GEOGRAPHICAL INDICATIONS IN AFRICA?

A POSSIBILITY FOR SMALL-SCALE FARMERS AND PRODUCERS IN LEAST-DEVELOPED AFRICAN COUNTRIES TO GAIN ACCESS TO MODERN MARKETS

Bachelor Thesis Development Economics Group

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FOREWORD AND ACKNOWLEGDEMENT

The inspiration for this thesis came from multiple sources. During an excursion to Italy, organised by the WUR, I came in contact with the European Union's Geographical Indications system for the very first time. My group and I decided to write an essay about the PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSG (Traditional Speciality Guaranteed) certifications and whether or not Dutch and Italian consumers knew and appreciated these certificates. A year later, in another course, my French colleague and I had to give a presentation about rural development in the European Union. We decided, due to our already existing knowledge of the European Union's GI system, to give a presentation about the GI system as a tool for rural development in EU countries.

I also have an interest in development issues in least-developed African countries. So in this thesis I wanted to combine both the knowledge I already had acquired during previous courses about the implementation and use of GI as a development tool in European countries and find out whether there is a possibility to implement GI as a development tool in African least-developed countries.

ACKNOWLEGDEMENTs:

I would like to thank my father and my future brother-in-law for their support and help in writing this thesis. I would also like to thank Gerwin for putting up with me for all these months. And last but not least I would like to thank my thesis adviser for letting me leave positive after every meeting. The positive attitude helped me a lot.

INTRODUCTION

Markets provide both opportunities and pressures for small-scale family farm households and small -scale agro-food enterprises. Engagements in these markets may lead to higher living standards or more diverse consumption (Ellis, 1993). However, what alters in the opportunities and challenges facing small-scale farmers and producers when the market starts to change?

The last few decades we see a reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labour, in order to realize a global common market. This process is better known as globalisation.

As the markets become more global, so does information about products. Due to an increase of information on products, buyers and consumers become more informed about the products they are buying. Informed consumers are better able to weight their options. This information helps consumers and buyers shape and change their preferences. When consumer preferences change, like a preference for fair-trade or organic products, so do the markets.

Even traditional markets in least-developed African countries are affected by globalisation and changing consumer preferences. The traditional markets are starting to change in to 'modern markets'. The supermarketisation of markets in least-developed African counties has started (Weatherspoon & Reardon, 2003).

The rise of supermarkets in Africa since the mid-1990s is transforming the food retail sector on a local, national and international level (Weatherspoon & Reardon, 2003). Supermarkets have spread fast in Africa, not only in the big cities but also in smaller townships and poorer areas. These supermarkets need to be supplied by local and international farmers and producers. But the procurement requirements of these large supermarkets are tough to meet. For local farmers and producers with a small and possibly fluctuating production capacity it's even harder to enter these local and national and even international markets (Weatherspoon & Reardon, 2003).

One of the options of small-scale farmers and producers is to produce for niche markets using diversified marketing strategies. Small-scale farmers and producers can benefit from the absence of large competitors. Certificates like fair-trade and Geographical Indications (regional and traditional products) can be utilised for entering a niche market. Literature about certificates is extensive. However hardly any of the literature covers the Geographical Indications aspect of the certificates. This thesis will focus on this aspect of the certification in order to facilitate small-scale farmers and producers in entering a niche-market in least-developed countries in Africa.

"Geographical indications are place (location) names (in some countries also words associated with a place) used to identify products that come from these places and have these characteristics (for example, "Champagne", "Tequila" or "Roquefort"). A product's quality, reputation or other characteristics can be

determined by where it comes from" (WTO, 2010). Geographical Indication (GI) products exist not only in developed countries, but also in developing countries. The producers of these GI protected products are producing for niche markets where customers are willing to pay a premium price for qualitative superior products, from specific regions, where the product accentuates the regional flavours and culture (Rangnekar, 2004). Thus producing for niche markets using GI certification might benefit small-scale farmers and producers in least-developed countries in Africa.

We will first explore the opportunities and challenges of small-scale farmers and producers in traditional markets. Then we will examine the changes in opportunities and challenges when the markets start to change into modern markets. We highlight using diversified marketing strategies as a potential advantage for small-scale farmers and producers. More in depth we examine whether GI certification can be used by small-scale farmers and producers in least-developed countries in Africa.

[1]: Opportunities and challenges facing small-scale farmers and producers in traditional markets

In most least-developed African countries traditional markets have been part of everyday live for centuries. Traditional markets are local public market places where producers/vendors and buyers/consumers meet face to face. This was the main platform used by producers and vendors to distribute their merchandise.

[1.1] Households

A small-scale family farm household is a joint consumption-production unit. This unit experiences difficult trade-offs between alternative goals like free time and higher farm output (which could lead to increased cash for buying consumer goods) (Ellis, 1992). The majority of farm households in developing countries maintain a significant, although somewhat varying, degree of autonomy from the market (Ellis, 1992). This autonomy is typified by the share of farm output consumed as family subsistence rather than sold in the market. Because of the share of autonomy from the market, farm households might be reluctant to produce for the market especially when confronted with incomplete or imperfect markets for their inputs or outputs. Market failure may result from monopoly, non-provision (of public goods), externalities, open access resources, transaction costs, moral hazard and insufficient information (Ellis, 1992). A few other constraints, beside market failure, that form challenges for small-scale farmers are output decreasing constraints (price instability, water shortage and proneness of a crop to pest infestation); natural resource constraints (the climate, quantity of rainfall, soil quality), economic constraints (availability of foreign exchange, international prices of inputs and outputs); political constraints (national security, stability of government, property rights) and technological constraints (education, research on pesticides, fertilisation and irrigation) (Ellis, 1992).

Engagements in local markets may lead to higher living standards or more diverse consumption. At the same time engagement in markets offers the possibility of ruin either from adverse price trends or exercise of unequal market power. When households choose to engage in producing for traditional markets they could benefit from the centralised marketplace where consumers from the entire region come to shop. This also means that they have direct contact with their buyers and can thereby use the buyer preferences to produce specific products for the regional market. A downside of producing for a local market is that there is a lot of competition due to the presence of similar producing households. The growth of demand is limited due to the small size of the local market. Thus higher production could easily result in surplus of production. Expanding to other local markets is often difficult due to transportation costs (time and distance). Households can also sell their products through a trader whom travels from farm to farm buying up the local produce to trade it further on in (traditional) wholesale markets. If the households sell products to the trader they do not incur high transportation costs, the trader does. The relationship of small-scale farmers with the market consists of continuous tension between the risky advantages of market participation and the need for conservation of a non-market basis for survival (Ellis, 1993).

[1.2] Producer

Small-scale producers also face the same constraints households have when engaging in the traditional (wholesale) market. Some farm households also have a shop on their property where the household members sell their produce. An example of a small-scale producer is a small-scale cheese maker with a few to no employees, making cheese from the milk produced on his or her farm. Small-scale producers do not necessarily differ from small-scale farm households. If the small-scale producers is not directly linked to a household, he or she cannot operate autonomous from the market like households can. Small-scale producers have to rely on the market entirely, while households can create a buffer by producing their own subsistence. So small-scale producers are more vulnerable to the whim of the market.

[1.3] Changing markets

When markets start to change, so might the opportunities and challenges facing small-scale farmers and producers. In the next chapter we examine the opportunities and challenges small-scale farmers and producers face when traditional markets transform into modern markets.

[2]: Opportunities and challenges facing small-scale farmers and producers when traditional markets transform to modern markets

Globalisation has led to a merging of national markets into a common global market. A market where there are a lot more buyers, sellers and preferences present. The effects of globalisation can even be felt in traditional local markets in developing countries all over the world. Local traditional markets in developing countries are starting to change into modern markets, especially in the agri-food sector. Important drivers for (urban) market change are: urbanisation and population growth; growing per capita incomes; market liberalisation; foreign direct investment; greater participation of women in the labour market; changes in consumer requirements including increased concerns for food safety; increased concerns for quality; improvements in transport and in communication infrastructure (Berdegué et al., 2008).

Key characteristics of the modern market according to Vermeulen et al (2008), which distinguishes these markets from the traditional markets, are the following:

- Product traceability;
- Reliability of supply;
- Formalised contracts;
- The need for physical infrastructure;
- Quality and food safety as key drivers of vertical integration;
- Provision of business services by retailers to preferred suppliers;
- Centralised procurement and specialised wholesale and logistics companies;
- The introduction of private standards that results from these quality and safety standards;
- And an increasing interest of responsible and/or sustainable sourcing aspects linked to corporate social responsibility strategies.

Traditional markets are resilient and can exist side by side for significant periods of time with restructured markets. The restructuring process of a market often includes spill over effects and interactions between 'old' and 'new' markets (Berdegué et al., 2008). There are also intermediate markets. These intermediate markets are partially restructured markets where traditional patterns are continued upstream and the faster and bigger changes happen downstream of the production chain (China).

Transitions to modern markets are happening all over the world, starting about five decades ago in the Western countries and spreading to the less developed countries (Vermeulen et al, 2008). One characteristic, which has a deep impact on the agri-food market, is the rise of supermarkets.

[2.1] Supermarketisation

According to Weatherspoon and Reardon (2003) the rise of supermarkets in Africa since the mid-1990s is transforming the food retail sector. Supermarkets are spreading fast in Southern and Eastern Africa,

already spreading beyond middle class big-city markets into smaller towns and in poorer areas. This rapid rise of supermarkets in markets is called supermarketisation.

In the past 10-15 years there has been an extremely rapid rise of supermarkets in parts of Eastern and Southern Africa, and the same process appears set to take off in the balance of that sub-region. (Weatherspoon & Reardon, 2003) The share of supermarkets in national food retail in South Africa was in 2003 already 55%, similar to the share in Argentina, Chile, Philippines, and Mexico (and not far behind that of the U.S., which was 70% in 2003) (Weatherspoon & Reardon, 2003).

The general pattern of development of supermarkets in the past decade has occurred in the largest and/or richest countries. Bearing in mind that the mentioned countries must be seen in African-relative terms. The development of supermarkets has occurred mainly through foreign direct investment (FDI) from those countries spreading into the smaller and/or poorer countries. The patterns of spread of supermarkets in Southern and Eastern Africa are somewhat similar to those of Latin America in the early 1990s and East/Southeast Asia in the mid-1990s (Weatherspoon & Reardon, 2003). The fastest transformation is occurring in South Africa, Kenya, Nigeria, also among the larger and relatively richer and more urbanized markets.

