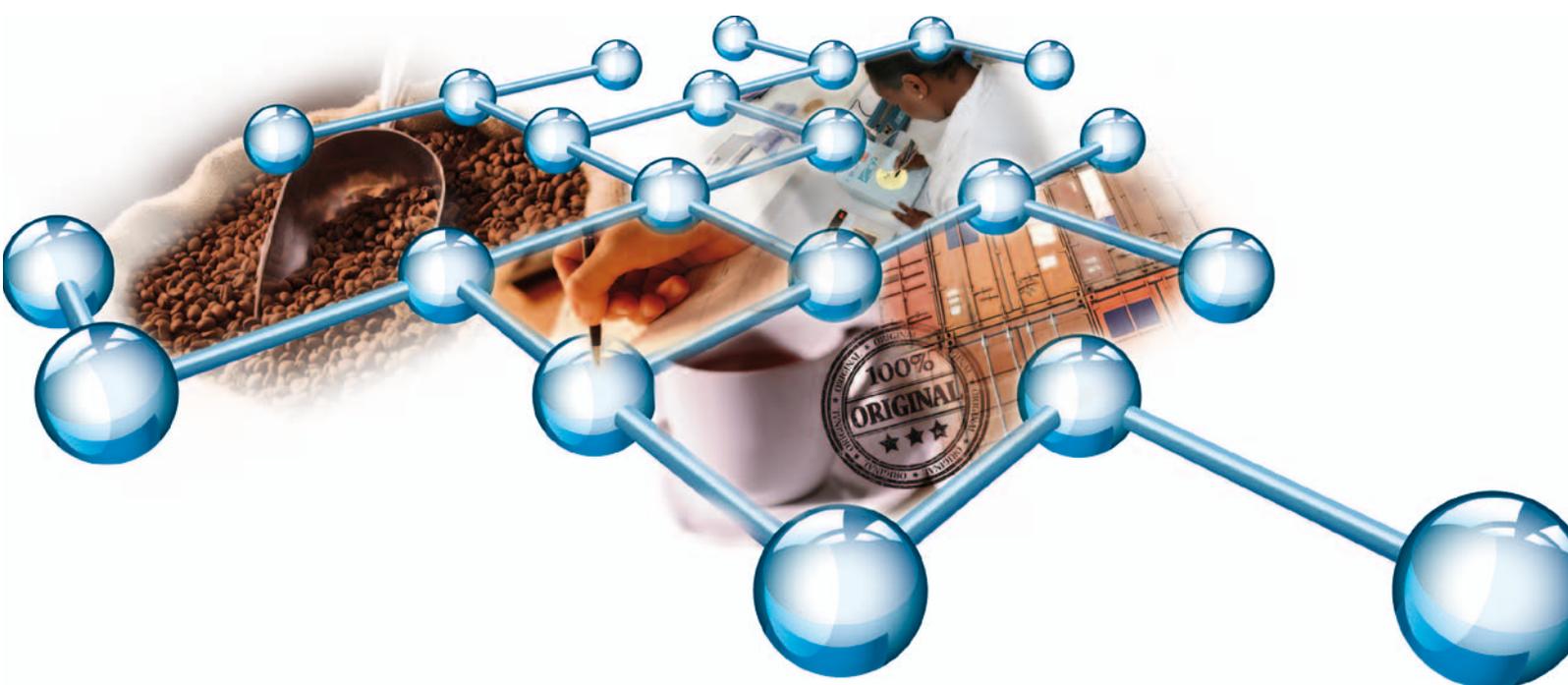


# Adding value to traditional products of regional origin

A guide to creating a quality consortium



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION





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## Introduction

The predominant trend in agro-industrial markets reveals a growing interest among consumers in traditional products that are closely linked to a specific place of origin. Both in developed and developing countries end-customers are showing a greater propensity to purchase food or agro-industrial products that are deeply-rooted in the various popular cultures, even if this means paying higher prices. The unprecedented preference for what is perceived as authentic and genuine is largely a reaction to the rapid changes brought about by globalization. The growth in international trade, the proliferation of multinational companies with standardized products and the gradual homogenization of supply have resulted in a large number of consumers “turning back”. They refuse to see the mere utilitarian value of an asset and are willing to pay a premium to consume products that are true to their roots, retain the quality of the past and have not been “tainted” by what many people regard as rampant modernization. (Van de Kop and Sautier in: Van de Kop et al. 2006; FAO 2008)

For producers and small and medium-sized companies that operate in the agro-industrial sector, this new trend signifies a major opportunity, as it frees them from having to compete on price with generic and standardized products. Moreover, it rewards them for doing well what to a certain extent they always have been doing: using age-old methods to produce traditional products that are firmly rooted in a region and have their own special properties. The southern countries of the European Union (EU) have quickly recognized the commercial potential of what will be hereinafter referred to as a “traditional product of regional origin”.

For centuries, some French wines identified by the geographical name of their area of origin, such as Bordeaux, have enjoyed certain privileges associated specifically with their place of origin. Moreover, the first precursor of officially protected traditional products of regional origin, as one knows them today, emerged in as early as 1666. In that year, the parliament of Toulouse declared that: “Only the inhabitants of Roquefort have the exclusive right to ripen the product. There is only one Roquefort; that which has been ripened in Roquefort since time immemorial in the cellars of this village.” (Cambra Fierro and Villafuerte Martín 2009: 330; own translation). However, while traditional products of regional origin have existed a long time as historical, cultural, economic and social realities, it was not until the early twentieth century that these products made a legal appearance, so to speak, in Europe itself (Cambra Fierro and Villafuerte Martín 2009; Van Caenegem 2003). At that time, in Mediterranean countries there began to emerge more and more regional groups of rural economic operators whose main purpose was to coordinate the production of typical food and wines characterized by their high quality, and to certify their origin in order to enhance the marketing of these products. Private collective initiatives soon received official public support and recognition. France was the first country in the world to establish a national system to protect and ensure the quality of traditional products of regional origin, especially wine. A first law passed in 1919 laid the foundations for the present-day system.

Since then, in European Mediterranean countries, private and public action have gone largely hand in hand. Economic stakeholders in specific agricultural areas have been organizing themselves into groups, in order collectively to enhance the competitive advantage of a certain local agri-food product, while at the same time fighting to obtain legal support from the State in order to protect the authenticity of these products, preventing adulteration and counterfeiting. Gradually, more and more countries have been modifying their legal frameworks to grant special protection to traditional products of regional origin, by introducing so-called “geographical indications”. These official marks of origin and quality on the packaging of certified products such as Italian Parmigiano-Reggiano, Colombian Coffee and Greek Feta, serve as a legal safeguard against fraudulent imitations and also as a promotional and marketing tool for attracting sophisticated consumers. Excluding wines and spirits, there are now more than 750 agri-food products with a geographical indication in the EU, with a large concentration of these still in the Mediterranean area. Over 90% of the food and drink products come from six countries: France, Italy, Spain, Portugal, Greece and Germany (Cambra Fierro and Villafuerte Martín 2009; FAO 2008).

Since 1994, when the World Trade Organization (WTO) Agreement on “Trade Related Aspects of Intellectual Property Rights” (the TRIPS Agreement) took up and defined geographical indications, there has been a proliferation of these in developing and transitional countries (Paus 2008). Although up to now, in practice, geographical indications as a legal concept are still not particularly widespread outside Europe, increasingly more governments, private institutions and economic operators’ organizations are showing an interest in promoting traditional products of regional origin, as they become more aware of the products’ commercial potential.

In this context, often the main concern of the stakeholders involved is quickly to obtain a geographical indication. However, too often they ignore the fact that a geographical indication only serves to identify and protect a product with special characteristics and thus enhance its marketing; but it is certainly not a miracle means in itself, which can add quality to the traditional product, or create a market demand for it out of nothing. In fact, what has enabled some typical local products to conquer the markets has primarily been the tireless collective value-adding strategy developed within economic operators’ associations. Geographical indications have certainly contributed to the success of these local products but can hardly be held ultimately responsible for it. Too often, geographical indications are ascribed benefits that have nothing to do with the legal instrument itself, but rather with the collective projects that strive for differentiation that helped obtain it, and which then continue over time. Where the incomes of different autonomous economic operators depend on the market reputation of one and the same traditional product of regional origin, partnership collaboration between the producers concerned, joint standardization of product quality, monitoring of compliance with agreed production procedures and collective marketing are all key factors for success. For this reason, starting a project by applying for a geographical indication when the necessary organizational and productive “infrastructure” is not yet in place can sometimes be equivalent to building a house from the roof down. Although—continuing with the metaphor—at the end of the construction process, the roof can acquire more, or less, importance.

At the heart of efforts to promote traditional products of regional origin, must therefore be the establishment of a collective organization. Specifically, one of the most common types of association in this area is the quality consortium: a group of independent producers and companies whose aim is to add value to a traditional product of regional origin and act as a platform for the fair and balanced coordination of interests and efforts in the same value chain. The reach of the benefits that members can obtain from participating in the joint

project depends largely on the dynamics of cooperation and functioning of the collective organization. Similarly, local socio-economic impact and rural development processes may be enhanced or hindered, depending on how the collective initiative is organized and structured. These are, incidentally, all aspects which have also been observed in other types of business association projects.

UNIDO has extensive experience in this area, as it has been encouraging and promoting the creation of local production systems and company networks around the world for many years. Special mention has to be made of the programme to promote export consortia, which was, at the time, designed to facilitate access for small and medium-sized enterprises (SMEs) both to domestic and international markets. In this area, the role of UNIDO has always been focused on providing guidance to SMEs during their grouping process, helping them to develop joint marketing strategies and contributing to the implementation of collective business-upgrading and quality-improvement projects in order to enhance competitiveness. With regard to the various projects that have been developed in Latin America, Asia and North Africa, these mainly involved establishing export consortia in the manufacturing and services sectors. However, over the past few years more attention has been paid to the needs of operators in the agro-industrial sector. The system of cooperation and mutual support, which forms the essence of success behind export consortia, has also enabled small-scale agro-industrial producers jointly to penetrate new markets. Recently a heightened interest has been observed among counterparts and beneficiaries in developing more differentiated partnership strategies that are specifically focused on adding value to traditional products of regional origin. To respond to this demand, UNIDO will, in future, promote the creation of quality consortia in the agri-food sector. This document is intended to be a first step in this direction.

The following pages will address, from a practical perspective, the factors that need to be considered in order effectively to support the promotion of, and adding value to, a traditional product of regional origin. While this document is dedicated primarily to association processes, it was deemed essential to clarify concepts and elucidate the legal implications of geographical indications, particularly by putting them into perspective with regard to trademark legislation. The first part of the paper is dedicated therefore to the legal aspects. In the second section, value-adding groups are defined in general and the promotion of traditional products of regional origin is discussed. Furthermore the role of typical products in the dynamics of rural development is highlighted and an initial insight into quality consortia is provided. The third part, which is the methodological component of the document, deals with the various issues that must be considered when creating and developing a quality consortium. This section discusses the factors that determine, firstly, the extent of the socio-economic benefits that consortium members can obtain through their involvement in the joint initiative and secondly, the degree of success a traditional product of regional origin may achieve in the market. It specifically addresses: the desirable characteristics of the product to be promoted; methods for launching a collective value-adding initiative; procedures for jointly developing and implementing common production rules; services a quality consortium can offer; ways of collectively promoting the product; the issue of expanding the quality consortium; the criteria for applying for a geographical indication; and the importance of external support. Although the document includes theoretical considerations, it is action-oriented and focuses on topics applying in the field. This objective is borne out in the many case studies provided in the text.

The following paragraphs focus exclusively on traditional products of regional origin, although many of the aspects discussed can be extrapolated to organic or fair trade products. These products bank on providing another kind of added value and seek to satisfy other needs, but the sales strategy and how the consortium is structured are somewhat similar. In addition, it

should be noted that although in reality the vast majority of traditional products of regional origin come from the food sector or, by extension, the agro-industrial sector, there are also many others that belong to the manufacturing sector, such as certain typical traditional textiles. This document will mainly address products in the first category but this does not mean that the information provided cannot be applied to the collective value-adding strategies of other goods.



## 1. Legal protection

As with all other types of goods sold, traditional products of regional origin can also be registered under trademark legislation in any country in the world. However, when we refer to the legal protection of typical products associated with a specific territory, the first idea that may spring to mind is “geographical indications”. The term “trademark” is widely understood because of the widespread commercial use of this type of label, but what exactly is a geographical indication? The primary objective of the following pages is to answer this question and clarify the legislative implications of this legal concept as compared with that of trademarks.



### 1.1. Geographical indications: a legal maze

The concept of “geographical indication” refers to an intellectual property right that is recognized by the legal bodies of various countries and international organizations. It identifies and protects products originating in a specific geographical area, whose characteristics and reputation are essentially linked to their territorial origin. Products registered as geographical indications often consist of place names or designations for generic products combined with the name of a country, region or specific place, such as Roquefort, Habanos or

Colombian Coffee. Sometimes traditional names, though not specifically geographic, can also be protected as geographical indications, provided that the link with a territory is clear; Greek Feta cheese is probably the best known example of this. Although there are hi-tech industrially manufactured goods with a geographical indication, such as “Swiss” watches, most certified products belong to the food or agro-industrial sector (Anders and Caswell 2009; O’Connor and Co. 2007; Eidgenössisches Institut für Geistiges Eigentum 2003). In practice, products which have achieved recognition of their uniqueness usually have a seal of authenticity, which enables consumers to identify them as having a geographical indication. This helps to position the products in a higher market segment than that of cheaper and less sophisticated substitutes that do not carry the label. In addition, registering the product as a geographical indication protects it from fraudulent imitations and copies.

However, defining the term “geographical indication” precisely is difficult, since there is no universally accepted definition and perhaps the only parallel is in the area of industrial design, where the laws differ greatly from country to country (Escudero 2001). According to the TRIPS agreement, which is applicable in the 149 signatory countries of the WTO and which is undoubtedly the most important multilateral document to date in this field, “geographical

indications are [...] 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.” (Art. 22). In practice, what is and what is not a geographical indication is necessarily a matter of interpretation. It is the competent authorities in each state that must decide if the attributes or the reputation of a product are due essentially to its territorial origin and whether the product in question should be registered in the country and deserves special protection by virtue of its origin (Thevenod-Mottet in: Gerz et al. 2008).

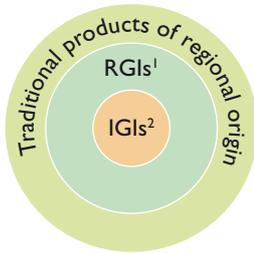
The TRIPS Agreement obliges member countries to establish the necessary legal means to prevent unfair competition and passing off of geographical indications, but does not specify the protection systems to be implemented. In fact, there exists a wide variety of legal frameworks and even significant differences between the legal systems of the major export destinations. While countries such as the United States and Australia govern geographical indications by the rules applicable to trademarks, the EU has established a specific *sui generis* system (special legislation) for this type of intellectual property rights, which offers greater protection than that granted to trademarks. There are also countries that rely mainly on consumer protection laws or unfair competition and passing-off laws to protect traditional products of regional origin. These legal regimes, however, rather than protecting a geographical indication as such, serve primarily to remedy abuse case by case.

The fact that a given sign or a certain trademark meets or does not meet the function of a geographical indication depends on what is established by the various national laws. For example, a traditional United States product of regional origin protected by a certification mark can be considered as a geographical indication in the United States, whereas in the EU, a product that is registered only under trademark legislation will never be recognized as a geographical indication. In the EU, a typical product can legally qualify as a geographical indication only if it is protected under the *sui generis* system. Furthermore, there may also be countries, such as Mexico, where certain types of trademarks as well as *sui generis* protection are considered legal means for official recognition of geographical indications (Cambra Fierro and Villafuerte Martín 2009; WIPO 2002; Olivas Cáceres 2007; Poméon 2007; Riveros et al. 2008).

Currently, two international trends can be observed as regards the legal protection of geographical indications. Firstly, various countries, particularly in the EU, are increasingly supporting the mutual recognition of the respective national regulatory systems rather than calling for full legal equivalence (Marette et al. 2007). Secondly, more and more countries, such as Colombia, Mongolia, Venezuela (Bolivarian Republic of) and People’s Democratic Republic of Korea, are moving away from the trademark system and adopting, or creating, *sui generis* systems to protect geographical indications (Olivas Cáceres 2007; O’ Connor and Co. 2007)

As it is not possible to provide a precise and universal definition of the concept of a geographical indication, from here on the geographical indications protected as such in their countries of origin by means of whatever legal system, will be called “recognized geographical indications”, while the subcategory of geographical indications existing around the world, registered under a *sui generis* system in their respective countries, will be called “institutionalized geographical indications”. According to the present definition, all “institutionalized geographical indications” are “recognized geographical indications”, but not all “recognized geographical indications” are “institutionalized geographical indications”, as not all countries have established a *sui generis* system of protection.

**BOX I. Geographical indications protection systems**



All RGIs<sup>1</sup> protect traditional products of regional origin, but not all traditional products of regional origin have the legal status of RGIs.<sup>2</sup>

All IGIs are RGIs. But not all RGIs are IGIs, since not all countries have a sui generis system (special legislation).

Source: adapted model; Thevenod-Mottet in: Gerz et al. 2008

<sup>1</sup> RGIs = Recognized Geographical Indications <sup>2</sup> IGIs = Institutionalized Geographical Indications

**A) Recognized geographical indications under trademark legislation**



Source: own elaboration

There are no IGIs under this legal system. The RGIs are protected under the trademark legislation.

All RGIs are trademarks, but not all registered trademarks have RGI status. Traditional products of regional origin can only be protected as trademarks with or without RGI status.

**B) Recognized geographical indications under a sui generis system**



Source: own elaboration

Under this legal system all RGIs are IGIs, since there is only protection under the sui generis system (special legislation).

IGIs are protected under a different system than are trademarks. Traditional products of regional origin can be protected as trademarks and/or as IGIs. A product protected only under a trademark cannot have RGI status; it is necessary to register as an IGI.

**C) Recognized geographical indications under a mixed system**



Source: own elaboration

Under this legal system models A) and B) coexist. There are RGIs protected under the trademark system and RGIs protected under the sui generis system. Not all RGIs are IGIs, since not all are protected under the sui generis system.

Traditional products of regional origin can be protected as trademarks with or without RGI status and/or as IGIs.

## 1.2. The art of playing on several fronts

The requirements and conditions that a product and its name have to meet to obtain protection vary considerably from country to country, and as a result, it is often the case that the same product in some markets is recognized as a geographical indication, while in others, its name only obtains protection, in the best-case scenario, as a trademark. Meanwhile, in countries such as Thailand, Malaysia or Indonesia, for example, handicraft and industrial products can aspire to a geographical indication, whereas, in EU states, only agricultural and agri-food products can achieve recognition (Wattanapruttipaisan 2009).

