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COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON TEA

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POSSIBLE APPROACHES TO GENERIC PROMOTION OF TEA AND THE USE OF THE TEA MARK

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I. INTRODUCTION

1. The Intergovernmental Group on Tea considered the status of the Tea Mark at its 15th Session and concluded that there was a need to arrive at a decision on the future of the Mark (Report of the 15th Session, CCP:TE 03/7, paragraph 30). The following report was prepared in response to the Group's request that the Secretariat prepare options for its consideration for the use of the Mark, including an exit strategy.

2. International generic promotion of tea, in the strictest sense, is not very prevalent. Most on-going promotion programmes may be described as national "in-country" or in export markets¹. The most significant example of international effort is the work carried out under the auspices of the Intergovernmental Group on Tea with funding from the Common Fund for Commodities and co-financing from the Tea Boards of India, Kenya and Sri Lanka, the Tea Association of Indonesia and the Tea Councils of Canada, the United Kingdom and the United States. The "Programme to create an increased demand for tea through research on the human health benefits of tea consumption and generic promotion" had the outstanding merit of focusing international research on the health aspects of tea consumption and generating a body of scientifically sound information regarding the beneficial aspects of such consumption. This core information has been used in tea promotion programmes, whether of a generic or brand nature, in most tea producing and consuming countries since the completion of the project in 1999. The development of a body of scientifically-based information attesting to the value of tea consumption as part of a healthy life-style is cited by many other commodity producers as an example to be emulated for consumption enhancement. Even though efforts to organize, administer and fund an internationally agreed generic promotion programme for tea making use of the registered Tea Mark have to date not met with success, in fact promotion of tea based on health-related messages has surged in the last few years.

II. DETERMINANTS OF AN EFFECTIVE GENERIC PROMOTION PROGRAMME

3. Stagnating or slowly rising consumption levels, increasingly competitive markets, declining levels of support to the production and marketing of agricultural commodities and the spread of modern information technology have increasingly stimulated interest in generic promotion programmes designed to affect consumer preferences and strengthen demand for a wide range of primary agricultural products. Generic promotion aims at strengthening the market for the benefit of all producers, in contrast to brand promotion that seeks mostly to increase the share of the market for a selected producer. The rationale for generic promotion is particularly strong where there are large numbers of producers responsible for a generally homogeneous agricultural product, and individual producers are unable to differentiate and promote their own products. The specific objectives of generic promotion are to increase sales or contain reductions at given prices, augment prices or at least contain reductions, and induce consumer loyalty because of the intrinsic value of the product as portrayed through generic promotion. The following are the main determinants of successful generic promotion programmes which should be taken into consideration in assessing opportunities for such action for tea.

A. COMMONALITY OF INTERESTS

4. Most commodity promotion programmes are based on a perception of shared identity and interests in a defined market. This perception exists mostly among producers in relation to national markets. The existence of a significant, or rapidly growing, import sector raises issues regarding equity if the promotion programme is funded only by the producing sector.

¹ For details see CCP: TE 05/CRS 1.

5. In the international market, industry perception of shared interests tends to dissipate because of the multitude of special factors governing commercial relations in the global economy. Thus, promotional activities in export markets tend to have significant public sector support. Such programmes are attracting increasing attention in WTO to define what export promotion activities are permissible as non-trade distorting.

6. Another factor governing the commonality of interests is the structure of the industry. The major players in a highly concentrated industry may perceive little incremental value from generic promotion for which they would be the main financiers, but rather may see brand promotion as offering the greatest value.

B. STRONG PRODUCER SUPPORT

7. A successful generic promotion programme requires first and foremost strong support from the producing sector that is usually most called upon to provide funding, either directly or indirectly. Where processors and trading firms have an important stake in market performance, their association with the programme can reinforce its impact. However, where products are sold mostly in processed form, generic promotion is less used than brand promotion because of the differentiation that may result from processing.

