



Regional Branding in a Global Marketplace

College of Agriculture and Home Economics
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In November 1998, the New Mexico Chile Task Force was formed to identify and implement ways to keep chile pepper production profitable in New Mexico and to maintain and enhance the research and development partnership between the New Mexico chile industry and New Mexico State University.

Chile Task Force reports will be issued periodically to consider issues of concern to the industry and to document the Task Force's progress in developing techniques and technologies to improve industry competitiveness in the 21st century global trade environment.



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Introduction

During a Chile industry strategic planning summit on Sept. 25, 2003, industry leaders agreed on the need for an industry-driven marketing campaign to bolster consumer awareness and perception of the high quality of southwestern U.S. Chile products. The acknowledgement that marketing is essential for industry success comes at a time when global competition is increasing and controlling production costs is no longer enough to ensure Chile industry profitability. However, a marketing tool, called regional branding may be useful to the southwestern Chile industry as it develops its marketing strategies. Used to identify a product with a particular geographical region or country, regional branding has been practiced for years. In the mid-1800s, Napoleon III established the Grand Crus of the Bordeaux area, an early regional wine appellation (Hayes, Lence and Stoppa, 2003). More recently, the Idaho Potato Commission branded “Idaho Potatoes,” and the Georgia Department of Agriculture branded “Vidalia Onions,” to promote and protect regional identification of their unique agricultural products.

Regional or geographic branding has been facilitated by various legal methods, including Geographical Indications (GIs), marks and appellations. Some of these methods are enforced under U.S. law and others through international conventions and trade arrangements. This paper explains the types of regional branding that apply to agricultural products, the ways they are being used, issues surrounding regional branding in the international marketplace, and the benefits of regional branding. Understanding regional branding in an international context will help the southwestern Chile industry in developing its own strong, regional branding campaign.



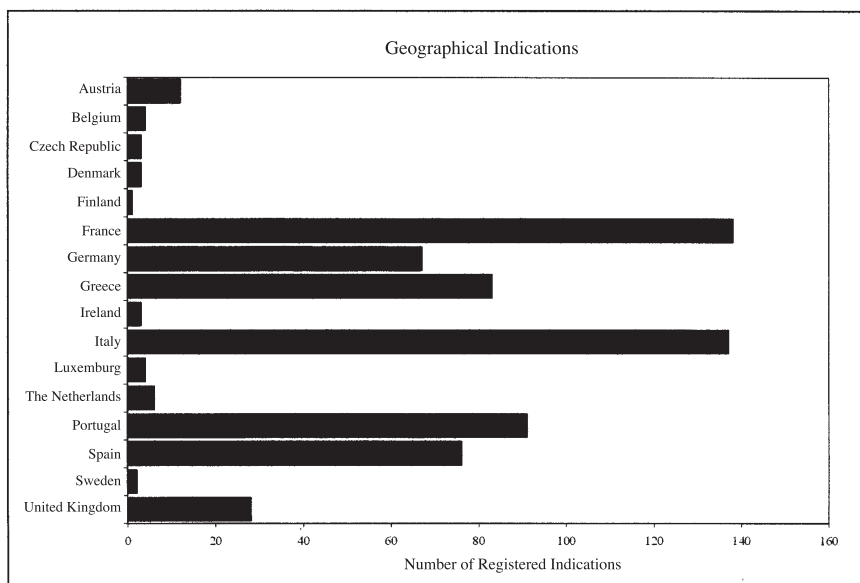
Regional Branding Types

Geographical Indications

Geographical Indications (GIs), a broad regional branding method, can be used by all qualified producers within a specific region (or country), giving them access to the brand and brand protection. Most commonly identified with European Union (EU) products, GIs

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Source: Europa (http://europa.eu.int/index_en.htm)

Figure 1. EU geographical indications by country

are increasingly recognized and protected under provisions of the World Trade Organization (WTO). GIs are typically used to convey an assurance of product quality and distinctiveness that is attributable to geographic origin, although some GIs are used to define quality and distinctiveness attributable to a particular manufacturing process as well as to the region (e.g., Roquefort cheese manufacturing in France).

The economic benefits associated with GIs and the need to protect geographic brands were identified in the 1883 Paris Convention for the

Protection of Industrial Property, the first major international “treaty” designed to help the people of one country obtain protection in other countries for inventions, trademarks and designs. The original convention involved 14 countries. Today, 169 countries are contracted under the Paris Convention, which was most recently amended in 1979 and is administered by the World Intellectual Property Organization (World Intellectual Property Organization, 2001).