The TRIPS Agreement also differentiates between various product categories and establishes different regulations and levels of protection accordingly. Wines and spirits benefit from much wider protection than that awarded to other products (Art. 23). The TRIPS Agreement, in general, only requires that the product designation does not mislead the consumer as to where the product was produced. The designations “Ceylon Tea produced in Malaysia” or “Buffalo Mozzarella made in Columbia” are allowed, as they clearly indicate the true origin of the product and therefore avoid any confusion. In the case of alcoholic beverages, however, use of a protected name is categorically prohibited for products manufactured outside the original territorial limits. It is therefore not allowed to sell “German Champagne” or “Chianti wine produced in Chile” (Grazioli in: Gerz et al. 2008). However, once again, differences exist among the legal frameworks of the various signatory countries of the TRIPS Agreement. Not all national legislations are so permissive; under sui generis systems often the names of all geographical indications, without exception, are fully protected.

The TRIPS Agreement also establishes other exceptions with respect to the protection of geographical indications, which make application of the treaty even more flexible. Firstly, protection of geographical indications in a particular country should not prejudice the rights of existing identical or similar trademarks or rights of use established in good faith. Secondly, a product with a specific designation will be recognized as a geographical indication only if the term for which registration is sought does not constitute a generic name in a particular country. This can pose a problem, as illustrated below.

The word “Emmentaler” refers to a geographical area in Switzerland which has given its name to a cheese coming from that region and famous for its characteristic holes. “Emmentaler” cheese was registered in 2002 in Switzerland as a geographical indication, but it will never be able to obtain the same protection in other European markets, since the EU considers that the name “Emmentaler”, and its various translations, have today already acquired a generic character. Consequently, the designation as such, cannot be registered unless it is combined with an additional place of origin, as in the case of the protected German cheese “Allgäuer Emmentaler”.

Almost the opposite can be said of the South African red tea “Rooibos”. In the domestic market the name is considered a generic term and currently cannot aspire to any form of trademark protection. However, until recent years, a South African company was exporting the product to the United States under the protection of the legally registered trademark “Rooibos”. In principle, there would be a strong possibility of the tea being recognized as a geographical indication by a large number of importing countries but, to date, South African regulations and domestic circumstances have been an obstacle. In fact, according to the TRIPS Agreement, a product cannot apply for registration as a geographical indication in other signatory states unless it already has national protection (Gerz y Bienabe in: Van de Kop et al. 2006).

Given such a varied and disparate global legal landscape, when it comes to deciding whether or not to promote a traditional product of regional origin it is important to differentiate clearly between the inherent commercial potential of the product and its prospects of obtaining a geographical indication in the domestic and export markets. Moreover, the decision to obtain a geographical indication, or any other type of trademark that endorses both the name and the characteristics of the product (see boxes 2 and 3), often proves to be more tactical than strategic, as common trademarks can sometimes be an excellent way of protecting a product and controlling the market at the same time.

Ethiopian coffee is a good example of this. As part of a national public-private initiative led by the Ethiopian Intellectual Property Office, it was discussed what type of legal protection would be the most appropriate for successfully marketing the famous coffees produced in certain areas of the country. The conclusion was that common trademarks would provide good guarantees. The Ethiopian government applied for the registration in 34 countries of three coffee brands, “Harrar/Harar”, “Sidamo” and “Yirgacheffe”, from homonymous geographical areas. The three brands now already have protection in the EU, while in Japan and the United States only two out of the three have been registered to date (Schüßler 2009).

However, it must be noted that the registration of geographical place names as common trademarks is legally restricted to very specific cases and is therefore not always feasible. Registration is possible when a geographical designation is not considered as such in the country where protection is sought or when the geographical name has acquired a secondary meaning or is understood to be an imaginary word (WIPO 2001).

The entities behind the traditional products of regional origin which have conquered the international markets have not focused exclusively on a single legal means of protecting their products and their product designations, but have shown flexibility and creativity in adapting to the various legal frameworks in export countries. For example, the Hispanic-Cuban mixed state company, Habanos S.A., which is responsible for marketing the legendary cigars from the Caribbean island, certifies the quality and origin of its products with the “Habanos” seal, an institutionalized geographical indication in Cuba. The different types of cigars manufactured by the company are marketed under various international, regional, local and niche trademarks, but all carry the “Habanos” label. This name has been registered as a geographical indication in several countries, but certainly not in all; in many states the product’s mark of origin, too, has had to be protected by means of a mere trademark (El Benni and Reviron 2009).

The secret to the success of traditional products of regional origin is therefore to play the appropriate legal card according to the circumstances and requirements at the time. The strategic objective should not be to obtain a geographical indication, but to increase market share; and for this purpose, trademarks, too, can sometimes prove to be excellent allies.

Boxes 2 and 3 present the characteristics of the various legal means which are commonly used to protect traditional products of regional origin: (institutionalized) geographical indications, certification marks and collective marks. All these legal methods of protection have advantages and disadvantages which should be carefully studied. In fact, the registration of a(n) (institutionalized) geographical indication is not just a question of legal feasibility, but also of will and priorities. Further on, section 3.8 will discuss in detail the possible socio-economic implications of registering this type of mark.

## **BOX 2. Legal means of protecting traditional products of regional origin**

The following paragraphs explain the legal implications of the various means of legally protecting traditional products of regional origin; essentially, a distinction is made between institutionalized geographical indications and trademarks. Although it is intended to give as general an overview as possible of the current global legal landscape, the differences between the various national protection systems make it impossible to provide descriptions under which all the legal systems could be classified. Therefore, the information in this box and in the following may be true for some countries but less so for others.

### **Institutionalized Geographical Indications (IGIs)**

While trademarks are often arbitrary signs that place emphasis on the owner and/or product manufacturer, and serve to differentiate their products/services from those of other companies, geographical indications highlight the geographical origin of a product and the characteristics the product derives from it. Unlike trademarks, geographical indications are not only based on human creativity but are also directly related to topography, climate and other natural factors. It is for this reason that their relocation is prohibited; institutionalized geographical indications cannot be sold, nor transferred. Moreover, these do not confer exclusive private property rights on their owners as trademarks do, but instead have a public, collective character. All producers and/or processors who operate in the place designated by a geographical indication and whose products meet certain standards of production have the right to use the indication; the relevant economic operators can also use their own individual trademark in conjunction with the geographical indication.

In general, it is usually the producers in an area who, totally voluntarily, apply to the competent authorities for the institutionalization of the geographical indication. Sometimes, however, the initiative comes from a public entity. The registration application must be accompanied by the product specifications for which protection is sought; name of the product; description of the product, the raw materials, the packaging and packing and the labelling; description of the production methods; history of the product and proof of its traditional character; delineation of the limits of the relevant geographical area; evidence of a close link between the territory and the product; and quality standards and inspection systems. Throughout the subsequent administrative procedure, the various levels of the state administration concerned examine and approve the specifications in order to later confer legal status on them. After closing the objection procedure, the geographical indication is registered and published in a newspaper or official gazette. Legal protection of institutionalized geographical indications is not carried out in accordance with general trademark law, but is based on an act of public law (law, decree, ordinance). When a geographical indication is institutionalized, existing homonymous trademarks lose their exclusivity, although they can continue to be used. In contrast to what is established by trademark legislation, the existence of prior intellectual property rights does not impede the registration of an institutionalized geographical indication.

The protection awarded by an institutionalized geographical indication is usually effective while the conditions that gave rise to it still persist and, consequently, as a general rule, it is not necessary to renew the registration periodically, as is the case with trademarks. Furthermore, the scope of protection granted by institutionalized geographical indications is much wider than that of trademarks. They protect against any direct or indirect

commercial use of the registered name; prohibit unlawful use, imitation or evocation of the registered name, including its use when combined with clarifying words such as “style” or “type” or its translation into any other language; and prohibit any practice that could mislead the public as to the true origin of the product, including false indications on the packaging, internal or external packing, publicity material or documents related to the product. Given the extensive rights and guarantees that accompany an institutionalized geographical indication, the costs incurred in obtaining extensive protection are much less than in the case of trademarks; under trademark legislation many different registrations are required to obtain the same level of protection. Moreover, in many countries even the registration as such of an institutionalized geographical indication does not incur any administrative costs at all.

Using an institutionalized geographical indication without authorization or in a manner contrary to that prescribed constitutes an offence entailing criminal and civil liability of the person concerned. While in the case of a trademark the owner is the only entity directly responsible for initiating a lawsuit and has to bear the costs this involves, in the case of institutionalized geographical indications it is often the public law bodies themselves that act in an *ex officio* capacity. These can start court proceedings for fraudulent use, even in the absence of an action by the injured party.

As a general rule, public institutions also ensure the establishment of appropriate structures and mechanisms to check that the products protected by an institutionalized geographical indication are elaborated, processed and marketed according to the registered specifications. It is usually public or private certification bodies accredited by the competent Ministry that are responsible for inspecting and monitoring all stages of production and marketing; normally the cost of the inspections is borne by the producers concerned (WIPO 2002; WIPO 2001; Olivas Cáceres 2007).

The terminology used in the various international treaties and in the national legislations as regards institutionalized geographical indications, often makes a distinction between the concept of “geographical indication” and the subcategory “designation/denomination of origin”. These two legal concepts are very similar, although the latter is, in theory, more restrictive than the former. In practice, however, the differences between them are often minimal depending on how both concepts have been defined in national legislations. The EU, which has a more developed regulatory framework in this area, has established the following differentiation:

***Protected Geographical Indication (PGI)***

The name of a region, a specific place or, in exceptional cases, a country, which serves to designate an agricultural or food product: (a) that originates from that region, that specific place or that country; (b) that has a specific quality, reputation or other characteristic that can be attributed to its geographical origin; (c) whose production or processing or preparation is carried out in the defined geographical area.

***Protected Designation of Origin (PDO)***

The name of a region, a specific place or, in exceptional cases, a country, which serves to designate an agricultural or food product: (a) that originates from that region, that specific place or that country; (b) whose quality or characteristics are essentially or exclusively due

to the geographic environment with its natural and human factors; (c) whose production and processing and preparation is carried out in the defined geographical area.

These definitions apply only in the EU, since what is considered a “geographical indication” in one country, may be called a “designation/denomination of origin” in another. Colombian Coffee is protected under a “denomination of origin” mark in its country of origin, but it had to be registered as a “protected geographical indication” in Europe for one simple reason: according to production rules, the roasting of Colombian Coffee does not necessarily have to be carried out in the “defined geographic area” (El Benni et al. 2009).

### **Trademark legislation**

Apart from the fact that any individual company can protect a traditional product of regional origin by obtaining a conventional trademark, there are also other categories of marks that are of particular relevance to producers who wish to implement a joint value-adding strategy. Specifically, groups of operators often decide to work with certification marks or collective marks. These types of marks have two key advantages: firstly, their use is potentially open to a large number of independent producers and companies; secondly, these seals do not just protect the name of a traditional product of regional origin, but do also certify the characteristics and attributes of the product. Obviously, the registration of a traditional product of regional origin under the trademark legislation does not necessarily imply its recognition as a geographical indication, nor is it always possible to register the product under a name linked to a territory.

Only some countries safeguard geographical indications through a trademark system. Conventional trademarks represent in some national contexts legal means of protection on the basis of origin, but certification marks and collective marks are much more widespread, for the above-mentioned reasons. The name of geographical content of a traditional product of regional origin can be registered as a trademark and will acquire, in some countries, the status of geographical indication; but always provided that it does not violate existing intellectual property rights. The guarantees and rights conferred by this type of protection are identical to those enjoyed by any other product registered under trademark legislation. Thus, the limitations of this system, compared to the wide protection afforded by a *sui generis* legislation, are often the subject of criticism.

### ***Certification mark***

A certification mark is a distinctive sign that guarantees that a product/ service meets the standards and characteristics pre-established by the proprietor of the mark. This could be an independent company or a private association authorized by the public authorities, or a public or semi-public institution responsible for certification. The proprietor, who in any case cannot certify its own products/services, is obliged to monitor and regularly check that the products/services with the mark manufactured by third parties meet the established requirements which may include the origin, raw material, production method, quality, etc. The contractual link between the owner and the users of the mark is the licence of use. Producers who meet the pre-established requirements will be authorized by the proprietor to use the mark and, in general, cannot be excluded. Generally, users of the certification marks also identify their products with their own commercial trademarks.

For the proprietor to be able to register its own certification mark with the competent authorities, the application must be accompanied by rules of use of the mark, which in some countries should have had prior approval from the appropriate public administrative entity. The rules of use will establish the characteristics certified by the mark, the products/ services to be certified, the means of monitoring and verification prior to and following the issue of the licence of use and the regime of sanctions for non-compliance. The “Fair Trade” mark, the “The Happy Tooth” dental health mark and the “Halal” mark, indicating respect of religious precepts, are some examples of certification marks that are widely used in the agro-industrial sector. However, there are also certification marks that protect traditional products of regional origin by certifying the origin and the production standards for a particular product.

Especially in the United States, certification marks are a widespread legal means of recognizing and protecting geographical indications. The proprietor is usually a federal state or a producers’ association. By law, all economic operators with a legitimate interest who produce within the geographical production area defined in the rules of use, have the right to use the mark. There are many products with an institutionalized geographical indication in the EU, which in the United States are registered under a certification mark that guarantees both the origin and the qualities of the product; examples of these are Manchego cheese from Spain and Roquefort from France (Babcock and Clemens 2004; García Muñoz-Nájjar 2006; WIPO 2002; WIPO 2001).

#### ***Collective mark***

A collective mark is a distinctive sign that certifies that the products/ services of members of a specific public or private entity with legal personality, meet the standards and characteristics pre-established by the proprietor of the mark, that is to say the collective entity. Normally, the proprietor does not use the mark for commercial purposes, but to advertise and promote the products/services of its members who sell their products under the collective seal. The entity carries out internal monitoring and certifies that the articles with the mark meet certain characteristics such as geographical origin, production area, raw material, production method, quality or simply the producer’s membership of the entity. Members who wish to use the mark submit themselves voluntarily to internal inspection and agree to abide by the established requirements. In general, the collective mark cannot be transferred to third parties. For the proprietor to be able to register the collective mark with the competent authorities, the application must be accompanied by rules of use of the mark. The rules of use will establish the characteristics of the product/service, the conditions of use of the mark, the persons authorized to use the mark, the conditions of membership of the entity, the means of supervising the correct use of the mark and the regime of sanctions for non-compliance. It is common for members to use their own trademarks along with the collective mark.

As regards traditional products of regional origin, collective marks are relatively common; and not only in countries where they serve as a legal instrument for the official recognition of a geographical indication. Often, the respective collective organizations initially decide to protect their traditional products of regional origin with a collective mark, leaving the door open so as to later try to obtain protection under the sui generis system. The reasons for this could include the lack of a regulatory sui generis framework which is sufficiently well defined for geographical indications within the country or the mere convenience of being

able to operate quickly under a shared mark, without having to go through the lengthy process of registering an institutionalized geographical indication. Moreover, many producers' associations consider collective marks to be the best means of protecting their product in the market. For example, collective marks, in contrast to (institutionalized) geographical indications, allow the number of users of a shared mark to be restricted, as it can only be used by members of the entity that owns the mark. Although in theory it is not always easy to prevent new economic operators with a legitimate interest from joining the owner organization, in practice it is usually not difficult to decide on and exercise control over the number of producers authorized to use the mark.

Collective marks are also a good tool for protecting agro-industrial products that cannot apply for institutionalized geographical indications in a given country for reasons as diverse as the product not being widely known, the bleak economic potential or the limited level of commitment by operators in the sector. The Italian producers' associations and the Italian Chambers of Commerce are registering more and more geographic collective marks to protect various traditional food products against imitations and forgery (Olivieri 2004; García Muñoz-Nájjar 2006; WIPO 2002; WIPO 2001).

**BOX 3. Institutionalized Geographical Indications (IGI), Certification Marks and Collective Marks**

	<b>IGI</b>	<b>Certification Mark</b>	<b>Collective Mark</b>
<b>Objective</b>	To identify and protect the true origin of a product and the qualities and reputation associated with it.	To certify the qualities, attributes, origin, production methods, etc. of the products/ services of third parties. They do not necessarily have to certify the origin.	To indicate that 1) the users of the mark are members of the owner entity; and, if relevant, that 2) all the products/ services of these members share certain characteristics (origin, qualities, production methods, raw materials, etc.). They do not necessarily have to identify the origin.
<b>Function</b>	Protects both the producers and consumers from fraudulent use of the product name.	Protects the proprietor from fraudulent use of the mark.	Protects the proprietor from fraudulent use of the mark.
<b>Ownership</b>	Often owned by the State, on behalf of the producers in a given area. The IGI is a public good.	A third party entity, which cannot use the mark for its own products/ services. The proprietor is sometimes a public body.	A collective entity whose members use the mark.
<b>Users</b>	All producers in an area who abide by the specifications. It is not possible to exclude producers. Local producers who do not comply with the specifications forfeit the right to use the protected name.	All producers who comply with the rules of use are authorized to use the mark. The owner entity generally cannot exclude producers.	All producers who are members of the owner entity. Membership of the entity can be restricted and, hence, use of the mark.
<b>Registration</b>	Appropriate national Ministry	Trademark Office	Trademark Office
<b>Legal basis</b>	Protection based on an act of public law (law, decree, ordinance).	Protection based on administrative registration with the Trademark Office.	Protection based on administrative registration with the Trademark Office.
<b>Definition</b>	General definition established on a national or international level that specifies the common characteristics of the products with geographical indication (e.g. EU: PGI + PDO, see page 11)	Definition drawn up by the owner; which establishes the requirements that the products/ services of third parties have to meet in order to be able to use the certification mark.	Definition drawn up by the owner; which establishes if mere membership of the collective entity is sufficient in order to be able to use the mark or if members have to meet additional requirements to do so.

	<b>IGI</b>	<b>Certification Mark</b>	<b>Collective Mark</b>
<b>Administration and monitoring</b>	Often shared by public and private entities. Certification costs are often high for users.	Only the proprietor. Certification costs can often be high for users.	Only the proprietor. Reduced certification costs for users if internal monitoring and self-supervisory practices are implemented.
<b>Scope of protection</b>	<p>Exclusive use of the name for identical or similar products and for product attributes.</p> <p>The name is protected against imitation or evocation even in cases where the true origin of third parties' products is specified.</p> <p>Third parties cannot continue to use the name in translations and with expressions such as "style" or "type".</p>	<p>Protection of the name in combination with a graphic element. Exclusivity cannot generally be obtained for a geographic designation.</p> <p>Third parties can continue to use the name in translations and with expressions such as "style" or "type".</p>	<p>Protection of the name in combination with a graphic element. Exclusivity cannot generally be obtained for a geographic designation.</p> <p>Third parties can continue to use the name in translations and with expressions such as "style" or "type".</p>
<b>Relationship with other marks</b>	<p>Registration is possible, even in cases where there are rights of pre-existing marks or rights of use established in good faith. Marks that existed prior to the IGI lose their exclusivity.</p> <p>Registration based on principles related to legitimate interest to use.</p> <p>Registration prevents the designation from becoming a generic term.</p>	<p>Registration is only possible if it does not prejudice the rights of pre-existing marks or rights of use established in good faith.</p> <p>Registration based on the "first to file" principle.</p> <p>Registration does not prevent the designation from becoming a generic term.</p>	<p>Registration is only possible if it does not prejudice the rights of pre-existing marks or rights of use established in good faith.</p> <p>Registration does not prevent the designation from becoming a generic term.</p>
<b>Obligation to use</b>	Rights over the name even if it is not used (e.g. when a protected foodstuff cannot be sold on the market for health or phytosanitary reasons).	Rights to the name if it is used.	Rights to the name if it is used.
<b>Area of production</b>	Production has to be carried out in the established territory. Relocation of all stages of production is not possible.	Production only has to be carried out in the established territory if established in the rules of use.	Production only has to be carried out in the established territory if established in the rules of use.

