

CREATING NEW VALUE FOR FOOD PRODUCTS WITH GEOGRAPHICAL INDICATIONS (GI)

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SUMMARY

- The GI Protection Act came into force in Japan in 2015. Since then, the number of products registered for protection under the system has been steadily increasing. Also, Japan and the EU have concluded an EPA that includes reciprocal protection of GIs. However, public recognition of the GI protection system is not very high in general.
- Companies in food-related industries can create new value for their products by promoting the GI protection system from a global perspective, and applying it throughout the whole supply chain of production, processing, and distribution. The greater the recognition of the GI system itself, the greater the benefits businesses can enjoy.
- Food-related industries should make an effort to increase GI recognition. One approach would be to make use of TV home shopping programs to provide information about the GI protection system, marketing GI-registered products and products made from GI-registered raw materials and ingredients on the programs.

INTRODUCTION

Around three years have passed since the Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs (hereinafter referred to as the GI Protection Act)¹ was enforced in 2015 as a measure to protect mainly agricultural products. During this time, the number of products registered for GI protection has increased to reach 76 items,² for example Yubari melon, Kobe beef, and Nishio matcha. There have been new movements in this area, such as the start of the reciprocal GI protection between Japan and a foreign country or region, as included in the Economic Partnership Agreement (EPA) concluded between Japan and the EU that came into effect from February 2019. Japan's GI protection system is thus becoming more established.

However, the public profile of the GI protection system, which have been promoted by agricultural producers so far from a local perspective, does not seem to have strengthened towards wider recognition, including among consumers. With the opportunities provided by the Japan–EU EPA that has come into force, the food-related industries, such as food manufacturers, distributors, retailers, and service providers, should take a fresh look at the GI protection system from a global perspective that spans the entire supply chain from production, processing to distribution, and utilize it effectively. By doing so, they would be able to create new value for their food business.


¹ GI stands for Geographical Indication.

² A list of GI registered products can be found on the website of the Ministry of Agriculture, Forestry and Fisheries : <https://gi-act.maff.go.jp/en/register/>

JAPAN'S GI PROTECTION SYSTEM

Geographical indication (GI) is a name given for agriculture, forestry, or fishery products or foodstuff that corresponds to a specific geographical location or origin, and indicates certain qualities that the product possesses due to its geographical origin³ (Fig. 1).

Fig. 1: Yubari Melon— Example of the Association Between Product Characteristics and Production Area

<p><u>Yubari Melon's Special Characteristics</u></p> <ul style="list-style-type: none"> • Juicy flesh • High sugar content • Mellow scent • Does not thrive in high temperatures and humidity <p><u>Geographical Conditions of Yubari, Hokkaido</u></p> <ul style="list-style-type: none"> • Large change between daytime and nighttime temperatures compared to other melon production areas • Little rainfall due to the absence of a rainy season • Soil contains volcanic ash; provides good drainage <p><u>Association</u></p> <ul style="list-style-type: none"> • A Yubari melon with these special characteristics can be produced only in the city of Yubari, which satisfies all these growing conditions. 	
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Source: Compiled by MGSSI based on GI product information (Yubari Melon registration No. 4) from Ministry of Agriculture, Forestry, and Fisheries website

Japan's GI Protection Act allows a group of producers to submit an application to the government (Ministry of Agriculture, Forestry and Fisheries) to register the name of a product, such as an agricultural product, along with criteria such as production area, quality, and production method. It is a system that protects the GI as an intellectual property right by allowing the display of the government-approved name, associated with the production region (for example, "Yubari melon," for melons grown in Yubari, Hokkaido) on the product. For registration, the government examines whether or not the characteristics of the product are attributable to the said production area, and even after registration, it follows up to confirm that production processes continue to meet the established criteria. As proof that the product is a genuine GI-registered product, the producer group displays the GI mark, shown in Fig. 2, together with the GI on the product. Unauthorized geographical indications (including similar indications) are subject to government regulation, including penalties. For example, a "Yubari melon" label cannot be displayed on a melon produced in another prefecture. This restriction also applies even if the label specifies the actual production area; for example, "XX prefecture produced Yubari melon."

Fig. 2: Japan's GI Mark



Note: The GI mark is to be displayed along with the geographical indication of the registered product, and certifies the authenticity of the product's geographical origin.
Source: Ministry of Agriculture, Forestry, and Fisheries website

Under the system, authentic products that have earned the government's seal of approval, which is intended to ensure product quality and production methods, are distributed in the market. Because those products can be differentiated from other similar products, the market value of GI-registered products can be expected to

³ *Regarding Handling of GIs under the Japan-EU EPA*, Japanese-language publication of the Ministry of Agriculture, Forestry, and Fisheries (2018).

increase. According to a survey of 20,000 consumers in the EU, which took the lead in introducing a GI protection system in 1992, 51% of respondents said they would purchase GI-registered products even if the prices were 10 to 20% higher than similar non-registered products. In addition, consumers' reasons for purchasing GI-registered products included high product quality and the use of a specific production method in a specific production area.⁴

Under the Japan-EU EPA, which came into effect from February 2019, Japan entered into its first arrangement for reciprocal protection of GI-registered products with a foreign country or region. Under the agreement, 48 products registered in Japan are given protection in the EU market as part of the EU's GI protection system, and similarly the GIs for 71 products registered for protection in the EU, including the French cheese "Camembert de Normandie" and the Italian ham "Prosciutto Toscano," are protected in Japan under the Japanese GI protection system. As a result, the import and export of those registered products of Japan and the EU are expected to rise, because they can be distributed as genuine products with added value in each other's markets. Also, the Japan-EU EPA allows for including additional GIs, so the number of products covered by the reciprocal agreement is expected to increase.

