Study on the potential for marketing agricultural products of the ACP countries using geographical indications and origin branding (ACP-AGGI)

EXECUTIVE SUMMARY

DECEMBER 2013
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Objective of the study

The overall aim of the study is to identify specific successful strategies for the marketing of products based on origin in ACP countries.

The specific aims are:

- To assess the potential advantages for the marketing of a commodity as well as indigenous, traditional and local products by geographical indications and origin branding, especially for smallholder farmers in ACP countries.
- To examine impediments to marketing by geographical indications and origin branding with particular reference to: (a) organisation of producer groups, and (b) systems of quality control and traceability.
- To identify, using existing examples of good practice in ACP countries, strategies and initiatives to overcome the impediments identified; as well as making recommendations and identify areas for further study

The study covers GIs and origin marks in ACP countries. The study though as focused more specifically on three economic African regions: West Africa (the ECOWAS region), Central Africa (the ECCAS region), and the East African Community (EAC region).

The study has embraced different types of tools for the mobilisation of quality linked to the origin of various products: registered and non-registered protected GIs, as specific intellectual property (IP) instruments or marks, as well as other forms of mobilisation of the origin. In ACP countries, regional institutions are important platforms that play a major role in regulating IP. The African Intellectual Property Organisation (OAPI), African Regional Intellectual Property Organization (ARIPO) and Caribbean Community and Common Market (CARICOM) are key players to encourage mobilisation of the origin in commercial strategies.

The study is based on existing data and two case studies work. The different sources include scientific and grey literature, research reports, available statistical data, information gathered during interviews and focus groups discussions, as well as the data collected in the frame of the two case studies.

Increasing interest and development of GIs and collective marks with reference to the origin

The potential of the mobilisation of the origin in commercial strategies is well ascertained, and seems appropriate in ACP countries. The study intends to determine to which extent the valorisation of quality linked to the origin can boost commercial strategies that fairly pay back small-scale producers. In other words, how such strategies can prevent the remuneration of quality products by consumers being entirely retained by the various intermediaries of the supply chain and the retail sector.

The diversity and the number of reported products with quality linked to the origin clearly indicate an interest for such strategies. In ACP countries, the number of products with quality linked to the origin is indeed rather high. According to the documentary study, more than 150 of them have already been studied or inventoried.
However, several constraints hinder the adoption of such approaches: first of all the size of supply chains and particularly the multitude of stakeholders. Cultural and social factors also play against the strategies implementation, as well as producers’ technology level that results in high heterogeneity of quality or incapacity to respect food safety norms. Hence, the specific quality looses in importance in the eyes of policy makers. On producers’ side, their weak financial position does not consent them to engage in commercial strategies that generate benefits after several years only.

Traders and buyers, who face difficulty to source raw material, look at GI initiatives as a way to improve generic quality. For some products, such as coffee and cocoa, consumers tend to consider the brand of the final processor as the main guarantee for quality as the latter is mainly determined by the roaster or chocolatier know-how. For these products, the brand is the main driver for consumer purchase choice, and tends to overrule the raw material quality and origin. Nevertheless, when the organoleptic quality is guaranteed, origin (especially in the case of coffee) or specific quality (certified) are factors that consumer pay attention to.

Financial benefit for producers in ACP countries

This study and other research show that differences exist between prices of products with quality linked to the origin and those of generics, this both for export products and products mainly sold on domestic markets.

These differences appear more significantly in the main target markets of these products. It is clearly the case of coffees, cocoa and some spices, such as pepper on the international markets and vegetable, fruit, cereal and honey on domestic markets.
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To impact on the vertical redistribution, initiatives based on the recognition of the origin, must be based on contractual systems fair to producers and the stability of commercial linkages between buyers and producers. Such mechanisms eventually prompt the progressive structuration and organisation of the supply chain.

However, exclusion phenomena belong by nature to GIs. In the ACP context, different types of exclusion can be observed: small-scale producers limited by their technology level might be unable to comply with the GI requirements and get certified. Additionally, the delimitation of the area of production and the production practices definition can harm operators who contribute to the GI reputation.