	<b>IGI</b>	<b>Certification Mark</b>	<b>Collective Mark</b>
<b>Basis of protection</b>	Often ex officio protection and in accordance with the private actions of the different producers concerned.	Only in accordance with the private actions of the owner (very high costs).	Only in accordance with the private actions of the owner (very high costs).
<b>Duration of protection</b>	Often unlimited, while the conditions for registration remain valid.	Often 10 years (renewal required).	Often 10 years (renewal required).
<b>Cost</b>	Registration costs are often low or non-existent.	High registration costs. In addition: Payment required to renew registration Payment required for multiple registrations (translations of the name, etc.) Cost of private legal action against fraudulent use	High registration costs. In addition: Payment required to renew registration Payment required for multiple registrations (translations of the name, etc.) Cost of private legal action against fraudulent use
<b>Marketing</b>	The IGI as sign of quality as such, reduces marketing costs if customers are generally aware of the IGI concept.	High advertising costs. In some countries, the certification mark cannot be used in promotional material, but only for the product whose characteristics are certified.	High advertising costs.
<b>Examples</b>	Feta cheese, Parma ham	Vidalia onions, Idaho potatoes	Dominican rum, Melinda apples

Sources: Thevenod-Mottet in: Reviron et al. 2009: 24-25; WIPO 2002; WIPO 2001; Addor and Grazioli 2002; O' Connor and Co. 2007; Olivas Cáceres 2007

For detailed information about the legal systems of 160 countries, see O' Connor and Co. 2007 (Part II)





## 2. Value-adding groups

### 2.1. The collective reinvention of tradition

The TRIPS agreement does not go into the subject of the type of legal persons that can opt for a geographical indication. In some countries, companies and/or individual producers can apply for this label, however, in many others only groups of economic operators can obtain certification (Reviron et al. 2009). In the EU, for example, the establishment of a collective organization that represents the economic operators that produce the product for certification is, in practice, a *sine qua non* requirement for obtaining an institutionalized geographical indication (Paus 2008). In reality, there are many groups whose traditional product of regional origin has not obtained the distinctive seal, but it is difficult to find items with a geographical indication that do not have any type of collective organization backing them. The literature has widely emphasized the essential role played by the groups in adding value to and promoting traditional products of regional origin, particularly with regard to the agro-industrial sector.

Within a collective organization—here referred to as a value-adding group—members of the same value chain do not create a new food or agro-industrial proposition but merely adapt their pre-existing, and seemingly not very economically competitive, traditional handicraft product to the quality demands of an upper market segment. Thus, for example, through adopting a niche marketing strategy, a tasty traditional product, though apparently with no significant added value, ceases to be a mere foodstuff that is part of the popular culture of a specific region, and becomes a highly differentiated delicacy in the eyes of the end-consumer, who is willing to pay a higher price for it. The essential mainstay of the strategy, and the ultimate reason for the product’s differentiation, is its origin and its unbreakable link with the geographical area it comes from. In short, “the aim of the product strategy, or value chain, is to commercialize the local culture, to ‘encapsulate’ the territory within one product which can be directly marketed ...” (Ray, 1998, quoted in Acampora and Fonte 2007: 195; own translation).

Value-adding groups pursue an “against-the-tide strategy” that allows them to dissociate themselves, to a certain extent, from their natural competitive environment and reduce their exposure to the price fluctuations of staple agro-industrial products in international markets. Agricultural operators in a given area leave aside fierce price competition among themselves and instead combine efforts to increase the quality standards of the “old” product, reinvent it and promote its new image based on a shared label linked to the territory, which may or may not have geographical indication status. Establishing a value-adding group means that resources can be pooled and an optimum level of production achieved. This, on the one hand,

justifies the cost involved in creating and maintaining this necessary differentiating image to increase economic benefits and, on the other hand, makes it possible to achieve the critical volume needed to access demanding distribution channels (Reviron and Paus in: Gerz et al. 2008; Barjolle et al. 2005; Bramley and Kirsten 2007).

The development pattern presented above describes the approach and logic which inspire many of the considerations regarding traditional products of regional origin, specifically those with geographical indication. Approaches often start with an “archetypal” traditional product of regional origin which is inextricably linked to its physical, social and cultural environment, but which is not always in line with the existing traditional products of regional origin in the real world. In fact, many value-adding groups spring up around highly industrialized and competitive products. These groups are formed of large, economically buoyant companies whose main aim is quickly to obtain a geographical indication so as to create institutional barriers to be added to the technical or geophysical ones already in place. The objective is legally to underpin the monopolist position of the traditional product in the market, preventing external competitors from continuing to use the same designation for a given product. Consequently, competition is moved “inside” the official production area, thereby restricting it to operators and their respective individual brands within that area. Mexican Tequila—the first non-European product to be protected by an institutionalized geographical indication—is a good example of an industrial item that is dissociated from its original territory and from the production system that gave rise to it. Nevertheless, one can generally say that companies that have well-established brands and ample resources may not feel the need to adapt to a common strategy within a group, to submit to collective rules or, ultimately, to waive the freedom enjoyed when acting independently (Bowen et al. 2009; Belletti et al. 2002; Marescotti 2003; Cambra Fierro and Villafuerte Martín 2009; Acampora and Fonte 2007).

It should also be noted that the establishment of an organization, the corresponding increase in economies of scale and the existence of a collective niche strategy only explain how it is possible for a large number of agricultural operators in a given area that produce the same product to earn a good income. However, there is no answer to the question of how they manage to compete in target markets. The key explanation lies in the way a particular group is structured and managed. This will be one of the aspects discussed in later sections (Barjolle and Chappuis 2000).

The functions developed by a collective organization can be several and varied and depend on, among other factors, its legal form, the number of members, the markets and distribution channels of the traditional products of regional origin and the existence of a geographical indication, etc. While some associations maintain a low profile and have very limited responsibilities, others play a fundamental role for their members. Value-adding groups often play a highly active role in defining and setting quality standards and establishing production processes for the “reinvented” product. These rules are set out in the so-called “specifications document”,<sup>1</sup> which all members are obliged to comply with. The organization is responsible for ensuring the implementation of the document and compliance with its contents, and assists producers in meeting the new quality standards. Moreover, the main functions of the association also include market development research and promotion and defence of the common label under which the traditional product of regional origin has been registered. In this context, many collective organizations decide to apply for a geographical indication.

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<sup>1</sup> The term “specifications” is generally used to refer to the rules that govern the use of an institutionalized geographical indication. In conjunction with a mark, there are usually rules of use. Here the word “specifications” is used mainly to designate the rules of production agreed between members of the quality consortium, regardless of whether a traditional product of regional origin is protected under a geographical indication or a mark.

This usually involves public relations work and exercising due political pressure in order to obtain state recognition. Once protection has been achieved, the association is responsible for the representation and custody of the geographical indication. Each of these points will be discussed in detail in later sections.



## 2.2. Promoting rural development

Value-adding groups are often found in socio-economically marginalized rural areas, whose natural geographical characteristics make mass producing agro-industrial products at a low cost either difficult or impossible. For the farmers and small and medium-sized (processing) companies (SMEs) operating in these areas, it is practically impossible to compete individually with cheap, standardized industrial products; cooperation around a differentiation strategy is essential in order to survive (Barjolle and Chappuis 2000; Barjolle et al. 2005). The collaboration among rural operators within a group forms the basis for converting a weakness into a strength, since it is often the complicated geophysical conditions that give traditional products of regional origin their unique and special character. The groups are considered as tools for promoting rural development as they allow exploitation of the latent potential of economically uncompetitive areas, where mechanization is difficult or costly. The Champagne region in France, for example, was always a poor and economically deprived area. To cope with the difficult prevailing weather conditions, vine-growers were obliged to develop particular techniques and production methods. Nowadays, the area is well known and has a booming economy thanks to the sales of the famous, special sparkling wine that comes from the region (Van de Kop and Sautier in: Van de Kop et al. 2006; FAO 2008).

By backing and promoting traditional products of regional origin it is possible to achieve simultaneous impacts in different areas of rural development. Firstly, handicraft production methods, which are generally used to produce typical products, usually bring greater rates of employment and greater job security, as they involve extensive production systems that revalue local and native knowledge and capabilities. The maintenance of jobs also has repercussions for demographic development in agrarian areas; the availability of employment opportunities prevents rural exodus. Secondly, traditional products also have the potential to act as flagships for their region of origin, thus increasing visibility of previously marginalized areas. In fact, these products can help encourage rural tourism, by promoting gastronomic tours for example (Addor et al. 2003; FAO 2008; Wiskerke 2007).

The history of the French cheese, Comté, which has geographical indication status, is highly indicative. The product's value chain employs five times more people than that of the generic, completely industrially-produced Emmentaler cheese in the same area. Furthermore, the quality of jobs created by the production of Comté cheese is much higher than is the case with its rival product. Consequently, the rate of rural exodus from the area where the foodstuff with geographical indication is produced is only half that of neighbouring regions. The perfect integration of Comté cheese within its local environment has also helped promote tourism by means of a public-private partnership which has resulted in the Comté gastronomic routes (Gerz and Dupont in: Van de Kop et al. 2006).

Furthermore, value-adding groups are also often considered as valuable tools for promoting a more diversified, profit-oriented and innovative agricultural sector. In fact, it is usually economic stakeholders whose products are well known in the market for their high quality who are more willing to invest in improving or, if appropriate, expanding their product range in order to maintain their competitive position. Another advantage is the quality control procedures often implemented by groups as a way of ensuring that members satisfactorily apply the common specifications. The inspections and verifications that involve several, if not all, the links in the value chain contribute to increased product safety and facilitate the implementation of traceability systems (Addor et al. 2003; FAO 2008; Wiskerke 2007).

Another point worth mentioning is the important role that value-adding groups can play in preserving the culinary, cultural and ecological heritage of a given region. These associations are not only a useful means of safeguarding the traditional skills and knowledge involved in the preparation and manufacture of a given product, but can also contribute to maintaining biodiversity, the ecosystem and the landscape. In fact, age-old production processes tend to be respectful of the environment, although in practice, obviously not all traditional products of regional origin are produced extensively or according to ancient procedures. In any case, the final balance of impacts achieved thanks to the groups is usually pretty visible. Case studies indicate “that origin labelled food alliances provide low ‘negative externalities’ and high ‘positive externalities’ on the rural production territory” (Barjolle et al. 2005: 117).

The state authorities of the countries that promote traditional products of regional origin and have geographical indications protection systems are usually aware of the multiple benefits which may derive from them. For example, one of the explicit objectives of EU policy as regards geographical indications is precisely to promote development of rural areas. However, we must not lose sight of the fact that official recognition of a geographical indication for a typical product can only enhance the socio-economic impacts that are obtained from the product value-adding strategy, but not create them. Benefits, or losses if this is the case, are basically always present prior to registration and are derived from the commitment to the differentiation project itself, and the coordination and performance of a given group (Reviron and Paus in: Gerz et al.: 2008; Bramley and Kirsten 2007; El Benni and Reviron 2009; Marescotti 2003; Barjolle et al. 2007).

#### **BOX 4. Mexico: Cotija cheese from Jalmich**

In the late 1990s, when a project was initiated to add value to the authentic Cotija cheese and to protect it, its disappearance seemed to be a real threat. At that time, the ranchers of the Mexican mountain range of Jalmich had been producing Cotija cheese, named after a village in the area, for over 400 years. This typical foodstuff had always been tied in with the ranchers' socio-economic system, which was based on livestock farming, shifting cultivation of corn and the seasonal production of ripened cheese from cows' milk. For a long time, this foodstuff was even a cornerstone of the local economy. However, the process of urbanization and modernization led to the gradual abandonment of ranches and worsened sales conditions of the typical artisan cheese which suddenly had to compete on price with cheap industrial imitations called “Cotija type”. By the end of the 20th century only 200 marginalized rancher families were still engaged in traditional livestock husbandry.

In remote areas of the Jalmich mountain range, where there were hardly any economic opportunities and where the difficult geophysical conditions made intensive, industrial production impossible, the inhabitants found themselves faced with the straight choice between continuing with the traditional socio-economic system or emigrating. The three promoters of the value-adding initiative—two Mexican academics and a local Mexican politician—figured that the only way to preserve the rancher culture and the historic heritage associated with it, was to reverse the process of devaluation of the authentic Cotija cheese and to restore its economic importance in order to ensure a decent income for the producers. Although at the beginning the primary objective was to obtain a geographical indication for the typical foodstuff, to protect it and differentiate it from industrial copies, it immediately became clear that the problem was much more complicated than previously thought.

Just legally protecting the typicity of the cheese made from fresh milk was not going to be enough. For it to be able to compete in the market, improvements also needed to be made as regards the consistency of product quality and ensuring that the product was safe for consumption. Only through innovation could tradition be maintained. It also proved essential to take the ranchers out of isolation and away from institutional neglect by bringing them together to form representative organizational structures collectively to defend the Cotija cheese.

The three promoters began their project by working with eight livestock farmers, who saw the initiative as a way to preserve their lifestyle, without having to leave their land. Developing a specifications document was one of the first objectives. In collaboration with the ranchers, the promoters proceeded to reinvent the product, combining ancient production practices and local know-how with scientific knowledge.

In 2001, the first producers decided to formalize the grouping process that was gradually evolving in the Jalmich mountain range under the guidance of the three promoters, which led to the creation of the Regional Association of Producers of Cotija Cheese (ARPQC; acronym in Spanish). From then on, the entity served as both a collective ranchers' organization and an official representative in dealings with public institutions. The ARPQC grew substantially over the following years and today almost half the 200 farms in the area are members.

In parallel, in 2002, at the initiative of the three coordinators, 25 neighbourhood groups were set up as informal organizational platforms so that all the farming families in the area could voice their opinions and help identify the determining constraints for marketing Cotija cheese and, hence, for local development. In fact, it soon became evident that introducing new cheese production and livestock farming practices would not be sufficient; it was also vital to improve production technology on the ranches and to expand public infrastructure and coverage of basic services.

As the initiative progressed, it attracted interest from more and more individuals and public bodies wanting to get involved in upgrading cheese production. It therefore became necessary to coordinate the technical, financial, administrative and commercial support activities of the various stakeholders. With this aim, in 2003 the civil association "Pro Sierra de Jalmich" was created, which gathered together representatives from all parties involved in the value-adding process for Cotija cheese, including the promoters, the ARPQC, the neighbourhood groups, municipal and state political institutions and public bodies responsible for rural, productive and commercial development.

At that time, the coordinators, in collaboration with the ARPQC, began the process of applying for the legal protection of the Cotija name. The application for an institutionalized geographical indication was rejected on the grounds that the name of the traditional cheese had become a generic term. However, the request for the collective mark “Cotija region of origin” was more successful and was obtained in 2005. Given that initially it was impossible to establish the required certification procedures to guarantee compliance with the rules of use of the mark, this could not be used for commercial activities, which were only on a local scale anyway. However, having the mark helped publicize the product and enhance its reputation.

Through perseverance, progress was made over several years in continuous quality improvement. The commitment of producers and public stakeholders to the project meant that, little by little, it was possible to introduce best practices regarding milking and cheese production, institutionalize livestock health checks, improve production equipment on ranches and expand the road infrastructure. At the same time, the matter of promoting the Cotija cheese could not be ignored. Under the impetus of the promoters the traditional foodstuff, which over time had fallen more and more into oblivion, began to make a reappearance at several local and national fairs. A turnaround point was in 2006, when an aged piece of Cotija cheese won the prize for “best foreign cheese” in an international competition in Italy.

It was a combination of a gradual improvement in quality and ranchers’ increasing awareness of the true value of their product that gave them more power when it came to negotiating with the wholesalers to whom they had always sold their product. The wholesale price of Cotija cheese increased by about 50 per cent over the first few years of the initiative, from 30-40 pesos/kg to 60-70 pesos/kg. This increase benefited all the producers in Jalmich, including those less committed to the project, who did not wish to join the ARPQC.

Recently, the initiative has had two new successes. At the end of 2008, the Cotija Cheese Production Coordination Centre opened, making it the largest ripening cellar in Mexico. The ranchers finally had the facilities and technological equipment suitable for the preservation, cutting and packing of the foodstuff under optimal conditions of hygiene. Furthermore, in the middle of 2009, after several years of formalities, the Mexican Official Standard (NOM; acronym in Spanish)\* was published for Aged Artisan Cotija Cheese. This was a real milestone, since up to then the NOM for cheese only covered the use of pasteurized milk in cheese manufacturing. Therefore, the cheese originating from Cotija could not be categorized under the same standard, as it was made from raw milk. Now, however, authentic Cotija cheese could be launched onto the domestic and international markets without any obstacle. An agreement was signed recently with a major Mexican commercial chain that will buy Cotija cheese at 200 pesos/kg. It is also hoped that external promotion activities being carried out with public support will result in an export price for the cheese of up to 400 pesos/kg.

The NOM for Cotija lays the foundations for combating unfair competition from industrial products, on the basis of the specificity and uniqueness of the cheese. The Mexican Institute of Industrial Property stated recently that granting an institutionalized geographical indication for this typical foodstuff within a few years is within the bounds of possibility; all that is

required is further to improve the hygiene standards on the ranches. Another challenge that remains to be met is for the producers, and the ARPQC which represents them, to take over fully the initiative in which the promoters still play a significant role.

*Main source:* Pomeón 2007

*Other sources:* Agencia Reforma 2009; Medios Libres 2009; Quadratin 2008; Semanario Guía 2009; Semanario Guía 2008

\*The Mexican Official Standards establish the rules, attributes and production and manufacturing procedures for different products on a national level.

### 2.3. Quality consortia—freedom of action and dependence

There is a wide variety of different types of collective organizations that protect traditional products of regional origin; the quality consortium is one of the most common of these. In fact, in the EU, quality consortia,<sup>2</sup> followed by cooperatives, make up the most widespread organizational structures (Barjolle et al. 2005). Both structures can also be found in developing and transition countries, although in this case private sector groups often carry less weight. In this context, direct bilateral agreements among economic operators and public intervention play a very important role in the administration and promotion of traditional products of regional origin (Paus 2008).