Furthermore, it has been suggested that Japan plans to move forward with dialogue toward achieving cooperation on reciprocal GI protection with Thailand, Vietnam, and Indonesia.⁵

GI PROTECTION SYSTEMS IN VARIOUS COUNTRIES

There are countries that have established their own GI protection systems, such as Japan and the EU, and those that do not have such a system and, instead, protect GIs with a trademark system. Over 100 countries and regions, including those listed in Fig. 3, have established their own GI protection systems.

Fig. 3: Leading Countries & Regions with GI Protection Systems

Asia	Japan, China, South Korea, India, Indonesia, Malaysia, Thailand, Vietnam, Singapore, Sri Lanka
Middle East	Israel, Jordan, Oman, Qatar
Europe	EU, Switzerland, Turkey, Russia, Ukraine, Bosnia-Herzegovina, Croatia, Georgia, Moldova, Macedonia
North America	None
Central & South America	Mexico, Colombia, Guatemala, Costa Rica, Cuba, Chile, Brazil, Peru, Argentina, Uruguay
Oceania	None
Africa	Algeria, Cameroon, Gabon, Guinea, Equatorial Guinea, Cote d'Ivoire, Mauritania, Senegal, Tunisia, Zimbabwe

Source: Compiled by MGSSI based on reports on the GI protection system published by the Policy Research Institute, Ministry of Agriculture, Forestry, and Fisheries (2012).

The most representative example of a country or region with its own GI protection system is the EU. The current GI protection legislation in effect in the EU came into force in 2012 and is known as the Council Regulations on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, Regulation (EU) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on Quality Schemes for Agricultural Products and Foodstuffs. Based on this legislation, several thousands of GIs have been registered so far.

⁴ *Guide to Geographical Indications, Linking Products and their Origins* (International Trade Center, 2009).

⁵ *Expanding Mutual Protection of GIs, MAFF Considering Talks with Indonesia*, Japanese-language article published by SankeiBiz (May, 9, 2018).

The EU is also very proactive about protecting foreign-registered GIs under its own GI protection laws. Registered foreign items so far include Darjeeling tea from India, Jasmine rice from Thailand, Zhenjiang (aka Chinkiang) vinegar from China, and Colombian coffee.

In recent years, the EU has been actively promoting the inclusion of provisions for mutual protection of GIs in its free trade agreements (FTAs) with foreign countries, such as in the Japan-EU EPA. Such provisions have been included in the FTAs concluded to date between the EU and Canada, Vietnam, South Korea, Singapore, Colombia and Peru, Central America, and Ukraine. It is expected that the EU will pursue additional reciprocal protection of GIs based on its own GI protection system as part of FTAs to be concluded going forward.

The US is a good example of a country that does not have a GI protection system, but protects GIs through a trademark system. In the US, a specific product's characteristics, such as origin, manufacturing method, and quality, are validated by the use of a registered trademark. Under the US trademark system, however, a correlation between the product characteristics and the production area is not a requirement for registration, as it is in Japan and the EU.

The EU and US approaches to GI protection thus differ, and each side is competing with the other to try to make other countries recognize the system that they have adopted, such as through the conclusion of FTAs. Behind the contrasting approaches are differences in the depth of history and tradition. In the US, which was settled by European immigrants, many of the traditions and cultural aspects relating to food naturally come from Europe. For example, Parmesan cheese, which is used as a generic term for the grated cheese in Japan, is a US company's product that is manufactured using a similar process to that for Parmigiano Reggiano (production of which is restricted to the five provinces of traditional production in Italy). The English translation of Parmigiano Reggiano is Parmesan cheese, and "Parmigiano Reggiano" is a registered GI in the EU. In the US, however, the term parmesan cheese has become a common name for a certain type of cheese. Therefore, the US argues that it does not warrant GI protection.

On the other hand, the EU, which has a large number of products originating from within the region, believes it will be able to enjoy many benefits if it can achieve wider global adoption of GI protection systems like its own, which publicly gives an official seal of approval to the association between a product's characteristics and production area. Also, the EU is critical of cases, such as of Parmesan cheese as mentioned above, in which the product name becomes recognized as a generic name instead of a GI, because it is due to insufficient GI protection.