Four waves of supermarket development

- The first wave occurred in the early to mid-1990s and included much of South America and East Asia (not including China and Japan), north and central Europe and the Baltics. These first wave countries saw supermarket diffusion in a single decade. While this process took over five decades in the USA and in parts of Western Europe.
- The second group of countries experienced the start of the supermarket development in the mid-1990s, which consist of Mexico, a lot of Southeast Asian countries, Central America and South Central Europe. The retail share rose from around 5 to 10 per cent in these countries in 1990 and 30 to 50 per cent in the early 2000s, where the greatest growth was in the late 1990s.
- Third wave countries are those where dynamic market change started only in the 1990s or early 2000s. reaching about 10 to 20 per cent of national food retailed by 2003. These countries include parts of Africa, Central and South America (Peru and Bolivia) and some countries in Southeast Asia (Vietnam, China, India and Russia).
- Much of Africa is included in the 'fourth wave'-countries, particularly West African countries and South Asia (Pakistan).

Source: Vermeulen et al (2008)

Weatherspoon and Reardon wrote in an article from 2003 that in a "second round," the supermarket transformation is also now occurring in countries that are receiving substantial FDI from South Africa and in particular from Kenya as well. The "second round" includes, in a roughly descending order, Zimbabwe, Zambia, Namibia, Botswana, Swaziland, Madagascar, Mauritius, Angola, and Mozambique. Hence the "second round" includes mostly southern Africa and eastern Africa (Uganda and Tanzania) as a second-place investment destination (Weatherspoon & Reardon, 2003).

In general the supermarket was historically the first format used, with location and sales focused on upper-income consumers (Weatherspoon & Reardon, 2003). The rapid rise of supermarkets in Africa is made possible by urbanization and the rise of the middle class in countries such as Kenya and South

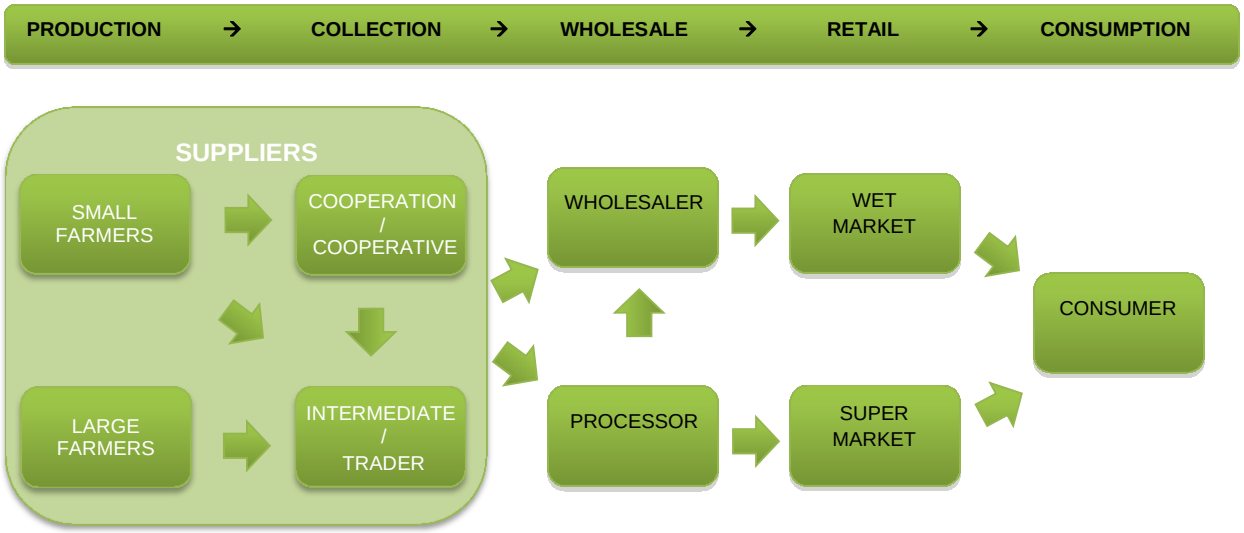
Africa. The number of supermarkets rose quickly over the 1990s, by the late 1990s supermarket chains added hypermarkets. These hypermarkets were used as a way to extend to the middle and lower-middle class urban consumers with broad food and non-food selection and low prices. By the late 1990s and early 2000s supermarket chains had added convenience stores on transport routes and in dense urban areas. During the second half of the 1990s the opening of small supermarkets in poorer areas via franchising accelerated using format adaptation and efficient procurement systems. So supermarkets are also extending into poor neighbourhoods of large cities and towns all around the developing countries in Africa. This new extension of the supermarkets in the poor neighbourhoods is the result of a new trend in the African region called "supermarkets to the poor", which is a diffusion and extension of supermarkets away from luxury high-end niches to being mass market merchandisers (Weatherspoon & Reardon, 2003).

This progression of supermarket and hypermarket openings (the spread from major cities to rural towns, and from high income to middle income, and finally to poorer-income segments) is similar to that observed in Argentina or Costa Rica over the mid to late 1990s (Weatherspoon & Reardon, 2003).

[2.1.1] African supermarket procurement system

Procurement from traditional wholesale markets is rapidly being replaced by specialised wholesalers; subcontracting with preferred suppliers; and consolidated purchases managed through regional and modern warehouses (Vermeulen et al, 2008). Modern retail in developing countries and transition economies is increasingly controlling upstream segments of the supply chain (figure 1 depicts a general supply chain) using sourcing networks; private standards; and though contracts. The effects of supermarketisation and the procurement system are part of the discussion in the next paragraph.

Figure 1 Basic supply chain



[2.2] Effects of a changing market

When we want to take a look at the effects of changing markets, we also need to know what makes markets work in the first place. For markets to work, property rights need to be protected; contracts or agreements between buying and selling parties must be upheld. Markets and value chains also depend on a wide variety of services and infrastructure. Also enforcement of contracts and property rights are key factors ensuring a stable and sustainable market (Vermeulen et al, 2008).

A stable market is necessary to create an equal playing field for all buyers and sellers. A stable market is easier to enter and information is more easily acquired which in turn helps producers create appropriate goods for their market. Small-scale farmers and producers do not have the financial means and knowledge to support their enterprises through a fluctuating and unstable market.

[2.2.1] Opportunities

Small-scale farmers usually operate in multiple market channels, as well as in the new and in the traditional markets. The small-scale farmers use diversified marketing strategies in order to meet different economic needs (for instance: access to credit; improved cash flow; or controlled risk levels) and/or social needs, like the inclusion in social networks interlinked with the marketing networks (Berdegué et al., 2008).

Where there is a scarcity of alternative suppliers either because of the characteristics of the product (like seasonality; the labour requirements; the area of production) or because of the characteristics of the production factors (land scarcity), or the lack of medium or large-scaled businesses, there can be great opportunities for small-scale farmers and producers to increase their agri-food product sales (Regoverning markets, 2008a). Small-scale farmers and producers can have a comparative advantage in terms of quality, innovation, costs and farm management (Regoverning markets, 2008a). By using their comparative advantage small-scale farmers and producers can build up a sustainable presence in the market.

Box 1: Case South Africa

*"**South Africa**: In contrast to the centralised fresh produce procurement systems of South African retailers relying on preferred commercial suppliers, there also exists innovative in procurement schemes. Two rural-based supermarkets chain stores in the Limpopo Province source fresh vegetables locally from small-scale farmers. By 2004, the Thohoyandou SPAR was procuring approximately 30% of its vegetables from about 27 small-scale farmers. These farmers are supported by interest-free loans to be selected farmers, a guaranteed market, farm visits, and training on required quality standards. The remoteness of the supermarkets from the central distribution centres, the store's operation in rural areas, reduced transportation costs, and meeting freshness requirements as well as contributing to community development are the drivers for supporting the development of this local procurement scheme from small-scale farmers."*

Source: Regoverning markets, 2008a

Box 2: Case Uchumi

In Africa, the Kenyan-owned supermarket Uchumi, has adapted its procurement policy. Jonathan Ciano, Chief Executive of Uchumi, noted that small-scale producers are always ready to replenish at any time and thus allow the retailer to have the best fresh produce, while competitors working with a centralised distribution centre cannot be so responsive. Uchumi believes that it pays both for producers (economic growth, sustainable rural development) and the company (freshness of produce to have direct and just-in-time sourcing).

Source: Regoverning markets, 2008b

There are also opportunities for supermarkets and large retailers when using small-scale farmers and producers as their suppliers. For example: remote supermarkets are harder to reach and thus supply. This is a perfect opportunity to use small-scale farmers in the area. An empirical example of opportunities for South African retailers using small-scale farmers and producers is shown in the box 1 and 2.

[2.2.2] Challenges

Selling to supermarkets is very far from business as usual for small-scale farmers and producers. The scale of procurement from supermarkets is typically much larger and requires both volumes and quality coordination among suppliers and between suppliers and retailers and/or intermediaries. Supermarkets are also typically more demanding when it comes to quality and safety standards (Weatherspoon & Reardon, 2003). Supermarkets' procurement systems involve purchase consolidation; shift to specialised wholesalers; tough private quality requirements; and safety standards. To meet these requirements, producers may have to make investments; start cooperations; and adopt new practices. That is hardest for small-scale farmers and producers. They risk exclusion from dynamic urban markets, markets that are increasingly dominated by supermarkets (Weatherspoon & Reardon, 2003).

Large-scale retailers try to seek out large suppliers that can meet the quality; consistency; safety; traceability and quantity requirements from the food processing and retail industry. These requirements come from the high demands by consumers; the food processing industry; non-governmental institutions; and governments (Regoverning markets, 2008a).

The biggest challenge, for large modern agri-food businesses in working with small-scale farmers and producers, is organising supply. Assuring standards of quality and food safety is based on the principles of traceability and bookkeeping. These requirements are implemented via packaging; bar coding; and the continuity of supply. The requirement standards may also extend to labour and the environment. The costs that come with meeting these code and standard requirements may be proportionally much higher for small-scale farmers and producers, like certification costs or supplying costs (Regoverning markets, 2008a). These high transaction costs and higher risks with purchasing from large numbers of fragmented small-scale farmers or producers might make large retailers hesitant to procure from them (Regoverning markets, 2008a).