Quality consortia are voluntary alliances of individual producers, companies or cooperatives in the same value chain whose aim is to “create” and promote a quality product with high added value. Collaboration around a single product, where all members are involved in the production process and/or marketing, leads to multilateral dependency between them. Consortia are a formal means of coordinating these relations of dependency and for long-term strategic cooperation, without the need to develop a hierarchical integration structure. The consortium is not usually commercially active; therefore members can maintain their financial and legal independence and preserve their freedom of commercial, technical and administrative action within the margins established by the common specifications and, where appropriate, the internal rules established<sup>3</sup> (Barjolle et al. 2005; Barjolle et al. 2007; Reviron et al. 2004). The degree of independence maintained by the economic operators is considerably greater than that typical of other types of alliances, such as cooperatives. Given the relative flexibility offered by these groups, the opportunity cost that membership entails for the various associates is relatively low.

Quality consortia can basically be subdivided into two types of organizations, as follows:

- The interprofessional consortium is made up of members from various links of the same value chain, such as producers of raw materials, primary processors, secondary processors and sometimes even wholesalers or retailers. In Europe, the interprofessional consortia are the most widespread (Reviron et al. 2009; Barjolle et al. 2005).

<sup>2</sup> The type of organization referred to as a quality consortium in this document is known by different names in different countries. In Italy, the term “Consorzio di Tutela” is used more often than “Consorzio di Qualità”, in France it is usually known as a “Syndicat de Défense” or “Organisme de Défense et de Gestion”; in Ibero-American countries the common term is “Consejo Regulador”. These terms are generally used to refer to partnership structures that protect institutionalized geographical indications. In this document, however, the concept of a quality consortium is used to refer to a certain type of organization that fits the above-mentioned definition, regardless of whether or not there exists an institutionalized geographical indication.

<sup>3</sup> In this context, the Melinda consortium is, of course, an exception (see p. 46).

- The professional consortium is made up only of operators in the same link of the value chain. In practice, this type of organization is usually made up of processors and generally emerges when the linkage between the primary producers and processing companies is weak. The professional consortium often appears in sectors where there are one or two clear leaders in the market. Even though these leaders may have a market share of more than 70 per cent, they may still be interested in collaborating with other, smaller, business entities in order to reach an agreement on product quality and to strengthen their position in negotiations with public institutions. However, experiences discussed in some case studies seem to indicate that professional consortia often face problems related to poor governance and organization. When the consortium's specifications include provisions that affect more than one link in the production chain, what can happen is that a professional consortium becomes an interprofessional alliance. In the case of the Italian Parmigiano Reggiano cheese, what was once a consortium of processors became a larger interprofessional organization in order to include cheese ripeners (Reviron et al. 2009: 17; Paus 2008).

The size of consortia varies considerably; there are small consortia with just a few dozen members, and much larger groups comprising hundreds of members. The interprofessional consortia tend to be larger. The consortia are usually non-profit associations or foundations with their own legal personality, who ensure equal representation of the economic and sectoral interests involved. When the traditional product of regional origin obtains institutionalized geographical indication status, consortia under some national laws can become, to a certain extent, final custodians of the indication and can be formed into public law entities. The consortia are managed through an assembly of delegates, where all links in the production chain are represented, and a board of directors, normally consisting of a chairman, a secretary and various members. All decisions are taken collectively and completely democratically within the group; although in practice, this does not mean that the influential capacity of the different groups of operators is always perfectly balanced. As regards financing, consortia receive their revenue from membership contributions, payments for services, and public assistance (Belletti et al. 2007; Reviron et al. 2009).



### 3. Creating a quality consortium

There are many, varied and often dissimilar case studies on quality consortia, making it difficult to set standard guidelines that could be widely applied in many countries. Moreover, most of the cases analysed are from Europe, where the first groups sprang up and where most of the groups are located today. Attempting to extrapolate the experiences of Europe to other continents is not always fruitful. In the following sections we do not intend to provide prescriptive indications to be followed, but rather to highlight the key practical considerations to take into account when promoting and guiding the creation of a quality consortium.

Something similar can be said about the chronological structuring of a collective value-adding project for a typical product. Establishing general sequential stages to be completed one after the other is a difficult task as not all value chains of the various products concerned are structured in the same way, show the same level of integration between stakeholders or have the same technical characteristics. Moreover, the primary objectives of the operators involved in the joint value-adding strategy may vary considerably from one project to another. This is one of the reasons why we have organized the following chapters thematically rather than chronologically.

In any case, if we proceed to establish with due caution sequential models that aim to reflect the paths followed by the various groups, we can distinguish roughly between two possible routes; one “short” and the other “long”.

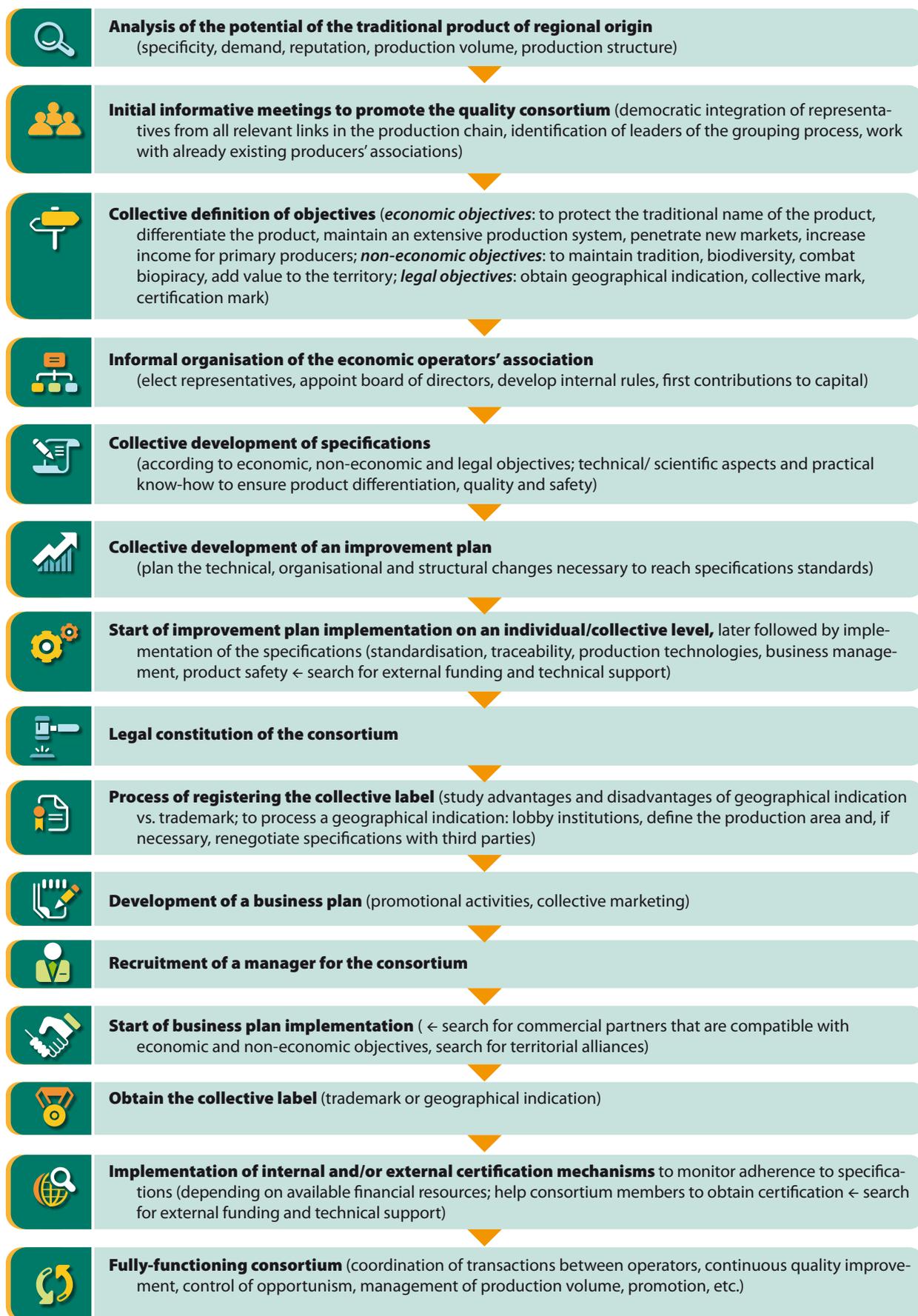
When members of a given value chain start out with extensive technical, financial, commercial and relational resources it may be appropriate to work under an initial “short” methodological approach that gives full priority to the rapid registration of a collective label (geographical indication or other shared mark). The consortium originally serves as a platform to coordinate and carry out the process of obtaining the mark; this means that it has, at the very least, to draft the specifications, undertake appropriate administrative procedures and, if required, develop the necessary promotional and lobbying activities for obtaining a geographical indication. However, at the very latest once the coveted seal has been received, the consortium’s role becomes more important and it has to assume additional responsibilities since, if the group is not functioning properly, the geographical indication or the mark is unlikely to have the desired impact. Case studies on Swiss rye bread (see p. 32) and the Melinda apple (see p. 46) could fit this category of “short” route.

On the other hand, when operators involved in the manufacture of a certain traditional product of regional origin do not have the knowledge, skills or the means of production necessary to meet market requirements, obtaining a geographical indication or other collective label can hardly be considered a priority, but rather a long-term goal. From a methodological point of view, the collective group has the task of coordinating, supporting and implementing

the activities necessary for collectively adding value to the product and transforming it into an item suitable to be sold on a large scale. The consortium can obviously decide to register a collective label at an early stage but this is unlikely to have any practical effect, for two reasons. Firstly, if operators in the production chain do not respect the specifications, they will not be entitled to work with the mark in question. Secondly, if the owner of the label does not have the necessary control mechanisms to guarantee that it is being used in accordance with the specifications, he cannot permit any potential user to utilize it for business purposes. The case of Cotija cheese illustrates this point well and is an example of the “long” route (see p. 22).

The time when the collective label is successfully registered and the initial methodological role assigned to the quality consortium constitute the differentiating features of the two types of sequential routes. Later, however, both routes coincide. Once a consortium has succeeded in reinventing the traditional product of regional origin and has registered it under a common mark, the challenges faced by the group are basically the same. Box 6 shows an approximate reconstruction of the steps that generally have to be followed when setting up a quality consortium. Of course, many of these points also apply to other types of associations and are not confined specifically to quality consortia.

## BOX 5. Sequential establishment of a quality consortium



Note: The chronological order of the phases for establishing a quality consortium may vary.  
Source: own elaboration (designs: <http://design-download.blogspot.com/>)



### 3.1. Which product to start with

For a traditional product of regional origin to be successful on the market, it is important that it is characterized by its high specificity to the geographic environment in which it is produced (natural, climatic and/or human factors). An empirical study based on a sample of products with geographical indication has shown this to be true. It is important that the item being sold is differentiated and clearly and objectively distinguishable from standard substitute products, both in terms of its characteristics or, if applicable, its organoleptic attributes and as regards its designation. It is essential that consumers perceive and recognize the difference and associate the territory in question with the product (Barjolle and Sylvander 1999; Boutonnet and Damary in Gerz et al. 2008).

If the planned value-adding strategy aims from the start to obtain a geographical indication, the item must meet additional requirements. In fact, for a product to be registered under this legal concept, it must have already achieved a certain popularity and reputation among a large number of consumers as a quality product originating from a certain region. Moreover, in the EU and in many other countries that have adopted the European legal model, products for which geographical indication is sought must have a certain proven tradition (Reviron et al. 2009).

However, in practice, the standing and roots of a product are not necessarily completely objective data. Behind a traditional product there is always a history in which legend and empirical data intermingle. Moreover, “products can become renowned virtually overnight thanks to targeted advertising campaigns that create an illusion of strong cultural roots. A good example is Aoste ham, Aoste being in fact just a trademark.” (Berard and Marchenay 2008: 23). Furthermore, even in cases where the historical legacy associated with a foodstuff is unquestionable, the successful “reinvention” of a product for promotional purposes within the framework of a quality consortium increases the extent of its popularity. To a large extent, it will be the differentiation strategy followed by the quality consortium which will gradually increase the product’s visibility. Thus, when establishing a quality consortium, the requirement of popularity should be considered in a balanced way.

It can also be helpful to work with a product that could obtain, or has already obtained, other guarantee seals (organic, fair trade, etc.). Through various certifications it is possible to respond to the needs and wishes of heterogeneous customer groups at the same time and thus reach broader market segments. While it is rarely possible to accumulate the premiums resulting from each label, one should not forget that often there may be synergies between different certification processes, which help to reduce implementation and monitoring costs. Traditional products of a given geographical area are often organically and sustainably produced. Moreover, many quality consortia work in a democratic way, to a great extent meet the necessary requirements to apply for fair trade certification and market products relevant to the ethical market niche (Marette 2009; FAO 2008; Reviron et al. 2009). In Indonesia, for example, as part of a broad initiative whose ultimate aim was to register Kintamani Bali Arabika coffee as a geographical indication, organic certification was obtained first (Gerz in: Gerz et al. 2008).

Furthermore, it is also important to consider the production structure of the traditional product of regional origin. Any joint value-adding strategy requires sacrifices on the part of the economic operators involved, and not just in financial terms. They must invest time, make efforts to coordinate their activities with other stakeholders and be willing to learn and implement new production practices or technical innovations to increase quality. Even when it is possible to obtain substantial external financial and technical resources, there is always an opportunity cost for producers. In some local areas, the socio-economic pressures may be so compelling that the collective reinvention of the product becomes a necessity. However, in other cases, the motivation and interest of the stakeholders to embark together on a value-adding strategy can be very limited; and this not only refers to the well-established economic operators in the market.

As has been observed in European rural contexts, less competitive primary producers may also have reasons for not wanting to participate in the initiative. For example, some older farmers working their fields alone, without family support and with no successor to their farm, are often reluctant to become involved in ambitious projects (Vuylsteke et al. 2003). Furthermore, one should not forget that many traditional products are of little economic importance to their areas of origin and their producers. Often, the operators involved do not derive their main source of income from the product and only produce it for their own consumption or for additional profit. In these cases, it may be difficult to encourage producers to get involved in a differentiation and quality improvement project. However, having a pride in tradition, a concern for biodiversity or an interest in keeping traditional practices alive can motivate these semi-professional producers to seek ways of protecting the historical legacy via partnership. Nevertheless, the quality consortium is not necessarily the most appropriate organizational form in these contexts (Marescotti 2003; Tregear 2004; Carbone 2003).

To predict accurately the likely level of interest of various groups of operators, or to establish a typology in relation to the same, is obviously impossible and is not the point of the preceding discussion. Also, important as the motivation of the stakeholders involved may be a priori, it is not immutable. Through appropriate incentives and good coordination, it is possible to dispel the doubts that may arise within a certain link in the chain, as illustrated in the case of Teruel Ham (see p. 39).

### **3.2. How to launch an initiative**

In Europe, the vast majority of quality consortia came to fruition thanks to the determination and initiative of some professionals in the value chain of a given product. Often, projects were supported by some public authorities, although without them becoming the driving force of the process. The case of Valais rye bread is actually an exception to this rule (see p. 32). This contrasts with the prevailing trend in developing countries, where quality consortia are normally the result of initiatives of public institutions, multilateral entities and NGOs. All these often play a key role in southern countries, as promoters of grouping processes between agricultural and artisan operators. Moreover, it is often the employees of these entities who mediate between producers and facilitate the coordination of potential divergent interests. The figure of group promoter also exists in Europe, but it is generally the members of the developing consortium itself who recruit an expert to provide guidance and to facilitate the joint work of the various links in the production chain (Reviron et al. 2009).

Quality consortia generally start out as informal and temporary discussion groups, where the vision of a producer or leading businessman generally sets the course of the discussion.

Initially, objectives, interests and common values are identified and the motivations and expectations of the various operators with regard to the future quality consortium are clarified. Usually, even in the initial informal meetings, important strategic decisions are taken that will impact in various ways on the different stakeholders and links in the value chain. For this reason, when the ultimate goal of an initiative is to establish an interprofessional consortium, representatives from all levels of the production chain should be involved from the beginning; only in this way will all stakeholders later feel equally committed to the project. The task of bringing together different stakeholders around a common project may be greatly facilitated when there is a possibility of working not just with individual operators, but with pre-existing collective associations or structures, however weak they may be (Sautier and Van de Kop in: Van de Kop et al. 2006; Barjolle et al. 2005; Reviron et al. 2009; Boutonnet and Damary in: Gerz et al. 2008; Wiskerke 2007).

Regardless of who the specific economic stakeholders are, there are usually two main groups: a few artisan or industrial processors and a large number of scattered primary producers. The former, even though they are competitors, generally feel united through forming part of the same professional collective. The producers, however, are usually poorly organized and may have difficulty in perceiving their common strategic interests. Moreover, these operators often do not understand all the dimensions of the common project and are defensive and hostile towards the idea of having to comply with stricter production rules and quality standards (Casabianca et al. 2000).

The role of promoter takes on special importance in this context. The latter must ensure that at the initial meetings all participants receive the same level of information. When it comes to discussing key topics such as the product to be reinvented, members' obligations and the non-economic objectives of the project, it is essential that those involved in the various links of the production chain are aware of the likely scope and potential consequences of the decisions to be taken. Only in this way can they assert their interests from the outset (Barjolle et al. 2005; Reviron et al. 2009; Boutonnet and Damary in: Gerz et al. 2008).

In the case of Mexican Tequila, for example, a large majority of the farmers who produce agave—the basic ingredient of the drink—still do not know, long after the mark of origin was obtained, what the concept of “geographical indication” really means. Because of their limited knowledge, the farmers have never been aware of the important role they could play in creating added value, if they were to revalue their traditional farming practices. The lack of information among producers and their limited influential capacity within the Tequila inter-professional group have always gone hand in hand (Bowen 2007).

It is worth pointing out that the strong leadership of one or more stakeholders in the production chain can become a decisive success factor in establishing a solid, well-integrated quality consortium. However, it is necessary from the outset that the emergence of any leaders does not impede the involvement of primary producers in the management of the group (Roep et al. 2006).

#### **BOX 6. Switzerland: Rye bread from Valais**

The idea of adding value to typical rye bread came about through a broad rural development strategy which the Swiss Canton of Valais started to implement in the 1990s. The reason for promoting the traditional product was to support local economic operators,

improve the visibility of the Canton in order to attract tourists and to prevent the disappearance of the manufactured foodstuff and its basic ingredient, rye. In fact, the survival of this bread, which for centuries formed an integral part of the regional diet—rye being the only cereal adapted to the adverse alpine climate—no longer seemed certain. It was decided, therefore, to take advantage of the new eating habits of a growing segment of the population that was becoming ever more concerned with buying healthy products, and to relaunch the “poor peasant” bread as a highly-differentiated, dietary niche product.

In 1997, a first tiny discussion group was set up. It was formed of representatives from the Chamber of Agriculture, the Canton’s Ministry of Agriculture, two regional flour mills and the regional Association of Bakers. The stakeholders agreed that in order to tackle the main problem—the decline in rye production—and to improve the competitiveness of the economic operators, it was necessary to produce and sell standard, artisan rye bread in a coordinated way. All stakeholders shared the same values and were motivated by the desire to promote the region’s resources. Even at this early stage, it was decided to work towards obtaining a geographical indication at a later date.