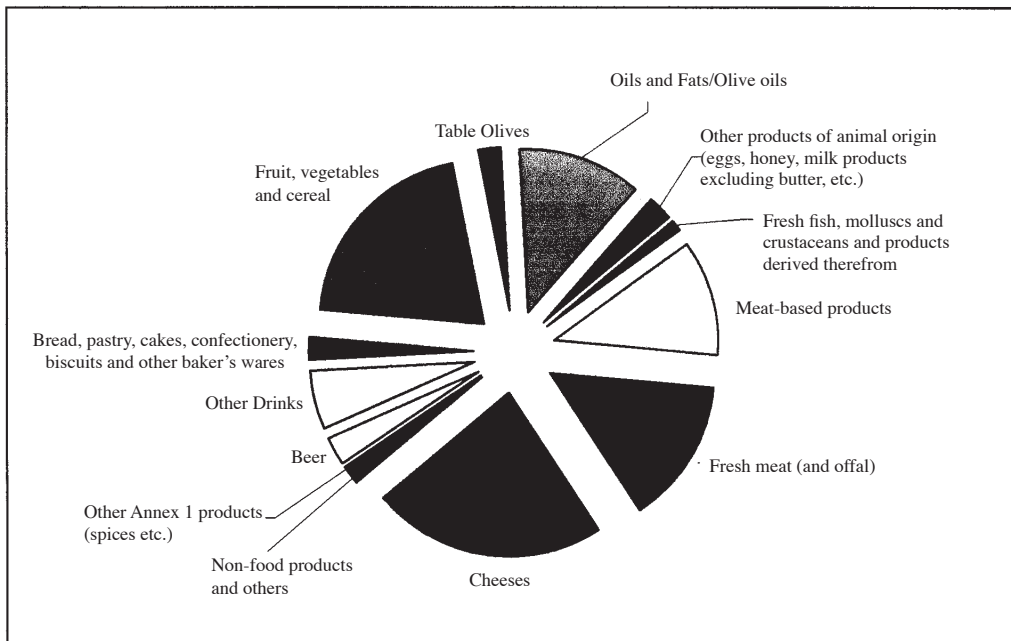
GIs are further protected internationally under the 1994 WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The TRIPS Agreement formally defines GIs as follows³:

Geographical indications are, for the purposes of this Agreement, indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin (World Trade Organization, 1994).

A GI, as defined under the TRIPS Agreement, covers a single product within a specified geographic region, is enforceable in all member countries and is in effect and protected indefinitely (Babcock and Clemens, 2004).

The EU has used GIs extensively for protecting specific, high-quality agricultural products based on their geographic regions. In 1992, the organization enacted the EU Council Regulation on the Protection of Geographical Indications and Designations of Origin. This regulation established two different types of GIs: Protection of Designations of Origin (PDO) and Protection of Geographical Indication (PGI). Foods that are entirely produced, processed

³A higher level of protection is provided for wines and spirits under the TRIPS Agreement (Article 23).



Source: Europa (http://europa.eu.int/index_en.htm)

Figure 2. EU geographical indications by product type

and prepared in a given geographical area are protected by a PDO. In contrast, a designation of PGI requires that only one phase of production, processing or preparation occur in a specific region (Thienes, 1994).

An analysis of geographic indications used in EU countries shows that a majority of GIs represent products produced in southern European countries. For example, France and Italy combine for 257 of the 618 GIs registered in the EU (Rangnekar, 2004). High value-added meat and dairy products are most likely to be registered for protection (Lee and Rund, 2003). Figures 1 and 2 show EU GI registrations based on country and product type

The use and enforcement of geographic indications can be a controversial issue in international trade. Significant friction exists among WTO members with respect to GI designations and the degree of protection afforded under the WTO. Some WTO members want to expand the list of products eligible for GI designation (including products and names initially exempt in the TRIPS agreement because they were considered generic) and systematic enforcement of GI rights.

WTO GI definitions generally are narrower than EU definitions. Some EU countries are advancing positions in the WTO negotiations for geographical protections similar to the protections and designations classifications developed in the EU (Babcock and Clemens, 2004). A number of countries, primarily within the EU, are seeking GIs for products initially exempt in the TRIPS agreement because the names were considered generic. Currently, the EU has 41 such names/products that fit this category, including Burgundy, Champagne, Cognac, Feta, Parmesan, Parma Ham and Roquefort. If the names are granted GI status, they will not be available for use by non-region producers. The issue is further complicated because many of the names used in the 41 food items already are protected by companies or groups in the U.S. and other countries under registered trademark or service marks (Babcock and Clemens, 2004).

