

# Trends in Use of Geographic Identification of Food in the United States<sup>1</sup>

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EU trade negotiators have found it difficult to find support for EU proposals to strengthen international protection for geographical indications (GIs). Almost all other major food exporting countries are opposed to any change in WTO regulations of GIs. The European Union continues to call for a new GI policy because such a change would help EU agriculture make a desired transition away from reliance on commodity-based income supports.

The European Union continues to move its farm policy away from supporting incomes with high guaranteed prices and the associated supply controls and export subsidies. In the future, incomes will be supported to a much greater degree by decoupled income support payments. There are many sound reasons for this policy shift, including greater consistency with the objectives of free trade agreements, greater ability to incorporate the agricultural sectors of new member countries, and, ultimately, a more competitive agricultural sector that is oriented to meeting consumer demands rather than reacting to government price signals. This last reason for moving to decoupled payments is a source of concern to some who are worried that a focus on efficiency could work against an EU policy objective of maintaining and enhancing populations in rural areas

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<sup>1</sup> Presented at the Coldiretti International Forum on Agriculture and Food Cernobbio, Italy 22 October 2004.

With the new policy emphasis on decoupled payments, a significant number of farmers may find that it is more profitable to take the decoupled payment and quit farming, or at least to do the minimum activity required to remain eligible for the decoupled payment. For example, Italian wheat producers will have difficulty competing with French wheat producers who have lower costs of production. Italian producers may find that they simply cannot cover their production costs and would be better off shutting down their wheat production. Loss of a significant portion of Italian wheat production may result. However, a move to decoupled payments will not change the aggregate demand for wheat. The remaining wheat farms in Europe will likely become larger and even more specialized than they are now. Thus, as result of a move toward decoupled payments, we are likely to see an increase in the consolidation among farms in Europe as farms get larger to reap scale economies.

This concern about not being able to promote a more competitive agricultural sector while maintaining significant production helps explain the 1992 EU policy to protect high-quality agricultural products based on geographical origin using two designations of GIs, the PDO (Protection of Designations of Origin) and the PGI (Protection of Geographical Indication). Increased protection of GIs increases consumer confidence that a product actually contains claimed attributes, such as that it was produced in a particular region using particular production methods and ingredients. This increase in confidence then can enhance consumers' willingness to pay for the product. In addition, the geographical restriction on production can increase the potential profitability of a product, thus enhancing the willingness of producers to participate in a new market.

A consumer-oriented and competitive agricultural sector does not necessarily have to specialize in producing low-cost commodities that are destined for transformation into products by large food manufacturers. An agricultural sector can also be competitive if it is the best at producing high-quality, differentiated products that meet new consumer demands for a wide variety of authentic food. EU policymakers apparently have both types of consumer orientation in mind with their complementary policies. The incentive to overproduce homogeneous commodities is slowly being reduced by the move to decoupled payments while increased protection for GIs gives a region's producers an

alternative consumer orientation. Ideally, the remaining EU commodity producers will be able to compete at world prices while production of GI-protected foods can give higher-cost producers and regions an alternative market.

The U.S. government has seemingly taken a much different position with respect to GIs. It has filed a complaint with the WTO against the EU policy on grounds that the EU policy discriminates against non-EU GIs and that it does not provide sufficient protection to pre-existing U.S. trademarks that may conflict with EU-designated GIs. For example, Anheuser-Busch's trademark Budweiser could be threatened if the EU gives GI status to beer brewed in Budejovice, a town in the Czech Republic. (*Budejovice* translates to *Budweis* in German. Adolphus Busch must have chosen the name off a German map for his beer brand in 1876.) In addition, the U.S. complains also that the EU reciprocity requirement whereby a foreign country must recognize EU GIs before the EU will recognize the country's GIs violates existing trade agreements.