During the long months that followed, the discussion group started to conduct the necessary technical tests in order to develop the product specifications and outline the structure of what would later be the interprofessional consortium that exists today. In order to get the initiative off the ground, it was decided to expand the alliance; more local artisan bakers, and rye farmers in particular, were needed. In 2000, when rye production had reached an all-time low, getting farmers involved in the group became an urgent priority. The fact that the producers had not been involved from the start was a difficult mistake to correct. These always showed an opportunist attitude towards the project and their main motivation to join the association was the higher premium they received for rye in comparison with other cereals.

In the late 1990s, the alliance began to operate efficiently on a productive and promotional level, but it was not until 2001 that the interprofessional consortium “Rye Bread of Valais PDO Association” ([www.walliserroggenbrot.ch](http://www.walliserroggenbrot.ch)) was established and an independent professional manager recruited. In 2002, the product started being certified by the Intercantonal Certification Body, in accordance with the specifications developed by the stakeholders. All that remained now was to obtain the geographical indication.

The registration process was met with expected opposition from market competitors, particularly a major Swiss retailer who sold an industrial version of the product and insisted that the designation “Rye Bread of Valais” was just a generic term. Support for the initiative from the Federal Ministry of Agriculture was crucial in overcoming the legal obstacles and obtaining a geographical indication in 2004.

During that period, the project saw its first results. Rye production had more than doubled in just three years and the consortium already had around 90 members who benefited from the premium paid by consumers for the typical product with significant added value. Particularly for small bakeries and the two flour mills who were members, the initiative clearly helped improve their competitive position in an environment of increasing industrial competition and concentration of distribution on a national level. The regional marketing strategy, focused on the typicity and local roots of the food stuff, was proving a success, and obtaining the geographical indication further contributed to promoting the image of the product among residents and tourists. Consortium members were not the only ones

interested in making the rye bread famous; efforts on the part of the public sector and the regional press in publicizing the traditional products of the Valais Canton and the promotional activities of the “Swiss Association for the promotion of Geographical Indications” ([www.aoc-igp.ch](http://www.aoc-igp.ch)) were other valuable sources of support.

Throughout all its phases the initiative had the organizational, technical, legal, logistical and financial support of various public entities, which proved vital to its success. However, the project, which started off as something of a top-down initiative, was then developed by concerned private operators who were immediately committed to it and established a strong, well-structured collective group. The consortium operates in a democratic and inclusive way and is made up of around 80 rye producers, two regional mills, and more than 60 artisan and industrial bakeries. The members of the Board of Directors represent the three links in the productive chain. The group’s main responsibilities include: defining specifications and developing quality standards; interacting with the certifying body for the centralized payment and management of the monitoring process; defending the geographical indication; drawing up standard contracts for commercial transactions between members; setting price guidelines for selling the rye bread; providing technical support services to members; promoting the product; searching for new members to expand the alliance; interacting with public institutions and other gastronomic initiatives.

Now that the potential demand for Valais rye bread appears to be covered on a regional level, and the product has a reputation throughout Switzerland, the consortium is considering whether to sell the product nationally through wider distribution channels. If the geographical sales area is expanded, the initiative could eventually become self-financing. However, establishing business relationships with new partners who are geographically distant and have little commitment to the socio-economic values of the project involves risks that must be weighed up in the future.

Sources: Reviron 2005; Reviron in: Gerz et al. 2008; [www.walliserooggenbrot.ch](http://www.walliserooggenbrot.ch)



### 3.3. How to prepare a specifications document

The specifications form the basis for collective action and are the foundation of the quality consortium’s activities. Apart from the fact that product coding is generally a basic requirement for registering the product as a collective mark, certification mark or geographical indication, drawing up specifications is also essential in order to guarantee and protect the particular attributes of a traditional product of regional origin. The good reputation of a product

with recognized properties can only continue to be exploited commercially if the standard of quality associated with it is maintained (Thevenod-Mottet in: Gerz et al. 2008). The document is not exactly a technical regulation, but a description of the practices to be complied with and those which are not permitted along the production chain of a typical product. Obviously, the level of detail in the specifications is never such that it will reveal production secrets, which might open the way to plagiarism (Reviron 2009).

Although the precise terms of the document are often drawn up at a later stage in the process of establishing the group, the principles that are to guide future agreements are usually addressed in the initial stage. The specifications are evidence that agricultural operators, even though they may be competitors, are truly interested in the joint project and want to commit to it, as cooperation between consortium members will be organized around this document (Reviron et al. 2009; Barjolle et al. 2006).

The specifications are, in theory, little more than writing up the pre-existing traditions and customs in an area associated with the production of a typical product. In practice, however, its preparation is much more complex. A traditional artisan product is almost, by definition, a non-standardized product, so it is normal that in a given area quite diverse production practices co-exist, in terms of raw materials and processing and manufacturing methods (Berard and Marchenay 2008). “[The] definition of the production process is not a given fact but the result of a pooling of experience and negotiation between the different members concerned. Even if the criteria are objective, the technical rules are a complex social construction [...]” (Barjolle et al. 2005: 108). The various stakeholders must work together to establish what the product attributes are that constitute its essence, and what characteristics are accidental, secondary and which, therefore, can be left to the discretion of each operator without needing to be codified. Both what is stated and what is left unstated in the specifications may affect certain groups of economic stakeholders positively or negatively. Therefore, it is common for the coding process to involve major conflicts, especially when the operators are very dissimilar with regard to size, degree of industrialization and distribution channels used (Tregear et al. 2004).

Sometimes, for example, “the traditional product” that the larger processing companies want to protect with a geographical indication under a given name commonly used in a region, is diametrically opposed to the characteristics of the product processed by small farm operators under the same designation. In the case of cheese, for example, it is not unusual for conflicts to arise between industrial operators interested in codifying a product made from pasteurized milk, and artisan producers who want to continue producing their “traditional” cheese with untreated milk (Moity-Maizi in: Gerz et al. 2008).

The conditions included in the specifications document should be sufficiently clear and well defined to underpin product differentiation on the basis of superior quality and be sufficiently flexible and inclusive to ensure that all economic stakeholders can be included in the common project without having to give up a marketing strategy based on their own individual brands. One of the keys to the success of a quality consortium is to maintain a balance between tight control and flexibility, which makes it possible to preserve competition between member companies and to cover different market segments (Barjolle and Sylvander 1999). Furthermore, when drawing up the specifications, it is necessary to leave enough leeway for operators in the consortium to adapt at any time to new technological and legal changes or unexpected market trends. “GIs [geographical indications] have the advantage of allowing for the inclusion of new attributes (e.g. new food safety, animal welfare, and environmental protection systems) while preserving the basic attributes on which GI differentiation is based so that premiums will not be diluted... .” (Babcock and Clemens 2004: 14)

However, what is not stated in the specifications document may prove just as problematic as what is listed in detail. If the document fails to mention what practices should be used to produce the raw materials, the primary producers’ influence on the decisions taken by an interprofessional consortium risks to be drastically reduced in the future. In fact, the negotiating power of different stakeholders belonging to the same production chain is usually proportional to their contribution to the creation of overall added value. Therefore, it is

necessary to identify and codify from the outset the factors that affect product quality and are dependent on the work of producers of raw materials. The contribution from stakeholders in the various links in the production chain must be valued and recognized by the specifications to ensure cohesion among all the economic operators. The document should foster the recognition of existing relationships of mutual dependency among all members; thus preventing certain groups from being excluded in the future from decision-making on key issues such as the distribution of profit along the value chain (Boutonnet and Damary in: Gerz et al. 2008; Bowen 2007).

The specifications document must, at all times, be drawn up in a participatory manner so that strong bonds can be created between the different stakeholders, which will culminate in an agreement. In this context, it should be borne in mind that “reaching an agreement does not mean hitting a compromise (or a bargain), but proceeding on to create solidarity between the different actors and reconcile their interests.” (Casabianca et al. 2000: 324). As it can often be difficult for primary producers to make their voices heard in negotiations with larger processing companies, in the case of interprofessional consortia it is desirable that the discussions about the characteristics of the product to be reinvented take place first at a horizontal level, so that the representatives of the various links in the production chain can better assert their interests when they later have to define the contents of the document together (Boutonnet and Damary in: Gerz et al. 2008). It is also important that all stakeholders fully understand the difference between the two types of standards that are typically addressed in a specifications document: the specific voluntary agreements that are directly related to authenticity and tradition, and the more regulatory or conventional agreements that guarantee safety and facilitate product marketing (Casabianca et al. 2000).

It should be noted that, while it is true that primary producers are often in a less advantageous position compared to processors, there are obviously cases where the reverse is true. When there is a shortage of raw materials in the market, the primary producers initially have a better hand. This is the case, for example, with Austrian pumpkin seed oil, which is protected by a geographical indication. The specifications document does not establish clear criteria regarding the quality of pumpkin seeds, which presents a substantial problem for oil processors. However, given the difficulty of finding enough farmers willing to supply the precious raw material, processors are in a relatively weak situation (Schwarz 2008).

It is also noteworthy that the drafting of the specifications can influence the achievement of the non-economic objectives of the quality consortium and can have both positive and negative impacts on the environment. The specifications document for Moroccan argan oil, a product in the process of being registered as a geographical indication, establishes the need to plant new argan trees. As argan trees play an important role in combating desertification, implementation of the specifications can entail beneficial environmental externalities (Reviron et al. 2009). In contrast to this is the case of Mexican Tequila. While traditionally nine different varieties of agave have always been used in the production of the alcoholic beverage, the inclusion of only one variety of the plant in the specifications meant institutionalizing monoculture and contributing to reducing biodiversity (Bowen 2007).

In any case, when preparing the specifications document the cost factor must be taken into account. The document will be nothing but a dead letter if the terms within it are not implemented and if practical application is not carried out with the required thoroughness. It is, therefore, absolutely crucial to consider the fact that meeting the requirements of the specifications involves costs that can be more or less high. The costs incurred by operators will depend largely on how strict the specifications are.



### 3.4. Implementing specifications

Irrespective of the moment of legal formalization of the quality consortium, it is to a certain extent the specifications implementation phase that marks the beginning of the group's operation and is the first acid test for the alliance.

Consortium members not only have to adapt their production processes and corporate structure to the requirements of the specifications, but also have to adopt a new organizational pattern based on agreed standards; something that may prove difficult for farm-

ers and small artisan companies. All this entails monetary costs and time. Moreover, if a member decides to get involved only partially in the preparation of the “reinvented” product, it may be forced to maintain separate production lines. Apart from the inefficiencies that may arise at administration level in this case, it is also possible that the agro-industrial operator may face the need to acquire new assets to produce, store or transport the two types of products separately (Belletti et al. 2007).

However, thorough application of the specifications is, in itself, not always sufficient to achieve the objectives of the consortium and, especially, to receive certain quality marks. In fact, it is usually necessary to monitor and certify internally and/or externally that all members are complying with established procedures. Even if self-monitoring by members could be considered a valid means of guaranteeing pre-established quality standards, under a collective mark and certification mark, monitoring the activities of users of the mark by the proprietor—if applicable, the consortium itself—becomes a legally indispensable practice. This is sometimes also the case with geographical indications; although it should be noted that in this context many national laws do not accept monitoring procedures within the group, but require an independent certification body to assess product conformity. In the EU, for example, only products checked by external bodies can qualify for an institutionalized geographical indication; European quality consortia have no longer legal capacity to act as ultimate and exclusive guarantors of quality.

For members of the consortium, having to subject themselves to an internal or external inspection and monitoring system that it has been decided to implement is not always easy and may represent a real obstacle. Members will suddenly be obliged to bear the psychological costs involved in agreeing to be monitored, and to adhere to the compliance logic of certification and traceability systems. However, on the other side of the coin, it is worth noting that it is precisely this strict control of the production process that creates the conditions necessary for the development and maintenance of trust among consortium members. Even though they may be competing with each other, they know they are united through their compliance with common quality standards. To avoid jeopardizing this loyalty among the various stakeholders, it is important that members who do not comply with the agreed practices are reprimanded or, in extreme cases, expelled from the group (Belletti et al. 2007; Barjolle and Chappuis 2000).

A well-established monitoring and certification system can enable small farm operators who join a consortium to sell their products to large and demanding distributors; but only where the latter consider that the quality system is strict enough as a whole (Barjolle and Chappuis 2000). For this reason, it may be advisable to have an independent certification body carry

out inspections, as only then can it be guaranteed that the monitoring system is fully credible. However, the relevance of using these external services must be analysed by the consortium, in terms of its target market, the legal framework and financial resources available. An independent quality control system does not always automatically result in a more advantageous market position for members.

The external certification body, if any, should be responsible for preparing the so-called monitoring plan, which details the types of procedures, checks and inspections necessary for ensuring compliance with specifications. The monitoring plan may include two types of inspections; firstly, in-situ checks and documents reviews, to monitor and check that the activities, techniques and processes being followed comply with the self-imposed rules and, secondly, chemical, physical or sensory analytical tests to verify that the product conforms to the set parameters. Obviously, the terms of the monitoring plan and, consequently, the administrative and inspection costs associated with it, depend directly on the content of the specifications. The latter also dictates to a great extent what links in the production chain will be monitored and, hence, which economic operators will have to directly assume the costs that normally accompany certification. In fact, it is not always necessary to scrutinise every step or activity in the production process separately and sometimes all the inspections focus on a single level of the value chain, while other links are only required to keep a documentary record to ensure traceability (Belletti et al. 2007).

Hiring the services of an independent certification body makes sense only when the operators affected by the inspections have a sufficient financial cushion. It is important to analyse this aspect at a very early stage in the initiative to create a quality consortium; especially if it is desired to apply for a quality mark, for which an independent certification system will be required. In this case, it will be necessary from the outset to include in all calculations and plans the costs that members will later incur in order to receive a quality conformity certificate. In addition, it must be ensured that the specifications subject to certification do not establish requirements that would necessitate payment of excessive sums to monitor them.

To avoid inspection costs becoming too high, or even unaffordable, for small producers and artisans, certain internal monitoring practices, in addition to external, should be considered; something which is already usual for organic products. When an internal monitoring system is well-established in the consortium, the independent certifying body will not have to inspect each operator separately, but only a sample among them or only those in the final link of the production chain (Boutonnet and Damary in: Gerz et al. 2008). The Honduran coffee Marcala, with a geographical indication, is monitored according to this system, which guarantees complete product traceability from the farm to the export warehouses. The collective organization is responsible for carrying out all necessary inspections and supervision along the whole agri-food chain; the external certifying body is only involved in the last stage, when it issues the final grade for the batch of coffee for export and monitors the packaging and labelling (Marcala Coffee Regulatory Council 2007).

### **3.5. Services offered by the quality consortium**

The range of services a quality consortium offers its members depends on, among other things, the objectives set by the members, their level of commitment to the common project, the number of members in the alliance, the resources available and, of course, the

organizational structure. In fact, the tasks assumed by an interprofessional consortium go beyond those developed by a professional alliance, as the former plays a key role in coordinating relationships between the different links in the production chain. Moreover, the alliance's degree of professionalization, as regards organization, also determines the services it can offer. For the consortium to be able to function satisfactorily, it is necessary to recruit, sooner or later, regular professional staff who not only manage and get involved in the daily operations of the consortium but also advance the group in its strategic approach. Therefore, it is essential for these employees not only to have individual leadership skills but also a certain degree of institutional independence (Roep et al. 2006; Barjolle et al. 2005; Clara 1999). Below, the quality consortia's main areas of action are presented, without wishing artificially to establish a closed list.

### *A. Coordination of transactions between operators*

A professional consortium is dedicated primarily to horizontal coordination among its members, but also tries to streamline the business relationships its members have with other external links in the production chain; for example, it is customary for the organization to be directly or indirectly involved in the purchase of supplies.

On the other hand, vertical coordination lies at the core of the activity of an interprofessional consortium. Within an interprofessional group, members negotiate and set master conditions which have to govern commercial transactions between economic operators at different levels of the production chain. It is usual to develop model contracts that members can later use when buying or selling among themselves, without having to make major modifications. The system benefits all stakeholders in that it reduces transaction costs significantly. In addition, model contracts are particularly important for primary producers. These usually tend to operate on the basis of verbal agreements that do not offer them good guarantees and, moreover, make them vulnerable to the arbitrariness of processors. Particularly when a product is perishable, stable and secure business relationships with trusted customers are essential. The interprofessional consortia also often act as mediators to resolve commercial disputes between members through an arbitration system. In this way, the disputing parties avoid the economic costs of having to go to a civil court (Barjolle et al. 2005; Barjolle and Chappuis 2000).

The important role that an interprofessional consortium may play in coordinating transactions between the different links of the production chain is evident in the case of the cured ham from the Spanish town of Teruel, which has a geographical indication. There was a time when the market demand for ham was very high, but pig farmers were reluctant to increase production, as they were afraid of, firstly, the high costs of breeding and, secondly, possible fluctuations in income and greater dependence on the slaughterhouses and/or ham producers. In fact, the pigs which are needed to produce the typical foodstuff have such specific characteristics that the chances of selling the animals in other markets or through other channels are severely limited. The consortium, together with the regional government, intervened to mediate between the stakeholders and to improve information flows between the different levels of the production chain. In addition, as a means of stabilizing the supply of pork, a model contract was prepared which could be used by livestock farmers and slaughterhouses in their commercial relationships. The contract included minimum purchase price, product quantities and delivery dates (Chappuis and Sans 2000).

## *B. Product quality, improvement and monitoring*

The consortium not only watches over the specifications but also aims to manage and continuously improve product characteristics. Although the specifications reflect the production requirements, these are not static and, if necessary, must be adapted and improved. Consortia, therefore, are often involved in identifying the most suitable production technologies and processes for refining the specifics of the final product for sale; often based on the results of previous market research. Some alliances go further, by developing R&D activities aimed at optimizing quality and reducing production costs. Some consortia also offer consultancy services or training courses to their members, with the ultimate aim of improving the attributes of the final product. In addition, some groups set up pilot technical centres to provide industrial services (Barjolle et al. 2005; Barjolle and Chappuis 2000; Chappuis and Sans 2000).

To ensure maximum quality, professional consortia are often involved in managing the properties of raw materials that members buy from external providers. On the other hand, interprofessional consortia often coordinate, and mediate in negotiations between the various links of the production chain so that producers and/or processors carry out their activity in accordance with the quality standards specified by their respective direct clients, who form part of the alliance.

In this context, identifying, measuring and properly rewarding the contributions of the various operators to the creation of overall value is an essential task. The interprofessional consortia often implement classification and quality-based payment systems to facilitate transactions between different levels of the production chain. The prices of raw materials and/or processed products that are marketed within the group are negotiated and are collectively fixed in advance, on the basis of certain objective characteristics that determine their quality. The price an operator receives for a given batch of its product varies and depends each time on the extent to which that product meets certain preset standards. In addition to providing transparency in business activities, the classification system also guarantees all members of the consortium—whether customers or suppliers—a fair payment procedure, thus avoiding any conflicts. Moreover, through the classification system economic incentives are created to improve the properties of the product further (Barjolle et al. 2005).

