LINKING PEOPLE FOR QUALITY PRODUCTS
Sustainable interprofessional bodies for geographical indications and origin-linked products
This tool has been jointly elaborated by FAO through the Project on the Promotion of Rural Development through Development of Geographical Indications at Regional Level in Asia, funded by the French Development Agency (AFD) and implemented by FAO-RAP, the FAO Quality and Origin Programme and REDD “Sharing knowledge for ethical and tasty food”.

BOOK 2
CONTENT AND THEORY

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# Acronyms and abbreviations

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<tr>
<th>Acronym</th>
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<tr>
<td>A4</td>
<td>Standard paper size of 21 x 29.70 cm</td>
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<td>A5</td>
<td>Standard paper size of 14.80 x 21 cm</td>
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<tr>
<td>AFD</td>
<td>French Development Agency [Agence française de développement]</td>
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<tr>
<td>AOC</td>
<td>Appellation d’origine contrôlée</td>
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<tr>
<td>B2B</td>
<td>Business-to-business</td>
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<td>B2C</td>
<td>Business-to-consumer</td>
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<td>BoR</td>
<td>Book of requirements</td>
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<td>CIRAD</td>
<td>International Cooperation Centre of Agricultural Research for Development [Centre de coopération internationale en recherche agronomique pour le développement]</td>
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<td>CNRS</td>
<td>Centre national de la recherche scientifique, France</td>
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<tr>
<td>CoP</td>
<td>Code(s) of practice</td>
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<tr>
<td>CpV</td>
<td>Contribution per volume</td>
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<td>EU</td>
<td>European Union</td>
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<td>GAP</td>
<td>Good agricultural practice</td>
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<td>GI</td>
<td>Geographical indication</td>
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<tr>
<td>IFOAM</td>
<td>International Federation of Organic Agriculture Movements</td>
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<td>INAO</td>
<td>Institut national de l’origine et de la qualité, France</td>
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<tr>
<td>IP</td>
<td>Intellectual property</td>
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<td>IPB</td>
<td>Interprofessional body</td>
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<td>IPG</td>
<td>Interprofession du Gruyère [Gruyère interprofessional body]</td>
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<td>IPI</td>
<td>Swiss Federal Institute of Intellectual Property</td>
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<td>IPM</td>
<td>Integrated Production Method</td>
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<td>IPR</td>
<td>Intellectual property right(s)</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<td>ITC</td>
<td>International Trade Centre</td>
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<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>OLP</td>
<td>Origin-linked product</td>
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<td>ORIGIN</td>
<td>Organization for an International Geographical Indications Network</td>
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<td>PDO</td>
<td>Protected designation of origin</td>
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<td>PGI</td>
<td>Protected geographical indication</td>
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<tr>
<td>R&amp;D</td>
<td>Research and development</td>
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<tr>
<td>ROI</td>
<td>Return on investment</td>
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<tr>
<td>SME</td>
<td>Small and medium enterprise</td>
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<td>TRIPS</td>
<td>(Agreement on) Trade-Related Aspects of Intellectual Property Rights [World Trade Organization]</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>VCM</td>
<td>Value chain mapping</td>
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<td>WIPO</td>
<td>World Intellectual Property Organization</td>
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Objective of the module

The objective of this module is simply to remind participants about the essentials of geographical indications (GIs), and why there is a need for a collective organization to manage them.

What is a geographical indication?

A GI[^1] is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are a consequence of that origin.

The basic concept underlying GIs is simple, and familiar to any shopper who chooses Roquefort over “blue” cheese or Darjeeling over “black” tea. Cognac, Scotch, Porto, Havana, Tequila and Darjeeling are some well-known examples of names associated throughout the world with products of a certain nature and quality, known for their geographical origin and for having characteristics linked to that origin.

- A GI consists of:
  - the name of the place of origin of the product, such as Jamaica Blue Mountain or Darjeeling;
  - traditional names, such as Vinho verde, Cava or Argan oil; or
  - symbols commonly associated with a place.
- A GI sign should identify a product as originating in a given place.
- The qualities or reputation of the product should be essentially a consequence of the place of origin.

Since the qualities of a particular product depend on its geographical location, there is a fundamental link between the two.

Geographical indication as a common heritage of the community and a link to the territory

GIs are the results of years of interaction between humans and their territory, covered by the concept of terroir [see Figure 2.1].

Local communities (of farmers and artisans, for example) use the natural resources of their territory, develop and adapt production and processing methods, and interact within the community in ways that give rise to a specific and unique product.

These products with specific qualities, associated with a GI that identifies them, will gain appreciation from consumers (local, national and international) and a certain reputation. This reputation is an important economic asset to producers and their communities and, as such, needs to be protected by law.

[^1]: Article 22.1 of the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement defines GIs as “indications which identify a good as originating in the territory of a [World Trade Organization] 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”.
A GI is the heritage of a community and cannot therefore be “privatized” by an individual or even a group of individuals, but must remain accessible to all legitimate operators.

This extremely important principal of non-exclusion of legitimate users implies that all operators agreeing to respect a Code of Practice (CoP) (and to being controlled themselves) and that are in the delimited geographical zone may use the GI on their product.

**Geographical indication as an intellectual property collective right**

The reputation of the GI needs to be protected on the market. This important protection stops non-legitimate producers (i.e. those outside the geographical zone that cannot therefore reproduce the specificities of the product through its geographical origin) from using the GI. \(^2\)

This protection is provided for in most countries by the state (usually by intellectual protection [IP] offices) through the granting of an intellectual property right (IPR).

**To whom should the state provide an IPR?**

Technically, an IPR is managed differently in different legislations, but the principle is that it provides the use of the rights to all legitimate users, and delegates management of their use to a collective organization capable of representing these legitimate users.

\(^2\) Note that other producers may produce a similar product, such as a particular hard cheese, but they may not use, in this case, the Gruyère GI, for example.
What is necessary for the state to be able to grant an IPR?

For the state to be able to grant an exclusive right, it needs to be convinced that:

- the GI has gained a reputation that is worth protecting;
- the product carries specific qualities linked to the territory;
- the territory is well defined; and
- the specific qualities on which the reputation is based will be safeguarded.

In practical terms, the community of producers (or the collective organization that represents them) will need to present a CoP (or book of requirements/specifications) that will prove the above points, together with a request for protection. Part of the CoP will need to define the specific qualities of the product and the methods used to obtain them (which may be referred to as the technical part of the CoP).

What is needed to manage these user rights?

It is important to identify the legitimate users and guarantee that they are producing a specific quality, using the methods defined in the CoP.

The collective organization that represents the legitimate users and to whom the state will delegate the management of the GI will be in charge of the management of the quality and traceability of the GI product.

Moreover, as will be shown in the other modules, the quality of the GI must not only be maintained and guaranteed to be successful on the market, but should also be communicated and promoted to buyers.

The organization needs to represent the legitimate users. To do this, it has to function as a forum and democratic decision-making centre for value chain operators.

This collective GI management organization is known by different names in different contexts. In Italy, it is a Consorzio; in France, an organization for defence and management (ODG) of the GI; in Switzerland, Interprofession; and in Hispanic countries, Consejo regulador. It is also

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**BOX 2.1**

Not all “local” products are entitled to a geographical indication

As is understood from the definition of GIs, this special protection can only be granted to products that fulfil the stated criteria. A product that has no specific link to its territory, or no particular reputation, cannot obtain this special protection linked to the geographical source.

Nevertheless, other venues may be open to differentiate these products on the market, such as collective or certification trademarks, or adherence to a voluntary standards programme (such as fairtrade, organic and GlobalG.A.P.).

Source: authors’ elaboration.
called the GI management board by, for example, the Coffee Industry Board of Jamaica, which owns the Blue Mountain trademark, or the Tea Board of India, owners of the Darjeeling GI. It may even be called a chamber in some contexts. For the sake of clarity and simplification, we suggest using the name interprofessional body (IPB), since this makes it clear that stakeholders from the different levels of the supply chain (such as farmers, primary and secondary processors and potential traders) should be part of the organization.

**What this implies in terms of who can use the geographical indication**

The IPB will grant the right to use the GI to all legitimate users, and will manage users’ rights. The legitimate users are the operators (or chain of operators) that:

- are based in the geographical zone;
- respect the methods defined in the CoP; and
- produce goods with the recognizable specific qualities.

**Membership of the collective organization (IPB)**

Ideally, all legitimate operators should be members of the collective organization. However, in many legislations, nobody can be forced to be a member of a private organization. This fact, combined with the principle of non-exclusion of legitimate users of the GI, somewhat complicates the issue of membership of the GI collective management organization.