GIs are likely to give guarantees to consumers in terms of environmental and social impacts

In both analysed case studies, the initiatives aiming at the qualification of the products are in good ways. At national level, the managing organisations of both products, the Coffee Board of Kenya (CBK) and the Inter-profession Council of the Coffee and Cacao of Cameroon (CICC), have established reference documents and organised meetings to inform all stakeholders. The line ministries have also been informed and have general understanding on the proposed tools and on the benefits of these initiatives.

The increasing demand of products giving guarantees on social and environmental issues is symptomatic of the importance given by consumers of products originating from developing countries to these aspects. These dimensions, at the centre of social and environmental voluntary standards systems, such as FairTrade (FT), UTZ or Rainforest Alliance (RFA), are a priori not
embedded in GI initiatives, at least in its European conception. Considering consumers concerns and demand, ACP countries could raise producers’ and other stakeholders’ awareness on the need and potential benefits to integrate elements of sustainability in the GIs codes of practices (CoP), as this has been the case for the Kenyan Coffee (a whole chapter of the Kenyan Coffee Standard is dedicated to environmental issues).

As for social aspects, norms such as RFA or UTZ guarantee that producers comply with minimum legal regulation, while other more requiring standards such as FT cover gender, ethnic and racial discrimination, as well as youth and elderslies and community development and welfare.

Formal GIs by default impose certain organisation of producers and structuration of the value chain. This often triggers better relationship between the economic operators. While the context of GIs development favours the emergence of positive social outcomes, from a legal point of views, nothing imposes or leads the producers in that sense. As for environmental aspects, CoPs can integrate social norms. The standard developed by the CBK in Kenya prescribes the ban of child and forced labour, as well as different forms of discrimination. GIs more than other categories of products are expected to have strong social impacts, providing the social values embedded in the products are acknowledged in the recognition process. Synergies with other standards would allow reaching higher benefits of this potential.

In many contexts, GIs have proved to impact positively rural development in less favoured areas, by localising the different operators in the area of production defined by CoPs. In the ACP context, this hypothesis has not yet been verified, mainly by the fact that initiatives valorising the origin are still new and their impacts not yet materialised.

**Value chain structuration: GIs necessity and effects**

To be successful, GIs initiatives require producer organisations (POs), that will ensure control, commercialisation and promotion. As a result, GIs contribute to the strengthening of value chains organisation. The representativeness of the different stakeholder groups (producers, processors, traders, etc.) and the democratic and transparent character of the process are key criteria to ensure the success of GIs. Hence, no GI should be registered without a PO applying for it and who gathers these characteristics. The risk of a reduced number of GI applications and registrations, due to higher requirements, shall in most of the cases be compensated on the long-term by the quality of the registered GIs and by concrete economic and social impacts.

In ACP countries, the strong fragmentation of producers, the weak professional organisation, the limited resources and the advisory services who fail to respond to producers needs do not create a favourable environment for policy dialogue among value chain stakeholders and for mobilisation of producers and their participation. Target supports assisting the development of identified GIs are decisive to make progress in this direction. The assessment of the results of such projects shows that GIs can be an efficient tool of value chain structuration embarking all stakeholders in a process that allow fair distribution of the benefits and positive impacts on revenues and livelihood of small-scale producer communities.
Control and certification: the wise balance between costs reduction and guarantees to the consumers

For important export oriented value chains, for instance in both cases studies of this study, strong and historical institutions exist. However, the existing literature shows that for many products with quality linked to the origin, this is not the case in all countries and for all types of products.

Furthermore, the study shows that certification costs are not limited to the audit costs charged by certification bodies (CBs), but include additional induced costs. In the ACP context, these additional costs comprise: training costs to upgrade producers’ knowledge, investment to upgrade the farm and comply with requirements, costs of OP constitution and of development of system for internal quality control, additional labour costs due to align wages on legal minimum rates and possibly taxes.