One should also note the important role consortia play in the quality control and certification process. On the one hand, using a team of their own supervisors, the groups often perform, all or some of the inspections and checks necessary for obtaining the final seal of conformity; on the other, the consortia often interact with the external certifying body, should there be one. Given that the collective certification is usually the most beneficial financial option, the groups often manage and centralise payment of external monitoring costs for all their members and are involved in administrative procedures related to certification. For example, in exchange for the corresponding fees, consortia often support and help their members to prepare and compile the documents required for ensuring traceability, and later present them directly to the external institution. This not only streamlines procedures, but also cuts down on certification costs by reducing the involvement of the external entity (Belletti et al. 2007; Couillerot et al. 2009).

Moreover, consortia can also use their corporate power to negotiate better certification rates with the inspecting institution and to agree internally or externally a cost structure that is better suited to the needs of economically weaker members. This has been the case with the Italian extra virgin olive oil with the geographical indication “Toscano”. The smaller bottling companies could not participate in the project, as costs of independent certification were too

high. The interprofessional consortium intervened: firstly, it managed to negotiate a reduction in the fixed costs of the external monitoring activity and, secondly, it established an internal system of redistribution of certification costs. The consortium, using the fees collected from all member bottlers, began to subsidize the variable costs of inspection for these small businesses. The consortia can therefore coordinate and influence the distribution of certification costs, both horizontally and vertically, appropriately managing the contributions paid by the members (Belletti et al. 2007).

### *C. Business and marketing strategy*

Quality consortia are responsible for implementing the strategic decisions taken by their members with regard to the marketing of the typical food or good, and for managing the marketing mix appropriate for that purpose. The variables product, place, price and promotion represent the operational tools used to achieve the objectives set by the members. The consortium optimizes the product's tangible and intangible attributes, each year sets a recommended retail price for the product based on costs and desired market positioning and selects target markets. It also decides the most appropriate distribution channels to reach end-customers and develops and promotes the mark or, where applicable, the geographical indication, through various activities. The considerable economies of scale that arise in a consortium in terms of finance and know-how, reduce the promotion costs and allow the implementation of ambitious marketing strategies which the members could never cover on their own.

The preparation of communication tools, participation in trade fairs, launch of advertising campaigns in different media, organization of events and exhibitions around the product, are all examples of the many activities that a consortium can develop. In any case, it is the members themselves who decide to what extent they want to standardize the marketing strategy for the traditional product of regional origin, common to all members. Consequently, it is they who set the boundaries in which the promotional work of the consortium should be developed. The consortium's only function is to facilitate and support the product marketing of the different operators, without undermining the individual brands of each of them.

### *D. Management of production volumes*

In many consortia, agreements are reached between the economic operators to control production volumes. The aim is to prevent fluctuations in supply and hence fluctuations in product value which would make it impossible to maintain a position in a high market segment. In fact, a sudden reduction in the price of the final product encourages stakeholders in the value chain to produce substandard products, thus endangering the long-term reputation of the label or geographical indication. Although it is important to control volumes by introducing production quotas for the members, this is not always easy in practice, since such procedures might violate the antitrust laws of various countries (Chappuis and Sans 2000; Roep et al. 2006). However, when the quantity is controlled, with state approval, as in the case of the French Comté cheese with geographical indication, volume control offers unquestionable advantages. The interprofessional organization of Comté restricts the production of the cheese by selling a limited number of casein labels to the various operators involved, without which it is legally impossible to market the product. Each year the number of labels increases according to the expected demand for the cheese. For the consortium, the

sale of these compulsory labels is not only a means of controlling production volumes, but also a way to pay for other activities: 95 per cent of its revenue is derived from this source (Bowen 2007).

However, it is not only the state authorities who are sometimes opposed to production level control practices. Dissenting voices may also arise within the consortium, as setting production quotas means not just controlling what and how members produce, but it also affects and jeopardizes their future decisions, compromising their freedom of action. The consortium must therefore find ways to reconcile and unite conflicting interests and to bring all stakeholders together around the central strategy of the collective organization. In the case of the Italian professional consortium of San Daniele ham, the potential problem was solved by relaxing quotas for export companies in the group, and by allocating larger quotas to member processors with higher than average supply costs (Clara 1999; Barjolle and Chappuis 2000).

### *E. Fair distribution of profits among operators*

Some interprofessional consortia contribute to a fairer distribution of profits derived from the final product among the different links of the production chain. There are various ways of achieving this. Firstly, collective organizations can collect and disseminate reliable information about prevailing prices in the domestic or international markets. Primary producers, in particular, often lack information about the amount they can charge for their raw materials or the final price paid by the end-customer. By countering this lack of reliable data, the consortia can help operators in their sales decisions and facilitate profitable transactions for them (Barjolle et al. 2007; Barjolle et al. 2005; Reviron et al. 2004).

A case in point is the National Federation of Coffee Growers of Colombia (FNC, acronym in Spanish), which holds the rights to “Colombian Coffee”, the first non-EU geographical indication to have protection in the EU. Although the FNC operates as a cooperative rather than a consortium, it is pertinent here to highlight its role as an information channel for its members. The Federation sets the purchase price of coffee according to share prices on the New York Stock Exchange. Primary producers can learn about the latest international market returns and freely choose whether, based on current prices, they would rather sell the raw material to the collective organization or market their products directly to independent traders (Schüßler 2009; El Benni and Reviron 2009).

There is also another way in which the consortium may be involved in profit distribution. The interprofessional organization can arrange negotiations between the various levels of the production chain in order to reach binding agreements on prices that will be applied in commercial activities between member operators. The partial payments should be in direct relation to the final value of the finished product in the market; increases in the final price of the product are automatically reflected in increased prices received by the various operators. The Comté consortium once again sets a positive example in this regard, where partial prices and the final price of cheese are directly linked by a system of calculation used within the collective organization, which fairly acknowledges the contributions of the various links in the production chain. When the average price of Comté cheese increases, the primary milk producers and processors benefit almost equally (Bowen 2007). An equitable redistribution of profits means that all operators feel committed to the common project and work to improve the product and expand sales.

## F. Control of opportunism

The consortium must ensure that all members are subject to the self-imposed rules and specifications, through social control mechanisms, written regulations and disciplinary measures, including exclusion from the group. Members should be prevented from adopting individualistic strategies in terms of product quality, quantity and marketing that could jeopardize the product's reputation and positioning in the market. However, this is not always an easy task, as the consortium basically lacks the legal authority to impose or enforce all its decisions. For example, the consortium lacks the means to exert the pressure needed to ensure that all members respect the recommended retail price, established collectively for product sales. However, as evidenced in the case of the Melinda consortium (see p. 46), it is possible to compensate for the lack of authority through the use of creative mechanisms.

In any case, it should be noted that the organization's capacity to manage and monitor should not come from its hierarchical superiority over members, but from its ability to collaborate with them. The consortia are not set up to be auditing or governing bodies, but as alliances to coordinate common interests. As legally independent associations consortia must seek to achieve legitimacy and a broad consensus on a joint strategy in order to operate (Clara 1999).

It is certain that in EU countries, and others with similar legal systems, consortia have significant legal powers in relation to the economic operators, once an institutionalized geographical indication has been obtained. However, precisely because of this, some consortia "have become more like instruments of monitoring and inspection of companies and production processes than organizations to help companies to differentiate, market and target themselves effectively towards consumers" (Cambra 2009: 345; own translation). Combating opportunism, unlawful competition and fraudulent use of the geographical indication is essential work which the consortium must develop, but should not become its primary function.



### 3.6. Promoting a traditional product of regional origin

The promotion of the common product is one of the essential functions of a quality consortium, as already mentioned. If the group fails in its marketing policy, if it focuses too much on the product and neglects the market, it will be difficult for the common project to achieve its objectives. In fact, clearly visible good quality of the marketed item is essential but not sufficient. "Pride of the product and loyalty to the traditional production techniques may generate highly valuable product qualities, but it is definitely not a

guarantee for a sound and successful sales strategy" (Albisu, L.M. quoted in Rangnekar 2004: 33). A well-designed and implemented marketing and commercialization strategy can be such a determining factor that it can sometimes even compensate for the lack of specificity of a good or foodstuff. For example, the British Jersey Royal potato, which has a geographical indication, despite the fact that it does not have too differentiated attributes, is selling well in the markets due to good business management and optimal coordination with wholesalers and retailers (Wilson et al. 2000; Barjolle and Sylvander 1999).

The details of the promotion policy and the specific activities to be developed by a quality consortium should be designed and planned according to product characteristics, financial, human and time resources available, and members' priorities, etc. However, since all traditional products of regional origin share certain features, it is important to highlight some points that must be taken into account when designing the marketing mix.

The success of a quality consortium is based largely on the coherence and balance between two vectors: 1) product differentiation and effectiveness of business communication; 2) the unity of the members and the consistency of the organizational structure. Underpinning these two axes must be the primary objective to be met, which requires a progressive and well-thought-out approach (Roep et al. 2006; Wiskerke 2007). The strategy of hurriedly registering any type of mark and/or obtaining a quick quality certification for the product in order to launch it as soon as possible onto the market can mean having to sacrifice the level of differentiation and control of distribution and marketing. Before starting to market the "reinvented" product on a large scale it is therefore essential that the common project has achieved high levels of internal consistency and that all members are aligned with common, long-term goals (Vuylsteke et al. 2008; Roep et al. 2006; Arfini et al. 2008).

The selection of distribution channels should not be made hastily or circumstantially, but should be the result of careful analysis and solid relationships. Experience shows that initiatives tend to perform better economically if already in the early stages they manage to build alliances or even incorporate potential wholesalers or retailers into the consortium, who share not only a concern for quality but also a vision of the product rooted in the territory (Vuylsteke et al. 2008; Roep et al. 2006).

As regards distribution, the consortium must also decide at some stage whether or not direct sales, outside the distribution channels specifically selected by the group, can be permitted to members. Considering the attributes of traditional products of regional origin, it is often advisable that the marketing of these products is not carried out solely through conventional wholesalers and retailers, such as supermarket chains and gourmet shops. Especially in tourist areas, shorter distribution channels make it possible to establish a link between the consumer and the product's region of origin and can enhance its image as a foodstuff or, should it be the case, a typical and authentic good. Obviously, in the case of direct sales from farms and independent marketing at craft or fresh produce markets, the consortium should monitor members' compliance with the collective rules on quality and price. In this sense, individual sales should first and foremost be a component of the marketing mix rather than a concession to the joint promotional and commercial strategy (Van de Kop and Sautier in: Van de Kop et al. 2006; Barjolle et al. 2005).

To achieve good product positioning and high visibility of the shared mark or common identifying seal, a joint and coordinated communication effort between the consortium and the various member companies is essential. All stakeholders must be committed to the promotion strategy, as they all contribute, through their actions, to the product's reputation. But this should at no point imply that the various operators have to renounce marketing activities focused on promoting their own individual brands. In fact, when the collective label gains prominence and supersedes the importance of individual brands, there is a danger that companies with recognized brands will lose interest in the common project. This type of development could erode the credibility of the shared mark which claims, in some way, to be representative of a typical product from a specific geographical area.

Furthermore, the consortium's communication strategy should not be limited to publicizing the collective label but, as far as possible, aim to provide information on the various qualities

of the products included under the same shared distinctive mark. In the case of wine, for example, it is not in the interest of the various winegrowers that customers only recognize the shared label or the geographical indication, if there is one, and fail to perceive the vast difference between a young and a premium vintage wine (Cambra Fierro y Villafuerte Martín 2009).

Many quality consortia do not focus on giving visibility to a shared trademark name, but develop a communication strategy aimed at obtaining recognition of the product as a geographical indication. In countries where there is no legal framework to protect such intellectual property rights, the consortia have to champion their project as a common interest cause, in order to exert the political pressure necessary for establishing relevant legal conditions. In any event, the marketing strategy should not be overly focused on registering a geographical indication, as official certification alone does not automatically result in a significant increase in demand. It is not for the geographical indication itself that the consumer is willing to pay a premium, but for the promise of quality that is associated with legal protection. However, this assumes that the customer understands the concept of geographical indication and what it means, something which is not always the case (El Benni and Reviron 2009).

In fact, even in the EU, where geographical indications have a comparatively long legal tradition, many consumers are still unaware of the distinctive marks of protected products or do not know exactly what they imply (Gerz and Dupont in: Van de Kop et al. 2006; Cambra Fierro and Villafuerte Martín 2009). On the other hand, particularly in markets such as Europe, where there has been a gradual proliferation of food and beverages with geographical indication, the certification helps, but is not enough to make a product stand out. In fact, even among items with the distinctive mark, there is a significant concentration of market shares. In 2004, in Italy, the ten top foods accounted for 82 per cent of domestic and foreign sales of products with geographical indication, whereas the other 130 Italian marks certified on the basis of origin, only accounted for the remaining 18 per cent. In cases such as that of Parma Ham or Parmigiano Reggiano, consumers know and recognize the foodstuffs more as reputable brands than products with geographical indication (Marette 2009).

The greater the degree of ignorance of the concept of geographical indications among end-customers, the more important it is that management of the consortium is targeted towards the market; to attract sophisticated consumers it is necessary to implement an elaborate marketing strategy that does not build on the imagined prodigious capacity of certificates of origin.

But while the registration of a geographical indication does not in itself guarantee sales success, the legal battle for recognition of a(n) (institutionalized) geographical indication, can significantly increase a product's visibility and hence demand for that product. Even before obtaining the coveted mark, the conflicts that often arise between different stakeholders because of legal recognition (see Section 3.8) sometimes make the local headlines, increase the level of knowledge about the product in dispute and, consequently, its sales figures (Perret and Devautour in: Gerz et al. 2008). The certification or institutionalization process should, therefore, not necessarily be seen and managed only as a mere formality for protecting intellectual rights, but as a part of a broader communication campaign aimed at increasing product popularity and recognition.

It must also be remembered that geographical indications tend to have greater impact on purchasing decisions when relative geographic proximity is given; that is, at a national level.

In international export markets the consumer is usually swayed more by the fame of a particular brand or by the image of the country a particular product comes from (Cambra Fierro and Villafuerte Martín 2009). Moreover, at a strictly local level, neither is the buying decision influenced by the geographical indication; customers are aware of the qualities of the products in their area and buy them on this basis. In the case of the Italian olive oil “Toscano” with a geographical indication, the name linked to the origin is not a decisive factor for traditional local consumers as they have first-hand knowledge of the typical product and, above all, trust its quality. Outside Tuscany, however, the “Toscano” label helps attract and retain geographically and culturally distant Italian consumers (Rangnekar 2004).

It is important that the consortium adapts its communication and distribution strategy to the different territorial areas of operation. Depending on the market where the product batches are being distributed, one or another of the tangible or intangible product attributes will acquire greater or lesser importance.

#### **BOX 7. Italy: The “Melinda” apple from Val di Non**

“Melinda” is a well-known brand of apple, owned by an Italian consortium of the same name. The history of the consortium illustrates how an appropriate associative structure can be crucial to the success of a traditional product of regional origin in the markets. A long time before the consortium was established, the apples from the Italian geographic area of Val di Non were already quite famous. More than 5,000 small growers in the area were all using similar production techniques and during the 1950s and 1960s got involved in various local agricultural cooperatives which were responsible for preparing, packing and selling the apples. The idea of further joining forces under the umbrella of an alliance of cooperatives arose during the late 1980s. At that time in Italy, over three times as many apples allegedly from Val di Non were sold than were actually produced in the geographical area. Furthermore, the competition in a fresh-produce market, marked more and more each day by the globalization process, became increasingly fierce. Thus, the managers of the 17 apple cooperatives existing at that time decided to establish the Melinda consortium which, over the years, took on more and more functions. The alliance’s development would always be marked by a leadership that was democratic, flexible and open to dialogue, composed of between two and six of these managers, who demonstrated excellent skill in easing tension and dispelling mistrust.

Members quickly agreed to work together under the collective brand name of “Melinda—Val di Non”, which would serve both as a mark of origin and of quality. If the apples sold by the cooperatives were good before, they now had to be even better. In fact, the “Melinda”<sup>\*</sup> label was reserved only for apples produced according to the requirements of the trademark’s rules of use, which included “integrated production” standards to ensure respect for natural biological cycles. Growers who failed the inspections of the cooperatives were fined and their products not allowed to be marketed during that season. In this context, the role played by the various specialized public entities in providing technical and training support to member growers to facilitate their adaptation to new quality standards proved to be essential.

<sup>\*</sup> Although the labelling states “Melinda—Val di Non”, the apples are known mainly under the name “Melinda”.

In the early 1990s, the responsibilities of the consortium were still relatively limited. It was only in charge of promoting the “Melinda” brand, buying the packing material and selling the product through three secondary distribution channels which represented less than 30 per cent of production: export, large-scale Italian distribution and industry. The remaining sales were conducted completely independently by the various cooperatives which otherwise had total freedom to set their own prices. The managers of the cooperatives at that time fulfilled a dual professional role; they continued to work for their respective groups and also occupied in a collegiate manner the various senior management and operational control positions within the consortium. A rotation and group restructuring system prevented the formation of interest factions among representatives of the various local cooperatives.

The cooperation strategy was successful and “Melinda” apples were soon welcomed in the market. However, the division of responsibilities between the two levels of associative integration soon showed its lack of consistency. The various cooperatives continued to maintain price competition between themselves, although selling apples of the same quality and, what is more, under the same designation. This behaviour could, of course, affect the reputation of the collective “Melinda” mark. For this reason, in the mid 1990s the consortium decided to introduce a single reference price for all apples marketed directly by the cooperatives. In addition, a quality-based classification and payment system was introduced, and was thereafter maintained to provide an incentive for excellence. However, through the system, the best were only moderately rewarded, as all growers contributed equally to financing the consortium and to maintaining the “Melinda” name at a high level in the market. For the reference price itself, the consortium also established an adjusted incentive mechanism based on the principle of individual losses and collective gains. The cooperatives were still not obliged to apply the price recommended by the alliance, but had motives to do so. If they sold their product below the established price, they would not receive any compensation; but if they sold above the price, they would have to return the difference to the consortium which would later redistribute the total accumulated among the various cooperatives depending on the quality of product they had sold.

The single price mechanism served to increase overall profits, but even so, a few years later, the senior management of the consortium decided the time had come to make further advances in the centralization process. The existing structure prevented them from taking full advantage of economies of scale and specialization; it also prevented them from eradicating opportunistic behaviour and price competition. The organizational change to the “Melinda system” was also boosted by the generous financial assistance which the European Union had started offering large producers’ alliances that integrated the management of supply and logistics into one single, stable structure. The first step in this direction was the centralization of all marketing activity, which henceforth would be the sole responsibility of the consortium.