The problem is resolved differently in different legislations. In some, the state (national or local) assumes an important central role in the collective organization, such as in Morocco. In other legislations, such as in Switzerland, the decisions of the organization can be imposed on non-members so long as it fulfills certain criteria. In others, the GI organization has limited and defined specific functions that apply to all who wish to use the GI (whether they are members or not).

In all cases, important principles govern the organization.

- It should be open to all legitimate users who wish to use the GI.
- It should have a democratic decision-making structure.
- It should be non-discriminatory (i.e. give legitimate users the right to use the GI even if they are not members of the organization).
- Certain decisions taken by the IPB (concerning the CoP and quality management, or communications and contributions from users for the common effort) may be imposed on non-members, as above.

The last point is dependent on national legislation and is extremely technical. Once operators have requested to be able to use the GI, they then become *de facto* members of the GI collective organization, have the right to participate in decision-making and must accept the rules established by the organization. Thus, the best option, whenever possible, is to set up the IPB in such a way that all legitimate users will want to participate in and be members of the IPB.
Objective of the module
This chapter will provide an outline of the non-profit business model by which most IPBs function. On the one hand, it looks at the services to be rendered by the collective organization for its members and, on the other, the possible sources of revenue needed to sustain these services.

A business model
In its simplest form, a business model describes the value contributed by the business, how it produces this value and who pays for it.

A more formal definition is the following. A business model is a “description of the operations of a business, including the components of the business, the functions of the business, and the revenues and expenses that the business generates”.3

For example, the business model of a restaurant may be to “prepare meals for hungry customers, who will pay to eat them”. This is clearly explained outside a restaurant in Manila in the Philippines, “You come in hungry, you leave happy – mission accomplished”.

What questions need to be answered?

- What is the value proposition?
  - What is the problem and/or opportunity that the business will address?
  - What solutions are proposed (a product or services, or a combination of the two), and why are these solutions adapted to the needs? In other words, who else is offering solutions to the problem and how is our solution different and better.
- Who will pay for the solutions proposed? Who are the clients?
- What needs to be done to deliver these solutions to clients? What are the functions (management, production, delivery and marketing), inputs, tools (both physical and immaterial) and personnel?
- What are the costs?
- How will the company make money? What are the sources of revenue, and how will they be collected? (This is also called the “revenue model”).

It will also be important, when planning to launch a business, to verify the following.
- Will revenues cover costs? And with what key figures will the business make a profit (break-even point)?
- What investments are needed and how will they be secured? Can future revenues valorize these investments (with notions such as return on investment [ROI])?

These planning issues are usually dealt with in a more comprehensive business plan, rather than in the business model as such.

3 http://www.investorwords.com/629/business_model.html#ixzz300zU4AR8
What is the business model of an IPB?

In most cases and for the obvious reasons described above, an IPB is not a classic business for profit, but rather a non-profit collective economic organization. However, even though it is a non-profit organization, the IPB must provide services for its members and obtain revenues to sustain these services, just like any other service organization.

Consequently, all IPBs need a non-profit business model.

What is the IPB value proposition?

- **Problem**: uncoordinated independent value chain operators will not deliver consistent quality at a competitive price.
- **Opportunity**: value chain operators are the inheritors of a GI, including its reputation for specific quality, and this GI is protected on the market.
- **Solution**: coordinate, ensure and communicate the consistent specific quality of the GI.

Who will pay for the IPB?

- **Operators of the GI value chain**, since they will benefit directly from a coordinated approach and should therefore pay for the services of the IPB.
- Other beneficiaries or “indirect clients” may be asked to contribute (financially, or in kind) to the work of the IPB. These include local authorities, tourist operators in the region and all those with an interest in IPB’s services.
- **Consumers** of the GI product itself may be considered “users” of the services of the IPB, since they will benefit from the certitude that the product is authentic and of quality, but will not pay the IPB directly for these services. (In principle they will pay indirectly through higher GI prices.)

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4 The main difference between a business for profit and a non-profit economic organization is what happens to any profit. A business for profit will distribute its profits to shareholders through dividends, while this is not conceivable in a non-profit organization.
What needs to be done by IPB?

- **Unite GI value chain operators** and provide a forum and strategic decision centre.
- **Manage specific quality** across the value chain by:
  - formulating and reviewing the CoP;
  - ensuring the enforcement of the CoP and producers’ compliance with it.
- **Promote** the name of the GI and its specific quality.

As a service provider, an IPB does not (usually) produce, transform or trade in the product itself, and does not “own” either processing capital or the product at any time. As such, it is different from a cooperative, and has a very different business model.

The exact functions and services to be provided by the IPB should be the result of a consensus among its members. These should complement, and never compete with, its members’ own economic activities.

How will the IPB make money?

The IPB will receive a percentage of the value of the traded volumes (or contribution per volume [CpV]). Other revenue may come from:

- **Members**
  - annual membership fees;
  - payments for direct services to members.
- **Local, regional and national governments or institutions, international donors and NGOs**
  - project financing;
  - subsidies or grants – in the form of cash or work.

**BOX 2.2**

**Operators’ point of view**

In theory, before the creation of the GI and the IPB, operators were in direct competition with each other and with other producers outside the region producing similar products. They therefore had to compete mainly on price.

Once the IPB had been established, the product could be recognized for its specific qualities and therefore could obtain a better price, which would in principle cover the increased costs of production (because of respecting the CoP) and the costs of IPB services (including certification).

For example, before the IPB, the selling price of a product might be US$6/kg, while production costs would be US$5/kg, leaving a margin of US$1/kg.

After implementation of the GI and IPB, production costs may increase by US$1 to US$6/kg, and IPB service costs (CpV) could be US$0.5/kg, while the selling price would be US$9/kg, leaving an increased margin of US$9 minus US$6.5 = US$2.5/kg for the operator.

Source: authors’ elaboration.
In some cases, it may be possible to obtain financing from commercial partners (cash advance, credits), or support groups (conscious consumer groups such as the Slow Food organization). The “revenue model” will be the subject of module C7.

**Different models and alternatives**

Since there is a great diversity in types of GIs, there are obviously many variations in economic models.

We have tried to characterize these into the following main types.

- **A large IPB** has numerous actors at various levels of the value chain, and numerous distribution channels. This is probably the most common model among GIs, but is often quite complex to put in place. It usually requires an efficient traceability system. The case study on Gruyère cheese illustrates this model.

- **Small GIs for processed products** often have the advantage that the product has few bottlenecks (not many companies are able to process the product and play different key functions). This provides the IPB with a way of ensuring quality control and traceability, and of collecting the necessary CpV. A case study illustrating this model is that of Valais rye bread [*pain de seigle valaisan*].

- When a cooperative is a dominant actor in the value chain, sometimes dealing with close to 100 percent of products, the IPB needs to complement its work. This is illustrated by the Cévennes sweet onions and Kampot pepper case studies.

- There is yet another model, when the IPB behaves like a cooperative. In other words, it takes over ownership of the product, either to process it (the case of Étivaz cheese), or to package and trade it (the case of Penja pepper in Cameroon). This model can be interesting for value chains where a “physical” function (such as processing or packaging) is lacking, but has its limitations, as there is a risk that the IPB may enter into direct competition with its members (or at least with other legitimate producers of the GI).
Objective of the module

This module is not about how to do a value chain mapping (VCM) or a value chain analysis, even though some methodological aspects are addressed under the section on value chain mapping, together with the main steps of a VCM. The module aims to underline the importance of a good understanding of the value chain for producers, processors and their supporters when forming an IPB. Its true objective is to show how all the issues seen together under the following topics first require VCM and a flow of goods and money.

Why do a value chain mapping?

Producers and certain processors often regard research work with scepticism, as they do any type of analysis. They see it as a waste of time and money. It is therefore important to explain why it helps to understand the value chain better when engaging in a GI initiative and, more specifically, when planning to establish an IPB. Value chains are often paired with analysis. However, a full analysis of the value chain is a cumbersome task that is not really necessary at the early stages in an IPB’s life. Here, therefore, we will concentrate on VCM.

Most of the time, establishing an IPB triggers a number of questions on membership, funding, quality control and promotion.

By definition, an IPB should encompass the various operators that participate in the elaboration of the product. This means gathering together along the value chain the different entities that make the product and bring it to market, from farmers (or input suppliers) to traders. The main operators, i.e. producers and processors, may also decide to invite support services to be part of the IPB with full member status or as observers or advisors.