The U.S. policy with respect to the U.S. domestic market is that current trademark laws, combined with registration of certification marks, adequately protect U.S. and non-U.S. GIs and that there is no further need for the government to become involved. There has been little or no effort by either Congress or the U.S. Department of Agriculture to determine how greater government involvement in promoting and defending GIs might achieve for U.S. farmers and rural regions what the EU policy is meant to accomplish.<sup>2</sup>

This brief overview illustrates the sharp contrast between U.S. and EU policies with respect to GIs. But the question of whether U.S. policy really serves the best

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<sup>2</sup> It is interesting to note that an April 2003 State Department press release (available at <http://usinfo.state.gov/ei/Archive/2004/Jan/06-186189.html>) justifies the U.S. complaint in the WTO because of the "... EU failure to protect U.S. trademarked geographic names such as Florida oranges and Idaho potatoes..." The EU policy is meant to enhance markets for unique foods linked to a particular region, such as air-dried ham produced in Parma, or cheese produced from whole milk from ewes that graze in an "arid, wild landscape" in Aveyron, France. Florida oranges and Idaho potatoes have as much in common with Roquefort cheese as Iowa corn has in common with Prosciutto di Parma. Just as the price for Iowa corn is the reference price for corn, so too are the prices for Florida oranges and Idaho potatoes. That is, Florida oranges and Idaho potatoes are not differentiated products: they are the embodiment of a commodity. That the State Department uses these as examples to bolster their case illustrates the far different approach and emphasis that the U.S. government places on GI protection.

interests of U.S. consumers and farmers is an open question. Do certification marks and trademarks provide adequate protection for individual producers interested in using location to differentiate their products? If so, do they provide adequate incentive to induce a group of producers from a region to band together to try to add value to their product through regional identification? Could U.S. producers and consumers gain from adoption of a more activist role of the federal government in protection of GIs in agriculture?

Some insight into these questions can be provided by a review of how GIs are currently used in the United States, how they potentially could be used, and why U.S. policy is as it is. The objective of this review is to determine who is being adequately served by current law and who might benefit from greater government involvement.

### **Types of Food GIs**

U.S. agricultural products have long been linked with their location of production. Just think of California fruit, Iowa corn, North Carolina tobacco, and Kansas wheat. Many of these links have become part of U.S. culture. States are using this cultural identity to promote their products with advertising slogans such as the State of Iowa's slogan "A Taste of Iowa." Another sort of geographic linkage has become more widely used in the last 20 years. Many products are appearing on store shelves, in local markets, and in restaurants with a "local" designation. This designates that the product was produced by somebody who lives and/or works nearby. Increased demand for high-quality food and "authentic" food (as opposed to "processed" food) has given rise to geographically linked networks of artisan food producers. When the individual producers in these networks all reside in one region, then the region naturally acquires a reputation for specializing in a particular type of artisan food. The artisan food and the region then become linked. Finally, there are some cases of brands that have been created based on geographic origin. Some of these are protected by U.S. trademark law and by U.S.-backed federal marketing orders.

A discussion of each of these types of GIs will reveal how GIs are currently being used, where value is being created by their use, who captures this value, and any problems that producers have in establishing and protecting GIs.

### Regional Promotion of Products

Many state governments have adopted slogans under which products produced within the state's boundaries can be promoted. Examples include "A Taste of Iowa," "Ohio Proud," "Pride of New York," "New Mexico, Taste the Tradition," "Fresh from Florida," and "Idaho Preferred." All of these slogans are owned by a government agency, usually state departments of agriculture.

How can these slogans generate value? Two possible sources of value are (1) use by state agencies in advertising campaigns that attempt to create a positive image for potential firms and people considering immigrating into the state; and (2) an increase in the demand for food items produced within the state. Only the latter source of value concerns us here.

Economic value for producers is created from any sort of geographic link only if the market price for a specific product is increased. A necessary condition for any value creation is that the geographic link must provide buyers with information about one or more attributes of a product. That is, the link must differentiate the product from competing products. The information conveyed can be about a physical attribute of the product, or about the company that produces it, or that it was produced in a certain way. The key feature is that the geographic link must create some difference in the product.