C. HIGH LEVEL OF INDUSTRY PARTICIPATION

8. The longer term viability of commodity market development programmes depends on the full participation of the industry, or a large share thereof, to avoid the “free-rider” problem. In a national market, this condition is easier to achieve than in the international market where many smaller suppliers may be active. An internationally funded generic promotion programme requires an understanding regarding the minimum level of participation that is compatible with the objectives and funding burden of the members. Obviously, procedures are needed at the very outset so that participants can withdraw from a programme if they believe that it does not serve collective interests.

D. PREDICTABLE FUNDING

9. Market development programmes and the associated promotional activities need to be implemented over a number of years if their full benefits are to be realized. Thus, predictable funding arrangements are needed so as to allow the planning and delivery of appropriate programmes. Ideally, a 3-5 year funding commitment provides the necessary stability to carry out productive projects.

10. Predictable funding is easiest to organize at the national level. For example, in the United States where generic promotion of agricultural commodities began in the mid-1950s, national legislation authorizes generic research and promotion, with funds obtained mainly from obligatory producer assessments, usually based on volume or value of products sold. A large portion of the funds collected are administered through commodity boards. Such programmes are subjected to referendum to confirm producer support.

E. CREDIBLE EVALUATION OF EFFECTIVENESS

11. Strong producer support and the consequent commitment to provide predictable funding are conditional on the existence of a process of regular evaluation of the impacts of generic promotion activities. The parameters for evaluating effectiveness differ depending on whether the programme is industry-financed (net benefits to the producers/processors) or government-financed (benefits not only to producers, but also effects on consumers, other industries, taxpayers etc). Since evaluation is a complex exercise, the system envisaged should be proportionate to the resources involved. Obviously, a simple (and less costly) approach is appropriate when the

financial commitment is relatively low. Provision for evaluation should be allocated from the funding provided by participants².

F. SCIENTIFICALLY BASED TESTIMONIAL

12. Aside from the organizational and policy aspects of implementing a generic promotion programme, there is a need for a body of factual and scientifically based information attesting to the beneficial aspects or positive attributes of the product. In the case of agricultural commodities destined to human consumption, either directly or in processed form, this aspect acquires primary importance. A commitment by the industry to upstream research is required in order to ensure that clearly substantiated claims can be made to support generic promotion programmes aimed at influencing consumer behaviour.

G. EFFECTIVE IMPLEMENTATION ARRANGEMENTS

13. Once the difficult decisions are taken regarding the objectives, funding and participation, there is the issue of lesser importance, but nevertheless of significance for the long term success of the programme, regarding the arrangements for developing and implementing communication strategies. Reportedly, most agricultural commodity promotion programmes make use of a small staff that works with an elected board representing industry interests³.

14. This expert/implementing group needs to define how to translate the available resources most effectively into the achievement of the overall goals. This is a dynamic process involving not only review of the results of ongoing activities, but also the recognition of the fact that “wear-out” tends to reduce consumer response to promotional messages over time. The selection of the markets to be targeted and the type of programmes to be implemented are best handled by industry/expert groups.

III. A STRATEGY FOR MAINTAINING AND IMPROVING TEA CONSUMPTION LEVELS

15. Strategic approaches to strengthening product demand and improving prices for tea include promotion along with other important measures:

- Analytical understanding of market opportunities, including those within the producing countries themselves, and those in both traditional and new export markets;
- Regularity of supply of quality products meeting market requirements;
- Targeted sales strategies to open new markets;
- Removal of tariff and non-tariff barriers, in particular in some CIS and developing importing countries; and
- Promotion to strengthen the position of tea in both traditional and new markets.

