. In 1983, the European Conference of Ministers responsible for Regional Planning (CEMAT) gave one of the earliest definitions: 'Regional/spatial planning gives geographical expression to the economic, social, cultural and ecological policies of society. It is at the same time a scientific discipline, an administrative technique and a policy developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organization of space according to an overall strategy'.

Regulatory body: A regulatory or professional body is an organization, usually non-profit, that exists to further a particular profession while protecting both the public interest and the interests of the professionals in question. On the one hand, professional bodies may act to protect the public by maintaining and enforcing standards of training and ethics in their profession. On the other hand, they may also act like a cartel or a trade union for the members of the profession. A regulatory body refers to a larger function than a **certification body**. In the context of **quality products**, it is an external organization that has been empowered by legislation to oversee and control the quality process and outputs germane to it.

Rural development: Even though the terms 'rural' and 'development' each cover a wide and varied conceptual terrain, in application 'rural development' combines a number of different but interconnected practices, including the conservation of landscapes and natural amenities, the promotion of quality of life and diversification of economic activities in rural areas, agro-tourism, sustainable agriculture and, in particular for our purposes here, fostering the production of locally specific products tied to the specificities of their territory of origin. In the EU, for example, rural development policy plays a major role in economic, social and territorial cohesion. It is based on the following principles: recognizing the multifunctional role of agriculture, improving competitiveness, ensuring that environmental issues are taken into account, diversifying economic activity, and conserving rural heritage. Rural development has become a major objective of the Common Agricultural Policy (Regulation (EC) No. 1257/99), integrated through what is known as the 'second pillar' of support to rural communities, which consists of packages of aid not directly linked to prices or volumes of agricultural production (see European Union Fact Sheet, 2003; Fougeyrollas *et al*., 2003).

Sectoral governance: The ensemble of methods of coordination and decision making, and the practices that contribute to the regulation and performance over the long term of a sector of activity. It includes environmental assessment, strategy formulation, strategy implementation and evaluation and control. In this volume, sectoral governance is distinguished from territorial and corporate governance. It is defined as a level of governance for which priority is given to actors involved in the supply chain, with firms and institutions from the same sector making formal and informal agreements (see Chapter 3; European Commission, 1999).

Social construction: In sociology, social construction refers to the ongoing process of making of meaning that human beings engage in, usually on a micro-level. This understanding rejects the idea that there exists a set, objective reality in favour of the notion that human beings create their reality as they share interpretations of events and social phenomena. The shape of this interpretation, in turn, determines to a large extent how individuals interact with each other in a given situation. In an institutional context, for example, actors are seen to be constantly negotiating their understandings of situations and material contexts to better evaluate possible actions and to coordinate solutions to problems (see Berger and Luckmann, 1996).

Specific quality: A specific quality is a set of characteristics associated with a good or service that are recognized by all involved parties as distinctive aspects of the product or service which, therefore, can form the basis for its protection. Achieving a specific quality may require particular production conditions, some of which may be linked to unique local attributes (savoir faire or know-how, **terroir**) that are informal traditional knowledge; these may, in turn, be defined in a publicly established **code of practice** (for protected products). These particular production practices may generate additional production and protection costs, which can, in their turn, be recognized by consumers in their willingness to pay a higher price to acquire goods or services with the specific quality that they seek.

Standard: Standards are produced by numerous organizations to facilitate the coordination of actors and reduce uncertainty concerning the quality of a good or service. Two principal problems may arise regarding them: certain actors may attempt to become free riders by benefiting from the reputation of the standard without respecting the rules associated with it; or several standards that are well established can enter into competition, resulting in confusion for the consumer. The establishment of internationally accepted standards is one way to avoid the latter problem.

Sustainability: This refers to the dynamics allowing for the preservation, maintenance and improvement of the quality of natural resources, and the maintenance of environmental equilibria, with a view towards managing them for the future. It therefore contributes to sustainable development, which was defined in the Report of the Brundtland Commission

(1987) as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. It requires a balance to be struck among the three goals of economic viability, social equity and environmental preservation (see Godard and Hubert, 2002). For the OECD (2001), sustainability is a resource-oriented, long-term and global concept. It is resource oriented because we do not know which use future generations will make of the resources and which economic activities they will engage in; it is, by definition, long term as it involves the interests of future generations; and it is inherently global because long-run sustainable resource use in a sector, country or a region can hardly be achieved if resource use in other sectors, countries or regions is non-sustainable. Sustainability is viewed by the OECD (2001) as essentially goal oriented, implying that resources should be used in such a way that the value of the entire stock of capital (including its option value) does not diminish and that an indefinite stream of benefits can be obtained.