Who should or must be in the IPB? Who should not? What are the reasons for different players to be part of it? Proper answers to these questions can be given with a better understanding of the value chain.

Worldwide, experiences show that quality is the key factor in the success of a GI. Quality is mainly obtained during the growing process, and processing for transformed products. However, in some cases, players up- or downstream in the supply chain may have a key role in providing inputs essential for building up this quality or in handling the product to avoid spoiling the achieved quality. All players influencing the quality of the GI should be part of the IPB.

A sustainable IPB must be well financed to be able to offer services to its members. Financing a collective organization is always challenging, particularly in countries with limited positive experiences of collective initiatives. However, as we shall see later, a small percentage of the value of the annual GI production is often more than sufficient to mobilize resources to fund the IPB. A value chain analysis will help to identify when it is easiest to levy this percentage.
A VCM aims to identify:

- *functions* (primary production, processing, marketing, support services, etc.);
- different *entities ensuring these functions*;
- *flows of goods and money* among these entities, thereby also identifying certain obligatory passages where it is possible to levy the CpV.

Value chain mapping can help IPB and IPB supporters to ensure that all groups of stakeholders that should be included are invited to participate.

VCM can help to assess the value chain production volume and its value in order to define mechanisms to finance the IPB. Indeed, where the funding mechanism is based on the percentage of the traded volumes (CpV), it is important to define this percentage so that the work of the IPB can be sustained year after year.

Last, but not least, VCM can be a vital factor in value chain mobilization and cohesion, on the condition that it is carried out with the close involvement of value chain stakeholders.

In short, VCM results help to shape the services provided by the IPB better, and to overcome the challenges the IPB has to face.

**Why value chain and not supply chain?**

The terms value chain and supply chain, and even agri-chain and food chain, are often used interchangeably, since many people appear to believe they have the same meaning. Although an agriculture value chain and an agriculture supply chain are close in concept, the difference lies in the nature of the relationships among the different entities in the chain.

A *supply chain* is focused on fulfilling a customer request, but is characterized by low-level consultations among primary producers and among producers, processors and traders. Single producers and firms adopt an individual approach and strategy. As a result, farmers may crop products with low market demand, thus making little money and having little incentive to improve their product. At the other end of the chain, traders face a great deal of risk and may buy only low-quality products.

The whole concept of a value chain reflects the strong relationships among stakeholders in the chain that, to a certain extent, act together like a single organization in order to create a competitive advantage. The term “value chain” was first used by Michael Porter (1985). VCM describes the activities that an organization carries out and links them to the organization’s competitive position. Porter’s original diagram (see Figure 2.3) shows the primary activities and support activities of the value chain of an organization that is often a firm.

In GI value chains, players adopt a common strategy, agree on minimum quality standards through the GI specification, define a marketing strategy including pricing, and communalize a number of support services. For these reasons, it is fully legitimate for GIs to use the term value chain rather than supply chain.
Agricultural value chains

Many agricultural value chains have already been analysed and represented. Schematic and basic representation shows the physical flows from agricultural inputs to retail sale (see Figure 2.4).

Many chains are much more complex than that illustrated in Figure 2.4. Fruit can end up in various different forms: sliced or diced in cans; dried; as juice or spirits in bottles; in cakes and jam. A product such as vanilla may be sold to consumers as dried pods or as powder, or may be sold in bulk as powder to ice cream makers, bakers, chocolatiers and confectioners. Paprika may be sold fresh or dried, or as an ingredient in a thousand different types of packaged food, and from chili sauce to dried soup. Meat may be sold fresh, or end up as sausages or ham, or even as dry broth. So, rather than single lines, chains may in fact look more like a tree with many branches – with each branch representing a particular end product.

In the case of most GIs, this complexity is limited by the fact that the GI cannot be declined in many subproducts. However, there may still be various types of operators at the different functional levels, implying potentially different technical itineraries.

**Value chain mapping**

Depending on the level of complexity of the value chain, the degree of detail required by the VCM and its purpose, different methodologies are possible.

It is recommended that stakeholders be involved from the start as far as possible: primary producers, primary and secondary processors, traders and even consumers. Their participation during data collection and in workshops to identify strengths and weaknesses and the validation of outcomes will strengthen their feeling of co-ownership in the value chain. The participation of stakeholders is often as important as the result of the analysis.

The first task is to identify each function separately (primary production, processing, marketing, transport, research and development [R&D], extension, etc.). The different functions can be subdivided, for example into different processing stages – making cheese and ripening it are two stages, for example. Primary processing (slaughtering) of meat can be isolated from the secondary stage (such as producing ham or sausages). In the case of bread, the same applies to milling and baking activities.

During these stages, it is important to identify the different support functions (R&D, extension, market information, etc.) that assist the stakeholders directly involved in the value chain.

Once these functions have been clearly defined, the next step is to identify the different entities ensuring these functions. Single producers, firms, cooperatives and other forms of producer groups are matched with the functions identified. At this stage, the different entities can be clustered together according to type. Small, medium and large producers or processors can be separated, particularly if they act differently in the chain by using different technology levels or supplying different market segments.

*If data are available, indicate the number of different entities of each defined type* – this can help greatly in key decisions. All entities and functions need to be categorized; whether large industrial processors, home-based processors, large supermarkets, delicatessens or restaurants, they should be indicated separately for fine analysis and measures (see Figure 2.5).
FIGURE 2.5
Simple value chain diagram without support services

Source: Vermeulen et al., 2008.

FIGURE 2.6
Olive and olive oil value chain in Croatia

Using elements of value chain mapping to organize the interprofessional body

As mentioned above, VCM for GI development is carried out for specific purposes, linked to the functions and challenges of the IPB, such as enhancing cohesion in the group, ensuring sustainable funding for activities, and developing product promotion.

Having a representative IPB is crucial for the success of both the IPB and the GI. The influence that individuals or firms have on product quality is certainly a determining selection criterion for participants in the IPB. Of course, producers also play an important role.

Quantifying the value of the value chain to define reasonable interprofessional body budgets

Because the IPB budget must be proportional to the total value of production, it is important to measure the aggregated monetary output when carrying out VCM.

Should the IPB decide to levy a financial contribution based on production volumes (CpV), this may be done at any level of the chain. As regards cheese, contributions might come from the ripeners putting the product on the market, the cheesemakers or even from the farmers producing the milk. Whichever option is chosen, it is always necessary to know the volumes at the different levels in order to attain the amount budgeted, so that the IPB is able to render its promised services, according to the formula:

\[ \text{IPB running budget} \leq \text{CpV} \times \text{volumes at given level of value chain} \]

BOX 2.3

Traders and producers on the same quality track

In Soe, Timor Island, Indonesia, local farmers have grown mandarin oranges for years. The fruit is mostly marketed at the main cities of the island. The difference in quality between fruit sold in Kupang (a nearby town) or in Soe is enormous. In Kupang, unlike in Soe, the oranges have no acidity and little juice. When growers in Soe realized that proper post-harvest management, transport and storing were crucial in preserving the high quality of their product, they decided to unite with traders in the IPB to protect the GI.

Source: authors’ elaboration.
Value chain mapping linked with promotion
Module C6 will illustrate the significant role that IPBs play in the promotion of GI products. With this in mind, it is extremely important to have a clear view of the main market segments where the product meets consumer demand. The types of retailers – export/import, urban/rural or young/old – provide valuable information for promotional activities. However, when planning extensive promotion campaigns, IPB or support organizations will need to conduct additional analyses in the form of market research.
Objective of the module
This module will explore the role of the IPB in federating GI value chain operators, providing them with a forum and the possibility of taking strategic decisions that will concern the whole value chain.

What are the typical components of this function?
- Provide a forum
- Take strategic decisions
- Facilitate transactions and coordination at each level of the value chain
- Represent the GI for external actors
- Give information and training to members

A forum
An IPB is primarily a forum for all value chain operators to discuss problems and opportunities in using the GI, in order to lessen potential conflicts among members. This will help develop trust among the operators at different levels of the value chain, and help with mutual learning among members of the same level.

Strategic decisions
The IPB will need to be able to take decisions on strategy for the GI and have the means to impose these decisions on the value chain. To do this, the IPB needs legitimate democratic structures within which value chain operators feel represented. It will need clear statutes and rules, in which the decision structures are clearly defined.

These decision structures must reflect the realities of the value chain. This implies that, for smaller and simpler value chains, decision-making structures may be quite simple, while for more complex value chains, these structures will have to be envisaged in such a way that each level of the value chain is properly represented (see decision structures in the Gruyère case study).