Small-scale farmers and producers could enter a cooperative to ensure the issue large-scale retailers have with consistent produce supply does not apply anymore. Small-scale farmers and producers that are not part of a cooperative have more challenges to face than farmers and producers who can use the

cooperative to gain market advantages. For example small-scale farmers and producers that are not part of a cooperative (and thus have no access to cooperatives shared knowledge) usually do not have the business expertise necessary for though price negotiations which can lead to cost-efficient opportunities for large retailers.

This chapter highlighted opportunities and challenges small-scale farmers and producers might face when traditional markets change into modern markets. They need to adapt to ensure a future for their businesses. In the next chapter we will explore diversified marketing strategies as a possible comparative advantage for entering the supermarket procurement system.

[3] Diversified marketing strategies: a comparative advantage for small-scale farmers and producers

Before a farmer or producer chooses what he or she want to produce he or she need to know what the market demands, so there is no gap between the seller and buyer preferences. A farmer or producer can choose to produce different kinds of goods. Economists have classified goods into a number of different categories on the basis of how information is conveyed to and/or accessed by consumers:

- Search goods: These are goods where consumers develop a robust notion of quality prior to purchase through either inspection and/or research.
- Experience goods: These are goods where quality is known through use and experience, which then guides future consumer decisions.
- Credence goods: These are goods where neither prior inspection nor subsequent use is sufficient for developing a robust notion of quality.

In these terms, agro-food products are said to exhibit properties of all three types.

"The market for agro-food products features goods of all three types (search, experience and credence), even if a majority are in fact experience goods. This is because consumers like to form their own opinions of attributes such as flavour, how a product stands up when cooked, cooking time and so on. Some attributes are a combination of experience and credence: examples here include the level of safety and nutritional properties. Others are necessarily credence attributes, such as the extent to which the production process is environmentally friendly or treats animals humanely" (OECD, 2000, p32).

Each consumer finds differing aspects of a good important. Some consumers might be interested in the credence attributes (e.g. environmental and labour standards), while other consumers might find the experience attributes (e.g. flavour and cooking time) the most important attribute (Rangnekar, 2004). These differences between consumers relate to the firm strategies of product differentiation and these differences manifest in the form of market segments.

Information about product-related attributes is not easily accessible and this places consumers in positions of relative weakness. This lacking information does not allow optimal consumer choice. Various efforts by the government, the private and non-profit sectors are directed at improving this information gap between producers and consumers. These efforts include advertising, use of a variety of quality related signs, certificates, information labelling and much more (Rangnekar, 2004). It is very important that consumers have information about product-related attributes. Using this information, consumers can distinguish one product from another. And it is this ability to distinguish that is important when applying a diversified marketing strategy. However consumers should not only be able to distinguish between products but should also prefer specific products in order for marketing strategies to work. Producers need to market the specific attributes of the product most appreciated and preferred by consumers.

Small-scale farmers and producers encounter a lot of competition from larger farmers and producers when they compete for the same shelve space in a supermarket. Large-scale farmers and producers can have economy-of-scale advantages in comparison with smaller-scaled farmers and producers. Large-scale farmers and producers are able to utilize their land, labor (manual and mechanical) processing facilities and other factors much more efficiently because of the economy of scale principle. This enables large-scale farmers and producers to produce in large quantities. Small-scale farmers have more difficulty competing with these more cost efficient ways of producing. Production growth is more difficult to accomplish for small-scale farmers and producers. So higher production might not be the way to gain a competitive edge, but product diversification or specialisation of production could be.

Specialisation of production was seen as a way that farmers could use to add value to their produce at the production level. Investing in specialised farming systems increases yields, productivity and farm incomes. However, specialisation can be a risky strategy, because of the increased investment and market price fluctuations (Regoverning markets, 2008b).

Small-scale farmers and producers could also choose to deviate from the mainstream markets, with large staple goods and general agri-food products like: bread; milk; and cheese. By producing for smaller specialized consumer agri-food markets, like niche markets in fair-trade agri-food products, small-scale farmers and producers could encounter a lot less competition (from large and small-scale producers). Characteristic of a niche market is that it is the subset of the market on which a specific product is focusing. (Oxford dictionary, 2011) A market niche defines the specific product features aimed at satisfying specific market needs, as well as price range; production quality; and the demographics that are intended to impact. A niche market is the highly specialized market that tries to survive among the competition from numerous super companies. (Business dictionary, 2011)

According to Rangnekar (2004) there is a growth of niche market segments like ‘fair trade’, ‘organic’ and ‘authentic’ and consumer interest in the source of products. This would indicate that producing for niche markets could be favourable for small-scale farmers and producers. But for small-scale farmers and producers producing for niche markets can only have large advantages if consumers recognise the extra attributes these products have. Consumers need to have a preference for example for the taste of authentic attributes like regionally and traditionally made cheeses to choose these types of cheeses over regular kinds.

Possible ways to use diversified marketing strategies: use certifications/labels like ‘fair trade’, ‘organic’ or ‘geographically indicated’. Certifications can only be received if certain requirements are being met. But consumers need to recognise the added value of these certified products, in order for them to be successful. Diversifying from the mainstream products might bring great opportunities especially to small-scale farmers and producers. We will discuss geographical indication in more detail in the next chapter.

[4] Geographical Indication

We will now take a look at geographical indication certification as a possible certification method small-scale farmers and producers can use to gain an edge in producing for a niche-market. By using this diversified marketing strategy small-scale farmers and producers could gain access to supermarket procurement. But we first need to know the exact definition of a GI, its history and its differences in comparison with other certification marks in order to see if there is potential for small-scale farmers and producers when using GI as a way to gain access to local, national and intra-continental markets. This will be explored in 4.1, then in 4.2 we will look at the possible pros and cons of GI and the chapter is concluded in 4.3 with a more in depth examination of the applicability of GI in least-developed countries in Africa.

[4.1] Geographical Indication

[4.1.1] Introducing GI

Before reading further we first need to explain the definition of Geographical Indications according to the World Trade Organisation. This definition is used throughout the thesis:
"A product's quality, reputation or other characteristics can be determined by where it comes from. Geographical indications are place names (in some countries also words associated with a place) used to identify products that come from these places and have these characteristics (for example, "Champagne", "Tequila" or "Roquefort")."

GIs are the embodiment of 'glocalization' in other words products and services participating in global markets and at the same time supportive of local culture and economies (Giovannucci et al., 2009).

[4.1.2] Economic theory

"*A patent is an exclusive right granted to the inventor to sell a new and useful product, process, substance, or design for a fixed period of time. A patent grants an inventor the right to be the monopoly provider of the good for a number of years*" (Perloff, 2004).

Certification works much in the same way. It is an intellectual property right that also gives the right of exclusive production to the certified permit holders and so offers its holders the 'exclusive' right to benefit from their certified products. "*For the class of producers (and their products) that qualify for protection, GIs provide an opportunity of capturing the 'rent' embedded in the appellation"* (Rangnekar, 2004).

Not every market is the same. Every product belongs to a specific market with its own characteristics and 'rules', whether the market is of a monopolistic; an oligopolistic or a perfect competitive kind. This is also the case with GIs. GIs function in a specific type of market, due to its specific characteristics. A short description and a few examples of the different type of markets (monopolistic; an oligopolistic and a

perfect competitive market) are given in the next few paragraphs. After the short general market type descriptions I try to explain in what market GIs function in.

A **perfect competitive market** is a market in which there can be many buyers and sellers and none of these actors represent a large part of the market. The firms are price takers. Sellers of products believe that they can sell as much as they like at the current price and they believe they cannot influence the price of their product. The production of a single seller represents only a tiny fraction of the world market and thus has no impact on the world market price.

In **imperfect competition markets** firms are aware that they can influence the prices of their products. They are also aware that they can sell more products by reducing their prices (taken from the concept of the higher the price the less inclined consumers are to pay and thus to buy a product) (Krugman & Obstfelt, 2006). Imperfect competition is characteristic both of industries in which there are few major producers and of industries in which each producers' product is seen by consumers as strongly differentiated from those of rival firms. Under the circumstances of imperfect competition on the supply side each firm views itself as a price setter, rather than a price taker (Krugman & Obstfelt, 2006), however this does not imply that the demanders (traders, consumers) are price takers. An example of an imperfect competitive market by Krugman and Obstfelt (2006): "*The aircraft manufacturing giant Boeing shares the market for large jet aircraft with only one major rival, the European firm Airbus. Boeing therefore knows that if it produces more aircraft(s) it will have a significant effect on the total supply of planes in the world and will therefore significantly drive down the price of airplanes. Or to put it the other way around, Boeing knows that if it wants to sell more airplanes, it can do so only by significantly reducing its price."*

The simplest form of an imperfectly competitive market is that of a **monopoly.** In an monopoly there is only one supplier or one group of suppliers of a good for which there is no substitute. In a monopoly the supplier can set its price. The producer/supplier is not a price taker like a producer/supplier in a competitive market. The producers/suppliers output equals market supply. While there is a downward sloping market demand, monopolists have no competition, so if consumers want to buy a product (even when its expensive) they have to buy it from the monopolist. This makes it easier for monopolists to raise their prices without losing their sales. A monopolist sets its price above marginal cost to maximize its profit (Krugman & Obstfelt, 2006).

According to Rangnekar (2004): *"GIs are a type of collective monopoly right. This has the dual advantage of allowing the users of the indication to differentiate their product in the market whilst simultaneously the indication functions as a barrier to entry into their market segment".* And according to Reviron et al. (2009) GIs belong to the micro-economic theory of monopolistic competition. These examples show an agreement that GIs function in a monopolistic market.

What are the effects of a monopolistic market on supply and demand of a product? These questions will be answered in the next few paragraphs.

GI labelled products are a specific form of business. The demand side of GIs is rooted in the economics of product differentiation, which provides an attractive formulation on how consumer preferences value quality (Reviron et al., 2009).

Reviron et al. (2009) talks about four strong theoretical consequences of differentiation:

- The market appears to be a network of connected small sub-markets (each with one seller) when a product is differentiated. The concept of global supply cannot be applied anymore and it is not possible to build a *global* supply curve.
- When the hypothesis of differentiation is verified, each seller's *individual* supply curve depends of the characteristics and the price of its close substitutes. Product price is higher than in a context of perfect competition but price is variable; it depends on the pressure of substitutes.
- Differentiation generally leads to an increase of production and sales costs. Sales costs that include advertising costs, because differentiation cannot create a preference if information is not provided to the buyer.
- Production and sales costs are crucial because they move the individual demand curve up and/or to the right. This means that the seller or producer may expect to sell more products at the same price (than for a generic product) or at a higher price.