Gather conditions to materialise the potential linked to the origin

Support measures to public and private stakeholders to reinforce the potential of products from ACP countries by activating the virtuous circle of quality linked to the origin are identified according to 3 scenarios: worst-case, status quo and best-case. To build these scenarios the following critical points have been identified:

- Lack of coherence of GI policy among ACP countries
- Policy approach of protection of GI in ACP countries: reinforced protection of source vs. valorisation of characteristics linked to the terroir
- Different modalities of controls (duplication vs. synchronisation)
- GI as “differentiation strategy” including sustainability vs. IP instrument
- Involvement of POs and GI inter-professional organisations enabling remuneration of quality

Additionally, we also took into account different elements of the international context:

- International agreements on the protection of GIs (no change vs. higher protection)
- Market demand for GIs

Table 1: Expected impacts of the 3 scenarios

<table>
<thead>
<tr>
<th>IMPACTS</th>
<th>Worst case</th>
<th>Status quo</th>
<th>Best case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market recognition of GIs</td>
<td>No market recognition of GIs</td>
<td>Certified origin not recognised by traders and consumers</td>
<td>Increased trust of consumers in the origin and controlled quality of products Same recognition level for GIs than for other standards</td>
</tr>
<tr>
<td>Remuneration</td>
<td>No added value on market. Limited and unsecured return on investment</td>
<td>Higher potential of valorisation on domestic markets than on international markets GI not remunerated on the global market Quality not remunerated by intermediaries and final consumers</td>
<td>Guarantee of valorisation for all type of GI products</td>
</tr>
<tr>
<td>GI development</td>
<td>No interest by producers in certification of GIs Few GIs develop and become sustainable</td>
<td>The already furnished efforts are not paid back. Deceived, producer could become critical and abandon the approach. GIs limited to niche market. GIs not applicable to commodities due to the weakness of the tool and control of the added value</td>
<td>Strong differentiation of GI products including on commodities markets.</td>
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<tr>
<td>Quality</td>
<td>Evil circle of quality deterioration No incentive, no tools and no platform for quality improvement Long process for basic standards compliance (e.g. Cameroon).</td>
<td>Investment incentives for promotion and regular quality improvement Virtuous dynamic of quality rewarding with quality premium prices for small-scale producers</td>
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<tr>
<td>Producers income</td>
<td>Additional costs but no added value.</td>
<td>Small-scale producers increasingly challenged by larger operations that have clear competitive advantages in the field of standard compliance for Rainforest, FairTrade, organic, etc.</td>
<td>Better access to market thanks to certifications that combine GI + sustainability, allowing producers to comply with conditions of the main buyers.</td>
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<tr>
<td>Value chain development</td>
<td>Value chains vertically coordinated by the downstream segment of the chain (importers, retailers) who impose standards and standardised contracts</td>
<td>POs who can be tempted to favour middle or big producers, better equipped to comply with standards than small scale producers</td>
<td>PO and inter-professional organisations allow their members and in particular small-scale producers to access support programme and measures, as well as strengthened commercial functions</td>
</tr>
<tr>
<td>Conditions for success</td>
<td>Return on investment requires intense promotion of the product and the approach, as well as the development of partnership with the value chain downstream segments.</td>
<td>Assistance programmes to enhance producers mobilisation capacities for the development of collective actions Technical assistance programme for the development of in country certification capacity</td>
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<tr>
<td>Institutional Environment</td>
<td>Prevalence of indication of source without advantages for the producers Category of indication threatening the reputation of existing GIs in ACP countries and possibly of other countries</td>
<td>Origin potential difficult to use and benefit from, because related tools unclear to all stakeholders Control and certification unknown to the main buyers Complex and non-harmonised legal frameworks make difficult an effective communication to buyers and consumers</td>
<td>Strong legal protection in origin and export countries, that secures economic impacts rewarding efforts for quality and certification</td>
</tr>
<tr>
<td>Social welfare</td>
<td></td>
<td></td>
<td>Emergence of POs and securing producers interests</td>
</tr>
<tr>
<td>Environment</td>
<td>Prevalence of voluntary standards for sustainability (RFA, FT, organic, etc.)</td>
<td></td>
<td>Empowering systems that promote sustainability by involving producers in policy dialogue</td>
</tr>
</tbody>
</table>
Conclusions

