**Geographical Indications (GI)**

**1. Description**

Origins, perimeter and objectives

In the world, we have more than 10.000 Geographical Indications (GI), which are aimed at “identifying a good as originating in the territory of a State, 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 ” (definition of the WTO) . With the GI, producers acquire the exclusive right to name their products after a territory (like Champagne, Parma ham or Colombia coffee), in order to communicate a strong link between the product’s qualities and that territory.

Most of these products are produced in OECD countries, which usually employ GIs for identifying wines, spirits or foods. These are often products of high value and make up for a consistent percentage of agri-food markets and food export revenues ( e.g. France estimated that the market value for their GI products is almost €19 billion, or close to 10% of the national food market’s total value) (Giovannucci D., et all 2009). However developing countries increasingly use GI for food and non-food products, and in 2009 they accounted for 13% of the registered goods.



*Source: Giovannucci D., et all (2009)*

These 10.000 products form a very heterogeneous group, where we can find different production and commercial experiences. Indeed, every GI can be considered as an ad hoc case, because the group of producers of each GI defines autonomously – even if within an institutional framework - the requirements needed for using the registered name. So, if all “codes of practices” define a specific territory, then they can include or not certain requirements (origin of all production inputs, environmental factors, preservation of artisan techniques, etc.) and they can establish different tools of governance.

In Europe, a distinction is made between Protected Denomination of Origin - meaning that all the inputs originate from a specific territory - and protected Geographical Indication- for which even only one characteristics or element or technique originating from a territory is enough for obtaining the indication.

As a result GIs’ experiences can be quite different, in terms of their outcomes and degrees of success.

Far from being only a marketing instrument, GIs have multiple aims which can be summarized as below:

* to increase the selling price of a product in a market of growing competition;
* to give a controlled information about origin to the consumer, at a time where value chains are less and less traceable;
* to escape commodification trap ;
* to promote local and rural development by boosting collective dynamics directed to produce high economic value.

Activities

Beyond local specificities, Geographical Indications (GIs) form a more global reference framework with shared principles.

At the origin of a Geographical Indication, there is often a collective will of local producers and other economic operators of a chain on a territory (processors, vendors ...) to come together around a joint project and common goals. This collective and voluntary approach is thus an opportunity to structure and revitalize the sector through the convergence of individual strategies and cooperation within the territory.

The Geographical Indication’s standard constitutes both a tool of dialogue and negotiation between the stakeholders involved, and the cornerstone of collective action; its realization is essential to support the process and ensure its sustainability.

The platform of producers and other local actors, which guarantees the respect of the specifications and rules of governance, becomes the main interlocutor of the authorities at national level.

This model is now strongly promoted by the European Union and is one of the much debated issues in the negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between Europe and the United States.

Results

FAO studied a panel of GI experiences around the world, trying to single out what are the major factors of success. The study found, first of all, that there are three basic preconditions, without which a GI will certainly be doomed to not survive in the market:

1. The product must be unique and specific.
2. The actors must hold a clear consensus on the functioning of the GI mechanism.
3. The actors must make sure that there is a market (internal or external) for their products.

Several other factors, in addition, are likely to make a GI successful in increasing the equity and the sustainability of the value chain. Among these factors we want to single out the importance of establishing participatory mechanisms of governance of the GI value chain and effective multi stakeholders’ interactions.

In certain conditions and with certain caveats GIs can deliver high benefits, in terms of a more equitable distribution of wealth in the value chain and a sensible reduction of social costs and possibly positive externalities.

An emblematic example of such value chain is the one of the French geographical indication Comté, designating a cheese originating from the Alpine region of Franche-Comté. This value chain has long historical roots and it was institutionalized through a geographical Indication after the II WW through the private initiative of the value chains actors. Through the years these actors developed and improved their governance mechanism, gaining relevant advantages comparing to more conventional value chains.

A study of 2003 by the French Ministry of agriculture, proposes a comparative impact analysis on the period from 1993 to 2003 between the value chain of Comté and the one of Emmental, a cheese originating from the same region and of initial very similar characteristics, but that developed through the years within an industrial value chain[[1]](#footnote-1). Here below we can see how the two different value chains generate significantly differ impacts over the actors of the value chain and their territory of origin.