In August 2003, the WTO appointed a panel to settle a dispute involving EU regulations on international protection of GIs for agricultural products. Nine countries (U.S., Australia, Mexico, Guatemala, Columbia, Turkey, India, Taiwan and New Zealand) challenged the EU on grounds that their GI regulations discriminate against other countries because they do not permit registration to non-EU GIs unless the GI is from a country that offers equivalent protection to that of the EU (“U.S./Australia,” 2003). According to the Office of the U.S. Representative, the EU has not registered any GIs from non-EU countries since the program started 14 years ago (Borak, 2005). The WTO panel ruled in favor of U.S. and other complainants in the dispute on grounds that GIs are compatible with trademark systems in non-EU countries.

Marks

The U.S. recognizes intellectual property rights and affords protection to U.S. and other food producers and manufacturers through trademarks, service marks and certification marks. Trademarks, used to brand products, and service marks, used to brand services, may be individually or collectively owned. In general, they are not appealing for use in regional branding because they cannot be regionally descriptive (Hopperger, 2003).

Certification marks, on the other hand, often are used in the U.S. as a means of identifying the origin of a particular product or product characteristic. Generally they are owned by cooperative or oversight agencies such as state agricultural departments or commodity organizations. The certification mark owner controls the use of the mark and is responsible for ensuring that the mark is applied only to goods or services that meet the standards or requirements for which the certification was adopted.

The U.S. Patent and Trademark Office defines a certification mark as

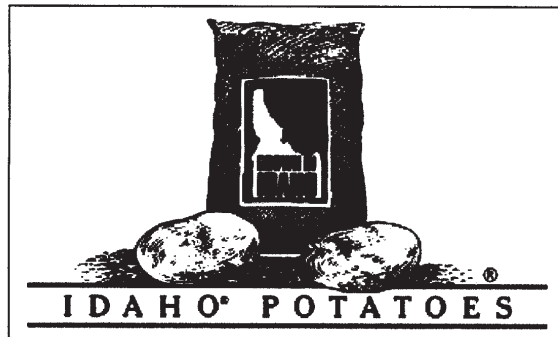
“. . . any word, name, symbol or device, or any combination thereof –
(1) used by a person other than its owner, or
(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by the Act, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person’s goods or services, or that the work or labor on the goods or services was performed by members of a union or other organization” (U.S. Patent and Trademark Office, 2004).

Because certification marks are meant to identify a particular geographic or other source, product quality or provider standard, their use in regional geographic origin is ideal. One example of a certification mark being used in regional branding is “Idaho Potatoes” and the slogan, “Grown in Idaho,” for which the Idaho Potato Commission owns the U.S. registered certification marks (fig. 3).

Like the Idaho Potato Commission, the Vidalia-Lyons/Toombs County Chamber of Commerce in 1988 used U.S. certification registrations to regionally brand Vidalia onions. The initial certification mark was used to certify regional origin, quality and other characteristics associated with the mark. Today, the Georgia Department of Agriculture holds the U.S. registered certification mark for Vidalia onions and serves as a third-party certifier for users of the mark (Babcock and Clemens, 2004).

Registering a mark with the appropriate governmental authority can provide a number of benefits⁴. Included among these are:

- public notice of the owner's claim to the mark;
- a legal presumption of the registrant's ownership and right to use the mark;
- an ability to bring a legal action relative to the mark in federal court;
- use of the U.S registration as a basis to obtain foreign country registration; and
- protection from importation of infringing foreign goods.



Source: Idaho Potato Commission <http://www.idahopotato.com/retail.php>

Figure 3. Certification mark example.



To register a mark in the U.S., an applicant must first file an application form for a Certification Mark, Principal Register, which can be filed electronically or through the mail. Application forms are available at the U. S. Patent and Trademark Office Web site at teas.uspto.gov/V2.0/newapp211/ctm200/wizardForm.jsp. A non-refundable application and processing fee is charged whether or not a GI registration is issued. The application fee is \$375.00 by mail and \$325.00 for electronic filing. Interested individuals can learn more about the process by visiting the United States Patent and Trademark Office Web site at www.uspto.gov. Consultation with an attorney specializing in branding and international trade also is recommended.

Appellations

The last type of regional branding of agricultural products is the appellation. While appellations apply to the wine industry and are not appropriate per se for the chile industry they may be of interest to chile producers and processors because they illustrate the benefits of strong regional product identification. Appellation is a French term that refers to a grape-growing region that is distinguishable by its geographic characteristics. France was the first nation to use a formal, countrywide system for controlling and protecting appellations when it organized the *Institute National Des Appellations d'Origine* in 1935 (Gauthier and Damave, 2004). Today, appellations (or appellation of origins) are used in many countries to brand wines and spirits on the basis of region.