The cooperatives continued to maintain their financial and legal autonomy and responsibility for monitoring the quality and packing of the apples, but they could not intervene any longer in the marketing mix. With this innovation, the dual role in which the cooperative managers previously found themselves in was further accentuated; and it was clear that this organizational situation was not sustainable. Shortly afterwards, they advanced further by also centralizing certain aspects of logistics. The managers of the cooperatives became exclusive employees of the consortium and occupied various operational positions of

responsibility within it. The supervision of quality was now in the hands of the consortium. It was finally possible to homogenize completely the practices of monitoring and inspecting the apples. In any event, during this period there were hardly any violations of the rules of use. Growers had adapted to the demands of integrated production. Moreover, in a rural environment such as Val di Non, where the professional image and social reputation of a grower were highly intertwined, community pressure helped avoid cases of intentional fraud.

In the late 1990s, the consortium operated increasingly like a company, while the functions of the cooperatives had become very limited. However, in all the consortium's decision-making processes, the associative democracy component was as present as ever, since it was the representatives of the various cooperatives who governed its management bodies. Moreover, to give a greater say to the rank and file, a large, extra-statutory, consultative assembly was established that included around 5 per cent of the fruit growers. It was mainly the ability of the leaders of the "Melinda" project to maintain an ongoing dialogue with the over 5,000 small farmers, and to involve them in key decision-making, that enabled the progressive and successful development of the consortium. It was also crucial that they were able to smooth over old micro-local rivalries and foster the birth of a new territorial identity among the growers, who belonged to geographically close, but nevertheless different, communities and cooperatives. While under the umbrella of "Melinda—Val di Non" new production, technical, marketing and organizational techniques were being developed, a new, broader, territorial identity linked to the Val di Non was emerging from the grass roots. The pillars of the "Melinda" project were well established in their local environment; the processes of modernization and innovation did not interfere with the social reality of Val di Non, traditionally marked by small, family production structures.

The historical and territorial roots of the "Val di Non" apples were officially confirmed when they received geographical indication status in 2003, thanks to the efforts of the consortium. The recognition of the uniqueness of the product was a source of pride, but did not essentially change the consortium's advertising strategy, which continued to give priority to promoting the collective mark. In fact, thanks to the significant communication effort carried out over the years, "Melinda" had become famous in the markets and brand recall among consumers was high.

In recent years, the "Melinda" project has just continued to grow. The consortium has assumed more responsibilities and has further expanded its scope of activities. Today, apples from the Val de Non are exported to 27 countries. Moreover, in addition to the traditional seeded fruit, apple-based products are also now marketed under the "Melinda" trademark.

*Main source:* Parri et al. 2002

*Other sources:* Arfini et al. 2008; Martini 2000; WIPO 2004; [www.melinda.it](http://www.melinda.it)



### 3.7. Expanding the quality consortium

Once the consortium members have reached a certain level of turnover from the shared product, they must decide whether or not to expand their operations and increase the volume of sales; something that inevitably requires the admittance of new members. The number of associates in a consortium does not, in theory, determine the degree of consistency; both large organizations and small ones can be better or worse managed and structured. Generally, a small

consortium does not require that high levels of commitment and coordination efforts from its members to be able to function well and is more cost-efficient. However, the market reach it can achieve is obviously also more modest (Roep et al. 2006; Barjolle and Sylvander 1999).

In any case, extending the consortium should not be an end in itself and, above all, should not endanger the pillars which have to sustain the collective organization: transparency, mutual trust and equality among members, the alignment of shared interests and objectives, and equitable distribution of costs, benefits and decision-making power (Roep et al. 2006). In this context, it should be borne in mind that incorporating more members into a consortium can raise tensions. The new associates are often attracted primarily by the economic benefits they expect to receive and do not necessarily share the vision and the original guiding principles that united the founding members. These, in turn, are suspicious of the newcomers benefiting from the road already paved by others, without having to take any risks (Barjolle et al. 2005; Reviron et al. 2009). The decision of whether or not to admit new economic operators can be taken more or less freely according to the protection system chosen for the product. If the product is protected under a collective mark, deciding on membership, and hence the number of different users, does not usually cause any major problems in practice. However, this is not necessarily the case with certification marks and even less so with recognized geographical indications (Barjolle et al. 2005).

According to the legal frameworks of a large number of states, a geographical indication may be used by all economic operators located in the geographical area in question who respect the specifications and/or other relevant conditions. Not all national laws provide that the stakeholders involved have necessarily to belong to the collective organization or consortium to be able to use the label. However, this does not prevent many operators freely choosing to join the official group that oversees the protection of the geographical indication because, in the eyes of many producers, joining the collective organization brings with it significant benefits such as simplifying certification procedures (Raynaud et al. 2002; Belletti et al. 2007). While it is true that to regulate membership and to balance product supply and demand the consortia usually establish waiting lists, it is equally true that the registration of a geographical indication could result in a relative loss of control over the number of members.

### 3.8. Criteria for applying for a geographical indication

Depending on the legal framework in the country in which a quality consortium operates, it will be more or less simple, feasible and affordable to obtain recognition and protection of a geographical indication for a given product. In some countries, obtaining this type of label

can be a matter of carrying out relatively few procedures, whereas in others the process can be very complex and require great investment in time and money, especially when the national laws still do not consider geographical indications as a legal concept. Moreover, the requirements and obligations that producers have to meet in order to obtain recognition, for example with regard to registration costs or quality certification procedures, also vary from country to country. Therefore, it is impossible to establish criteria that are always valid and can help with the decision as to whether or not to seek the protection of a geographical indication. However, the broad experience of EU countries in this area shows that (institutionalized) geographical indications are not necessarily a panacea, as will be shown below.

As a start, not all types of products possess the characteristics necessary to enable them to extract the maximum benefit from a geographical indication. Products which due to their nature are best sold through short distribution channels to consumers in the area and to tourists, and for various reasons cannot be produced in large quantities and are already sufficiently well known to be able to benefit from significant premiums in their target market, do not necessarily improve their sales or market position by having a geographical indication; or at least not to such an extent as to cover the additional direct or indirect costs entailed with obligatory quality control and certification. This fact is not always taken into account, however; a misinformed desire to register products under the legal modality in question has meant that even in the EU there are numerous cases of officially recognized geographical indications which are hardly ever used commercially due to a lack of interest among potential users (Carbone 2003; Marescotti 2003).

Moreover, the traditional products of regional origin which are sold mainly at local level, do not necessarily face greater problems associated with fraudulent use of the origin-based designation and, sometimes the concern is justified that recognition of the geographical indication may have an opposite effect to that desired. In fact, although official protection helps effectively to combat abuse of the designation, sometimes the renown and the high prices achieved by the product due to the geographical indication in the market, encourages fraud (Marescotti 2003; Tregear 2004; Gerz and Fournier in: Van de Kop et al. 2006).

Furthermore, when a consortium decides to protect the product's origin-based designation, together with the relevant production standards, as a geographical indication, the terms of the previously developed specifications can become the subject of heated contention. Losing the battle over technical codifying is not a secondary issue for those concerned, since operators whose production practices are not in line with the specifications will not be allowed to use the geographical indication. Depending on the specific designation under which it is decided to protect the product, for some, registration of the institutionalized geographical indication may mean that they may all of a sudden lose the right to market their product under the traditional name they always have used. In addition, opportunistic producers and processors may appear, afraid of being left out of what promises to be a lucrative business. Consequently, they will fight to have the set of specifications establish conditions in their favour.

However, quite often conflicts not only occur among the economic operators directly involved; sometimes public and private institutions also intervene, as they see the geographical indication as a good means of boosting the local economy. Nevertheless, regional and municipal administrations and chambers of commerce are not always good partners for a quality consortium. Experience shows that these institutions encourage a broad and imprecise definition of the specifications in order to include as many potential operators as possible; which may have somewhat unfortunate consequences, at least from a commercial standpoint.

The product may lose its specificity, its distinct character, its typical qualities and, ultimately, the primary source of its added value (Tregear 2004; Belletti et al. 2002).

Something similar is true for the demarcation of territory. The geographic delimitation of the area in which a product can be legally produced under the protected name becomes a crucial issue when deciding to apply for official recognition. Being “inside” or “outside” the delimited area has important implications for economic operators, and it is not always easy to establish the lines of separation: some products are closely tied to a particular ecosystem and only a few producers know about and apply appropriate production techniques, but in many cases, the ecological conditions or know-how for producing the product are widely disseminated (Reviron et al. 2009). It is very often the case that pressure from public and private stakeholders obliges that as wide a territorial demarcation as possible is established, often much larger than the traditional area of production. For operators in the traditional production areas, this means having to face greater domestic competition. It also means that other economic stakeholders are fully authorized to use the recognized designation associated with a geographical area in which they do not operate. For example, one of many reasons why Italian farmers in the Tuscan village of Lari have so far not wanted to protect their famous cherries through a geographical indication has been precisely the fear of having to expand the official production area, thus allowing producers in other villages to suddenly be able to legitimately offer “Cherries of Lari”. The alternative of changing the already well-known name to “Pisa Mountain Cherries” has also been a concern, since this would mean renouncing the historical reputation of the product and losing the leadership of the initiative (Marescotti 2003; Tregear 2004).

Furthermore, establishing a wide legal area of production can involve the internal redistribution of income received due to the origin of the product. This phenomenon has been observed in the case of Italian olive oil from the vast region of Tuscany. While the famous production areas of old have generally been adversely affected by the recognition of the geographical indication, it has had very positive effects for the more dynamic companies, located in traditionally lesser-known production areas, who have been able to penetrate more distant markets. This type of development obviously does not have to be negative, but it must be taken into account and integrated from the beginning into the cost and benefit calculations (Belletti et al. 2002).

Another factor not to be overlooked is that, once the geographical indication has been obtained, the number of producers in the area may increase. Many industrial investors from other areas may be attracted by higher profit margins they expect to achieve. Consequently, the number of individual brands marketed under the same geographical indication increases and, as a result, domestic competition between operators also rises. A profusion of industrial initiatives can sometimes pose a serious threat to traditional producers in the area. “Turning to ‘trajectories’ of [geographical indications], the institutionalization may help external powerful actors (mass distribution, processing firms, traders) to extract resources and added value from the area of origin, menacing rather than fostering local development.” (Marescotti 2003: 4; Cambra Fierro and Villafuerte Martín 2009; Tregear 2004; Acampora and Fonte 2007; Carbone 2003).

Certainly, not all local operators always benefit from the geographical indication. Often those who end up being excluded are those stakeholders with less social, economic and technological capital; they often lack the capacity to implement the specifications or cannot afford the costs of compulsory certification. These stakeholders, marginalized by not being allowed to sell their product under the protected name any longer, not only cannot charge a premium

for the geographical indication, but sometimes also face a reduction in the value of their products (Vuylsteke et al. 2003; Sautier and Van de Kop in: Van de Kop et al. 2006; Marescotti 2003; Acampora and Fonte 2007).

One danger in this context may be the lack of information about the existing legal framework among operators not directly involved in the initiative to obtain the institutionalized geographical indication. In Bosnia and Herzegovina, for example, the future legal protection of the traditional cheese “Livanjski” under the terms desired by an association of small farm cheese processors could lead to serious, unexpected problems for small-sized companies that produce and successfully market an industrial homonymous product. Many of them are not aware of the consequences registration of an institutionalized geographical indication entails for those who do not respect the specifications. They do not know that they will no longer be able to sell the product as “Livanjski cheese” or “Livanjski-style cheese” and, conversely, think that they will only be prevented from displaying the geographical indication. The fact that no conflicts have yet arisen among the various groups of operators over the content of the production rules attached to the registration application is due mainly to this lack of information. It is also worth noting that future exclusion of these companies from using the geographical indication would not only have adverse effects on the companies themselves but also, by extension, on the entire local economy (Bernardoni et al. 2008).

In summary, although a geographical indication can be an excellent tool for increasing the competitiveness of local operators, this is certainly not always the case, and never for everybody involved; there are both winners and losers. Members of a quality consortium should therefore take into account the advantages and disadvantages of registration and should value according to their priorities whether the expected benefits of obtaining the origin-based mark outweigh the sacrifices that would have to be made. Many of the problems that arise when deciding to opt for a geographical indication do not usually occur if a consortium is limited to working with a collective mark or certification mark; but it is also true that the market potential and scope of legal protection under a(n) (institutionalized) geographical indication is much greater.

### **3.9. What kind of external support to seek**

As already mentioned before, in developing and transition countries, the majority of the initiatives for creating quality consortia are prompted not so much by the operators concerned as by public institutions or NGOs. It is difficult for many of these projects to come to fruition without government support and without the corresponding external promoter of the grouping process. However, the European experience has also shown the importance for a large majority of the collective organizations of having external support, whether public or private. The reinvention of a traditional product of regional origin involves large investments of time and money, which often cannot be met by economic operators independently.

Given that, especially at the beginning of an initiative of this kind, commercial banks are often reluctant to provide the necessary loans, financial support from other external bodies is vital if producers are to be able to afford the technical, organizational and structural innovations required. No less important is technical assistance and legal support in defining the criteria and the development of specifications standards. Similarly, the subsequent implementation of the specifications can entail certain difficulties and in this area too external bodies can help operators by providing technical training or consultancy services. In addition,

any type of support that involves reducing certification expenditures for the stakeholders concerned may be of particular importance since for many of them inspection costs represent an insurmountable barrier. Subsidised public certification schemes, for example, may be a valid means in this context (Wiskerke 2007; Roep et al. 2006; Boutonnet and Damary in: Gerz et al. 2008).

Furthermore, it should be noted that many initiatives related to typical food products depend largely on the good will of public institutions to grant legal exemptions. Some traditional products of regional origin owe their organoleptic characteristics to production practices and traditional processes that may conflict with food safety legislation. If public authorities do not show sufficient flexibility, the project may fail while still in its infancy (Wiskerke 2007; Roep et al. 2006; FAO 2008).

Even when the project is up and running, external assistance, whether public or private, can make a difference. Subsidies for developing communication tools or for launching marketing campaigns can be just as important as funding for the salary of an expert who manages the group and promotes the successful marketing of the product. In marketing matters, the public legitimization of the initiative can also be of paramount importance; and obtaining it is not always difficult, given the important role traditional products of regional origin can play in boosting local economic development (Wiskerke 2007; Roep et al. 2006).

Nevertheless, not all typical products are equally suitable for creating links with other economic sectors and for promoting local welfare. Consequently, not all products manage to arouse the same interest among third party stakeholders or act as a unifying element for a broad, integrated territorial development strategy. For a product to play a catalytic role in an integrated territorial strategy, it should have a prominent symbolic and identity-shaping content for the entire local community, and not just for members of the production chain. The product should be a cultural marker that serves to add value to the area as a whole and to project the regional identity outwards. There must be close ties between the product, local history and various aspects of community life. Additionally, the product must be associated with the traditions of the place and its natural, scenic or artistic resources (Alcampora and Fonte 2007; Tregear 2004; Belletti et al. 2002; Barjolle et al. 2007).

When the technical and financial resources or the know-how necessary to obtain and/or produce the typical foodstuff or good are easily accessible to a large number of local stakeholders, it is easier for the product to establish itself as an identity-shaping element and promote social cohesion and a sense of belonging among residents. The latter factor also applies to the geographical extent of the product's area of origin; when it is limited, the roots of the latter in the territory may be more intense and the unifying effect more pronounced. Moreover, when the product or raw materials for processing it are clearly visible and characterize the landscape of a locality, the development of an integrated territorial strategy for a foodstuff or artisan good is much more feasible. In this sense, the traditional fruits of regional origin hanging from beautiful trees can be very attractive to visitors and may be optimal cultural markers. Moreover, these foods have another advantage; namely that the resources needed to acquire and exploit fields of fruit trees are comparatively small. Conversely, traditional pork sausage of regional origin, in principle, is far less suitable as a catalyst for regional development. Indoor pig farms do not usually have high visibility and production requires highly specialized equipment and expertise that only a few professionals have (Tregear 2004; Belletti et al. 2002).

The integrated, territorial value-adding strategies unite broad economic, political, social and scientific groups for the joint promotion of the area based on the typical product that

represents the cultural marker. This acts as the central axis on which regional development is anchored in and forms the cornerstone for a broad basket of goods and services. The reputation of the product is used to also add value to other typical products and the natural, historic and artistic heritage of the area. In turn, reconstructing local identity and strengthening the local image of quality help to improve the marketing of the traditional product of regional origin. Obviously, for this virtuous circle to be established the typical product needs to be especially attractive to visitors and tourists and it must be sold within the territory in question, either directly or through short distribution channels. Gastronomic tours, for example, are a widespread means of promoting global value-adding to a territory based on a traditional food or drink. Visitors can trace the typical product at the same time as enjoying culinary pleasures, nature, cultural heritage and folklore. A wide circle of local stakeholders are involved in these routes, which include operators in the product production chain, travel agencies, museums, hotels and restaurants, craft producers, cultural associations, environmental associations, scientific institutions, etc. (Alcampora and Fonte 2007; Belletti et al. 2002).

The range of local and non-local stakeholders who may be potentially interested in participating in a local development strategy focused on a traditional product of regional origin is extremely long and it would be futile to try to establish a definitive list. However, the heterogeneous interests that coalesce around a cultural marker neither have to be compatible nor have to converge. As mentioned in the previous chapter, the priorities of quality consortium members can sometimes be diametrically opposed to the territorial value-adding plans of other operators or public or private entities. While marketing the traditional product of regional origin is the main concern of those in the production chain, for other stakeholders it sometimes only represents a tool for setting in motion much broader dynamics of territorial development. In fact, the actual marketing of the traditional product of regional origin may matter less than its potential to act as a flagship for the area (Belletti et al. 2002; Tregear 2004).

Ultimately, members of the quality consortium should analyse, case by case, whether it would be a good idea for them to include certain stakeholders in their project, depending on whether they share the same goals and the same vision for territorial development. Establishing broad partnerships can help cement the initiative and increase revenues, but it can also result in the project losing its initial direction and ending up by serving the purposes of third parties more than its own.

**BOX 8. The Slow Food movement**

When talking about the promotion of traditional agri-food products, Slow Food has become an almost obligatory reference. The international movement, with headquarters in Italy, was born in 1989 and since then has been dedicated to protecting the world's eno-gastronomic heritage. It currently has over 83,000 members in more than 120 countries who form part of one of the 800 local groups, generally known as "convivia". For a long time now, Slow Food has shaken off its earlier image as a mere bastion against the cultural model of fast food and a platform for hedonists who uphold indulgence in tasty delights. In fact, the work carried out by the movement goes much further than food or wine tastings and eno-gastronomic tours. Slow Food organizes large events and runs the "Salone del Gusto", the world's largest traditional and high-quality product fair which takes place every two years in Turin (Italy). The movement is also behind the establishment of the first European university of Gastronomic Sciences, which offers higher education programmes that conform to Italian academic standards. The publishing arm of Slow Food has numerous publications on the market related to culinary traditions, and some gastronomic guides have become veritable best sellers.

The Slow Food Foundation for Biodiversity was created as a separate statutory and economic entity within the movement, whose purpose is to support the conservation of wild and domestic plant and animal species and also the preservation of typical local products which are in danger of falling into oblivion. The Foundation has three main areas of activity.