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5 In many contexts, local authorities may play an important role in legitimizing decision structures, by ensuring that democratic processes are respected.
Coordination at each level of the value chain

A linked, but slightly different role that the IPB can play is to help improve coordination among operators at different stages in the value chain. This may seem trivial, but improving coordination has the potential to improve the efficiency and competitiveness of the value chain, by diminishing transaction costs and providing operators with longer-term security.

The first tool to be used is the CoP, since it defines (and guarantees) the quality of the product through good practices at different levels in the value chain. This in turn enables downstream operators to be sure of the quality of the raw materials they are purchasing, and allows producers of the raw materials to negotiate a proper price for the quality they provide.

It is also through the IPB that the set of conditions governing commercial transactions among economic operators at different levels of the production chain can be negotiated and agreed upon. Typically, these conditions cover recommended prices (among the various levels in the value chain), delivery, quality, penalties and bonuses relative to quality. These may be set out in “model contracts”.

BOX 2.5
Some examples of decisions taken by IPBs

Typical points discussed are the content of the CoP (see also module C5 on specific quality management) and issues concerning promotion (module C6), but also issues concerning economic, social, cultural and environmental sustainability of the GI (see FAO, 2010, Chapter 4.1).

Issues facing the value chain, in terms of volume, quality and markets, can all be discussed in this forum. An IPB will often recommend prices, or price ranges, although pricing decisions remain the prerogative of operators.

In some IPBs, in particular the larger GIs, members have agreed that it is important to manage the overall volume offered on the market, which is often necessary to sustain prices because oversupply can be extremely damaging. However, the authorities are not always in agreement, since this is often considered “non-competitive” (although such an interpretation is disputed), so IPBs, rather than fixing quotas, will fix overall objectives and recommend quantities. They may also use quality management (see module C5) to help manage volume.

Source: authors’ elaboration.
BOX 2.6
Examples of the coordination role played by interprofessional bodies

The coordination role played by IPBs is best illustrated by the example of cured ham from Teruel, in Spain, which has a GI [UNIDO, 2010]. There was a time when market demand for ham was extremely high, but pig farmers were reluctant to increase production since they were afraid of (i) high breeding costs, and (ii) possible fluctuations in income and greater dependence on slaughterhouses and/or ham producers. In fact, the pigs needed to produce the typical ham have such specific characteristics that the chances of selling the animals in other markets or through other channels are severely limited. The Teruel IPB (or consortium), together with the regional government, intervened to mediate among stakeholders and improve information flows at the different levels of the production chain. In addition, as a means of stabilizing the supply of pork, a model contract was prepared that could be used by livestock farmers and slaughterhouses in their commercial relationships. The contract included a minimum purchase price, product quantities and delivery dates [Chappuis and Sans, 2000].

Another interesting example, although it cannot be repeated in all cases, is that of Valais rye bread. It was understood that the market price of rye was too low for producers in the Valais to continue producing sufficient quantities, so the IPB created a mechanism of guaranteed transfers (premiums) for producers.

In the aftermath of the earthquake that hit northern Italy on 20 May 2012, the reaction of the Parmigiano-Reggiano value chain is another example that illustrates the importance of the coordination role played by IPBs. The earthquake damaged 600 farms (16 percent of all farms), and destroyed 600,000 cheeses, causing total damages estimated at 600 million euros. The IPB reacted very quickly by:
- raising consumer awareness of the damage;
- calling for solidarity action;
- defining a mechanism with supermarkets to give additional collected money back to the producers affected.

The result was that the price per kg of cheese was increased by one euro. This premium was then redistributed to the affected dairies, with IPB guarantee for the proper use of these funds. The agreements reached with supermarket chains and McDonald’s restaurants played a key role in the collection of nine million euros that were then reinvested in dairies.

Represent the GI value chain

The IPB represents the GI value chain in the dialogue with external (non-commercial) actors, particularly with:

- public authorities in charge of GI policies;
- national agencies, such as export promotion agencies;
- local authorities;
- research and extension centres;
- other interested economic branches of the region (mainly the tourist industry) and various chambers (agricultural or commerce);
- other GI producer groups or federations;
- concerned citizen groups, such as environmental, heritage or consumer groups;
- donor agencies and NGOs;
- other projects;
- all other supporters.

By representing the value chain, IPBs can gather the support needed to improve the value chain, to the advantage of all operators, through:

- legal measures (protecting the GI name on national and foreign markets);
- technical measures, by asking research and extension centres to find technical solutions to specific problems;
- commercial measures, by gaining support for marketing and developing a presence on distant markets;
- obtaining funding and managing specific projects to improve the sustainability of the value chain.

The IPB may also contribute to the organization of cultural and tourist events in which the GI can play an important role, such as the establishment of wine-tasting routes in Europe and the Boseong Green Tea Festival in the Republic of Korea.6

Give information and training to members

- IPB must ensure that operators in the value chain have access to the information they need. It should gather information on the market for its GI and for similar competing products, technological innovations, government programmes, etc., as well as any other information that could help its members.

- IPB needs to inform members about the decisions it has taken and about meetings and other events.

IPB may need to inform members about the content of the CoP and train them in ways to comply with it. Members may need other forms of training, such as record-keeping (necessary for control), and more technical aspects linked directly to the value chain.

The IPB will need to work in close collaboration with research and extension organizations in order to carry out its information and training functions.

Distribution of information to members may take place through:
- regular information sessions (decentralized if the production area is large);
- training sessions;
- regular information bulletins or letters;
- radio broadcasts;
- mobile phone message systems;
- a Web site or other social media.

Each IPB will obviously need to adapt both format and content to its members.

**BOX 2.7**

**An adapted information tool**

A good example of an adapted information tool is the CoP for argan oil (Morocco) presented in the form of a comic strip, in Arabic and French, for producers whose literacy levels may sometimes be quite limited.

**Code of practice for argan oil**

The Argan quality starts from the fruits picking

The roasted almonds must have a regular, golden color

Traceability operation F: n. 8

No stone throwing! It is bad for the tree

No pole picking, it damages the tree and provide bad quality immature fruits

It is done on a soft fire on a clay pan, stirring constantly

The roasted almonds must have a regular, golden color

This is a roasting machine. Several models exist.

Source: AMIGHA, 2011.
What is needed for typical components?

- **Membership.** Some form of membership is important to ensure that all actors concerned have access to information and the option of participating in decision-making. It is clear that all operators must be recorded in one form or another in a *database* and must declare themselves as willing to produce the GI according to the CoP, through a *declaration* or *membership form*.

BOX 2.8

**Membership**

The membership issue is resolved in different ways in different legal frameworks.

In some cases, the IPB has no formal membership, but all members of the value chain that agree to the CoP are considered *de facto* members.

In others, individual operators may choose to become members of the IPB or otherwise (by subscribing and paying their dues), but certain decisions taken by the IPB may be imposed on all operators of the chain, so long as the IPB represents the majority of operators (IPB in Switzerland).

In other legislations, GI users are registered individually with the authorities in parallel with the registration of the GI.

The principle that needs to be respected is that all operators situated in the geographical zone and willing to respect the CoP (including being themselves controlled and certified) may use the GI for commercial use, and are able to participate in decision-making about their products.

Source: authors’ elaboration.

- **Formal structures.** The decision-making organs of an IPB generally include a general assembly or a delegate assembly, a steering committee and other necessary committees, composed of members of the value chain. The IPB format will depend on the legal possibilities of the country, but often take on the legal form of an association.7
- **Statutes.** Structures should be reflected in statutes and the bylaws or internal rules of the organization. [See examples in the annexes]. The statutes need to be registered with the authorities.
- **Record-keeping and information.** Decisions taken by the various structures need to be recorded and members kept informed.

---

7 Examples of other legal forms are the *Consorzio* in Italy; the organization for defence and management (ODG) of the GI in France; the MPIG (Masyarakat Perlindungan Indikasi Geografis [Geographical Indication Protected Community]) in Indonesia; or a coalition of representatives from various professional categories (such as agricultural or trade chambers).
• *Model contracts* may be useful tools to help in coordination among the levels of the value chain.
• *Information channels* will need to be developed.

**What resources are needed?**

**Human resources**

*Membership volunteers.* For the IPB to fulfil its role, it will need to rely on members being willing to participate in discussions and to volunteer for responsibilities in the various committees.

There may, however, be obstacles to members participating in some situations, such as transport difficulties or costs, heavy seasonal work or difficulties in expressing themselves (because of language barriers, for example). These should be taken into consideration and minimized as far as possible.