GIs have the ability to create economic value because they are differentiated and offer a profitable response to targeted consumers' specific needs. When a product is differentiated, some consumers (but not all) express a preference and a willingness to pay a higher price. The market is segmented and price premiums are obtained on the market segment, if a good marketing strategy is implemented (Reviron et al., 2009). In the next paragraph we take a look at the consumers' willingness to pay a higher price and the possibility for GIs to have a premium price.

[4.1.3] Premium prices

Producers from a certain geographical area develop a reputation for quality of their products over time. The geographical indication helps consumers distinguish between premium-quality and low-end products. Trust in the geographical indication is the reason why consumers may be willing to pay a premium for products from that region (Addor et al., 2003). However free-riding on this reputation may result in an increased risk of the region's reputation being undermined. Preventing free-riding on reputation and quality is socially desirable. If non-GI-certified producers use the certificate eventhough the producers do not generate a qualitatively good product, consumers might develop a negative view of GI. As a consequence consumers would be willing to pay less for GI quality goods and producers would (from a socially optimal point of view) underinvest in informal innovation and in the development of products offering higher quality and safety (Addor et al., 2003). As long as there in no free-riding, the risk of negative effects on the reputation due to poor quality could be reduced.

According to a large study done in 1999 in the EU in which 20000 consumers were asked about their purchasing preferences when it comes to GI products. 51% of the respondents (statistically equivalent to about 180 million people in the EU) were willing to pay between 10% and 20% more for a GI product than for a similar non-GI product. The results of surveys on willingness to pay does not necessarily translate to consumers actually paying a premium at the market so the results should be interpreted with caution. However the results do confirm the general perception that consumers either prefer or do pay more for many GIs (Giovannucci et al., 2009).

A few examples of premium prices in European GIs and a few non-European GIs, according to Giovannucci et al. (2009):

- In France, cheeses with a GI certification sell on average at a price approximately 30% higher than cheeses in general;
- Tuscan olive oil (GI) receives a 20% premium over similar quality oil;
- The market price for Bresse poultry in France is four times that of non-GI poultry meat;
- Parma ham sells at prices up to 50% higher than other comparable hams;
- New Zealand lamb commands premiums of more than 20% in the EU;
- Japan's Wagyu beef gets 50% more;
- And Nyons olive oils provide about 50% more income to their producers than other high-value trademarked non-GI oils.

A word of caution: while there is an abundance of data supporting the case that GIs tend to command higher/premium prices, there is very little data comparing total cost of production and marketing that are required in order to gain these higher prices. It is clear that the usually higher production and certification costs involved in many GIs are likely to erode at least some of the price benefits. (Giovannucci et al., 2009) So producers that can ask a premium for their products may have a higher turnover but do not necessarily enjoy higher profits.

Now that we have discussed the economic theory behind GIs, we are going to look at the practical implementation of GIs. GIs need to be registered to enable legal enforcement to protect GIs producers from free-riding and plagiarism. There are multiple registration systems for GI in the world. But the system we are going to focus on is the registration system implemented by the WTO. Because this is the largest player in the international trading scene.

[4.1.4] Geographical Indication in the WTO

According to the World Trade Organisation the following types of intellectual property rights fall under the TRIPS agreement: copyright; trademarks; geographical indications; industrial designs; patents; integrated circuits layout designs; undisclosed information and trade secrets.

The GI protection required under the TRIPS Agreement is defined in two articles. First, all products are covered by *Article 22*, which defines a standard level of protection. This article states that geographical

indications have to be protected in order to avoid misleading the public and in order to prevent unfair competition. The second article is *Article 23*, which provides a higher or enhanced level of protection for geographical indications for wines and spirits: subject to a number of exceptions. For the exceptions *Article 24* is used, in which it is stated that some geographical indications do not have to be protected or the protection can be limited. Among the exceptions that the agreement allows are: when a name has become the generic term (for example, "cheddar" now refers to a particular type of cheese not necessarily made in Cheddar, in the UK), and when a term has already been registered as a trademark (WTO, 2010).

Developing and least-developed countries among the WTO members are still a long way from implementing their obligations under the TRIPS Agreement. New rules and obligations on GIs continue to come into play (Musungu, 2008).

[4.1.4.1] WTO registration

I tried to find the general principles the WTO uses for the registration of GIs. However every countries has its own rules, so I used the last general principles I could find (which were the Albania registration principles). According to the WTO general principle 3.1 of the Albanian 'regulation on registration of geographical indications' (No 1705 of 29 December 2009): "*Any legal or natural person who produces, processes or prepares the product in a certain geographic area, for the distinction of which is used the geographical indication, shall have the right to apply to the Directorate General of Patents and Trademarks (DGPT) for the registration of the geographical indication."*

The applicant has to admit a long list of forms and information to the DGPT before the DGPT evens starts to examine and process the application. As an example of the Albanian application requirements, a list of the required forms and information can be found in Appendix II. Within three months the application will be examined and processed. If the application meets all the requirements, it will be published in the Industrial Property Gazette. Opposition against an application for the GI registration may be filed with DGPT within three months from the date of publication (WTO, 2010b). Thus the registration may take a long time and requires a lot of paper-pushing from the applicants and from the DGPT. In Appendix II you can find the essential elements of an application according to an WTOs decision (Albania).

There are currently more than 10,000 protected geographical indications in the world with an estimated trade value of more than 50 billion US dollars. The 10,000 GIs would represent less than 1% of the more than 6 million trademarks that are active worldwide. About 90% of GIs come from the 30 OECD countries. Very few GIs have been developed in the other 160 countries (Giovannucci et al., 2009).

[4.1.4.2] WTO fees

According to point 9.1 of the TRIPS Council special session "presentation of proposals" report : "*Each notification of a geographical indication or of the modification of that notification shall be subject to the payment of a fee. However, any participating least-developed country Member shall be exempted from the payment of such fees*" (WTO, 2005). According to these proposals the African least-developed countries should not incur any administrative costs for the application of a GI. This however does not

mean there are no costs at all. The documentation itself, required for the application, will require payment for legal counselling and governmental administrative fees. [1]

[4.2] A short history

In Europe there is a long standing tradition of associating certain food products with particular regions. One of the very first geographical indicated protected product was Roquefort cheese. In 1411 King Charles VI granted a monopoly for the ripening of the cheese to the people of Roquefort-sur-Soulzon as they had been doing for centuries (French Cheese, 2011). Then in 1883 during the *Paris Convention for the Protection of Industrial Property* the first multinational agreement on intellectual property rights was signed. The Paris Convention was a general treaty that provided protection for a broad range of different categories of industrial property. The *Madrid Agreement for the Repression of False or Deceptive Indications of Source* on Goods signed in 1891, however, was a treaty on the specific protection of indications of source. The Madrid Agreement did not add much to the protection already given by the Paris Convention Agreement. Another treaty signed that year was the *Madrid Agreement Concerning the International Registration of Marks*. Countries that wanted to protect their GIs via a certification trademark regime could use the international registration system established in 1891. These countries could not have specific rules on the protection of geographical indications. It was not until the 1950s that the positive regulation of GIs was introduced into international law. An *International Convention of the Use of Appellations of Origin and Denominations of Cheese* (known as the Stresa Convention) was signed in a northern Italian town named Stresa on the first of June 1951. This convention applied specifically to cheeses. It was not considered to be very effective as it attracted a limited number of signatories (O'Connor, 2004). The 1958 *Lisbon Agreement on the Protection of Appellations of Origin and their Registration* followed this treaty.

EU

The European Union started a geographical indication product protection program under the CAP reform in 1992. It was during this program, where PGO (Protected designations of origin), PGI (Protected geographical indications) and TSG (Traditional Speciality Guaranteed) certifications were born as an EU certificate for geographically indicated food products.

There are also non-EU agreements on geographical indication. The best example is the OAPI Agreement. The African Intellectual Property Organisation (OAPI) Agreement was signed in Bangui on 2 March 1977, replacing the first Agreement signed at Libreville on 13 September 1962, which established African Intellectual Property Organisation (O'Connor et al, 2007).

ARIPO

The African Regional Intellectual Property Organization was established by the Lusaka Agreement, adopted in Lusaka, Zambia in December 1976 (O'Connor et al, 2007). The purpose of ARIPO was to consolidate the resources of its member countries (English speaking African countries) in industrial

[1] *O'Connor et al. (2007) produced and extensive list of 160 countries (50 African countries) and their GI protection laws, the costs involved and whether or not the country has signed any treaties and whether the country is a member of the WTO. So further information can be found here.*

property issues in order to avoid the duplication of work. The Banjul Protocol on Marks, which was adopted by the Administrative Council in 1993, established a trademark filing system, where members states could file their applications for the protection of the mark (O'Connor et al, 2007).

WTO

The WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which was negotiated in the 1986-94 Uruguay Round, introduces intellectual property rules into the multilateral trading system (WTO, 2010).

[4.3] GIs and other certifications marks

Governments have been protecting trade names and trademarks used in relation to food and non-food products since the middle ages in Europe. In many countries the protection given to geographical indications by law is similar to the protection given to trademarks, and in particular, certification marks (Azmi et al, 1997).

Distinctive signs indicating geographical origin are the earliest type of trademarks (Azmi et al, 1997). These type of trademarks have a long history dating back to pre-industrial period of manufactured goods containing names from buildings (Pisa silk), animals (Panda bear), landmarks (Mount Elgon mineral water), heraldic signs (fleur de lys butter) and well known personalities (Napoleon brandy). These names were given to the products as signs that distinctively indicate geographical origin, while also indicating a certain quality or reputation. Carpenters, stone masons, potters and printers used their signs or signatures that helped to distinguish their products from their competitors and thus trying to protect the goodwill with consumers (Azmi et al, 1997). Protection of goodwill was enhanced with the formation of guilds and their territorial control of trade during the Middle Ages.

So much like trademarks, the economic rationale for protection geographically indicated products is based on the economics of information and reputation. One of the most important differences between GIs and trademarks is the difference in terms of what the distinctive sign is signifying. Trademarks are distinctive signs identifying goods of an enterprise and are thus not limited by a geographical link. In contrast this geographical link is the basis where the GIs originate from. A GI is a distinctive sign identifying goods with a particular quality as originating from a specific geographical area. GIs are not limited to a specific enterprise and can thus be enjoyed by all enterprises within the boundaries of the geographical area the qualify for use of the indication (Rangnekar, 2004). GI protection does not prevent manufacturer from other regions to produce the same kind of product. It only prohibits them to sell it under the same geographical indication (Addor et al., 2003).