The Slow Food Award for the Defence of Biodiversity recognizes individuals and entities who have contributed to the conservation of species that form the basis of the culinary heritage of a country. On the other hand, the Ark of Taste project is mainly a database of agri-food products of proven excellence that are in danger of disappearing for one reason or another. A scientific committee is responsible for recovering and cataloguing traditional products which merit special protection, and for collecting information about the products' history, production techniques and their commercial potential. To date, more than 750 products from all over the world have been added to the Ark database. The enormous success of the database of products threatened with "extinction", led to the creation of "presidia" which are an operative response to the challenges posed by the Ark of Taste. Thanks to the 320 presidia across the world, Slow Food has, in some areas, become the spearhead of promotion and value-adding to typical local products.

Encompassed within the presidium concept are a series of very different small-scale projects intended to safeguard endangered food products. Slow Food supports artisan producers in order to protect age-old production techniques, improve quality and, hence, the possibilities of marketing traditional products and preserving the economic, cultural and ecological heritage associated with them. Sometimes a project focuses on the last depositary of know-how for the production of an already-forgotten typical product, but a presidium is generally an organizational umbrella which encompasses one or several groups of local producers who produce small amounts of the same foodstuff linked to a specific territory. Slow Food assists its beneficiaries in many ways: it intervenes in grouping processes, helps prepare a set of specifications, contributes to introducing improved techniques and technologies, helps in the search for new distribution channels and promotes the product among potential consumers. Although presidia emerged as cultural

initiatives, over time they have adopted a business and market logic whilst always remaining true to the principles of tradition and authenticity. In fact, many food products covered by the Foundation which were, initially, destined for self-consumption, have begun to be marketed thanks to a presidium. In practice, developing new niches for the foods in danger of disappearing often means contacting local restaurants or starting to sell the product at fresh produce markets. However, Slow Food has been looking for more and more innovative ways in this regard.

A few years ago the movement broke a taboo for the first time and intervened so that some of their “presidium” products could break into the vast mass consumer market. It was in Italy that the first agreement with a leading agri-food distribution chain allowed previously forgotten regional foods to become known once again. The company promised not only to display certain typical products on its shelves, but also to inform the end-customer about the characteristics of the product and to offer tastings. Moreover, a clause in the contract obliged the chain to respect the limitations of this type of products in terms of production volumes and seasonality.

Slow Food Italy has recently invented a new promotional formula to add value to the endangered products of regional origin and to protect them against unfair competition. The “Slow Food Presidium” label name which was registered by the movement is aimed at facilitating the marketing of typical products, and its use is reserved to the Italian presidia that apply for it and comply with the conditions established by the mark owner. The artisan producers must have established an association, consortium or cooperative, must respect the specifications rules of the presidium in question and must submit themselves to the movement’s monitoring procedures.

In general, the elements that characterize the work carried out by Slow Food are a multidisciplinary approach, the search for non pre-defined solutions and the capacity to adapt to diverse needs, different regional contexts and disparate cultures. The movement does not operate alone and, in fact, usually collaborates with and receives support from public institutions, private companies or other foundations. Moreover, the products covered by Slow Food are often promoted in parallel and independently by other national and international entities, such as in the case of Argan Oil from Morocco which, incidentally, also received the support of UNIDO. The Slow Food movement, though not always the only stakeholder interested in rescuing the last remnants of an ancient eno-gastronomical culture of a given region, provides widely valued responses and creative approaches.

*Sources:* Fonte et al. 2006; Fonte 2006; Van der Meulen 2008; [www.slowfood.es](http://www.slowfood.es); [www.slowfoodaustria.at](http://www.slowfoodaustria.at); [www.slowfood.it](http://www.slowfood.it); [www.fondazione Slow Food.it](http://www.fondazione Slow Food.it); [www.presid Slow Food.it](http://www.presid Slow Food.it)



## Conclusions

A collective value-adding strategy around a traditional product of regional origin allows a move away from price competition and lays down solid competitive foundations based on quality and differentiation. Especially in rural settings, many small artisan agri-food producers are caught between a rock and a hard place by having to face double competition from other traditional artisan products and standardized industrial products. Meeting challenges head on by committing to the collective reinvention of a typical product of regional origin becomes in some regional areas in economical decline, the best, if not the only way to protect jobs, earn a decent income and stem rural exodus. When the geographical and environmental conditions of a place make it impossible to introduce intensive production systems, what can be done is to join efforts, adopt an offensive niche strategy, leave behind resistance to change, and move from simply producing the products to marketing them. In an environment where a large number of producers in an area are forced to produce the same typical good, local development must involve partially breaking the market dynamics and replacing them with cooperation.

The starting point of any value-adding strategy is to recognize that a traditional product of regional origin is not merely a generic agro-industrial product, but a potential high-end item. The challenge is therefore to improve the typical product and make it a valuable good that meets the expectations of a demanding clientele willing to pay for high quality and those intangible attributes inherent in traditional products of regional origin: authenticity and territorial link. To improve the quality of the product, create a differentiated image of it and achieve a high position in the mind of the consumer requires huge investments in terms of time and money. However, coordinating efforts and pooling resources within a quality consortium make it possible to accumulate the productive, financial and technological capital needed to implement the value-adding strategy.

Nevertheless, it would be wrong to limit the usefulness of these groups to just a matter of economies of scale. While it is true that a quality consortium tends to attract mainly the interest of small economic operators, it is equally true that this type of group is not just a temporary tool for increasing the competitiveness of the “weakest”. Quality consortia are established with the aim of lasting over time and not to be dissolved once its members have reached a good position in the market. The unity around selling the same article creates long-term dependency relationships among members, which must be formally coordinated. Moreover, the quality consortia can perform functions that would be difficult to replace simply with market transactions between a large number of economic operators. The fair redistribution of profits along the same value chain, control of production volumes to remain collectively in an upper market segment and the institutionalization of production practices that respect tradition and the environment are examples of aims that cannot be achieved without an organic structure for agreement.

A technical cooperation project for promoting a quality consortium can combine the promotion of economic progress and increased competitiveness with the preservation of the historical, cultural and ecological legacy of a region. And this is exactly where UNIDO's interest lies in helping to create these types of groups in developing countries. However, as discussed throughout this document, there are many factors to be taken into account when establishing and promoting a quality consortium. Basically, there are three vectors that should guide any intervention, and which are decisive for the success of any group in terms of sustainable development: a warm welcome for the traditional product of regional origin in the market, the equitable management of the various socio-economic interests along the production chain and the positive impact of the joint project at a local level. To achieve these three aims simultaneously, special attention will need to be paid to the following issues:

- The traditional product of regional origin to which value is to be added must be characterized by its uniqueness and must represent an important source of revenue for the economic operators involved in its production.
- The grouping process must be led by a promoter who mediates between economic operators in the various links of the production chain involved and ensures that all stakeholders start out with the same level of information as regards the potential scope of the project; only in this way can all groups assert their interests from the outset.
- The set of specifications must be strict enough to underpin product differentiation and be flexible enough to maintain commercial competition among members. The document should acknowledge the contribution of each link in the production chain to the creation of overall added value and must determine the means for achieving the non-economic objectives of the consortium (the protection of biodiversity, traditional production methods, culinary and cultural heritage, etc.).
- Only when members are ready to apply the specifications and when compliance with these can be monitored, will it be appropriate to apply for the registration of a collective label.
- Geographical indications, collective marks and certification marks are suitable legal means for protecting a traditional product of regional origin within the framework of a quality consortium. Firstly, the use of these labels is open to a large number of independent economic operators. Secondly, the three marks not only protect the product name, but also attest to its quality characteristics. Choosing one or another legal means of protection is not just a question of legal feasibility, but also depends on the socio-economic priorities of the members. Especially the registration of an institutionalized geographical indication may cause unexpected negative effects both for members of the consortium (loss of product specificity, increased domestic competition) and external producers (exclusion effect).
- Strict control of compliance with the specifications on the part of members is necessary for several reasons: it is a legal requirement for the use of certain shared labels; it lays the foundations to guarantee the product's quality standards on the long run; and makes it possible to foster trust among consortium members. External certification does not necessarily bring with it tangible benefits and, in any case, should always be combined with internal control practices in order to reduce costs.
- The quality consortium can offer various services which help to maximize a product's success in the market and ensure the equitable distribution of costs, benefits and decision-making power along the production chain. Examples of these services include providing

model contracts, a quality-based redistribution system, coordinating group certification, managing profit distribution among members and controlling quantity of supply.

- In order to achieve good positioning in the market, effective promotion of the traditional product of regional origin is just as important as its high quality. All members must be aligned around a joint marketing and communication strategy aimed at enhancing the image of the product as a typical good that is closely linked to a specific territory. In particular, short distribution channels must not be neglected, as they allow for a link to be established between the consumer and the region the product originates from.
- Although the number of members in a consortium does not determine its level of internal consistency, enlarging the membership may raise tensions between old and new members and therefore the decision should be well thought out. Depending on the label under which the product has been registered, this decision can be made more or less freely.
- For the consortium to be able to get started, the initial external technical, legal, financial and promotional help is essential. Moreover, when the traditional product of regional origin represents a cultural marker for a particular region, it can act as a unifying element and a catalyst for a broad territorial promotional strategy involving numerous public and private entities. In these cases, the consortium must ensure that effective marketing of the typical product is not compromised by the ambitious local development objectives of third parties.





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## Annex

### PRODUCT SPECIFICATIONS

Product with institutionalized geographical indication: United Kingdom

COUNCIL REGULATION (EC) No 510/2006 on Protected Geographical Indications and Protected Designations of Origin.

“CORNISH SARDINES”

EC NO:

PDO ( ) PGI (X)

This summary sets out the main elements of the product specification for information purposes.

#### *1. RESPONSIBLE DEPARTMENT IN THE MEMBER STATE: UNITED KINGDOM*

**Name:** Department for Environment, Food and Rural Affairs  
Food and Drink Manufacturing Team  
Regional and Local Foods Team

**Address:** Area 8e, 9 Millbank  
c/o Nobel House  
17 Smith Square  
London,  
SW1P 3JR  
United Kingdom

**Tel:** 0207 238 6075

**Fax:** 0207 238 5728

**Email:** protectedfoodnames@defra.gsi.gov.uk

#### *2. GROUP*

**Name:** Cornish Sardine Management Association

**Address:** Trevint House  
Strangways Villas, Truro,  
Cornwall TR1 2PA

**Tel:** 01872 270333

**Fax:** 01872 242470

**Email:** admin@swpesca.co.uk

**Composition:** producers/processors (15 ) other ( )

### 3. TYPE OF PRODUCT

Group 1.7: Fresh fish, molluscs and crustaceans and fish based products.

### 4. SPECIFICATION (SUMMARY OF REQUIREMENTS UNDER ART.4 (2) OF REGULATION (EC) NO 510/2006)

#### 4.1. Name

Cornish Sardines

#### 4.2. Description

Cornish Sardines is the name given to the pelagic fish of the species *sardina pilchardus* which have been caught up to six miles off the Cornish coast, landed and processed in the county of Cornwall. The colloquial name given to the fish is pilchard.

Cornish sardines/pilchards are metallic green or olive coloured along the back with golden flanks and pearlescent silver shading to silvery-white on the belly. There are a series of dark spots along the upper flanks, sometimes with a second or third series below. The size of the fish can vary during the season. A kilo of sardines will contain between 9-18 fish depending on the individual size of the fish.

The body is sub cylindrical, with a rounded belly showing a small ridge from gill opening to anus. The hind margin of the gill is smoothly rounded with a 3-5 distinct bony strigae radiating downward on the lower operculum. The dorsal fin is at the midpoint of the body, the last two anal fin rays are enlarged and there are 8 pelvic finrays, the pelvic fin insertion is situated well behind dorsal; the largest scales of any pelagic fish.

The flesh has a firm, fine texture when fresh, this soon softens and deteriorates exponentially as temperatures rise above 1° Celsius. The individual strength of taste varies with the freshness of the fish and level of fat in the flesh.

Fresh Cornish Sardines should be bright and firm, with most scales intact, gills should be dark pink or red in colour. They should be plump and smell fresh and are at their best in late summer when they are moist and full of taste. They may be sold either fresh or frozen.

#### 4.3. Geographical area

The County of Cornwall including the sea areas of the Cornish Sea Fisheries Committee (CSFC) area of jurisdiction—up to six miles off the Cornish Coast.

The jurisdiction of the Cornish Sea Fisheries District was created by order under the provisions of the Sea Fisheries Regulation Act 1888 and was empowered to make bylaws for the regulation of sea fisheries within the district. The CSFC is responsible for the statutory enforcement of fisheries legislation around Cornwall's coastline. The coastal district covered is up to 6 miles offshore, around 1,350 nautical miles.

#### 4.4. *Proof of origin*

When the catch has been made, fishermen record information including tonnage, location, and depth caught, fishing methods, record of by-catch, etc, whilst they are still on the vessels. This information is collected by the Cornwall Sea Fisheries Committee (CSFC) for recording on to their databases. It is a requirement of the Cornish Sardine Management Association to ensure that skippers and owners record and submit details of the catch to CSFC. This information is evidence that the product was caught within the geographical area.

Cornish Sardines are sold to fish merchants and fish processors, either at an auction market or by a direct deal with the merchant/processor. The fishermen record which processors have bought their fish to further ensure traceability throughout the supply chain. The fish processors and merchants also keep detailed records of who they bought from and who they sold the fish to. These records are kept by the processors to comply with EU legislation on the traceability of fish products. This information is the evidence that the fish was landed and processed within the geographical area.

All catches are recorded and monitored by CSFC and Defra. All processing is monitored by the CSMA.

#### 4.5. *Method of production*

The Vessels are put to sea from their local ports around the coast of Cornwall. They use ring nets and drift nets and operate in traditional areas close to the coast of Cornwall and within six miles of the coast.

The Cornish Sardines are brought aboard from the drift or ring nets. Once on board, Cornish Sardines are iced to maintain quality and freshness. The vessels use insulated bins and some vessels use fish holds to store the fish in chilled conditions before being taken ashore at a Cornish port.

Back on land the sardines are sold to merchants and fish processors either direct from the vessel or at an auction market. The buyers collect the fish from the quayside or market and take it to their factory in Cornwall. The fishermen record which processors have bought their fish to ensure traceability throughout the supply chain and the information is sent to the CSFC.

The fish can be processed in several ways but primary processing in this context is regarded as any one, or a combination of filleting, heading, gutting, salting, marinating freezing and packing.

- Filleting is defined as the manual or mechanical separation of the head and backbone from the meat.
- Heading and gutting is defined as removal of the head and intestine, with the tail on or off.
- Salting or marinating is defined as the preservation of the product by the reduction of the water phase, through the addition of salt and/or acids, to create an environment inhospitable to spoilage bacteria.

- Freezing is defined as the entire product being brought and held below a temperature of zero degrees Celsius whereby it changes into a solid state.
- Packing is defined as being packed in individual containers of less than 10kg.

When whole, fresh fish is packaged in ice and cool boxes of 10 kilos or less for transportation to customers. Otherwise the fish are frozen and packaged in boxes or bags for frozen storage and then onward to customers. Any processing of the fish must take place within the area of Cornwall.

Seafood Cornwall check that the processors adhere to the CSMA's agreed minimum quality and hygiene standards for processors.

#### 4.6. *Link*

The characteristics of the Cornish Sardine are linked to the geographical area on the basis of the tradition of catching and processing. These methods are well documented traditional fishing practices.

The Cornish Sardine is drawn to the geographical area by its environment, i.e. the conditions available to it in the shallow waters of the bays close to the Cornish coast. These waters provide the sheltered environment preferred by the fish. The North Atlantic Oscillation (NAO) is a climatic phenomenon of the Atlantic area in which Cornwall lies and is generally responsible for the temperatures and tides which also control where the phytoplankton i.e. food for Cornish Sardines is found.

The specific link with the geographical area is that fishing for the sardines takes place when the fish move to these shallow bays. This characteristic style fishing technique is reminiscent of the traditional practices of previous generations.

Traditionally, the fish were caught when they came closer to the shore. In the past this was through actual sightings of the shoals by scouts, called 'Huers', who were on located at viewing points on the cliffs. Once the shoals of fish were sighted, the lookouts would direct (by a local semaphore) the vessels to make the catch through calling 'hevva', this signal was for fishermen and other townsfolk to come and help. The fisherman began to shoot their long net 'seine' in a semi-circle around the shoal of fish under the direction of the huer. The seine net and stop nets worked together to completely enclose the fish.

The area was limited by the line of sight from the cliff tops. This tradition continues; the knowledge of where the fish congregate has been passed down through generations, although modern technology has replaced the cliff top watch. The addition of modern technology means that the distance off shore has broadened over the decades but the local fleets still stay within sight of the shore following the fish where they congregate in shallow water. The geographical limits of the fish catching operations are all within the 6 mile limit of the CSFC and the area therefore well describes the fish catching area.

Through the sixteenth to nineteenth century, pilchards, as the fish were more commonly known at the time, were a valuable product. As food they were cured and

exported over large distances, and their oil could be used to provide lighting and heating. In the days before modern refrigeration methods, each fishing village had many cellars where the pilchards were processed. They were placed in stone tanks salted and pressed. The salt took the moisture out of the fish. When the fish had been pressed, they were ready for market. The main market for Cornish pilchards was Italy. They were shipped off in sailing ships to Naples, Genoa, Venice and Livorno. Over the centuries fishing has been an important industry for Cornwall. Newlyn still lands more fish than any other port in England and it is still an important part of the Cornish economy.

Fishing for Cornish Sardines is a vital part of Cornwall's heritage, the skill of locating and catching the fish has been long established in Cornwall and has been handed down over the generations. The fleet of vessels sail from ports, harbours and coves dotted around the 329 mile Cornish Coastline. The specific link with the geographical area is that when the fish move closer to the shore then they can be caught and in the past this was through actual sightings of the shoals and now it is due to the knowledge passed down through generations.

The delicate composition of the fish requires them to be landed promptly. The boats return to their local Cornish ports and from there they are taken to factories in Cornwall for packaging, storage, processing. The fish processing takes place within the geographical area of Cornwall, and includes the traditional cove and ports where processing took place in the past. The modern technology and hygiene standards and the pressures on coastal property now means that the factories on industrial estates have taken over from fish cellars in village harbours but all the factories are still within Cornwall.

The 'Cornish Sardine Management Association' (CSMA)—a group of fishermen and merchants formed in 2002, their aim being to maintain a top quality product and consider methods to manage and develop both the catching and marketing of Cornish sardines. The use of the name Cornish Sardine and the reputation of the quality of the product has grown in the past 10 years due to the hard work of the members of the CSMA and the high quality of their product. Cornish Sardines have achieved an increasing volume of sales particularly in the UK retail market where they have acquired a cachet. Cornish Sardines can be found on sale in fish counters at major UK retailers such as Waitrose, Tesco and Marks & Spencer.

#### 4.7. *Inspection body*

**Name:** Trading Standards  
Cornwall County Council  
County Hall  
TRURO  
TR1 3AY

**Tel:** 01872 322000

**Email:** gford@cornwall.gov.uk





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