In the U. S., appellations are referred to as American Viticultural Areas (AVAs) and are regulated by the U.S. Department of Treasury's Tax and Trade Bureau. AVAs were first used in 1983, and in the U.S. they apply only to wine and not to spirits. There are approximately 155 authorized appellations of origin in the U.S. Ninety-two are in California. New Mexico has three registered AVAs: Mesilla Valley (New Mexico and Texas), Middle Rio Grande Valley and Mimbres Valley (Alcohol and Tobacco Tax and Trade Bureau, 2004)⁵.

⁴Some marks may be registered with state agencies (e.g., Vidalia onions are registered with the state of Georgia).

⁵Pirog and Paskiet (2004) refer to the Professional Friends of Wine Web site in reporting that as of July 2004 there were 170 AVAs in the U.S.

Generally a wine can be branded with an AVA if:

1. a minimum of 75% of its volume is derived from agricultural products (fruit) grown in the region indicated in the appellation,
2. it has been fully manufactured and finished within the region indicated in the appellation, and
3. it conforms to the requirements of the laws and regulations applying to the appellation (Alcohol and Tobacco Tax and Trade Bureau, 2004).

These guidelines apply to an AVA located in one state. Similar guidelines apply for “multi-state” AVAs. A complete list of requirements needed for a wine to be labeled with an AVA or appellation of origin can be found at the U.S. Department of Treasury’s Alcohol and Tobacco Tax and Trade Bureau Web site (www.ttb.gov/appellation_index.htm). The site also includes a listing of current registered appellations in the U. S. and Chile. Appellations of origin are being added from other countries as information is verified by those countries.

Regional Branding Benefits

Regional branding can be an important component in marketing efforts. Combined with an effective marketing campaign, regional brands can serve as source-identifiers for consumers. These brands identify goods originating from a specific territory, region or locality within that territory with reputations for unique qualities. In addition, regional brands provide legal protections that help preserve benefits developed through a firm’s or region’s marketing efforts.

Branding can help producers develop consumer loyalty, which can lead to long-term and sustainable competitive advantages (Mirabel, 2004). While much of the evidence surrounding the dollar benefits derived from regional branding is anecdotal, some empirical research has shown that geographic origin plays a role in consumer decisions, including willingness to pay a higher price for regionally branded food products. For example, researchers have found that geographic location is an important component of wine pricing (Brooks, 2003; Schamel, 2000; Bombrun and Sumner, 2003; Schamel and Anderson, 2003). Other researchers have found geographic origin to be an important consideration for consumers of other food products, such as beef and fresh produce (Wolfe and McKissick, 2001; Hayes and Lence, 2002). In the case of Vidalia onions, the Georgia Extension Service has estimated that the 2000 farm value of Vidalia onions was approximately \$5,833 per acre. These onions can sell at a retail premium of \$0.30/lb above comparable non-Vidalia onions (Herzeg, Rund and Lee, 2003).

Conclusion

Historically, agricultural producers have sought to remain profitable by minimizing costs. Today, an increasing number of agricultural producers are examining how to increase profit through product differentiation, such as regional branding. Regional branding, in conjunction with an effective marketing program, can help agricultural producers and processors develop more profitable operations.

Regional branding that identifies a product based on its origin is an ideal way for agricultural producers to differentiate their products. Research shows that wine, beef and produce industries that have differentiated their products based on regional origin have

increased profits for their agricultural producers. As the U.S. southwestern chile industry researches and develops marketing strategies to enhance profitability and sustainability, it should consider the use of branding strategies. Benefits of branding include establishing consumer loyalty, achieving product differentiation and distinctness, creating legal protections and achieving higher profit margins. The chile industry may benefit from the regional branding experiences of other commodity industries and from understanding the best avenues to pursue to develop consumer loyalty to regional products and ensure legal protection of regional brands once established.

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- Report 1:** An Industry-University Response to Global Competition
- Report 2:** Chile Seed Germination as Affected by Temperature and Salinity
- Report 3:** Yield and Quality of Machine-Harvested Red Chile Peppers
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- Report 7:** Farm Labor Employers' Handbook
- Report 8:** New Mexico's Chile Pepper Industry: Chile Types and Product Sourcing
- Report 9:** Economic Impact of Southern New Mexico Vegetable Production and Processing
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- Report 13:** Plant Spacing/Plant Populations for Machine Harvest
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- Report 15:** U.S. Imports and Exports of Chile Peppers and Pepper Products: Frequently Asked Questions
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