* For milk producers: Comté is positioned in a market of high value and therefore its price has increased in time (in 2003 it was 46% higher than Emmental’s one). This increased value, trickles down the value chain and reaches the milk producers- who sell their product at a price 14% higher than French average- and the intermediaries cheese transformers, who sell their “white cheese” at a 24% higher price than Emmental’s ones[[2]](#footnote-2).
* For final cheese producers: thanks to a strong communication about origin and the establishment of a direct link with the consumers, Comté cheese producers are stronger in negotiation with retailers. During the period considered, retailers captured only 50% of Comté’s increased price, while it captured 100% of Emmental one[[3]](#footnote-3).
* For consumers: thanks to a specific code of practices, consumers have a product of high nutritional and organoleptic quality[[4]](#footnote-4).
* For the region of Franche-Comté:
	+ The production of Comté did not delocalize despite the difficult geographic conditions, but has increased of 3% per year during the considered period. On the contrary Emmental’s production in Franche-Comté has decreased of 3.5% per year and delocalized massively in the west regions of France (where Emmental produced 70% of its cheese in 2002)[[5]](#footnote-5).
	+ The functioning rules of Comté require producers to stick to traditional production methods, allowing the region to conserve a part of its cultural patrimony[[6]](#footnote-6).
	+ Rural employment is 5 times higher in Comté value chain than in Emmental for each collected liter of milk. As a consequence, common phenomenon of exodus from the country side to the cities is twice lower in the POD area than elsewhere in the region[[7]](#footnote-7).
	+ The name and notoriety of Comté attract tourists, which contribute to local economic growth[[8]](#footnote-8).
	+ The production of Comté cheese is considered to have a lower environmental impact that Emmental’s one: in POD area fertilizer is used in quantities 2.5 inferior than in non-POD area; cattle is bred more extensively; the recourse to meadows enhances biodiversity and contributes to maintain a beautiful landscape[[9]](#footnote-9).

The reasons of such success can be found in a peculiarly positive combination of participatory mechanism of governance of the value chain, strong territorial linkages and the adoption of an institutional mechanism, geographical indications, that protect and crystalize in time the advantages of the two other factors.

**2. Systemic dimension**

Link between the local, national and international levels

The success of Geographical Indications seems to be closely related to their capacity to foster significant consumer demand on national and international markets while securing the authenticity of the protected product.

In the previous example, the production of Comté has long historical, cultural and ecological networks. The tree main actors of the value chain (milk, fresh cheese and ripened cheese producers) share a deep understanding of quality and agree that the latter is defined by: the environmental specific conditions of their mountainous region, their artisanal capacities and traditional farmers’ practices.

Comté producers ensure that their milk translates the uniqueness of the territory, because the cattle is fed by natural local forage that varies from season to season and give to the cheese its specific qualities. Moreover they see the diversity of artisanal practices as the strength of Comté cheese and what makes it unique and appealing on the market.

This understanding is formalized through a code of practices aimed at preserving complexity and diversity of production practices. The code prescribes, for example, extensive cattle breeding and hinders concentrations of economic actors through specific rules of milk collection. These rules valorize at most local endowments and persuade consumers and retailers of the specificity of the cheese. As a consequence, Comté managed to escape standard competition based on low prices and assures itself higher value added branches of the market.

Capacity building of stakeholders

According to several experts (Fournier and Champredonde, 2014) the impacts of GIs are often positive if they thrive upon already existing Localised Food System (LFS), where agro-food value chains are embedded in the territory and function through active actors’ dynamics which are both collaborative and competitive at the same time

These dynamics are facilitated by:

* physical, cultural, institutional and often personal “proximity”;
* confidence;
* the presence of existing institutions linking the actors;
* and irreversibility, meaning the difficulty of an actor to withdraw from a collaborative process while norms and rules evolve.

These collaborative/competitive dynamics can be useful if the actors of the LFS have to face a common threat - like international competition - or want to take advantage of a common opportunity – like exploiting a local resource - through a collective action, which can be the motor of innovation or of local development.

These collective actions, however, follow their own life cycles and are not always durable. The Geographical Indications can then be a tool of crystalizing these dynamics and allow them to last in time, through the establishment of common rules and of a systems governance allowing the LFS to:

* share equitably the benefits of a collective action;
* manage conflicts;
* face crisis moments without dissolving collective dynamics

Hard Law / Soft Law linkages

Most Geographical Indications in Europe, benefit from the key role being played by national governments. Public authorities are first involved to validate the specifications developed by the stakeholders of GIs and to give accreditation to the inspection bodies that verify compliance requirements on the ground, a critical role to ensure the credibility of the Geographical Indication.

In addition, States play a vital role to protect the names related to geographical indications against potential fraudsters (e.g. Parma ham produced in Mexico or coffee blends sold under the name ‘Colombian Coffee’).

Additionally, in most cases, governments authorise Geographical Indication actors to discuss price and volume issues without being subject to sanctions by competition authorities.