*Professional secretariat.* To ensure that information and decisions are recorded and that all members are properly informed, a professional secretariat will be needed. This may consist of no more than a 25-percent position (as in the case of Valais rye bread in Switzerland) or, for larger GIs, two or three full-time positions.

**Financial considerations**

As mentioned, voluntary work is needed by members of the IPB, both to participate in the forum, but also to take up positions of responsibility in the various committees.

Financing may be needed to help remove obstacles to attending meetings (covering transport costs and others), to pay for the work of the secretariat and the costs of disseminating information.

There are cases where the local authorities, or other institutions, may be willing to help cover certain costs, at least during the initial phase, by putting staff at the disposal of the IPB or covering the costs of certain publications, for example.

Nevertheless, for obvious reasons, internal revenues should cover costs in the medium term. It is often felt that *annual membership fees* might go towards at least a good part of the costs, naturally giving rights to members to participate in the forum and receive the necessary information.
Objective of the module

This module will explore the central role of the IPB for specific quality management of the GI. The GI builds a high reputation through its specific high-quality product. To maintain this reputation, the IPB must be able to guarantee the quality of the product to the final consumer.

The main document for every GI is the CoP that defines, in the technical part, the specific quality of the product and how it is produced. This document is also central to quality management of the GI. (For a discussion on how to develop a CoP, see FAO, 2010).

<table>
<thead>
<tr>
<th>BOX 2.9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main content of the code of practice</strong></td>
</tr>
</tbody>
</table>
| • Name(s) of product to be protected  
• Description of product: main characteristics, ingredients and raw materials  
• Definition of process: how to obtain the product at all phases of the production process (up to final packaging)  
• Demonstration of specific quality linked to the GI: link between specific quality and resources in the geographical area (natural and human)  
• Definition of production area  
• Labelling rules  
• Control plan |


What are the typical components of the IPB function?

Once the CoP has been defined, quality management is composed of three parts (see Table 2.1):

- field verification of respect for CoP
- quality control of the final product
- traceability system.

These three closely related parts are slightly different in their objectives.

- Field checks aim to verify that operators at different levels of the chain respect the CoP in their everyday practices.
- Control of the final product checks that it respects the minimum specific quality defined in the CoP.
- The traceability system aims at ensuring that the volumes of the product are correct throughout the value chain (i.e. to ensure that no "fake" products enter the GI process along the chain), up to distribution to final consumers.
TABLE 2.1
Quality management

<table>
<thead>
<tr>
<th>Verifying CoP is respected (inspection on sites of operators)</th>
<th>Test on final product (verifying quality)</th>
<th>Traceability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Physical and chemical analysis</td>
<td>Organoleptic analysis</td>
</tr>
</tbody>
</table>

Source: REDD.

**Verification that code of practice is respected**

To verify the respect of good practices defined in the CoP by various operators, the IPB needs to establish:

- own control by operators themselves;
- regular inspections of operators’ production sites (by internal and/or external inspectors – see Box 2.10);
- an internal approval/certification committee that will grant approval of operators on the basis of inspector’s report (see Box 2.11);
- an agreement with an external accredited certification body if external certification is undertaken.

**FIGURE 2.8**

*The three levels of control*

Source: REDD.
What is needed for control?

- **Own control**: clear instructions and forms for operators to keep necessary records of operations.

**BOX 2.10**

**Own control**

The first and most important level of control is the operators’ own control.

Each operator in the value chain is responsible for the quality and reputation of the product. If just one stakeholder manufactures a product of mediocre quality, all operators will suffer.

Each operator must check the critical production and processing stages. The IPB will prepare the checklist to be fulfilled by each operator. If the stakeholders already have templates, the IPB defines what needs to be checked (cultivation practices, processing temperature, time of heating, quantities of each ingredient, etc.). These are already written in the CoP. For example, the CoP for the Swiss cheese Tête de Moine states that the curd must be heated to a temperature between 46 °C and 53 °C. Therefore, in a manufacturing notebook, the cheesemaker will write the daily temperature of heating.

Operators are moreover responsible for keeping the paperwork needed for traceability, and for declaring the proper quantities produced to the IPB.

*Source: authors’ elaboration.*

- **Internal control**: trained IPB internal inspectors; a checklist and inspection report template based on the CoP; and an inspection schedule, including a decision on how often operations need to be inspected.\(^8\)

- **External control/certification**: an agreement with an independent and accredited control and certification body, including a control manual and a sanctions manual.

---

\(^8\) When a new member joins the GI initiative, an initial control of the structural conditions of the new operator’s production must be carried out. A specific control protocol needs to be established to do this. The IPB must decide upon the relevant frequency of control for each stage of the value chain. For example, in the Valais rye bread case, farmers are checked every four years, the mills every year and bakers every two years. The mills are checked more often because it has been seen that there is a greater risk of fraud at this stage.
There are examples of certification (guarantee) systems in which costs are adapted to smaller producers. These certification systems are not yet applied to GI products, but are well developed – such as organic, fairtrade and other labels. One example is Brazil’s participatory guarantee system for organic products. However, it should be noted that these are not (yet) accepted as third party guarantee systems, but are only accepted by certain buyers.

**BOX 2.11**

**Internal control and external certification**

In many countries, external certification by a third independent and accredited party is obligatory for GI. This is to guarantee a certain impartiality to the control system. The certifying entity can be a private or a state body, but it must conform to ISO 17065. It is in all cases helpful to build trust and consumer confidence in the product and, if aiming at export markets, external certification is strongly recommended. However, it may be relatively expensive, particularly if there are no accredited control and certification bodies in the country.

By establishing an efficient own control and internal control system, it is possible to lower the costs of external verification.

The most successful GIs are those that have a strong internal control (for example, Colombian coffee, Parmigiano Reggiano). These controls ensure cohesion of the supply chain and ward off black sheep.

If there is no external control, internal controls must be particularly well organized to ensure that the CoP is respected, and the label really guarantees its promises to the consumer.

Internal control systems, as well as traceability, are the responsibility of the IPB, and are the subject of this module.

*Source: authors’ elaboration.*

**BOX 2.12**

**Role of the approval/certification committee**

An inspection report will be sent by the “inspector” to an approval/certification committee, which will decide whether operators may obtain the right to use the GI on their products, whether they need to rectify certain practices, or even whether certain sanctions should be taken against them. To guarantee quality for consumers, it is important that any non-compliant products be downgraded or destroyed.

Since this may have a great impact on operators’ businesses, it is essential that the process is open and transparent, and that operators have an organization through which to appeal.

To avoid any tension following a downgrade, the IPB can offer advice and technical support to help operators improve their operations and produce goods that are in compliance with the GI.

Where only internal controls are implemented, the approval committee will be made up of members of the IPB. If there is third party certification, the external certification body will be responsible for organizing a certification committee to carry out the same role.

*Source: authors’ elaboration.*
Testing final product
Testing the final product is the responsibility of the IPB. Testing may be supervised by the external certification body and is carried out in two main ways.

**Physical and chemical analysis**
This is not always obligatory, but can be an efficient way to avoid inferior products and fraud. However, these tests may be expensive (particularly chemical tests), so should be kept to a reasonable level. If specified in the CoP, the tests should be done on a regular basis, if and when a product is suspected to be not genuine, or where there has been some kind of fraud.

*What is needed?*
- Sampling tests and chemical analysis, based on the CoP.
- Agreement with an accredited laboratory.

**Organoleptic testing**
This takes the form of tasting by a panel, to check that the product corresponds to the tasting criteria of the product as defined in the CoP. It is often a good idea for quality food products.

*What is needed?*
- Trained panel of testers.
- Tasting protocol, with a checklist of organoleptic criteria based on the CoP for the product.
- Sampling regulation.

---

**BOX 2.13 Tasting panels**

Two important rules for the tasting panel are that each sample is anonymous and that there is consensus on the final decision. A tasting panel may be composed of one or two delegates from each stakeholder level, one or two consumers and one or two buyers. It may also be useful to invite “expert” consumers such as chefs and food researchers to join the commission. The operators are those that know the product best, and are therefore best able to say whether the product corresponds to the definition of the GI or not.

The panel members will need to be trained to have the same “level of tasting”. The panel should not be professional, since it does not have to fulfil strict protocol as does chemical analysis.

In most cases, a final product test [chemical analysis plus organoleptic test] is carried out yearly in firms that trade the final product.

In the tasting panel regulations, it is mandatory to propose recourse if operators disagree with the result.