From an economic standpoint, GIs are seen as a form of collective monopoly right. A right that erects entry barriers on producers either within or outside the relevant geographical area. GIs define who can make a particular product, where the product needs to be made, with what ingredients and with what

techniques. All these 'rules' are set to ensure the authenticity and originality of the product. These rules also leads to a high entry barrier into the market for GIs (Rangnekar, 2004).

Each country and region manufacturing products indicating geographical origin embody a reputation for producing a product with particular characteristics. It is this collective reputation (i.e. goodwill in an trademark sense) that is represented through the indication and this reputation requires therefore protection. When taking into consideration the collective monopoly rights it also brings into focus the problems of organising competing enterprises in the collective protection of an indication (Rangnekar, 2004). These possible limitations are highlighted further in paragraph 4.4.

A summary of the comparison of trademarks; GIs and certification & collective marks can be viewed in table 1. A very extensive table on the comparison of trademarks and GIs can be found in Giovannucci et al. (2009) page 106 – 110.

Table 1 Comparison of trademark protection and GIs

	Trademarks	Geographical indications	Certification and collective marks
Identifier	Identifies a manufacturer	Identifies a place of origin	Identifies quality characteristics sometimes linked with place of origin
Intention	Reflects human creativity	Reflects products origin and its link with climate; soil and 'other characteristics'	Reflects certification of product quality or member of collective
Owner of right	One producer	Ownership government or semi-governmental institution on behalf of all producers in area, so mainly a **public right**	Owner of mark not allowed to produce but can promote. Mainly a **private right** owned by the trade association or producer group
Means of protection	Private firms protect trademark with help of courts: no public intervention	Public agencies protect GIs, sometimes complicated by multiple producers	Protection of certification by public agency: collective marks by collective
Transferability	TM can be sold or licensed	GI cannot be sold or licensed	Not transferable
Registration	Self-declaration: no reputation necessary for registration	Registered by public authority: reputation necessary	Request for certification by producer groups must show quality
	Is a result of private actions by owner	Is a result of a mix of public and private actions	Is a result of private actions by the trade association
Cost	**Expensive** for small producers	**Inexpensive** for small producers but not for large groups	**Inexpensive**
Extended protections	No protection against modifiers or translations	Protection for modifiers and translations	Certification should be unambiguous
Conflicts	Cannot contain GIs (unless grandfathered) if consumers might be misled	Can coexist with trademarks and certification and collective marks	Can coexist with both GIs and trademarks
Duration	Trademark permanent for life of owner	Continuous as long as conditions do not change and conditions justifying protection are upheld	Often subject to renewal of collective and certification marks, must be renewed periodically (usually 10 years)

Source: (Rangnekar, 2004) & Josling (2006) : based on material from the USPTO and the EU Commission.

[4.4]: Pros and Cons of GIs

GIs have notable developmental characteristics (Giovannucci et al., 2009). GIs intrinsically emphasize local production and local characteristics, they value the land and its particular characteristics that are often the source of a product's unique nature. GIs enhance regional cooperation. When GIs are high quality artisan/craftsman products they may also be labour intensive and rarely manage to achieve the size and economies of scale required to compete on a direct price basis with similar products from more industrialized processes (Giovannucci et al., 2009). These are a few positive and negative sides of implementing GI that can be found in literature. However an extensive list can be compiled. Some of these positive and negative sides of GIs can be found in table 2. To make it more readable I've clustered some costs and benefits together.

Some benefits or costs that crossover from the producers to the consumers have been highlighted with green. For instance, GIs can foster rural development (new infrastructure like roads), this can be beneficial for local producers by reducing transportation costs. However also consumers can enjoy the benefits of new roads. A different example is the ability to get higher prices for GI certified products, this might benefit a producer by increasing his turnover. However higher prices are not beneficial for consumers, but is registered as harmful.

A few Pros and cons of GIs were not included in the table and can be found in paragraph 4.4.1 and 4.4.2.

Table 2 GI benefits and harm/costs

Consumer benefits	Producer benefits
Higher quality and unique products for consumers available ensured and encouraged Conveys messages and minimizes "search costs" Improving **market governance** - Labelling rules - Fraud rules - Standards - Traceability: producer or manufacturer liability more easily determined and secured Can provide preservation of **universal values** - Culture - Tradition - Environmental stewardship **Positive local externalities** - Socio-cultural valorisation - Elevated land values - Local or domestic information-education - Foster business clustering - Foster rural integration - Induced tourism - Preserving biodiversity - Preventing bio-piracy - Supporting community or collective rural development initiatives	Improved market access: market for differentiation and exclusivity Protection of local tradition and cultural practices **Positive local externalities** - Complementary effect on other products in region - Better employment - Rural development - Better governance (market) - Induced tourism - Foster business clustering - Foster rural integration - Preserving biodiversity - Preventing bio-piracy **Increased value/profitability** - Increased sales - Higher prices (premium prices) - Reducing price fluctuations Possess many characteristics of upmarket brand

Consumer harm/costs	Producer harm/costs
May reduce innovation May reduce innovation or improvement Public GI systems increase public costs of governance May reduce competition May increase protectionism Higher prices Exclusivity may elevate costs	May reduce innovation Adaptation to rules, methods, and specifications Likely to require greater local governance and institutional capacity and costs **Costs** - Control fees - Certification fees - Marketing and promoting - Infrastructure and production investments - Administrative and bureaucratic costs - Legal protection - Higher costs of production

Source: Giovannucci et al. (2009)

[4.4.1] Pros

Geographical Indications are not exclusively commercial or legal instruments, they are multi-functional. They capture the distinctive aspects of a region and due to its traditional methods of production and processing is difficult to duplicate (Giovannucci et al., 2009).

GIs offer potential business development benefits through spill-over effects in the value chain or across multiple products. GIs tend to involve entire regions and impact not only producers but also traders; processors; exporters; etc. thereby fostering rural integration. GIs also operate beyond a single product focus, having subsidiary effects for other product chains and firms and can promote clustering. GIs facilitates supply chain management or can even shorten supply chains (Giovannucci et al., 2009).

GIs can also be used as a development tool. An EC evaluation in 2002 (Giovannucci et al., 2009) noted that GI development amplified:

- Regional cooperation between municipalities, authorities, commercial and social partners;
- The positive identity of the regions, especially cultural identity; landscape conservation; and marketing;
- Improvements in general infrastructure and rural services;
- Profiling of region as an attractive business location;
- Improvements in environmental quality and linked utilization of resources

For rural areas, GIs can provide part of the tangible structure for affirming and fostering the unique socio-cultural features of a particular place and the products or services it produces (Giovannucci et al., 2009). Some GIs have demonstrated the creation of increased and better quality employment in the area. Communities may benefit as GIs can reward the holders of indigenous knowledge of traditional and artisan skills as valued forms of cultural expression. GIs can provide a measure of protection for the intellectual or cultural property of a particular group, community or region. Since GIs intrinsically emphasize the local, they can also serve to value the environment and its particular agro-ecological characteristics. Characteristics that are the source of a geographically indicated product's unique character.

[4.4.2] Cons

In 4.4.1 we mentioned a few pros. However establishing a GI is not very easy and has its limitations and can even be harmful for producers and consumers. In this paragraph we highlight the cons of establishing a geographically indicated product.

GIs can stifle commercial innovation, due to the lack of pressure to innovate. Some farmers and producers use traditional methods to acquire the specific characteristics needed for to produce the geographically indicated product. GI can benefit the high-quality producers but low-quality or the poorest producers may not benefit. So there is a possibility of unequal income/benefit distribution.

Many developing countries are afraid of the potential for GIs to act as non-transparent protection measures used by large trading conglomerates (like the EU and NAFTA) that may lead to the loss of export opportunities (Grote, 2009).

Geographical indications are not always viable. GIs are not a viable option in many areas, particularly those whose output lacks distinguishing characteristics. According to multiple case studies and literature Giovannucci et al. concludes that for GIs to be successful four components are essentials: strong organisational and institutional structures; equitable participation (sharing costs & benefits and also controlling & decision making power); strong market partners; and effective legal protection. When poorly structured, GIs can be detrimental to communities, traditions and the environment. I need to highlight that least-developed African countries are not known for having the four essential components needed for GIs to be successful and this poses an extreme complication when least-developed African countries want to use a GI system. These countries need to change radically to be able to support a GI system.

The process of determining whether it is indeed a viable and cost-effective opportunity to pursue a GI will often require, multiple requirements given by Giovannucci et al. (2009):

- Mapping of stakeholders and their capacity to participate or possibly block the development of a GI;
- Participatory discussions to determine the interest, ideas and real capacity of key stakeholders;
- Assessment of available resources;
- Analysis of entry barriers and identification of likely winners and losers (including communities and environment);
- Specific investigation assessing actual marketability of a GI product;
- Preliminary delineations of territory under consideration and the territories key features;
- At least a basic cost-benefit analysis determining what will be required under different scenarios

Concluding whether a GI is a success or not cannot be measured in a short time span. Success has often been measured in decades with GIs taking many years to distinguish to consumers what they produce. Only then do the GIs begin to reap premium prices for the differentiation. A GI requires patient application and sustained commitment of resources (Giovannucci et al., 2009).

Not only time is required for a GI to succeed. GIs also require considerable financial means. GIs can have considerable costs (operational, marketing, legal and transaction costs), these costs will be further explained in 4.4.3.

In short: Why GIs are not for everyone

- *GIs require sustained multi-year investment of time and (financial) resources*
- *GIs are obliged to have unique characteristics*
- *GIs must have active commercial promotion*
- *GIs need legal protection*
- *GIs may not benefit the poorest due to a need for quality standards, market skills and organization*

Source: Giovannucci et al. (2009)

[4.4.3] Costs

The costs associated with the development and adoption of a GI can be both direct and indirect, at both the individual and the collective level, and not always easy to quantify in advance. A few of the costs mentioned in table 2 might need some explanation. Farmers and producers need to adapt to new rules; methods; and specifications when they want to produce a GI. Administrative and bureaucratic costs are incurred to meet these GI requirements. Also the costs of marketing and legally maintaining the protection can be considerable. Some of the most successful GIs spend more than a few hundred thousand dollars annually (Giovannucci et al., 2009). The indirect costs incurred to establish and operate a GI are by far the most costly and the most difficult This is because these costs involve not only financial expense but also considerable time and effort to adapt local operations and even forms of governance among organizations in order to achieve and effectively manage a GI (Giovannucci et al., 2009).