Terroir: A terroir is a delimited geographical space, where a human community has constructed over the course of history a collective intellectual or tacit production know-how, based on a system of interactions between a physical and biological milieu, and a set of human factors, in which the socio-technical trajectories put into play reveal an originality, confer a typicality and engender a reputation for a product that originates in that terroir (see Barham, 2003; Casabianca *et al*., 2005).

Traditional speciality guaranteed (TSG): According to Regulation (EC) No. 509/06:

'To ensure compliance with, and the consistency of, the traditional specialities guaranteed, producers organized into groups should themselves define specific characteristics in a product specification …. For the purposes of this Regulation:

(a) "specific character" means the characteristic or set of characteristics which distinguishes an agricultural product or a foodstuff clearly from other similar products or foodstuffs of the same category;

(b) "traditional" means proven usage on the Community market for a time period showing transmission between generations; this time period should be the one generally ascribed to one human generation, at least 25 years;

(c) "traditional speciality guaranteed" means a traditional agricultural product or foodstuff recognized by the Community for its specific character through its registration under this Regulation;

(d) "group" means any association, irrespective of its legal form or composition, of producers or processors working with the same agricultural product or foodstuff.'

Typicality: (i) The typicality of an agricultural product is the property of belonging to a type that can be recognized by experts (connoisseurs), based on the specific attributes of that type of product. Typicality also expresses the property of being distinguishable from other products in a similar or comparable category, which forms the basis for the identity of the type. It includes a degree of internal variability within the type, and should not be confused with conforming to a norm. (ii) These properties of belonging and distinction are described by a diverse set of characteristics (technical, social, cultural) identified and refined by a human group that serves as reference. These properties are based on know-how distributed among numerous actors, including producers of raw materials used, processors, regulators and connoisseur consumers. (iii) Creative knowledge assures the emergence of typicality, constructs the identity of the type and assures periodic revisions; production knowledge demonstrates the capacity of the actors to manage a process oriented towards obtaining typical products; evaluation knowledge is brought to bear through tests devised to assure or judge the product's typicality; and appreciation knowledge assumes a competence on behalf of consumers who share with the human reference group in question familiarity with the typical product. (iv) Among the many expressions of typicality, that tied to **terroir** is a particular construction that concretizes the terroir effect for a given product (see Casabianca *et al*., 2005).

Value-added, high value-added product: 'Value-added' is the difference between the price of purchased raw materials, the semi-finished and finished parts and the services that are used to make a product, and that product's final selling price. In other words, the value-added is the increase in prices of these purchased elements created by a firm's production processes. Calculating value-added is a far more accurate way of determining an industry's contribution to the overall economy than simply calculating gross sales, because it indicates just how much value has been contributed by the manufacturing process (Ammer and Ammer, 1984). Products with a high value-added are those for which this difference is superior to that of similar standard products. High value-added results from mastery and recognition by the involved actors of: (i) the controls on processing methods; (ii) the quantity of work necessary to produce the specific quality of the products; and (iii) methods and circuits for marketing. Controlling production and sales costs (notably, the costs of transportation and marketing) promotes higher levels of value-added. Recognition of the quality of products also enhances product value. However, while certification procedures can help to achieve a higher value-added, they do not appear to be a sufficient condition by themselves for its emergence or maintenance.

Note

[1] The full text of the Lisbon Agreement is available at http://www.wipo.int/treaties/en/registration/lisbon/. The English text says 'quality and characteristics' but there was a mistake in the translation from the French text of the Agreement, which is the authentic one. The French text says 'qualité ou les caractères'. The mistake in the translation has been confirmed by the WIPO Secretariat. Source: http://www.origin-gi.com/index.php?option=com_content&view=article&id=44&Itemid=42&lang=en (accessed 12 December 2010).

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