### *Commodity Products*

Commodity products, by definition, are not differentiated by any physical attribute. USDA #2 yellow corn produced in Iowa is identical to #2 corn produced in California or Texas. Thus, the only way that a geographical link can differentiate a commodity product is if buyers care about where the product is produced for some reason other than physical attributes. The only possible differentiation for commodity products is if in-state buyers perceive that there is some value generated by buying a product that originates in-state. It is doubtful whether there are enough people who actually care whether the product that they are purchasing is produced by somebody in their state to make enough of a market impact to increase the market price of a commodity product.

This suggests that if a state only produces commodity products, then these slogans cannot create value from higher market prices.

### *Differentiated Products*

Suppose that a state produces many products that have unique features. For example, suppose that apples from New York are in some way different from Michigan apples. Can the state slogan “Pride of New York” generate potential value for New York apple producers? The answer depends in part on how the slogan is used. If New York apples are the only product to which the slogan is applied, then the slogan may become synonymous with New York apples in the minds of buyers. This could form the basis for a successful marketing effort. Then, if buyers prefer the attribute contained in New York apples, they can base their buying decision on the signal from this slogan. That is, a brand name can be created from the slogan.

But if the slogan is applied to many products, then the advertising effort will meet with less success because the message will be diluted. If 30 products are marketed under the slogan “Pride of New York,” then an apple buyer is less likely to associate the slogan with apples. This dilution is perhaps why the New York Apple Association has its own slogan “New York Apple Country” that it uses to bolster its claims that “New York State apples have consistent superior quality, due to favorable soils, rainfall and temperatures.”

Advertising slogans of this kind generate value only to the extent that they are applied to non-commodity products in a state and only if the slogan is applied in a focused effort on a very few, ideally related, food products in the state.

### *Sustained Value Creation*

A demand increase resulting from a signal to consumers about product attributes is not sufficient for there to be a sustainable increase in value from a geographic link.

Sustained value can be created only if the resulting price increase does not draw in additional producers. New producers will only increase supply, which, in turn, will depress price. How can such a supply response be prevented by the original producers who undertook the advertising campaign aimed at increasing demand?

Individual firms with branded products that have launched successful marketing campaigns maintain their market price by not flooding the market with product. They have this ability because they can match production with demand at their desired price. But state agencies do not have any mandate or mechanisms to control supply. Thus, regional promotion of products by government agencies cannot be expected to create any sustained value for producers even if farmers in the region create products that have distinct regional characteristics.

### Local Identification

Tremendous advances in the coordination of production, storage, distribution, and transportation of fresh food means that consumers can buy fresh fruit and vegetables year-round from around the world. Farm management practices have evolved to meet the demands of a global and national marketplace. Varieties are chosen for their ability to be harvested quickly, packed securely, and shipped to consumers without damage. Harvest is timed with an eye for how long produce takes to travel from the field to the grocery store. The downside of these advances is a loss in flavor that comes from food that spends increased time between harvest and a consumer's table.

A new market has been created by a backlash against the still-ongoing trend of nationalization and internationalization of food markets. Perhaps the most common manifestation of this backlash comes from campaigns to "buy local." Alice Waters, who is usually credited with originating California cuisine in Chez Panisse, her Berkeley restaurant, perhaps best expresses the motivation behind buying local:

"Chez Panisse has tried for years to make diners here partake of the immediacy and excitement of vegetables just out of the garden, fruit right off the branch, and fish straight out of the sea. In doing so, Chez Panisse has stitched together a patchwork of over sixty nearby suppliers, whose concerns, like the restaurant's, are environmental harmony and optimal flavor."