In ACP countries, there are as many products as there are terroirs, and the diversity of products and know-hows are the result from long-lasting tradition, but also from an export oriented agriculture that has shown some capacity to valorise its own potential.

The first group of products are known and their value recognised primarily by local populations, being regional or national. Up-scaling and accessing new markets is most of the time challenging because of the limited resources of small-scale producers but also of other operators all along the value chain.

However, demand for these specific products is growing particularly in urban centres. Hence better linkages between producer communities and those emerging markets would increase producers’ incomes, create value along the chain and reduce imports dependency. Stakes are therefore economical (increased and better distributed of added value), cultural (valorisation of terroirs and local know-how) and related to food security (resilience of local agro-ecological systems and import substitutions).

As for export-oriented products, the case studies have revealed the potential of a better valorisation of origin-linked quality products, but also its costs and complexity. The number of concerned products (coffee, tee, cocoa, pepper, etc.) and the volumes at stakes, as well as the national economic importance of these products justify proactive supportive policies from the different technical and financial partners.

The recommendations made below cover the different types of products: the ones mostly consumed locally and the export oriented GIs. They are addressed to the producers, ACP countries governments and public institutions, as well as to the European Commission.

Recommendations to GIs producers

Empowerment of POs managing GIs: GIs exist but POs expected to manage them do not exist or are not operational. Therefore, the first task to be undertaken is to better structure the value chain and chiefly to constitute GI managing organisations (consortium, inter-professional organisations, etc.).

Develop GIs commercial strategies, taking into account environmental and social dimensions: Beyond the property rights protection and the usurpation of the name, it is crucial to embed commercial dimensions in the overall strategy from the very beginning. While developing the strategy of origin valorisation, the management staffs of the GI organisation has to define incentive mechanisms in order to mobilise the largest number of producers around the GI. The main factors of success of any GI initiative is linked to economics, a strong link to the terroir and balance between natural and human resources.

Respond to market demand: GI certification taking into account both food safety aspects and sustainability criteria, in particularly for export GIs, is an interesting option for GI value chains operators. The promotion of quality linked to the origin must indeed integrate the current global trends.
Recommendations to governments and public institutions of ACP countries

Define a politic agenda for the adoption of voluntary standards as tool for market access

In the field of voluntary standards, States have often agenda imposed by multinational corporations. These are facing a growing demand by consumers and buyers for safe food and agriculture products produced via environmentally friendly and socially responsible agriculture. Voluntary standards and their importance are still disregarded in many ACP countries policies. Each country could engage in a reflexive dialogue and assessment of advantages and disadvantages of voluntary standards for the products and the producers, and define clear policies related to these approaches. Governments’ positions and approaches could then be included in Poverty Reduction Strategy Paper (PRSP) and mobilise donor resources.

Decision-makers and public authorities should therefore undertake an in-depth analysis on the ways to enhance effects of voluntary standards, by sound support. This recommendation is in line with the one of the UN Forum on Sustainability Standards (UNFSS), a joint effort initiated in 2013 by FAO, UNCTAD, UNIDO, UNEP and ITC. Several concrete measures can be implemented at national level in the field of creation of standards, by defining legal frameworks creating positive environment for public or private standards; in the support of producers to adopt standards (information and subsidies); in the use of standards by supporting producers capabilities and farm upgrade. It is also crucial for ACP countries to recognise the importance of equivalent system at international level and therefore proposing national accreditation services for the accreditation of control and certification bodies; and to increase standards credibility of consumers by enforcing surveillance of labelling in selling points.