16. Focusing on promotion, as a result of the “Programme to create an increased demand for tea through research on the human health benefits of tea consumption and generic promotion”, the tea industry world-wide has at its disposal *a valuable and unique body of knowledge concerning the health aspects of tea consumption*. By the time the US\$ 4.6 million Programme had concluded, there was an authoritative body of scientific evidence that black tea, similar to green tea, was an important contributor to a healthy lifestyle, and specifically that it could have a significant role in reducing the risks of cardiovascular disease, stroke and certain types of cancer. Other health benefits were well established in particular in oral health and in meeting essential fluid intake requirements.

² For a discussion of the difficulties in evaluating the effectiveness of generic promotion, also with respect to tea promotion activities, see CCP: TE 05/CRS 1.

³ Armbruster, Walter J., “Generic Advertising for the Seafood Industry”.

17. In addition, *another valuable tool, the Tea Mark*, was placed at the disposal of the global tea industry. Developed under the Programme at considerable expense, the Tea Mark is the physical expression of the strategy to enhance demand for tea based on evidence of its health benefits. As a result of the actions pursued by the Group, the Tea Mark is currently registered in more than 50 countries, accounting for nearly 55 percent of global tea imports (Annex Table 1). Most of the registrations currently in place will be in effect until 2008⁴.

18. Despite the excellent progress in registering the Tea Mark in global tea markets, little use has been made of this tool. Obviously, use of the Tea Mark on its own cannot achieve the objective of strengthening demand: It is essential that the link be made, and maintained, in the minds of consumers between the symbol and the body of information that it represents, namely the vast amount of scientifically sound research regarding the beneficial aspects of tea consumption. Once the link is made, the symbol, even on its own, can generate positive reactions to the commodity.

19. From the review of the determinants of effective generic promotion programmes above, it is clear that the conditions for international generic promotion of tea in the traditional sense do not exist, or exist only in part. Taking account this situation, one possible approach could be as follows:

A. NATIONAL PROMOTION PROGRAMMES IN-COUNTRY AND IN EXPORT MARKETS

20. Tea industries would be allowed to make use free of charge of the communications package and the Tea Mark for in-country and export promotion activities. As originally envisaged under the Programme, the Tea Mark and its health-related messages could be used both for generic promotion as well as to reinforce brand promotion activities. Each member country of the Group would inform the Secretary regarding the national institution that would be responsible for liaising with the domestic industry and providing it with information (generated under the auspices of the Group – see paragraph 23 below) regarding developments in research concerning tea and health and possible advantageous ways of using the related communications package and the Tea Mark. On the basis of a recognition agreement with FAO, the national institution would also be responsible for ensuring the proper domestic use of the Tea Mark, in conformity with national regulations governing the quality of consumer products. In order to monitor the use of the Tea Mark, the national institutions would report periodically to the Secretary of the Group on the use made of the symbol, both for in-country and export marketing.

B. INTERNATIONAL GENERIC PROMOTION PROGRAMMES

21. Taking account of the difficulties in establishing international generic promotion programmes, for tea such activities might be approached on two levels: a) inter-country, inter-industry cooperation and b) international cooperation under the auspices of the Intergovernmental Group.

Inter-country cooperation

22. Groups of countries or of industries from various countries could make use of the communications package and the Tea Mark to organize events highlighting the contribution of tea to a healthy life style (i.e. tea industry conferences, special symposia, media presentations, or side-events organized in conjunction with regular sessions of the Group). Obviously the information package made available regarding the benefits of tea in a healthy lifestyle *should not be used to benefit one particular brand* of tea, but could be used to promote teas of various brands and origins. Cooperation of this nature already takes place, but has been confined mainly to

⁴ During 2005, the only registrations due to expire are in Malawi, New Zealand, Tanganyika and Uganda. It is currently estimated that the cost of individual renewals would be about Euro 500.

dissemination of the health message, not necessarily identified with the Tea Mark. Concerted efforts to make the Tea Mark synonymous with a healthy lifestyle in the minds of consumers could have important long term impacts for marketing⁵.