<http://www.chezpanisse.com/glance.html>

Buying local implies that production has been identified as originating from nearby areas. Often, a local connection implies that the buyer knows who the seller is and perhaps something about the production process. For example, Ms. Waters knows her

suppliers personally and selects them on the basis of their ability to deliver high-quality food and food ingredients.

Evidence that local identification is a growing phenomenon is the large increase in the number of farmers markets that exist in the United States, the increase in the incidence of in-season local produce being sold in supermarkets, and the increasing number of restaurants that include descriptions of where their food originates.

### *Value Creation from Local Identification*

Relying on being identified as a “local” producer can generate value if local consumers are willing to pay more for locally produced goods. There are at least three reasons why consumers might be so willing. First, a local producer can market goods that are harvested closer to “peak” maturity compared with remote producers because there is less transportation time involved. Thus, local producers may have the possibility of an inherent quality advantage. This quality advantage may be enhanced by being able to choose varieties based on color, flavor, and texture, rather than on how well the harvested food travels.

A second source of value could come from the ability of local producers to make a direct connection with their buyers. If buyers value knowing both the producer and how the product was produced, then a local producer potentially has a marketing advantage over remote producers. When sellers know their buyers and there is the prospect of repeat business, then there is much less chance that the quality of a good will be misrepresented by sellers. Thus, “buying local” provides some assurance to buyers that the quality of a good is as claimed.

The last source of potential value exists if at least a percentage of local consumers have a preference for buying local because revenue from the exchange provides support for the local economy. Again, this potential value may exist when there is a backlash against the loss of locally owned businesses—both food and non-food.

Thus a “local” geographic identifier can increase demand for a producer if local producers are able to market superior-quality products and if some local consumers have a preference for supporting local producers over non-local producers. Local then

becomes a signal of quality and community support. Of course, the extent to which the increased value can be sustained depends on the ability of local producers to maintain quality while limiting supply expansion by local competitors. For most products, producers in an area are quite able to expand supply well beyond the size of local markets. If this happens, not only will the price premium in local markets be lost but also the surplus production will have to be marketed in areas where the “local” signal does not apply.

### **Networks of Artisan Food Producers**

As their incomes continue to grow, U.S. consumers increasingly are buying high-quality food items. Evidence of this increased demand is the high-quality (and expensive) bread, meat, cheese, wine, beer, and produce that are regular features in local supermarkets around the country. In response to growing demand, an expanding number of farmers are using this opportunity to create new products. When a sufficient number of farmers in a region become experts at producing a particular type of food, then the region will develop a reputation as a good place to obtain the food. Farmer artisanship in producing food then can translate into a positive regional reputation. Farmers from that region can then, in turn, use the name of the region as a marketing signal for quality. That is, a geographical indicator can naturally arise and signal buyers about the quality of food items produced in a region.

Wine is perhaps the foremost example of farmers in a region developing such a reputation. Winemakers in the Napa Valley in California have been producing wines for more than 100 years. But in the 1970s, the area’s winemakers began a concerted push to increase the quality of their wines. The result is that today Napa Valley is synonymous with high-quality wine. Bonbrum and Sumner estimate that the Napa Valley appellation generates approximately \$20 more per bottle relative to a similar-quality wine that carries a California appellation.

Using a GI as a signal that a product comes from a region with a known reputation for producing a distinct food is far different than using a region’s name in an advertising slogan to market many products. The buildup of a good reputation results from buyers seeking out high-quality products. In addition, an earned reputation is

typically associated with one particular product, in contrast to an advertising slogan that can be used to market any product in a region.

An example of a new network of artisan food makers is the cheese-making community north of San Francisco in Marin and Sonoma counties. The *New York Times* writes that the region "...has evolved in recent years into one of the nation's prime centers of artisanal cheese making, a New World counterpart to Lombardy and Normandy" (November 28, 2001). In contrast to other small U.S. cheese makers, many of the northern California artisans do not try to recreate cheeses from Europe. Rather they aspire to create unique cheeses that reflect the local climate and grasses. New artisan cheese-making networks are springing up in other parts of the United States in traditional dairy areas of Wisconsin, New York, and Vermont, as well as in non-traditional areas such as the Pacific Northwest.