[4.4.4] GIs in developing countries

We have looked at general pros and cons for using geographical indication as a way to diversify. However pros and cons can be different in developing countries. The institutional structures and legal frameworks are different in developing countries then they are in developed countries. Because the legal; financial; and institutional frameworks might differ so could the advantages and limitations farmers and producers face when dealing with GIs. Musungu (2008) has compiled a large list of potential benefits and challenges for developing countries. The list of benefits can be found in box 3 and the list of challenges in box 4

Box 3 Potential Benefits of GI Protection for African Countries

- *GIs, unlike patents, require very low levels of innovation, if any, which allows a larger number of players to benefit from protection.*
- *GIs attached to goods can be an important signal to consumers about the reputation of the product regarding its quality and hence justify a higher price.*
- *Since GIs predominantly apply to agricultural and cultural products, African and other developing countries have a natural competitive advantage.*
- *Convergence of GI strategies with other market incentives such as organic certification is useful for small organisations.*
- *GIs are important to prevent delocalisation of production since a GI can only be produced in a given area or locality.*
- *GIs can be utilised to transform producers of generic goods into exporters of highquality agribusiness and handicraft products.*
- *When reputation already exists, small farmers may benefit directly from GI protection coupled with niche market development.*
- *GI governing bodies being collective spaces in which organisation processes are focused on regional identity may bring about the type of governance needed to transform supply chains into value chains that create added value.*
- *The collective approach to GIs can benefit small producers that could normally not be able to finance marketing and brand development activities.*
- *Strong links between product and culture can benefit rural development.*
- *Once small producers have achieved the quality standards needed to access new markets, precise use of geographical information in labelling can easily be implemented with or without GI registration.*
- *GIs can help prevent bio piracy of traditional knowledge as well as help protect or provide recognition to traditional production methods such as seed selection criteria and food conservation practices. This will permit the transformation of TK into marketable products.*
- *GI production systems and processes based on well managed extractive activities promote conservation of natural vegetation and forested areas which benefits ecosystem and landscape conservation.*

Source: Musungu (2008)

Box 4 Challenges and Pitfalls with respect to GI Protection in Developing Countries

- *Linking a GI to a specific variety, breed or sub-species as a response to productivity and market demands may marginalise other genetic resources that are biologically and culturally relevant.*
- *Formal and well distributed knowledge and information about biological resources and cultural practices with GI potential is lacking in developing countries.*
- *It is common that small farmers cannot produce surpluses to participate in marketoriented activities such as GI development.*
- *Small producers are vulnerable in national and export markets for economic and scale reasons which cannot be addressed solely with GI differentiation.*
- *Although evidence of economic benefits from GI protection can be found in developing countries, the distribution of benefits within value chains is unclear and several cases point to concentration of power in transformers and distributors.*
- *Employment generated by GI may contribute to the rural economy but not necessarily generate benefits for biodiversity conservation and small farmers.*
- *In the absence of democratic governance structures the value added of GI monopoly may not be capitalised by regional interests or small farmers.*
- *Differentiation of production processes, qualities and markets will be difficult to achieve without operating governance structures that are respectful of local culture.*
- *Market segmentation that attends only to high end niches may generate economic exclusions or inhibit access to nutritious and culturally valuable resources by local or low income populations.*
- *Statutory declaration of GIs without the relevant operating bodies may fail to connect GIs to rural development policy.*
- *Formal definitions of quality imposed by external stakeholders tend to provoke exclusions of legitimate but culturally different producers.*
- *Ownership of culturally sensitive GIs by the state may lead to conflicts with indigenous peoples.*
- *Complying with labelling, safety and traceability regulations requires significant organisation and technical effort which is challenging to small organisations.*
- *GIs, especially where they are related to rural agriculture, may not succeed if their development is isolated from complementary agricultural and rural development policies including economic support.*
- *Legal frameworks and support measures from different government arms are not well coordinated producing a complex scenario for GI development.*

Source: Musungu (2008)

Giovannucci et al. (2009) tells us that Tim Josling and other experts caution that pursuing a GI strategy will not be the optimal answer in a number of situations. In other words, resolving many business and rural development issues will require other, more basic, interventions ranging from institutional or organizational strengthening to quality or food safety practices. In some cases, the returns may not warrant the substantial investments required for a GI. In order for GIs to even be taken into consideration as a possible strategy for business and rural development, three pre-conditions need to be met. These are: existing rationale for a GI product that is truly origin-related and differentiated; clarity and organized consensus; market access. Giovannucci et al. (2009) Without these basic pre-conditions it is very difficult to successfully implement a GI system as a development tool.

In developing countries, many production and supply chains are small in scale and lack resources such as capital, technology and know-how. This makes it difficult to achieve economies of scale and may limit their market access because of their inability to comply with the increasingly present public and private standards required by more developed markets (Giovannucci et al., 2009). This is a reason why supermarket procurement systems look at large scale farmers and producers as possible suppliers, where supply consistency can be achieved.

[4.5] Geographical Indication products in developing African countries

We have explored the potential benefits and costs for producers the implementation of geographical indication certification can bring in developed and developing countries. But we have only taken a look at the global registration levels and the general benefits and costs. We will now highlight the Africans side of the GI implementation.

[4.5.1] Registered African GIs

Of the currently more than 10,000 protected geographical indications in the world, what part is registered by African producers? There are very few African products that are currently registered or are in the process of registration as GIs (including registration through collective or certification marks). This is also true for the African countries that are party to the Lisbon Agreement.

In January 2011 the issue about creating a multilateral register for wines and spirits is debated in the TRIPS Council under the Doha mandate. The wine and spirit geographically indicated products were the first type of GI products to be recognised by the WTO and the geographically indicated food products were recognised later. So we can conclude that there is no global WTO registration forum or list as of yet. However the World Intellectual Property Organization (WIPO) does have a global registration forum. The WIPO is a specialized agency of the United Nations. And according to WIPO there are no African countries with registered, pending or granted ‘Appellations of Origin’ (WIPO 2010). However according to Musungu (2008) Argan Oil from the Souss Massa Dra region in Morocco has a pending application for a GI. So literature about registered or pending African GIs is inconclusive. Even though there are no actual registrations there are a lot of potential GIs in African countries (table 2).

Table 2 Possible GIs in Africa	
Burkina Faso	Massina Kwite butter, Faso Shea butter, Souflou green beans and Bobo for plank masks
Cameroon	Oku white honey and Njombe pepper
Chad	High-grade cotton
Congo	Kivu and Ituri for coffee
Gabon	Sweet potato
Guinea	Mafeya pineapple, banana Conakry, chili de Mamou, Diama coffee
Ivory Coast	Korhogo fabrics and Atcheke of Grand Lahou
Kenya	Mt. Kenya coffee, Gathuthi tea, Kisii tea, Kericho tea, Kangeta, Miraa, Meru potato, Kikuyu grass, Mombasa mango, Machakos mango, Asembo mango, Muranga bananas and Kisii bananas
Madagascar	Mananara vanilla
Mauritius	Chilis and pickles, honey, beeswax, Petit piment confit, Aigre-doux de limons, Piment de manges, Piment de limons, Piment de papayes, Achard Bilimbi longue, Achard de carambole, Achard de limons, Piment de Tamarin, Pâte de piment rouge, Pâte de piment vert, Achard de fruits de Cythère
Morocco	Argan oil
Tanzania	Konyagi (alcohol), Kilimanjaro coffee, M'Bigoiu for sculptures
Uganda	Waragi (alcohol)
Zimbabwe	Tobacco and Chipinga coffee

Source : (Grote, 2009) and (Musungu, 2008)

African members could be seen as to have both offensive and defensive interests when you take a look at the expansion of protection for GIs for agricultural products, foodstuffs and crafts. African countries would like to use GIs as an offensive means to the protection of their agricultural products. For instance Kenya wants to use the GIs as a means to protect their coffee (Grant, 2005). Right now both Kenyan coffee and Kenyan tea are registered through certification marks (Musungu, 2008). It is argued that recognition of this GI would ensure that the reputation of Kenyan coffee is maintained and that the farmers of Kenyan coffee would be able to obtain premium prices for their product. (Grant, 2005).

[4.5.2] Low registration of GIs

Various reasons could be given explaining this low level of registration of GIs in African countries. These include that:

- Low level of awareness regarding the availability of IPs (Intellectual Property);
- Many interested groups in GIs, such as farmers or traditional agrifood producers, are small and facing a range of challenges which have prevented them using GIs in their marketing strategies;
- And many African economies remain largely dominated by the informal sector where the use of registered GIs may be less important than on other continents
    - An example of an informal geographically indicated is derived from personal experience. In Uganda the people recognise Katakwi chickens are a superior and high quality product. Even though the meat of the chickens is less tender than other chickens, Ugandan citizens prefer those chickens because they recognise the quality flavour of the Katakwi chickens.

The word about the Katakwi chickens is spreading beyond the Ugandan borders into Uganda's neighbouring countries. So even though there is not a formal certification for these chickens the theory of certifications does apply.

- Another example but this time from literature: Cambodian Kampot pepper; Moroccan Argan oil; Nicaragua's Chontaleño cheese; and Rooibos tea from South Africa are already recognized and rewarded by the market even though these products are not yet formally protected in other countries (Giovannucci et al., 2009).

A word of caution: Though a group of producers in a particular geographic area may think that having a GI would be a good marketing idea, it does not mean that their GI will be recognized in the marketplace (Giovannucci et al., 2009).

[5] Case study of certification & premium prices

Empirical evidence of GI implementation and its impact in African countries is hard to come by as there are only GI-certifications for spirit and wine products in African countries and no certifications for products that are not beverages. However, in order to show the impact a GI certification can have on small-scale farmers and producers, I have chosen to highlight an empirical study where another niche market specialisation (the organic product specialisation) played a big role. The study examines a case of successful linkage between small organic rice farmers and supermarkets in the Philippines. Even in the Philippines' supermarkets require a steady and continuous flow of product supply, it is difficult for small-scale farmers and producers to meet this requirement but by cooperating with other small-scale farmers and producers, they are able to better their chances to become a supermarket supplier. The Philippines case shows us that by cooperation small-scale farmers and producers can gain access to modern the supermarket procurement systems.