Adopt support measures for commercialisation skills

The valorisation of the quality linked to the origin doesn’t of course and unfortunately solve all the structural constraints faced by GIs value chain operators of ACP countries. It is therefore key to conduct coordinated actions in which the GI dimension is essential but participate to the GI product development with others actions, such as capacity building activities and investment support. Access to finance to POs should be facilitated but commercial banks rarely ready to give loans to POs, and agricultural banks are not always able to partner with export-oriented operators.

International (TRIPS, Lisbon Agreement) and European harmonisations

Geographic Indications are protected multilaterally at 3 main levels: by the TRIPS agreement under the World Trade Organisation (WTO), by the Lisbon agreement under the World Intellectual Property Organisation (WIPO) and by the European regulation 1151/2012 managed by the European Commission (EC). One of the recommendations to the ACP countries is the harmonisation of their legislation on the basis of the requirements of the WTO, but also to facilitate a stronger protection of their national GIs on target markets through the accession to the Lisbon Agreement and the mutual recognition of GIs with the European Union.

Regional integration: toward a harmonisation among ACP countries to facilitate exchanges and multilateral agreements

In Africa, regional integration is a strategic stake. The harmonisation of the origin protection regimes will contribute significantly to the integration process. Furthermore, harmonisation at this level can remove one of the main obstacles for producers to get premium prices: a recognised distinctive premium quality sign that the GIs could represent. Hence, an effective strategy concerning the visual
identity of the GI is certainly efficient in making GIs successful on the market and known by consumers.

The recommendation is therefore to strengthen GI visibility at high level, by harmonising and mutual recognition of legal framework for the protection between the different ACP countries at different levels: a common legal definition of the GI, consistence between the product and its origin guaranteed by recognition procedures and by control and certification, and eventually by the promotion of a clear visual identification “Geographical Indication” (logo).

**Enforce laws and rules**

Often States favour national GIs putting the focus on the fame of the country (for instance cacao of Cameroon or coffee from Kenya) satisfying the demand coming from the industry, who needs first of all generic quality. The main risk of this approach is the quality high heterogeneity and very weak identity on the market.

It is therefore recommended to take into account the specific qualities linked to smaller terroirs that can be promoted on niche markets. The corollary of this is to make sure that regulations do not exclude local GIs with higher specificity in close relation with the terroir where from they originate.

**Empowerment of decision makers, NGOs, POs, Trainers and Researchers**

The valorisation of the quality linked to the origin requires an important effort of all stakeholders, who have a supportive role to the producers in ACP countries. In that respect, the success of GIs strategies is strongly conditioned by training programmes for decision-makers, public administrations, civil society, (NGOs and Unions of stakeholders operating within the value chains), as well as development agents, agro-technicians, researchers and trainers belonging to research and training institutes.

**Research programme on GIs in pilot countries**

In all contexts where this is possible, strategies of products with quality linked to the origin would benefit from local, national, regional and international research programmes. Priority research topics are technical aspects on the link to the terroir, with particular focus on the delimitation of the area of production and the definition of the content of CoPs. However, socio-economic research on GI value chains, typology of the various economic operators and the governance principles, as well as remuneration principles are crucial to engage stakeholders in social innovation of collective actions around GI products. Participatory research approaches triggering stakeholders’ mobilisation should be preferred to other types of research.

**Recommendations to the European Commission**

**Institutional support programmes**

This type of assistance is justified, on the one hand, by the potential of initiatives qualifying the origin, and, on the other, by the need to upgrade producers’ capacity to allow them to comply with certification requirements imposed by international markets, or to a lesser extent the requisites of domestic markets. The recommendations are the following.

With the objective of maximising the positive impacts in all ACP countries, it is crucial that regional institutions (OAPI, ARlPO and CARICOM) define and enforce legal frameworks for the protection of GIs.
The mutual recognition of registered GIs in ACP countries: an extended protection in ACP countries significantly enhanced the economic benefit of GI initiatives, since for many products the main markets are in Europe.