These new networks of artisan cheese makers help create a reputation for their region. Eventually, they could in turn benefit from that same reputation by being able to market their cheese to a wider area using the regional name to increase market acceptability. Of course, building a reputation can take many decades of sustained excellence. It will not happen from the efforts of a single generation of a few artisan food makers.

A good reputation can be used to differentiate a region's products from those of its competition. Product differentiation creates profit opportunities through an ability to charge a higher price than would otherwise be possible. The possibility of profit in turn invites exploitation of this reputation by outside producers. We now turn to a discussion of how North American producers work to maintain control over their profits generated by geographic identification.

### **Profits from Geographical Indications**

There are relatively few examples of U.S. producers increasing their profitability through use of geographic identification. But an examination of the mechanisms that these groups use to maintain their profits can give insight into how current U.S. policy is or is not serving their needs.

### Onions and Federal Marketing Orders

Vidalia is a small town located in the southeast part of Georgia. Walla Walla is a small town in the southeast part of Washington. A Vidalia onion is one of 17 approved varieties of hybrid yellow Granex onions produced in a specified geographical area in Georgia. This region produces onions that have a mild, sweet flavor that is attributed to a low-sulfur soil, short-day varieties, plenty of irrigation water, and moderate climatic conditions. A Walla Walla Sweet Onion is any variety of *Allium cepa* except Spanish hybrid varieties that are grown in a specified region in Washington and Oregon. Both onions command a premium price over their competition. How Georgia, Washington, and Oregon onion producers protect this price premium gives insights into the role that trademark protection and federal marketing play in protecting GIs.

The Georgia Department of Agriculture owns the trademarked name *Vidalia* when it is used to describe any onion or onion product, and it is responsible for maintaining and enforcing requirements of the U.S. Certification Mark License Agreement for use of the name Vidalia. In addition, onion growers in 20 counties in southeastern Georgia were granted a federal marketing order in 1989. This marketing order allows them to work collectively to solve marketing problems regarding Vidalia onions.

The trademark *Genuine Walla Walla Sweet Onions* is owned by the Walla Walla Chamber of Commerce. Producers of onions in this region can use the trademark in marketing their onions. They were granted a federal marketing order in 1995.

The combination of a trademark that includes a geographic name along with a federal marketing order is a two-pronged approach to enhancing profits. The owner of a trademark has the sole right to decide who can use the name. This gives the trademark owner some control over the quantity and quality of production because the owner can always deny use of the trademark if desired. However, because this right can be sold, a trademark alone gives no guarantee that production marketed under the name actually originates in the geographic location contained in the name. So the Walla Walla Chamber of Commerce could sell the trademark to a company in Texas, which could then sell Texas onions as Walla Walla onions.

There are two solutions to this potential problem of false labeling. The first is the use of a federal marketing order. Marketing orders allow producers in a region to take collective action to solve marketing problems. Producers can jointly decide on a wide range of quality standards, packing regulations, and marketing strategies to regulate the sale of their products. The marketing orders for both Walla Walla and Vidalia onions specify the geographic region from which production can take place. Thus, the federal marketing order acts as a deterrent to the sale of the trademark to an interest outside the region and it may deter some false labeling of production.

The Vidalia certification mark provides an additional deterrent to false labeling of Vidalia onions. A certification mark is owned and administered by a third party, which certifies that a product has all the attributes required under the certification program. One such attribute for Vidalia onions is geographic origin. The Georgia Department of Agriculture is the third-party certifier of Vidalia onions. False labeling can be punished with fines of up to \$100,000.