[5.1] PHILLIPINES

This study examines a case of successful linkage between small organic rice farmers and supermarkets in the Philippines. Although the case involves a non-African country, the Philippines is still a developing country according to the World Bank country classification indicators (World Bank, 2011) with a lower middle income level and large part of its economy still active in the primary sector. Below you may find a few indicators which shows the still developing part of the Philippines.

Philippines	Year	% or USD
GDP per capita	2009	1752 USD*
Net official development assistance and official aid received	2009	60.890.000 USD**
Poverty headcount ratio at $2 a day (PPP) (% of population)	2006	45.0%
Industry, value added (% of GDP)	2009	30.0%
Agriculture, value added (% of GDP)	2009	15.0%
Employment in agriculture (% of total employment)	2007	36.1%
Total land area used for agricultural purposes	2007	38.6%

** The Netherlands has a GDP of 47.917 USD (2009), which is over 27 times the GDP per capita of the Philippines*

*** Total GDP is 161.195.818.768 USD (2009), the Philippines receives 0.000377% of GDP as development assistance*

By examining the case of Upland Marketing Foundation Inc (UMFI) where small organic rice farmers faced the opportunities and challenges of the procurement systems of the supermarkets and the changing consumer markets, I intend to show that small-scale organic farmers and producers and their opportunities and challenges can have a lot in common with small-scale farmers with other certifications. Both groups produce for a niche market with possibilities of receiving a premium price for their products (Concepsion et al., 2007).

[5.1.1]: Case study of Upland Marketing Foundation Inc : Inclusion of small-scale organic rice

The number of supermarkets has been growing in the Philippines as its citizens increase in number and in purchasing power. In the Philippines, only two foreign supermarket chains (Makro and PriceSmart) have set up operations since the liberalization of the retail industry in 2001. 49 per cent of manufactured products were sold through supermarkets and groceries. Many small-scale farmers and producers of agricultural and non-agricultural products find it difficult to access these supermarkets. They are challenged to meet their requirements on quality, volume, reliability and consistency in supply. The volume and consistency of supply requirements demanded by supermarkets are very difficult to meet for small-scale farmers and producers due to their size and lack of financial resources for investing in technology. However if these farmers and producers choose to work together, especially across products, they might be able to achieve economies of scale (Concepsion et al., 2007).

Organic rice reaches the consumers through the multiple efforts made by groups and by individuals. A few organisations that market producer groups' organic rice are UMFI, the Bukidnon Organic Products Corporation (BOPC), Gratia Plena and Sunnywood Enterprises. BOPC has outlets in the cities of Cagayan de Oro, Dumaguete and Iloilo. Other distributors are present in the Metro Manila but it could not be established whether their products come direct from organic farmer groups (Concepsion et al., 2007).

In this case we focus on the small-scale farmers and producers that use the Upland Marketing Foundation, Incorporated (UMFI) as a marketing division to enhance market access to mainstream supermarkets. UMFI acted as a marketing consolidator for supermarkets buying from organized groups of organic rice farmers such as the Pecuaria Development Cooperative, Incorporated (PDCI) (Concepsion et al., 2007). Which is an organisation of agrarian reform beneficiaries composed of 426 (103 female and 323 male) (Agri-Info, 2011) members based in the municipality of Bula in Camarines Sur. Camarines Sur is one of the 44 poorest provinces in the Philippines. Majority of its population who live principally in the rural areas are considered poor, mostly earning a living from agriculture-based resources and activities. (Agri-Info, 2011) The rice is planted on 130 hectares of irrigated and non-irrigated land. The PDCI is one of the major suppliers for UMFI (Concepsion et al., 2007).

Generally the farmers of PDCI and surrounding communities can be characterized as having low income, feelings of insecurity, lack of confidence, and being risk averse. They have limited assets for their farming business. They generally have had low levels of education. Housing conditions are basic and prone to damage (fire, typhoons). Education level of their kids is increasing, but the farmers can only afford low quality schools. Young family members tend to migrate from rural to urban areas and for work overseas. (Agri-Info, 2011)

[5.1.2] Organic rice industry

The organic rice industry began in 1986. The organic rice industry is a very small subset of the Philippine rice industry. Out of the approximated area of 4 million hectares planted to rice in the country, the total area devoted to organic rice was estimated at about 1750 hectares in 2001. In 2001, about 15.400

hectares were being planted by 11.000 farmers, who practice low chemical input applications (PDAP, 2004). So these farmers were not completely producing organic products, but they are able to switch quickly from a non-organic status to an organic status. Assuming that a number of low chemical inputs farms has already converted to full organic production, this will only account for 0.43 per cent of the total 4 million hectares planted with rice. So the organic rice industry is only a small portion of the total rice industry in the Philippines. In 2007, there were only two producer groups that were awarded certification by the Organic Certification Centre of the Philippines (OCCP). These groups were located in Bukidnon and Camarines Sur (Concepsion et al., 2007).

[5.1.3] Trends in consumer preferences

In terms of trends and movements of consumer preferences, the market for products that were deemed healthy is increasing. A study conducted by UMFI showed that "*while the consumers do not know what organic products are, with only 0.54 per cent of the Metro Manila population being familiar with the term, the consumers do prefer products that are deemed 'healthy'. Their preference for this 'healthy' product is reflected on the premium price that they are willing to pay. 50 per cent of the survey respondents were willing to pay 35 per cent more than the commercial-conventional counterpart."*

[5.1.4] Yield

A survey of 18 farmers showed that yield declined under organic rice farming compared to the conventional/inorganic farming and production costs have not changed significantly. The production costs given in table 7.3 in according to a survey done among PDCI farmers in 2007 (Concepsion et al. 2007) show us that production costs for organic farming in comparison to conventional farming is 1.5 per cent higher. This is mainly due to better prices with a price difference of 46 per cent.

Also the organic rice receives a price premium of 46 per cent. This price premium can be attributed both to the quality attributes of the brand and the product as well as to the type of market outlet. Supermarkets generally provide higher prices compared to traditional markets due to convenience provided to consumers (Concepsion et al. 2007).

So even though production costs are higher for organic farmers, the better prices for organic products result in an increased net income of farmers by 119 per cent (Concepsion et al. 2007).

[5.1.5] Costs

The cooperative PDCI provided a premium fixed price for palay (rice) produced using organic farming practices. This was a subsidy given to farmers to entice them to switch to organic farming. PDCI decided to peg palay prices at PHP 10.00 (USD 0.21) per kilogram. Between 1997 and 1998, market price for palay would range from PHP 8.00 (USD 0.17) to PHP 9.00 (USD 0.18) per kilogram. So farmers would receive a 11 per cent to 25 per cent premium.

Dealing with supermarkets also involved extra costs. It is common practice for supermarkets to ask for 'listing fees' which is a specific amount to be paid by a supplier before a product is accepted by the store. This would range from as low as PHP 50.00 (USD 1.04) per sku (stock-keeping unit) to as high as PHP 85,000 (USD 1,770.83) per outlet. Another cost was promotion and advertising costs. Product sampling,

which is the most common and effective way to introduce the new product to consumers, would have a cost of PHP 500 (USD 10.42) per day to PHP 3,500 (USD 72.92) per weekend/store. Not to mention promotional materials like flyers, posters, and brochures, which could help increase consumer awareness but also entail additional costs.

[5.1.6] Opportunities

With a lower cost of production, higher 'premium' price, and a yield at par with conventionally grown rice, organic rice presents an opportunity for small farmers to increase their income and improve their welfare. However even with these incentives for organic rice production, there are still marketing barriers to overcome (Concepsion et al., 2007).

When new market structures and modern chains like supermarkets start to appear, small-scale farmers are sometimes unable to respond to the market changes because traditional structures prohibit them from engaging the market intermediaries in ways that allow them to learn how to respond to changes in market needs. But by using a consolidator that is accustomed to responding fast en efficiently to these changes, small-scale farmers can be included in these rapid changing and highly demanding markets.

UMFI has adopted a few key strategies to ensure the inclusion of small-scale farmers and producers in these new market reforms (Concepsion et al., 2007).

[5.1.7] Key Strategies

A few key strategies that UMFI adopted can be found below.

1. Establishing a house brand

This strategy emerged as a response to the typhoons that affected the organic rice production in 2006. It is a big risk relying on one supplier and when the typhoons affected the supply of organic rice UMFI had to constantly renegotiate and reschedule delivery dates due to delays in the supply delivery. UMFI needed to find other suppliers to fill the delivery gaps to the supermarkets. By using suppliers from different producer organisations, UMFI was persuaded to use the name 'Healthy Rice' rather than the former name of 'Pecuaria's Healthy Rice' (the rice no longer came solely from the PDCI). The supermarkets accepted the new label. By establishing a house brand one can allow as many suppliers as possible to supply the product with less risk of contracts falling through due to supply delivery delays (Concepsion et al., 2007).

2. A niche consolidator strategy, which combines champion and rider products

A champion product is a product that has good market potential and that can be produced in bulk once the market picks up the product. These are the products that due to their big volume of trade, allow UMFI to generate the income to cover its costs. The champion products are thus used as the major source of UMFI income from marketing. The rider products however are specialty products (products with niche or speciality markets) that have smaller market demand thus are low turnover products (Concepsion et al., 2007).

The niche consolidator strategy was to market a combination of champion and rider products. By marketing several community-based enterprise products, the combined volume of these groups was to contribute to the volume needed to sustain distribution operations in Metro Manila. The amount of business generated was too small to make operations viable. This was then supported by the 'champion vs. rider product' strategy employed by UMFI. UMFI uses economies of scale for champion products and provide opportunities for rider products to pick up. UMFI can at the same time, meet the requirements of supermarkets for variety of products (Concepsion et al., 2007).

3. *Strategically position their product by assessing trends in the markets and deciding which product features to highlight*

Trends in the consumer market continue to reveal that there is increasing interest in safe and healthy products that promote a healthier lifestyle. By featuring the health and safety aspects of a product using packaging or adverts UMFI tries to satisfy the needs of the supermarket buyers. *For example,* the packaging of one of the jams had to be redesigned because one of the supermarket buyers commented that the label should not say 'made by indigenous people'. This label gave the impression that the jam was made by indigenous people who may not know how to prepare food in a manner that complies with sanitary standards. UMFI decided to delete the label which may give the false impression that the jam does not conform to sanitary standards (Concepsion et al., 2007).

Side note: consumers in other societies might see a product made by indigenous people as a positive attribute. Consumers in other societies (or countries) might think that buying a product that is made by indigenous people stimulates the local economy where the product is produced.