Source: authors’ elaboration.
Each GI product has a different mix of these two types of test. Obviously, it will not be possible to organize organoleptic tests for certain products – such as handicrafts – but these tests may be replaced by another form of quality testing. Emphasis will placed on the physical test.

It is essential that there is a regular test for the final product, to guarantee to consumers that what they are buying corresponds to the quality claim.

**Traceability**

Traceability can be divided into upstream (internal to the IPB) and downstream.

- Upstream traceability is usually carried out by means of a thorough “paper trail”.
- Downstream traceability uses a traceability marker.

**What is needed?**

**Upstream**

- Good record-keeping forms.
- System enabling operators to share information with the IPB (but remain confidential).
- System for recording and comparing volumes throughout the value chain. This implies that producers of the raw materials need to have a paper record of volumes produced, and volumes sold to various buyers. Processors need to keep a paper record of the volumes of raw material they purchased and processed, and a record of those to whom they sold the product. This relies heavily on good record-keeping by operators and can be helped by the IPB developing appropriate record-keeping forms.

**Downstream**

- Traceability marker, which can be attached to the product at a certain stage of production and will then follow the product through to market.
- System for distributing these markers in the appropriate numbers to operators at a given stage of production according to the volumes stated by the operator (and verified through the paper trail).

---

10 Alternatively, and only for GIs that cover relatively small geographical areas and where time to market is not critical, the IPB may set up a centre where all products must be brought for final verification and to attach the traceability marker.
### FIGURE 2.9
Some examples of traceability markers

<table>
<thead>
<tr>
<th>Image</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="https://example.com/sausages.png" alt="Solid markers attached to protected geographical indication (PGI) sausages, Switzerland" /></td>
<td>Solid markers attached to protected geographical indication (PGI) sausages, Switzerland</td>
</tr>
<tr>
<td><img src="https://example.com/cheese.png" alt="Printed labels used on a specific cheese (Tête de Moine)" /></td>
<td>Printed labels used on a specific cheese (Tête de Moine)</td>
</tr>
<tr>
<td><img src="https://example.com/tie.png" alt="Mobile tags (quick response [QR] code) on a Lamphun brocade Thai silk tie" /></td>
<td>Mobile tags (quick response [QR] code) on a Lamphun brocade Thai silk tie</td>
</tr>
<tr>
<td><img src="https://example.com/cheese2.png" alt="Casein marks with dates, as used on Gruyère cheese" /></td>
<td>Casein marks with dates, as used on Gruyère cheese</td>
</tr>
</tbody>
</table>
As shown in the examples in Figure 2.9, traceability markers can only be put on the product at a certain stage of the value chain (often at final packaging). The idea is that before this stage, traceability (still very much internal to the value chain) is guaranteed by the paper trail but, once the product leaves the immediate value chain to go into distribution, traceability can be guaranteed by the traceability marker.

**BOX 2.14**

**Traceability as a central element to income generation for the IPB**

Knowing the quantities sold and the volumes dealt with by each enterprise enables the IPB to collect a CpV from operators that allows it to carry out its mandate.

In many cases, the IPB will sell the traceability markers to operators as a way of collecting the CpV. The price of the marker will of course include not only the cost of the marker itself but also the costs for managing the IPB, controlling the system, promotion, etc. (It has been noted that the price of the marker represents between 0.5 and 8 percent of the price of the final product.) This income generation will be explored in more detail in module C7.

*Source: authors’ elaboration.*
Objective of the module

In this module, the role of the IPB in promoting the GI is discussed, and the value of the GI to be communicated is identified.

For a GI initiative to be successful and sustainable, it is essential for the product to sell well on the market and to maintain or even increase the reputation on which its market success is based.

This reputation is linked to the typical quality of the product, which by definition is of a collective nature. Therefore, in addition to and in support of operators’ own marketing efforts, the IPB has an important role to play in the promotion of the GI and its shared values.

Typical components of promotion

Promotion must start by communicating the intrinsic value of the product. The IPB will need to:

- define a strong brand (logo, colours, possible accompanying slogan, label);
- relate the product’s history, and how to present it (information materials);
- identify to whom, where and how to promote the GI (i.e. develop a more or less detailed marketing plan).

Brand

Branding is an aspect to be considered and one in which the IPB has a fundamental role. It will usually define a common brand, with a common logo as the central element. However, as previously mentioned, individual firms can continue to carry their own brand, so it is essential to find a good balance between the product designation (GI), individual firm brands and the collective brand (logo) owned by the IPB. The logo has the advantages of identifying small-scale producers that cannot afford an individual brand but also of giving a common identity to all members of the IPB. It will be IPB’s task to design an attractive logo and relate the history behind it.

Carefully designed labelling can contribute to value creation by providing information to the consumer (ingredients, nutritional facts, recipes, certification system, etc.).

In some cases, the IPB may be tasked with helping operators to package the product.

History/values

A crucial activity of the IPB consists in providing information to consumers about the specific quality and characteristics of the GI product in order to increase their willingness to purchase it. A promotion plan should address the following questions:

- What is to be communicated?
- What is the message to be transmitted?
- How should the communication be achieved?
As already mentioned, the IPB has an important role to play in terms of communicating the value of the GI and its reputation, mutualizing the costs of promotion and coordinating the messages of individual operators.

To whom, where and how to promote the GI

Ideally, decisions linked to this component should be taken after an in-depth market study and development of a marketing plan. However, this will take time and resources that may be out of IPB’s reach, at least in the initial stages. Nevertheless, a simple segmentation of the market may be relatively simple, even without a full plan.

It is strongly advised that promotional work be started locally and/or nationally, since these segments are less expensive to reach and many lessons can be learned.

BOX 2.15
Simple market segmentation for a GI

• Local promotion: mainly for tourists
• National promotion: “middle classes”, urban customers, tourists and ex-pats
• International promotion: diaspora, gourmet buyers

Source: authors’ elaboration.

• Promoting to tourists. If tourists come to the area (or nearby areas), it is a good idea to start by promoting the GI to them. They will be interested, willing to listen and can also provide direct feedback.

• Promoting nationally. GIs can often “piggyback” on government programmes, fairs and other programmes, which may be an inexpensive way of testing promotional material and connecting with buyers. However, a word of caution. Some of these platforms may be offered “free” but, if they do not suit the marketing needs for a particular product, there may be disappointment, as the efforts expended will not provide the results expected.

• Promoting internationally. International promotion is complex, expensive and “unforgiving” (i.e. a mistake in quality or packaging can cost a great deal in terms of lost reputation). Nevertheless, it can be extremely rewarding. It is strongly recommended that the IPB embark on international promotion only when ready, i.e. it has tested its promotional tools on the local/national market, and has (at least) some elements of a marketing plan. It should also seek support from national or international agencies that have the expertise and connections to help them in this task.
What human resources are needed?

The human resources needed to fulfil the typical components of the promotion activities described above depend on several factors. First, it is essential to remember that the IPB is at the service of its members so that the amount of work delegated to the IPB will depend on what members require. A second determinant is the scale of the GI – large-scale GIs obviously need a greater marketing force than small-scale ones.

In terms of marketing, the IPB should, at the least, manage the strategy of joint promotion and the communication activities because of their significant costs and the collective dimension of the reputation.

Temporary, but trained and well informed, hosts/hostesses can be hired for communication activities such as holding stands in fairs or other events. It is best, whenever possible, to hire people who know the product and area of production well, so that they can explain their history.

**BOX 2.16**

*Human resources to promote a small-scale GI*

In the case of Cevennes sweet onions *[oignon doux des Cévennes]* in France, the GI manager holds a 75-percent position and promotion is only part of his tasks. Promotional activities include participation in fairs, presentations in schools, training and tourist visits, the development and distribution of promotion materials (bags, brochures, etc.), writing up press releases and updating a Web site. In order to be more efficient, the IPB collaborates with the *Origine Cévennes* cooperative (which is a member of the IPB), and also with the tourist office, the general council and the regional government.

*Source: authors’ elaboration.*

What tools are needed?

The *collective visual identity* (logo) will need to be accompanied by:

- rules for use
- any stickers and/or labels to be used by operators (this will depend on the traceability marker).

*History and values* must be presented in various formats, whether attached to the product or not. This non-exclusive list includes:

- Web site and social media pages
- leaflets, flyers
- points of sale (for material such as bags, posters and/or other stand material)
- short training programme for sales personnel and temporary hosts/hostesses
- databank of photos and videos.
For local promotion, the following will be helpful.