So a combination of a trademark that contains a geographic name along with a federal marketing order, perhaps strengthened by a third-party certifier, provides some ability to control or maintain profits for producers who market a high-quality product from a particular region. The control comes from the ability to run a collective marketing campaign and to set quality standards. However, the largest threat to a profitable venture is the economic reality that positive profits induce more production, and more production drives down price. Federal marketing orders do not, in general, allow producers direct control of production levels. However, they do allow some indirect control.

The first indirect control over production is that no production can take place outside the geographic boundaries contained in the marketing order. However, unless the total land suitable for production in the area is already in production, then this typically does not have much effect because the supply potential in an area is often many times the size of the potential market.

Indirect control can also be accomplished through the setting of minimum quality standards. Restrictions on size, grade, packaging requirements, and market timing restrictions can limit the total quantity that can enter the market. There are few, if any, quality restrictions on Walla Walla onions. However, in 2002 Vidalia onion growers

agreed that all onions would be inspected and that only U.S. No. 1 onions (the highest grade) would be offered for sale as raw Vidalia onions. This new quality standard effectively served as a quantity control. The quality controls and enforcement of the certification mark suggest that supply control is a larger problem for Vidalia onions than it is for Walla Walla onions. This implies that price premiums for Vidalia onions are much higher than for Walla Walla onions, although no independent data is available to test this hypothesis.

Vidalia onion growers have used existing U.S. law to establish protection for their GI that is equivalent to and as effective as GI protection given to EU products, such as Feta cheese. Both have legal protection over their names. Both have government-enforced restrictions over the geographic region that can be involved in production. And both have the benefits of government involvement in investigating and punishing producers who attempt to falsely label products. A brief examination of a dispute in California between a large winery and the Napa Valley Vintners Association shows that the trend toward greater protection of GIs applies to U.S. winemakers as well.

#### Protection of GIs for U.S. Wine

Winemakers in Napa Valley recognize that labeling their wines as coming from the Napa Valley adds value. This added value creates an incentive for winemakers to market their wine as Napa Valley wine even though it may come from grapes that are not grown in the Napa Valley. Federal regulations govern the use of names of American Viticultural Areas.<sup>3</sup>

An ongoing legal battle involving one winemaker, the Napa Valley Vintners Association, and the State of California provides a signal that future protection of wine GIs in California will be substantial. In the late 1980s and early 1990s, Bronco, Inc., mislabeled wines and grapes in an effort to market them as coming from high-priced production areas rather than from the low-cost production area in the Central Valley of California. Fred Franzia, CEO of Bronco, Inc., pled guilty to fraud and other charges and paid a total of \$5.5 million in fines. In 1999, Franzia received a permit to build Napa

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<sup>3</sup> The regulations and the names of the areas can be found at <http://www.wineinstitute.org/ava/use/matrix.htm>.

Valley's largest winery, with a bottling capacity of greater than 18 million cases per year. This permit was a direct challenge to strict appellation regulations because bottling every grape grown in Napa Valley would generate about 10 million cases of wine. Franzia bought several high-profile Napa brands, including Napa Ridge, Napa Creek, Domaine Napa, and Rutherford Vintners. Bronco could use the California appellation, the brand names, and the phrase "Cellared and Bottled in Napa, Calif." on the label. In response to this intention, the California legislature passed a law that prohibits wine labels from brands containing the word "Napa" unless 75% of the grapes are grown in Napa County. Brands created before 1986 were grandfathered in.<sup>4</sup> In August of 2004, the California Supreme Court upheld California's right to require wines with geographic brand names to be made with grapes from the same region.

This ruling reinforces legal support for wine GIs. Not only must wine appellations follow U.S. government regulations but wineries must also follow regulations regarding the use of misleading names in their brands. So even though Napa Ridge wines use the California appellation, meaning that they are made from 100% California grapes, they must also contain at least 75% grapes from Napa County. Thus the label must agree with the appellation.