The US, meanwhile, believes that a GI protection system like that employed in the EU will inhibit competition. The country has therefore kept GI protection within the scope of its trademark system, and is reluctant to strengthen GI protection. At present, there is no clear prospect of whether the EU-type GI protection ensured by a unique system will spread globally, or protection based on a trademark system like in the US will become more widespread. As such, it is likely that the two sides will remain at odds on this issue for the time being.

Nonetheless, these GI protection models have interesting suggestions for Japan's agriculture and food-related industries. The strength of Japan's agricultural products is the high quality of the food, including taste, that is derived from a combination of geographical conditions of the production area, such as the climate, elevation, and soil, and the associated traditional manufacturing methods. To that end, Japan's agriculture and food-related industries should make greater efforts to draw attention to this superb quality, and one such means would be to promote products through a GI protection system, like those used in Japan and the EU.

GI PROTECTION SYSTEM TO BE FURTHER LEVERAGED BY FOOD INDUSTRIES

One way to make the most of the GI protection system is to connect the entire global production, processing, and distribution process with a supply chain that uses GI as a key word, and leverage it to create new value for food. It is worthwhile to note that under Japan's GI Protection Act, in addition to the interpretation that GI registration indicates the government's official seal of approval for a product, if the product is used as a main

raw material or ingredient for another product, the said GI applies to the latter product as well and the end product qualifies for protection.⁶ For example, only roast beef made primarily from GI-protected Kobe beef can display the label “Kobe Roast Beef.” This should translate into additional value for a product because not only does this regulation apply to the market in Japan, but also to overseas markets as well, to which the reach of Japan’s GI Protection Act does not extend. This is because the given product can also carry the relevant GI that clearly states it to be a genuine product made from raw materials or ingredients for which the Japanese government has given its seal of approval. In addition, the same expectations hold true for products made mostly with Japanese GI-registered vegetables, fruits, green tea, and other foodstuffs when they are distributed to foreign supermarkets, convenience stores, and e-commerce sites.

Furthermore, when distributing foreign food products that primarily use EU GI-registered raw ingredients that are subject to mutual protection under the Japan–EU EPA, those products can display the said GI and be protected under Japan’s GI Protection Act. For example, if a main ingredient of a product is the Italian Gorgonzola cheese, which is given GI protection under the Japan–EU EPA, and even if it is processed at a Danish factory into a cheese powder with small amounts of non-GI designated Danish and German cheese added, potato chips seasoned with this cheese powder can be labeled as “Gorgonzola Chips” on the product packaging when imported to Japan, and the product is protected by Japan’s GI Protection Act.⁷

And the reverse also applies. That is, in the EU market, food products that use Japanese GI-registered raw ingredients that are subject to reciprocal protection under the EPA can display the relevant GI and are included for protection under the EU’s GI protection system. Also, in the case of Japanese products not included in the EPA’s mutual protection arrangement, once the product is registered under Japan’s GI protection system, producers can apply for registration with the EU’s GI protection system and the product will be protected if approved for registration. The said GI can also be displayed on foods that use the GI-registered product as a raw ingredient, and will be subject to protection.⁸ This allows for the distribution of products such as “Yubari melon gelato” and “Nishio matcha latte,” for example, to supermarkets and e-commerce sites in the EU, while protecting them under the EU’s GI protection system. The scope of the GI protection system widens considerably if we look at not only the GI-registered products themselves but also food products that use those GI-registered products as main raw ingredients, as well as the overseas rollouts of those products.

In emerging economies, a growing middle class is giving rise to increasing interest in food safety and security, along with a preference for higher quality food. The formation of markets for the GI-registered products of each country itself and those of third countries in emerging economies can be a subject of consideration for food-related industries. Also, another approach worth exploring is to create markets in Japan for GI-registered products of foreign countries, with which Japan does not yet have international agreements, through the registration of those products under Japan’s GI Protection Act.

IN SUMMARY

The degree of benefits that can be derived by tapping into GI protection systems depends largely on the degree of consumer recognition of these systems to begin with. As the popularity of the systems increases, GI-registered products and food products that use them as raw ingredients will become perceived as products of reliable value for more consumers. That will facilitate market expansion and increase benefits for food-related companies that capitalize on the advantages of these systems.

Going forward, the food-related industries should work to improve the public recognition of GI systems, focusing on increasing awareness among consumers. For example, a TV home shopping program could be used as a

⁶ GI Protection Act Article 3(2).

⁷ *Regarding Handling of GIs under the Japan–EU EPA*, Japanese-language publication of the Ministry of Agriculture, Forestry, and Fisheries (2018). Council Regulations on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, Regulation (EU) No. 1151/2012 of the European Parliament and of the Council of 21 November 2012 on Quality Schemes for Agricultural Products and Foodstuffs, Preamble (32), Article 13(1)(a), (b).

⁸ *Ibid.*, Preamble (59), Article 8 (1) (c) (ii), Article 49 (5).

means to advertise and sell GI-registered products and foods using GI-registered products as raw ingredients, and to introduce the GI protection systems. If this were to result in a hit product, it could set the stage for wider general interest in GIs.

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