Link between the social, environmental and economic dimensions

Another limitation of many Geographical Indications’ value chains is to focus primarily on economic issues. If the environmental dimension is also often present, it is not systematically incorporated: GIs are not supposed to be environmentally friendly per se and they usually present environmental benefits only if ecological requirements are specified in the code of practices.

This is the case of Comté cheese that requires extensive cattle breeding. But it is not the case of most wines - which make up most of the GIs registered products – whose production requires the use of a high amount of pesticides. The marketing success of the GI leads to higher value of the grape and therefore lowers the cost of using pesticides, which become more affordable, considering the increased revenues for the farmer. If the code of practices does not set specific limits, the farmer might be encouraged to use more pesticide to protect his grape and increase his revenues. One of the best examples is ‘Champagne’ where producers the higher prices obtained thanks to the Geographical Indication can even be seen to encourage farmers to use more and more chemical inputs.

The social dimension is also most often left aside, in particular the question of equity, in particular because of the significant costs induced by setting up a Geographical Indication in terms of:

* Institutional capacity building for the governing bodies and structures (e.g. the committee that decides the rules of functioning, monitoring mechanisms, etc.).
* Technical upgrading for adapting to the established code of practices ( e.g. outside breeding instead of forage) .
* Legally protecting the GI from forgeries.

Below is a list of benefits and costs compiled by FAO GIs’ guide:



This list of costs and benefits suggests that setting up a GI is a complex effort and that not all economically feasible and successful GIs will result in more equity and sustainability of the value chain. Sometimes the rules of regulations can be too strict and exclude poor and marginalized producers, who do not have enough capital to invest in technical upgrading. This is sometimes the case of GIs developed in developing countries, in rural and marginalized areas for commodities like coffee.

In these instances, the effort of de-commodify the product and bring more added value to the producers can actually translate into the creation of cleavages between more wealthy producers who can participate to the process and even more marginalized ones, who do not have the capacity to adapt to specific rules and requirements.

**3. Governance**

Participation and representativeness of actors

The capacity of the GI to deliver higher economic, social and environmental benefits depends very much on the specific rules governing the denomination.

In some instances, these rules can be too loose and not allow for a real upgrading of quality and therefore for a limited market success. This is the case of the Cantal cheese, whose production techniques are not bonded to tradition and know-how but are rather industrial. As a consequence, its market value is comparable to a non GI cheese and its social and environmental benefits are quite limited.

Sometimes few actors can capture all the economic benefits of denomination. Two such examples are the GIs Mozzarella di Bufala Campana and Tequila. Here producers of milk and agave are excluded from the GIs’ governance mechanisms and therefore upper agents of the chain (transformers) are able to capture all the increase in value added of the product, which does not trickle down to the primary producers.

Power relations and equal voice

The impact of Geographical Indication chains depends quite heavily on the pre-existing relationship between economic actors in local food systems they seek to protect. The GI’s standard specifications only exceptionally change these relationships.

If examples such as ‘Comté’ are often shown as an example of a good balance of relations between the different actors in the chain (producers, processors and manufacturers), others reflect strong asymmetries in power relations, often to the benefit of manufacturers who seek to increase their profits without increasing their costs. In such cases, as illustrated in the previous point, the products are essentially industrial and standardized, and the impacts of the GI are quite limited if existing at all.

Decision-making

According to experts, the positive impacts of Geographical Indications are closely related to their governance model, in particular the strength and capacity of the related branch organisations.

The Comté is once again a good illustration. The strong inter branch organization CIGC is in charge of governing the GI. Here all the decisions are taken at the unanimity of the representatives of the three categories of the value chain, regardless of their economic bargaining power. Participants say that discussions in this assembly are often conflictual but that the economic stakes behind the production of Comté are the drivers of formation of consensus.

The CIGC purpose is also to guarantee the equitable distribution of the value added along the chain by the following mechanism:

* Every year the cheese ripeners communicate the price at which they have sold their cheese wheels to the inter branch organization, which calculates the national average price of Comté.
* The CIGC establishes framework contracts to be adopted among the value chain actors, establishing the coefficients at which the national average price has to be divided among ripeners, fresh cheese producers and milk producers.
* Since the system is transparent and the coefficients are decided through participatory discussions at the CIGC, the mechanism is perceived fair by all the participants.

Finally the CIGC can decide to control the quantity of cheese according to expected market demand, limiting the exposition of cheese producers to market fluctuations.

Economic issues thus appear to be the ‘engine of consensus building’ within the General Assembly of ‘Comté’, enabling the sector to overcome the sometimes conflictual discussions between stakeholders and therefore ensure the long term sustainability of the sector.

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1. MAAPAR (2003/2004) [↑](#footnote-ref-1)
2. ibid [↑](#footnote-ref-2)
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