Increasing efforts by the Napa Valley Vintners Association to protect the Napa name directly reflects the value of the name. If the name had no value then there would be no attempt by others to use the name to try to sell wine. This illustrates that no profit margin is safe unless there are effective means of controlling supply. Because the ability to increase grape production in the Napa Valley is limited by available land areas, the supply control efforts have primarily targeted false labeling of wines.

#### First Meat GI in North America?

Charlevoix is a small region in Quebec bordering the St. Lawrence River. The region is trying to grow its agro-tourism industry by building on its long-held reputation as a place where farmers produce high-quality food ingredients and its chefs create gourmet food. Meat, cheese, bread, chocolates, and fresh produce are in abundance in the region. One of its specialties is its lamb. Charlevoix lamb has long had its place in stores and in

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<sup>4</sup> Not coincidentally, the Napa Ridge brand was created in 1986.

restaurants. But in recent years, local lamb producers discovered counterfeit lamb in stores and on menus.

Producers in the region banded together to try to get federal protection for Charlevoix lamb. They succeeded in obtaining exclusive right to the Charlevoix appellation as it applies to lamb. While there are extensive trademarks for meat products in the United States, this appears to be the first application of appellation regulations for meat in North America.

It remains to be seen what kind of supply control efforts may be needed to avoid diluting the value of Charlevoix lamb. It may be that a new marketing effort based on the new appellation may increase demand so much that existing producers will have trouble meeting it. But a large supply response seems inevitable if the brand is successful. Mechanisms for matching supply with demand should be central to any new marketing plan.

### **Are Large-Scale Market Opportunities Available?**

With the exception of wine, current use of GIs in North America generates little value, notwithstanding the U.S. State Department's claim that Idaho potatoes and Florida oranges are important U.S. GIs. The vast majority of value in U.S. agriculture is generated by commodities that are marketed anonymously, which is not too surprising because corn, soybeans, wheat, cattle, poultry, hogs, and dairy together account for more than 75% of the farm value of production in the United States and practically none of these commodities is marketed under a GI. However, this does not mean that GIs do not have the potential for playing a much larger role in mainstream U.S. agriculture than they do now.

Consider the demand for beef. Hayes, Lence, and Stoppa (2003) note that Japanese consumers have shown a preference for beef from packing plants that reside along Interstate 80. This highway runs through the heart of the U.S. Corn Belt, where calves are typically fed grain for as long as six months. As a result, Japanese buyers were (before the ban on U.S. beef exports to Japan) asking for "I-80" beef, a brand that does not yet exist. Hayes, Lence, and Stoppa argue that it would not take too much effort for a

group of cattle producers from a region adjoining Interstate 80 to join together and market their beef as I-80 Beef.

Such an effort is being attempted by the Nebraska Cattlemen Association. They have protected the trademark “Nebraska Corn-Fed Beef” and created a certification program that will attempt to exploit the demand for this kind of beef. Before the import ban, Japan imported more than one million tons of beef from all countries. This represents about 8% of U.S. beef production. Given the increased demand for meat traceability in Japan, a closely regulated GI could be the minimum entry requirement into Japan’s beef markets.

Another possible large-scale market opportunity that could be met by a certification program combined with a GI is the market for non-industrial pork. Currently more than 85% of U.S. pigs live on farms that have more than 1,000 pigs in residence. The vast majority of these pigs are raised in confinement, have nearly identical genetics, and are raised using the most efficient production practices available. But the push for feed efficiency and high lean content has bred most of the flavor right out of the meat.

Niman Ranch has found a growing market for “alternative pork” that is procured from farmers who follow strict animal welfare and feed guidelines, and who raise animals that have much more backfat and its associated flavor than do confinement animals. Niman Ranch currently processes 2,000 animals per week. The company wants to increase its procurement to 10,000 animals per week, which is 0.5% of U.S. pork production. This creates a tremendous opportunity for a group of farmers or a third-party certifier to create a branded product called “Iowa Pasture Raised Pork” or something similar. This would create a single-source entity that Niman Ranch could negotiate with and it would create a marketing advantage for smaller producers that are currently being driven out of the market by the ultra-efficient industrial pig producers.