- List of all the local points of sale (local shops, supermarkets, hotels, resorts and restaurants, museums and attractions, etc.), through which the product could be promoted and sold.
- List of events, through which the GI could be promoted. (In many cases, special events are created to celebrate the GI – see the case study on Boseong green tea in the Republic of Korea at: http://www.fao.org/in-action/quality-and-origin-program/en/)

A simple participatory tool to undertake with members of the IPB for market analysis and assessment, is a SWOT (strengths, weaknesses, opportunities and threats) analysis. This analysis may enable the identification of potential markets and segments and any improvements needed to reach them.

Financial aspects

Promotion is one of the most costly elements of the marketing mix. It can be financed by:

- member contributions (percentage of sales, or through the sale of traceability markers);
- promotional material in common that contributes to promotion efficiency (for example, use of a common label on final products and on communication materials);
- involving members in voluntary activities (collecting data, holding stands, etc.);
- third party support (state support, NGO support, etc.).

The cost of promotion will be linked to selected markets.

To reach overseas markets, promotion and brand development costs may be very high and may need to be sustained over several years. Financial support, via grants, loan funds, technical assistance or a combination of these, may be sought from investors and agencies that are active in trade promotion.

There may also be a number of private individuals and companies willing to become a financial or commercial partner. They may be motivated by a number of different factors such as a compatible social or economic agenda (increasing employment in the producing area, youth training, small-enterprise promotion, business or economic development) or a particular connection to the place of origin (diaspora support networks). Nevertheless, they will expect some form of financial return on their investment.
Objective of the module

In module C2, the general concept of the business model for IPB was introduced, module C3 addressed the current value chain, volumes and obligatory passages and, in modules C4, C5 and C6, the type of services needed and associated costs were discussed.

In this module, possible sources of revenue will be presented, distinguishing between revenue sources that are internal (to the value chain) and form the basis IPB’s regular income, and possible external sources, which will usually be irregular “investments”.

In the applied exercises, the module proposes to test whether the books can be balanced (i.e. whether regular revenues can cover costs). This is similar to preparing the budget for the first year(s) of operation of the IPB.

Incomes

On the income side, it is necessary to distinguish between revenues that are internal to the supply chain and revenues from other external sources.

Internal revenues

Internal revenues are essential for the sustainability of the IPB, since they are guaranteed so long as the IPB is fulfilling its role. They are usually proportional to volumes and therefore to the needs of the IPB.

In classic IPB models, there two/three sources of internal revenue:
- Annual membership fees.
- CpV.
- Payments for direct services to individual operators.

**BOX 2.17**

Interprofessional bodies that act as cooperatives

For IPBs that take on a cooperative function (maturing, packaging, marketing), the main (or unique) source of income may be the revenue generated by the cooperative function. In many countries, this is a common and successful form of IPB for GIs.

Source: authors’ elaboration.

Annual membership fees

Annual fees should never be an obstacle to membership, but should cover certain fixed costs. It is often considered that membership fees give members the right to participate in the IPB, i.e. to be kept informed and be able to participate in decision-making and vote in general assemblies. These fees can be set at an equal level for each individual member, or they can be differentiated by type of member. Traders and processors, for example, will pay a different fee from producers.
In some cases, the IPB may have members (or honorary members) that are not, as such, operators in the supply chain, but may be ready to pay membership dues to support the development of the GI. These “supporters” may be individuals who are interested in the heritage quality product or the development perspective, or institutions such as industry chambers and tourist organizations.

**Contributions per volume (CpV)**

CpV, probably the most important mechanism to get right, is often the most complicated. Module C3 described its link to the value chain and how to estimate it, while module C5 showed that it is often linked to the traceability system (which ensures transparent information on volumes).

*How to set the percentage of the CpV?* The CpV often represents a small percentage of the value of the product (experience shows that it varies from 0.5 to 8 percent) and, hopefully, will be easily compensated by the increase in price (over time) that the GI effort brings.

Establishment of the contribution percentage is obviously a result of discussions and negotiations in the IPB. However, it is necessary to come up with a preliminary rough estimate of what is needed to cover costs, and what operators can agree to (for instance, when the CpV is about 1 percent of the value of the product). This can then be adjusted over time, either up or down.

The estimated revenue can be calculated by multiplying the CpV by the volume of products. It may be best to underestimate potential volumes as, particularly in the first years, it is not certain that all operators will be willing to participate in the GI.

*How to collect the CpV?* From the examples known, four basic systems are used to “collect” these dues:

- **Smallest obligatory passage**: collect the CpV, using the paper trail, from the few operators that manage the obligatory passages. These obligatory passages can be identified thanks to the value chain analysis (module C3). (See also the case study on Valais rye bread).

- **Traceability tool**: selling a number of traceability tools (stickers, labels, casein marks) to operators at a certain level (at an agreed price that represents the CpV). (See the Gruyère case study and sales of the casein mark).

- **Final labelling tool**: this is similar to the traceability tool and is used on the final product. It may be a seal on a bottle, box or bag, a sticker, or a sealed label. It implies that the label cannot be imitated or reused but can also be a promotional sign.

- **Paper trail**: it may be necessary to rely solely on the paper trail and the declaration of individual operators as to the volumes they process, and bill them accordingly. This may be difficult to operate in larger supply chains.
In some countries, it is possible for local authorities to levy an additional “tax” on a product and give the income from this tax to the IPB. This is often the case for promotional efforts of the basket of goods from a region (as, for example, the different goods associated with the Geneva region in Switzerland), but rarely seen for a GI.

At whatever level these CpVs are levied, this “extra cost” is usually factored into the final price for consumers.

A combination of membership fees and CpV may be appropriate for certain GI supply chains. However, it is important that the same “levy” percentage be collected for all volumes, so that the system is considered fair to all.

**Payments for direct services to individual operators**

These payments usually cover the variable costs of delivery for a given service. They may also cover part of the fixed costs for the IPB but, as such, they are not usually very useful in paying for general services and can therefore be left out of the equation for now.

**External revenues**

External revenues are extremely helpful, particularly at the beginning of an initiative. However, they should not be considered as regular income flows (except in rare situations), but as investments to improve a situation. These investments will often be in the form of projects, so the IPB should have the capacity to write project proposals and manage these projects.

The different sources of potential external revenues depend greatly on the situation of each supply chain, but an attempt will be made here to cover the most common sources.

**Local government and/or local chambers (of commerce, agriculture or others)**

The local government will often be the first and best supporter of any GI initiative. It is in its interest to promote the success of the GI, since a product may often end up as being an “ambassador” for the region. It is therefore obviously important for the local government to ensure sound economic development.

The local government often supports the IPB by providing staff, facilities and, in some cases, funds. It can also often act as an institutional (and therefore regular) buyer of the product when it organizes events and official representations.

Local governments may also be able and willing to provide funds for specific activities, particularly events such as festivals or food fairs.

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11 Typically, these services may be “points of sale” material (such as bags and leaflets), training of personnel, specific consultations on technical or quality aspects, laboratory analysis, etc.
**Government institutions**
Research centres, universities and extension bodies can contribute a great deal “in kind” by providing information, carrying out specific research or helping to develop information and training materials for operators. It is rare for these institutions to extend direct financial support.

**National governments**
National governments may facilitate certain procedures, particularly if the GI is included in national policies, and integrate IPBs into their development programmes. In some cases, they may subsidize certain promotional activities on a regular basis.

**International donor agencies, NGOs and other supporters**
These organizations will typically support the IPB on specific projects, with specific objectives. They may provide support (often quite substantial) over relatively short periods (typically an international project has a three- to five-year time span), so they must be considered as a “boost” or an investment rather than a long-term sustainable source of income.

**Expenses**
Expenses should be estimated for the various services (as seen in modules C4, C5 and C6). It may be necessary to distinguish between essential services (and costs) and those that would be desirable, as well as between fixed and variable costs.

**Balancing the budget**
All economic actors, including IPBs, need to balance their budgets, by ensuring that revenues will cover costs over time. This is where a distinction needs to be made between running costs and investment costs, since running costs should always be covered by regular incomes, while investment costs may be covered over time if a loan, or better, a grant can be obtained. This is best done with the help of expert accountants. [See examples of “balanced budgets” in the case studies].
Objective of the module

This final module will discuss elements that are necessary in the initial stages of setting up an IPB, and how to get from the “current situation” to a fully functioning IPB.

Obviously, all situations are different. Here we will consider the steps to be taken starting from a situation in which there is both understanding and motivation, at least among some of the supply chain operators (pioneers) for the development of a GI, but where there are as yet no elements of organization.