Another example of highlighting product features the consumers are interested in: UMFI used the brand label 'Pecuaria Healthy Rice' and not organic rice because they did not have organic certification and the preferences of the consumer was for healthy products and not necessarily organic products (Concepsion et al., 2007).

4. *Providing market requirement information to producers*

The farmers' organizations were given assistance on organic farming or on the value addition technologies that utilized locally available resources. The assistance based on information lead to an increase in farm productivity, as farmers begin to realize an increase in harvest ; while communities engaged in food processing started producing finished products using local fruits and crops. By providing market requirement information to producers UMFI helps the producers deliver commodities that meet market demands (Concepsion et al., 2007).

5. *Hiring the right people*

Supermarkets required sales personnel who knew how to deal with them. Personnel that dressed in business attire, were willing to wait long hours just to give a product demonstration, spoke the language of the supermarkets, and had knowledge of the consumer markets they were targeting. By hiring sales

people from with private company experience, supermarket representatives were more inclined to take UMFI seriously (Concepsion et al., 2007).

[5.1.8] Results for small-scale farmers and producers

Farmers have improved their income

A survey of 18 PDCI farmers showed that production costs have not changed significantly. This nonetheless resulted in an increase in net income of farmers of 119 per cent due mainly to better prices with a difference of 46 per cent. The price premium can be attributed both to the quality attributes of the brand and the product as well as to the type of market outlet. Supermarkets generally provide higher prices compared to traditional markets due to convenience provided to consumers (Concepsion et al., 2007).

[5.2] Conclusion Philippines

The main lesson derived from this study is that small-scale producers can be successfully linked with dynamic markets but also that this will require extensive knowledge of both the market and production environment. This requires a significant amount of investment and efforts for business growth and development. A strengthening of organisations is also important in order for them to meet deliveries and quality requirements.

Collaborative management and involvement of producer organisations in the management of the supply chain is also important. Through feedback mechanisms, producer organisations are able to fine tune production in order to meet the buyers and consumers requirements.

The small-scale farmers in the Philippines were able to use a cooperative structure to gain access to the procurement of supermarkets. Multiple small-scale farmers (like the PDCI farmers) joined a cooperative to increase their chances of getting through the supply requirements of the supermarkets. Because supermarkets require a steady and continuous flow of product supply, it is difficult for small-scale farmers and producers to meet this requirement but by cooperating with other small-scale farmers and producers, they are able to better their chances to become a supermarket supplier. The Philippines case showed us that.

Another feature the Philippines case showed us beside the ability for a cooperative to gain access to the supermarket procurement, is the ability for a cooperative to grow and nourish a viable differentiation marketing strategy. The Philippine small-scale farmers were able to use the organic status of their rice to increase turnover (despite a lower yield the conventional rice). The organic rice was seen as qualitative superior product and consumers were willing to pay a premium for it. These results might also be possible to acquire from small-scale farmers and producers in African least-developed countries when they use the GI differentiation marketing strategy. Given that the variables are just right.

[6]: Conclusion and discussion

In this research I have explored the opportunities and challenges small-scale farmers and producers face in least-developed countries in traditional markets. They face markets that fail due to information gaps between producers and consumers, high transportation costs and other factors. Not only is the market a limitation factor, so are the output decreasing constraints; the natural resource constraints; the political; economic; and technical constraints. On the other side households are able to function partly autonomous from the market, which could protect them from an unstable market. Producers however do not always function autonomous, so they sometimes have to endure the whims of the market.

In Chapter two I examined the changes in opportunities and challenges when the markets start to transform from traditional into modern markets. The global market has been transforming the last few decades, transformations where traditional (wholesale) markets changed into modern markets. Supermarkets/hypermarkets are increasingly more common in these modern markets (supermarketisation). Small-scale farmers and producers face new opportunities and challenges when they want to enter these modern markets, especially when the want to start supplying for supermarket chains. Large supermarket chains prefer to buy from larger farmers and producers to ensure a constant and standardized quality supply of goods. If small-scale farmers and producers are able to supply a supermarket chain, their goods gain access to larger markets and more consumers. However to be able to supply for a supermarket and meet the requirements, small-scale farmers and producers need to implement drastic changes in the business strategy. One option is using a diversified marketing strategy to differentiate oneself from its competitors. But consumers need to recognise the added value of these differentiated products, in order for them to be successful. Without this requirement the diversified marketing strategy has no basis to work from. Although this strategy is risky due to increasing investment requirements and market price fluctuations is does provide the opportunity to gain a comparative advantage.

One possible diversified marketing strategy is producing for a geographical indications (GI) niche market. By using this type of certification, a premium price can be obtained. Which could increase turnover and profits. Using a GI can be financially beneficial. Besides having financial advantages, GI also can have a lot of positive local externalities, like increased employment; increased tourism and can foster rural development. GIs are by no means an answer for the difficulties of rural development. GIs can be a unique and powerful tool when adequately managed. However GIs do also come with disadvantages like high registration and legal fees; a reduction of competition; high production costs and GIs are difficult to implement. The difficult implementation of GIs is largely the result of poor design or having inadequate governance structures. For example, badly managed GIs can be dominated by limited political interests or just a few enterprises. In some cases, GIs can exclude the poorest producers or even stimulate inappropriate outcomes such as the dissolution of traditional practices or the destruction of biodiversity. Some countries would even like to use GIs as an offensive means to the protection of their agricultural products.

We need to be cautious when we are pursuing a GI strategy. The strategy will not always be the optimal answer. Resolving business and rural development issues will require more basic interventions like institutional and organisational strengthening. In order for GIs to even be taken into consideration, the following pre-conditions need to be met: the product needs to be truly origin-related and differentiated; clear and organisational consensus; and market access. These pre-conditions cannot always be met, especially in developing countries where market access is not always guaranteed, sometimes even difficult to acquire. In African least-developed countries using the GI strategy has more limitations. Least-developed African countries are not known for having the four essential components needed for GIs to be successful and this poses an extreme complication when least-developed African countries want to use a GI system. These countries need to change radically to be able to support a GI system. This is a major reason for the low registration rate of GIs in least-developed countries.

However there is a lot of potential. If small-scale farmers and producers can jointly cooperate, like in the Philippines' case, they are more likely to gain access to modern markets and thereby meeting the quality and quantity standards consumers and supermarkets require. The Philippines' case was an example of small-scale farmers using a diversified marketing strategy (producing for the organic niche-market) to be able to supply to supermarkets. Although the Philippines are an Asian country the case could still be applied to least-developed African countries. The market conditions are quite similar. And the farmers from the PDCI had similar characteristics as can be found in least-developed African countries. For example, the PDCI farmers can be characterized as having low income, feelings of insecurity, lack of confidence, and being risk averse. They have limited assets. They have low levels of education. Housing conditions are basic and prone to damage (fire, typhoons). Education level of their kids is increasing, but they can only afford low quality schools. Young family members tend to migrate from rural to urban areas.
I was not able to use a case of a least-developed African country using the GI strategy because literature on GI in African least-developed countries is basically non-existent.

Future research suggestions

Because no actual GIs are registered in least-developed African countries, literature about this topic was quite limited. However there are a lot of potential GIs. It could be of interest to research the *registration process* (e.g. Argan Oil). This could be of assistance to other potential GI applicants in Africa.
Another research option could be the potential of a GI as a *development tool*. GI as a development tool could be a good fit for least-developed African countries, if the basic pre-conditions are met.
Finally research into the specific *GI registrations systems* as such could also be of assistance to countries trying to implement the GI system.

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APPENDIX I: ABBREVIATIONS

GDP	Gross Domestic Product
GI	Geographical Indication
IP	Intellectual Property
ICTSD	International Centre for Trade and Sustainable Development
IIED	International Institute for Environment and Development
ITC	International Trade Centre
NCCR	Swiss National Centre of Competence in Research
OCCP	Organic Certification Centre of the Phillipinnes
PDCI	Pecuaria Development Cooperative Inc.
PhilDHRRA	Philippine Partnership for the Development of Human Resources in Rural Areas
QUNO	Quaker United Nations Office
TRIPS	Trade-Related Aspects of Intellectual Property Rights
Tralac	Trade law centre for southern Africa
UMFI	Upland Marketing Foundation Inc.
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation
WIPO	World Intellectual Property Organization

APPENDIX II

WORLD TRADE ORGANIZATION

ORGANISATION MONDIALE DU COMMERCE

ORGANIZACIÓN MUNDIAL DEL COMERCIO

IP/N/1/ALB/G/1

30 July 2010

(10-4099)

Council for Trade-Related Aspects of Intellectual Property Rights

Original: English/ anglais/ inglés

NOTIFICATION OF LAWS AND REGULATIONS UNDER ARTICLE 63.2 OF THE AGREEMENT

ALBANIA

[…]

DECISION

No 1705 of 29 December 2008

ON APPROVING THE REGULATION "ON THE REGISTRATION OF GEOGRAPHICAL INDICATIONS"

[…]

CHAPTER II

APPLICATION FOR THE REGISTRATION OF GEOGRAPHICAL INDICATION

[…]

2. Essential elements of an application

2.1 According to Article 182 of the Law, the application for the registration of the geographical indications shall contain:

a) FTG1 form signed by the applicant or his representative, which shall contain mainly the data on the name and address of the applicant, the geographical indication, specification of the product to which the geographical indication will be applied, and the definition of the boundaries of the geographically locality where the product is produced or processed;
b) document proving the payment of the filing fee;
c) a report about the particularities and characteristics of the goods and their connection with the geographically environment and geographically origin;

ç) a document issued by the respective authority, according to the respective laws, which defines the boundaries of the geographical area where the product is produced or processed;

d) document issued by the respective authority, according to the respective laws, which defines the features and characteristics of the product, and the connection between the features of the product with the geographical environment or the geographical origin, according to Article 177(2) of the Law;

dh) a document issued by the local authorities which certifies the production activity conducted by the applicant in the given geographical region;

e) where the applicant is a foreign legal or natural person, a document that certifies the registration of the geographical indication, which shall be translated in the Albanian language and shall be notarized;

ë) in the case of food or agricultural products, a document issued by the respective authority, which certifies that the product meets all the criteria of quality, provided for by the relevant legislation into force;

f) power of attorney, if the application is filed by the applicant representative. The power of attorney shall contain the signature of the applicant and, if the applicant is a legal person, his stamp.