These two examples show that if the demand for high-quality foods and traceability continues to grow, then this will create potentially large marketing opportunities for producers who want to participate in these markets by producing differentiated products. One important market differentiation device could be a GI combined with a relevant certification program.

## **Conclusions**

The discussion about Napa Valley wine and Vidalia onions shows that a combination of U.S. and state laws has given a high degree of protection to GIs. Both products used a combination of U.S. law and special legislation passed by state governments. Wine GIs are protected to a certain extent by U.S. law. And federal marketing orders combined with a registered U.S. Certification Mark protect Vidalia onions. It is interesting to note that both success stories rely heavily on government involvement. California came to the rescue of the Napa Valley winemakers with a special law. The financial resources of the winemakers were sufficient to carry their case through the court system. The Vidalia onion growers rely on the State of Georgia to enforce their certification program and they rely on the USDA to empower it to enforce federal marketing order rules.

These success stories suggest that establishment and protection of GIs in the United States will originate from the private sector only if a single company or a concentrated group of like-minded producers with adequate resources attempts it. The Napa Valley Vintners Association is one such group. It is doubtful that Vidalia onion growers would have been able to organize themselves into a cohesive enough group to obtain the state legislation and federal marketing order without the significant involvement of University of Georgia personnel and officials from the Georgia State Department of Agriculture.

This examination of use of GIs in North America leads to the conclusion that few U.S. groups currently see an advantage in using GIs to help promote their products. Most producers are not even vaguely aware of the potential for GIs. But groups of farmers are really the only potential beneficiaries of increased protection of GIs. No demand for GIs by producer organizations means that there is no political constituency at all. There simply is no U.S. interest group advocating for adoption of policies that would emphasize establishment and protection of GIs as a means of increasing economic viability of alternative agricultural markets.

A lack of a constituency helps explain the U.S. position with regard to the EU proposals for strengthening international protection of GIs. The economic interests of a relatively few U.S. food manufacturers are threatened by the EU proposals. These

companies have made their interests well known to U.S. trade negotiators and to Congress. Some U.S. winemakers, who are the one U.S. group that has benefited most from a system of GI regulations, oppose the EU proposals because of a fear that they could lose the right to use common names for wine, such as chablis and burgundy. Other producer groups that have a position on the EU proposals have weighed in against them. The National Milk Producers Federation and the American Farm Bureau Federation both testified before Congress that they oppose the EU proposals. A lack of a domestic constituency advocating for greater international protection of GIs means that the U.S. position will be determined only by those who stand to lose from such protection. There is no reason to believe that this political calculus will change anytime soon.

But opposition to the EU proposals does not mean that use of GIs by U.S. producers and companies will slow down. Continued growth in consumer demand for information about how and where food is produced and for artisan food should spur use of GIs as a meaningful way for producers to differentiate their products. The use of the “local” GI, as well as more formal GIs, should continue to grow. Those who are interesting in establishing GIs in the United States will find that existing protections for trademarks, perhaps combined with U.S. certification marks, provide the means for establishing GIs.

Greater use of GIs by mainstream commodity agriculture would be consistent with a change in U.S. farm policy whereby producers were encouraged to move away from producing low-cost commodities and toward producing higher-value consumer products. A mechanism for achieving such a policy goal would be to strengthen the power of groups of producers to establish control over the aggregate quantity that their groups produce of a differentiated product. Collusive action to control production to fix price is illegal. But it is not illegal for a single firm to control production of its own product. Some mechanism needs to be created to allow a group of producers to act like a single firm to control total production that is marketed under a GI-based brand. Such a mechanism would increase the long-run profit potential for producer efforts to create and market new food products based on geographical location.

## **References**

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