The Intergovernmental Group on Tea

23. As a *reliable and unbiased source of information*, the Group could:
- Monitor relevant research attesting to the health impacts of tea consumption, assess progress in the verification of the results, and disseminate the information to its Members and to designated national institutions for eventual use by tea industries domestically and in export markets. The dissemination of such information by an intergovernmental body comprised of both producing and consuming countries could lend additional prestige and weight to the messages. To ensure the continued objectivity and scientific rigor of research results, the same procedures for evaluation as adopted under the Programme would need to be in place. Ongoing research being undertaken by scientific institutions would need to be reported to the Secretariat. A scientific advisor to assist the Secretariat in reviewing the progress of research, the implications for human health, and preparing analytical reports, would need to be appointed by the Intergovernmental Group and funded by contributions from Members. The scientific advisor would be required for a period of about 3 months per year. Initially, a two year arrangement should be envisaged. The cost per year would be US\$ 24 000 plus US\$ 5 000 for travel. Provision would also be needed for the dissemination of the resultant information with costs to be defined depending on the type of information product. Should a special event be planned in conjunction with a regular session of the Intergovernmental Group, there would be some additional *ad hoc* resource needs that would need to be secured. However, such events could benefit from synergies with other work for the Group⁶.
 - Assist in developing communications packages and events for member countries, drawing on the results of health and tea research. Special consideration should be given in such programmes to assisting developing country exporters where tea constitutes an important source of livelihood for farmers. These country-specific events would focus on the health-related messages regarding tea and the reliability of internationally monitored standards governing the use of the Tea Mark. The implementation of such events would be dependent on securing extra-budgetary support, but would benefit from synergies with similar in-House activities.

IV. CONCLUSIONS

24. The above approach to generic promotion for tea implies that while the Tea Mark could be used freely by authorized producers for in-country or export marketing, it would continue to be registered and protected. Under this scenario, the Tea Mark could continue to be held by FAO on behalf of the Intergovernmental Group and the Common Fund for Commodities. However, in the absence of budgetary provision, no action would be taken by FAO to challenge any improper use of the Tea Mark. In the unlikely event of improper use, it would be the responsibility of the designated national institutions to take appropriate action in relation to suppliers within their boundaries, and in conformity with national legislation protecting the use of intellectual property. Prior to the general expiry of the registrations in about three years, the Group could re-examine the use made of the Mark in the intervening period and then decide whether it would wish to

⁵ The Tea Mark User Manual would require modification to *inter alia* link the mark to the communications package.

⁶ Initial estimates of costs for follow-up activities submitted to the 13th Session of the Group included fees to cover administrative expenses of an executing agency in drawing up licensing agreements, monitoring use of the Tea Mark and providing guidance on evaluation, as well as license fees based on export volumes to support generic marketing in licensed territories. The scheme here proposed does away with most of these requirements, and substitutes industry-led generic promotion activities for those that would have been undertaken by an external executing agency. It also now provides for support to generic promotion activities on a needs – and non-binding funding – basis.

renew the registrations and provide the necessary resources for so doing. In the interim, country and industry representatives should make use of all possible occasions, including the forthcoming session of the Group, to explore possible joint actions to undertake generic promotion of tea along the lines outlined above, including use of the Tea Mark. The decision of the Group of whether or not to relinquish the Tea Mark would thus be taken after an interim period during which its use and value would be explored.

25. As regards the criteria for use of the Tea Mark, it is suggested that the broadest use be allowed as long as the tea products to which the Mark is applied are produced in conformity with the health and sanitary regulations of the consuming country. Only the expansion of consumption of tea in all of its many forms, black, green, soluble, tea bags, specialty etc, will lend underlying strength to the market and eventually benefit producers⁷. Clearly, quality assurance is of the utmost importance, and ever more so among the health conscious consumers of the future. While national legislation normally establishes the sanitary parameters for food products, commercial success and market growth are reflections of consumer satisfaction.