The integration of target support to GI initiatives in ACP countries within development cooperation aid is urgent and important: the conclusions on the economic potential of these products have shown that the potential development resulting from these initiatives of origin-linked quality can only be made possible through support programmes including financial resources. Such programme can be supported mainly by NGOs but also by local authorities, for instance through decentralised cooperation based on partnership between “North GI” and “South GI”, mobilising civil society in Europe and in ACP countries.

Support to institutional capacity: technical capacity for GI registration, legal frameworks that are in line with international standards and the good understanding of the different IP rights instruments are the main aspects that must be consolidated in ACP countries. Some countries like for instance Cameroon have already benefited from sizeable technical assistance programmes and could be used as reference for other programme in the other countries of the region.

In that respect, it is important to bring together institutional/legal assistance and support to the value chain stakeholders. While European producers have mobilise legal instruments to protect their products, in ACP countries the legal instruments are imposed to the producers, without clear linkages with value chains realities. Research programmes must also be supported in order to promote the involvement of national research institutes in the promotion of GIs, in particular on traceability, certification and value chain governance.

Target support to upgrade accreditation organisations and control and certification bodies. These organisations must obtain international (for accreditation bodies) or national (for control and certification bodies) recognition. The recognition of organisations localised in ACP countries allows cost reduction by avoiding high fees and travel cost of experts from Europe and other developed countries.

**Commercialisation capacity support programme**

It is important to plan direct support to the private sector in the field of commercial capacities. In that respect, the findings of the study indicate that the following actions are needed: (1) enhancing governance of value chains of origin linked quality as a precondition to position the products on the market; (2) the implementation of programmes that integrate during the phase of qualification of the GIs (definition of the CoPs) sustainability and food safety requirements demanded by the buyers and the consumers. GIs could benefit of a double or triple certification (e.g. GI, organic and FT); (3) product promotion, awareness and information campaigns in Europe (for export products) and in ACP countries.

In these fields, it is recommended to prioritise NGOs and Local Authorities programmes supporting value chain stakeholders related to civil society and local authorities. These programmes should be linked to research programmes such as EU-ACP for Science and Technology (focusing on traceability, double or triple certification, etc.), as well as Development, Education and Awareness Raising (DEAR). Origin and traditional food products must therefore be the subject of well-targeted calls for proposal that will mobilise additional means combining development, research and awareness in ACP countries.

It is also suitable to gather consolidated data giving evidences on the validity of the GI approach and under which conditions it generates the best results. It is therefore recommended to plan resources
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needed to measure economic, social and environmental impacts of any project assisting GI initiatives. Every project or actions is an opportunity to perform ex-ante and ex-post evaluations allowing the quantification of effects of GI registration and related commercialisation strategies.

Concerning local products, the European Union is already implementing number of programmes assisting family farming, than can be mobilised to support products with quality linked to the origin. Synergies with the Standards and Trade Development Facility (STDF) should take place, as well as with the Programme “Quality and Origin” implemented since 2008 by FAO, with the programme “Standards and Conformity Infrastructure” by UNIDO and the protection and branding actions recently developed by WIPO.

Eventually, it is important to emphasize the critical importance of establishing mechanisms for incentives for funding in order to support the adoption of GIs by the producers. In ACP context, technical and financial partners should consider consolidating the institutions in charge of enabling the pricing and the payment of premiums. From this point of view, priorities could be: supporting the transparency of the market mechanisms in order to ensure the fairest possible rewards for all actors along the supply chain (auction, contracts, etc.) ; taking into account the needs of small producers in the funding mechanisms ; recognition by the ethical European banks (even by all European banks) of the specific case of the origin-based products, giving facilitated access to credit, as it is the case for the Fairtrade products. Significant risks of exclusion of small producers should be fully taken into account in the design of the support programs, particularly in the design of policies implementation of GIs, so that these policies are inclusive and allow equity in the redistribution of values created with consumers.