Three phases in constructing an IPB

- **Pre-investment phase**: a collective initiative is necessary to mobilize and structure value chain operators. (For more in-depth discussion on this phase, see FAO, 2010, Chapter 1.4).
- **Investment phase**: once operators are motivated and persuaded that a GI is the way forward for the identified product, it will be time to “kick-start” the IPB – the object of this module.
- **Operational phase**: the non-profit business model is made operational, and the IPB functions sustainably.

The new initiative may disturb existing commercial relationships, since present downstream commercial partners may not be interested in the new GI. This may make it difficult for some operators to join the IPB.

In many situations, some operators may be reluctant to join an initiative that means them joining the formal economy. Doing business in a grey economy is often perceived as being cheaper (no controls, no taxes). This situation must be considered on a case-to-case basis, and ways to overcome the problem should be developed by the IPB.

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**BOX 2.18**

**Pre-investment phase: mobilizing value chain operators**

This first phase begins with the idea of setting up a GI, finishing with confirmation of the feasibility of obtaining a GI for the product, and the assurance of interest from stakeholders. During this phase, which may last anything from a few months to a few years, the GI concept will have to be shared with operators, their interest sustained and the first elements of the CoP discussed. It always useful, as shown in module C3, to start with a VCM in order to ascertain which operators should be informed.

It is important that initiators invest sufficient time and resources in this phase to clarify operators’ interest and be ready to abandon the GI should conditions not be right (e.g. the product does not qualify as a GI, or operators have little interest).

For a more detailed understanding of this phase, see FAO, 2010, Chapter 1.4.

*Source: authors’ elaboration.*
**Investment phase**

Setting up an effective IPB will need planning and investments, in both financial terms and in work. Contributions will be needed from the following sources:

- **Individual pioneer operators** (producers, processors) in the value chain. They understand the advantages to be gained from the GI and IPB and, in most cases will be able to contribute with work and knowledge (about the product, value chain and history) and potential finance (in limited amounts).
- **External supporters** – local or national authorities, NGOs and international donors (usually with no expectation of financial return).
- **Private funds** from investors or financial institutions may sometimes be mobilized (with expectation of financial return on investments).

As the IPB, in principle, is primarily a service provider and does not physically deal with the product, these initial investments will mainly be in the form of work. The need for physical infrastructure, and therefore for capital investment, remains limited.

**Objectives in this phase**

- **Forum and decision centre.** Establish an effective, open and representative IPB, with a proper juridical form, decision-making bodies and a secretariat.
- **Quality management.** Create tools for effective quality management, including development of the CoP, and control and traceability tools.
- **Promotion.** Create the first elements in the promotion of the GI, the logo and the product history, to be able to start the first promotional activities.
- **Internal revenue mechanisms.** Ensure that the IPB starts earning as soon as possible so as to be able to fulfil its functions.

**Proposed steps**

- Set up a **task force** of representative and motivated operators, to meet on a regular basis.
- Provide the task force with secretariat support and, if necessary, technical advice (for research and documentation) and moderation services.
- Once the task force (with the support provided) has developed some of the tools as described below, an initial General Assembly may launch the IPB itself.

**What is necessary to kick-start the interprofessional body?**

**Forum and decision centre**

In the initial months, the task force (with the support provided) should set up the following:

- **Database** of all operators, as potential members, in the supply chain (based on value chain analysis).
- **Information channels** to reach all potential members. These may be simple, such as mobile phone and e-mail lists, or more complex such as newsletters, or working through existing networks.
• **Statutes.** To establish these, it will first be necessary for the task force to agree on the type of organization and necessary decision-making structures.
• **Registration with the authorities.** Once legally registered, the IPB can start operating, generating income and employing staff.
• **Membership rules and membership forms.** With these, prospective members can sign on with a full understanding of what they are doing.

As discussed in module C4, the IPB will need to develop further tools during the first year(s) of operation to provide a complete set of its services as a forum and decision-making structure. An indicative list is given below:

- **Model agreements** for transactions at different levels in the supply chain.
- **Information analysis capacities** for gathering and interpreting market information.
- **Training programmes** that may also be developed in partnership with existing institutions.

**Quality management centre**

An important role of the task force, in full transparency and in discussion with as many members of the value chain as possible, will be to propose a CoP.

The CoP is the central document for all GIs. It may take several months or even years to develop and agree upon a CoP. It usually consists of one part justifying the special protection to be granted through the GI, together with another technical part, which describes the specific quality of the product and the good practices to be followed by operators in order to guarantee this specific quality. All operators must be informed about and aware of the registered CoP. (For more details on this extremely important document, see FAO, 2010, Chapter 3).

Based on the CoP, a number of tools for quality management will be established with active IPB participation.

- **Own control (record) forms for operators.** Some producers may already be using these forms to record farm (or processing) operations. They will often be in a calendar format and may be paper or electronic, depending on the level of technology used. The forms should be adapted for the necessary controls.
- **Traceability forms and protocols.**
- Development of “physical” traceability markers, where foreseen, which may require some investment in design and production.
- **Control forms,** including a list of necessary annexes for GI registration (map of farm, coordinates, history).
- **Approvals committee** and/or contract with an external certifying agency.
- **Training** for appropriate “internal controllers” to carry out internal controls.
- **Control plan** to enable planning as to which inspector controls which operators, when and how, etc.
- **Final testing/tasting protocols,** either for chemical and physical tests or for the tasting panel. These may be developed a little later, since they are complex.
**Promotion centre**

As mentioned in module C6, promotion can be extremely expensive, particularly for distant markets. Thus, it is essential to develop the marketing effort progressively over time. Promotion efforts need to be tailored to already identified potential markets, as well as to the opportunities offered by supporting agencies.

The IPB should start by deploying its promotional efforts to nearby markets (local and national), before working on more distant markets. This is for a number of reasons, including costs and learning curve.

In order to develop IPB promotion capacity, some essential actions should have already been undertaken in the early stages of the IPB:

- **Obtaining protection** for the name of the GI from state authorities (usually the IP authorities, but also government ministries, such as the Ministry of Agriculture). This protection enables the IPB (and its members) to invest in promoting the name and reputation of the GI, without fearing a comeback on these investments by non-legitimate producers.12
- **Designing the logo/brand**, as a central element in the promotional effort. It may be worth investing some time and effort in developing the logo, including hiring design experts, since the logo needs to be easily recognized and remembered by the consumer, and encapsulates the values of the GI.
- **Labelling and/or packaging**. How far the IPB goes in working on the label and packaging will depend on the needs of members.
- Developing the **history of the product**.
- **Leaflets/Web sites/other social media** that can be used to illustrate the history of the product and enable potential buyers (or supporters) to remain in touch with IPB are also important in the early stages.
- **Market studies** for commercial development strategies are obviously extremely useful but, since they are expensive and take time to implement, it may be best to start work on them once the first income for the IPB starts coming in, or do them by relying on external project funds.

**Generating income sources**

As seen in module C7, generating income sources may imply the use of different tools, depending on the value chain and the decisions of IPB members, but it is essential to have them as soon as possible. The first basic tools to put in place are the following:

- A **bank account**. This needs to be opened as soon as the IPB has been registered with the authorities, and in order to keep records of accounts.

12 Obtaining protection on the domestic market is always a prerequisite before requesting protection on export markets. In other words, “legal protection begins at home”.
• *Annual membership fees.* It may be easiest to start with these to cover costs for the first few months of work.
• *CpV.* These and other income-linked tools should be developed as soon as possible for traceability.

The IPB will often be dependent, initially, on external support. This support may have been granted to an existing entity (an NGO or local authority) on the basis of a project proposal. But once the IPB is up and running, it is important for it to be able to access project funds directly. To do this, it must have the capacity to write *project proposals.*
References


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Linking people, places and products presents a methodological approach for the development of procedures to preserve and promote quality products, centred on the virtuous circle of origin-linked quality. The guide provides concepts, recommendations and practical examples from all over the world, together with self-evaluation exercises.

With a view to boosting the capacities of those involved in such procedures, increasing the number of experts worldwide and also bearing in mind the recent level of interest in this subject, FAO and REDD plan to offer a complete training tool.

FAO and REDD have thus worked together to support a bottom-up approach, developing a first training tool for a participatory process of training on the promotion of origin-linked quality and sustainable geographical indications.

The training material in the present volume, Linking people for quality products: sustainable interprofessional bodies for geographical indications and origin-linked products, focuses on the management and promotion of the specific qualities of geographical indications (GIs) by local stakeholders gathered together in a collective management organization – the interprofession, or joint body – that are central to the commercial success, and ultimately to the sustainable impact, of any initiative to promote the link between a product and its origin.