⁷ The "Programme to create an increased demand for tea through research on the human health benefits of tea consumption and generic promotion" was developed for black tea, drawing on the favourable research results obtained for green tea. In recent years, trade in green tea has expanded significantly. In fact, between 1993 and 2003, world exports of green tea have more than doubled, reaching some 230 000 metric tons in the latter year.

Annex 1 – Status of the Tea Mark registration

Country	Application No	Registration No	Application date	Registration date	Renewal date	Comments
Argentina	2170055	1784560	18/08/1998	30/03/2000	30/03/2010	
Australia	770333	770333	17/08/1998	17/08/1998	17/08/2008	
Bangladesh	56735		20/08/1998			
Belarus	695602	695602	06/07/1998	07/07/1998	06/07/2008	Disclaimer of "tea"=the word 'tea' has to be used in connection with all other words.
Benelux	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Bosnia	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Bulgaria	695602	695602	06/07/1998	07/07/1998	06/07/2008	Rejected
Canada	887488	524899	17/08/1998	14/03/2000	14/03/2015	
China	695602	695602				Rejected because generic and descriptive
Croatia	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Czech Republic	127817	215172	28/11/1997	25/01/1999	28/11/2007	
Egypt	695602	695602	06/07/1998	07/07/1998	06/07/2008	
European Community	694042	694042	24/11/1997	13/11/2000	24/11/2007	
Finland	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Hungary	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Iceland	695602	695602	06/07/1998	07/07/1998	06/07/2008	
India	815067		18/08/1998			
Indonesia	D9726055		27/11/1997			
International	695602	695602	06/07/1998	07/07/1998	06/07/2008	Rejected
Iran	7708210		01/11/1998			
Japan	10-69840	4318461	17/08/1998	24/09/1999	24/09/2009	Rejected
Kazakstan	695602		16/06/1998			
Kenya	48110		21/10/1998			Rejected
Korea DPR	695602		16/06/1998			Word "tea" and device of a cup disclaimed
Kyrgyzstan	695602	695602	06/07/1998	07/07/1998	06/07/2008	Rejected
Malawi	403/98	403/98	10/09/1998	17/05/1999	10/09/2005	No rights in individual words
Moldova	695602	695602	06/07/1998	07/07/1998	06/07/2008	

Annex 1 – Status of the Tea Mark registration (continued)

Country	Application No	Registration No	Application date	Registration date	Renewal date	Comments
Mongolia	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Morocco	695602	695602	06/07/1998	07/07/1998	06/07/2008	
New Zealand	B296650	296650	17/08/1998	08/02/2000	16/02/2005	
Pakistan	149560		18/08/1998			
Poland	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Romania	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Russian Federation	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Slovenia	695602	695602	06/07/1998	07/07/1998	06/07/2008	No rights in individual words
South Africa	98/14593	98/14593	17/08/1998	29/10/2004	17/08/2008	
Sri Lanka	89145		31/08/1998			
Sudan	695602	695602	06/07/1998	07/07/1998	06/07/2008	
Switzerland	1224/98	452690	16/02/1998	30/07/1998	16/2/008	
Syria	1131-25-120669	72290	16/08/1998	07/07/2000	17/08/2008	
Tanganyika	26168	26168	04/09/1998	13/06/2000	04/09/2005	TEA CUP device alone
Uganda	21830	21830	03/09/1998	14/04/2000	03/09/2005	Disclaimer of "tea"
Ukraine	695602	695602	06/07/1998	07/07/1998	06/07/2008	
UK	2134484	2134484	30/05/1997	04/02/1998	30/05/2007	Disclaimer of "tea"
United States	75/536,796	2,574,847	17/08/1998	04/06/2002	04/06/2012	
Zanzibar	301/98	198/98	04/09/1998	07/09/1998	04/09/2012	
Zimbabwe	1877/97		28/11/1997	30/09/1999	28/11/2007	