

Humboldt County Cannabis Marketing Assessment

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Genine Coleman is the Founder and Executive Director of the Origins Council and the Co- Founder of the Mendocino Appellations Project. She brings experience in geographical indication and organizational development, as well as a deep understanding of cannabis culture on the North Coast.

Executive Summary

In May 2020, Humboldt County staff contracted with the Humboldt County Growers Alliance (HCGA) to conduct an assessment to inform a countywide marketing program for the Humboldt cannabis industry. In response, HCGA, in collaboration with expert advisors, has prepared the following document for consideration by staff, the Board of Supervisors, the industry, and the public at large.

In order to inform the creation of a successful marketing program, this assessment reviews established regional strategies for globally renowned export products and applies lessons from these case studies to Humboldt County's cannabis industry. Specifically, we draw upon four detailed case studies: Napa Valley wine, Bordeaux wine, Kona coffee, and Colombian coffee. Each of these regions have, to varying degrees, successfully deployed collective regional branding strategies to promote long-term sustainable rural economic development, facilitate input from stakeholders on how the regional brand should be positioned, equitably distribute economic benefits, promote environmental sustainability, and provide for the legal protection of collective intellectual property.

A major finding in this assessment is the importance of viewing collective branding strategies through a holistic lens of sustainable rural economic development. Each of the regional institutions considered in this assessment have been developed over many generations, and their organizational character and programmatic decisions have played a critical role in shaping the long-term social, economic, and environmental character of the communities they are based in.

In considering and applying lessons from these successful producing regions, this assessment is divided into the following sections.

Section one provides background for the assessment and introduces the notion of geographical indications (GIs) as an approach to inform regional branding strategies. In the most technical sense, GIs refer to a form of intellectual property held collectively among regional producers; more broadly, however, GIs can be understood as a strategic frame for driving regional economic development in areas with traditions of producing specialty products essentially linked to that region. Applying the GI conceptual framework to a Humboldt County marketing program positions the county's current efforts within a long tradition of regions that have sought to achieve similar aims.

Section two, "Why Market Humboldt Cannabis?," explores the rationale for a countywide marketing program. Historically, the unique legal circumstances surrounding prohibition and Proposition 215 have insulated Humboldt cannabis producers from larger forces driving the consolidation and commoditization of global agriculture. As cannabis becomes legitimized, however, so have fears that the small-scale, craft legacy cannabis community in Humboldt County will be displaced by commodity-driven corporate agriculture. As Humboldt producers seek to differentiate themselves from well-financed competitors in other regions, this section points to the importance of a countywide

marketing program and differentiation strategy that can insulate Humboldt’s craft producers from market forces seeking to commodify cannabis.

Section three, “The State of Humboldt County Cannabis,” examines the distinctive economic, political, and agricultural dynamics currently impacting the Humboldt cannabis industry, and raises a set of questions regarding how a countywide marketing program should interface with these dynamics. Important issues considered in this section include the size and scale of cultivation in Humboldt County; the relationships between Humboldt’s cultivation and non-cultivation businesses; the production methods most common to Humboldt producers; access to markets in California and beyond; the differentiation and valuation of cannabis within the current market; and legal structures that define the boundaries of regional intellectual property in cannabis.

Section four, “Geographical Indications and Regional Brand Identity,” takes a closer look at GIs as a conceptual approach to the development of regional brand identities. A key takeaway from this section is that existing global GIs can provide critical insights on how to promote sustainable rural economic development in regions with long histories of producing craft agricultural products. This section also explores the considerable academic research which has demonstrated the capacity for successful GIs to support rural producers, boost rural economies, and integrate social and environmental considerations into regional branding strategies.

Sections five through eight consider case studies of prominent regional branding strategies in Colombia, Kona, Bordeaux, and Napa. Each of these regions share experiences as specialty producers of craft agricultural products, but also differ along many dimensions including size, available resources, market dynamics, institutional structures, legal protections, and prioritization of marketing activities. Taken collectively, these case studies suggest a range of potential approaches for a Humboldt cannabis marketing program, while also drawing out the commonalities that underlie these regions’ successes and struggles.

Section nine, “Lessons and Findings from Global Geographic Indications,” reviews the case studies from the previous section and draws conclusions on the common factors contributing to the success of each region. The findings in this section emphasize commonalities on topics including strong institutional structures, equitable participation, protection of IP, quality control and differentiation, specific marketing activities, research and development activities, and considerations related to environmental sustainability and public policy.

Section ten, “Recommendations for a Humboldt County Marketing Program” concludes with thirty specific recommendations for a Humboldt marketing program, applying the findings in section nine to the specific Humboldt considerations from section three. These recommendations include structural recommendations for the organizational basis of a Humboldt cannabis marketing program, as well as substantive recommendations for specific marketing activities. In total, these recommendations reiterate the importance of a holistic approach, strong institutional structures, equitable participation, IP protection, and other factors, while providing specific and substantive recommendations for marketing activities to promote a Humboldt cannabis regional brand identity.

Finally, section eleven considers the impact of the COVID-19 pandemic on Humboldt cannabis marketing efforts and Humboldt County more broadly. As local and national COVID cases continue to increase at the time of writing the assessment, it has become clear that COVID is not a temporary phase but a major crisis that will produce social and economic reverberations far into the future. Conceptualized as a tool for sustainable rural economic development, a Humboldt cannabis marketing program can provide a foundation for long-term efforts to insulate Humboldt County from the worst impacts of this global crisis, supporting livelihoods and communities for many generations to come. In our review of case studies, regional branding strategies often emerged in response to crises, whether global crises such as wars or local crises such as falling commodity prices. As Humboldt County faces an era of unique challenges, charting a collective path for sustainable economic development through a well-considered regional marketing strategy will become more crucial than ever.

Introduction

On March 12, 2019, the Humboldt County Board of Supervisors voted unanimously to enact Project Trellis, a fund intended to support Humboldt County’s cannabis industry by reinvesting a portion of revenue from the County’s Measure S cannabis cultivation tax back into the industry. One aspect of the three-pronged Project Trellis approach is the creation of a countywide marketing program designed to promote Humboldt County cannabis.

Following the example of the Humboldt County Equity Assessment, a research-based document used to inform the creation of Humboldt County’s cannabis equity program, Humboldt County staff determined in April 2020 that it would be prudent to commission a Marketing Assessment to inform the creation of the county’s cannabis marketing program. In response, county staff contracted with the Humboldt County Growers Alliance to produce the document that follows.

In approaching the question of a Humboldt County Marketing Assessment, this assessment centers on case studies of successful regional marketing strategies employed in other regions that depend on the export of value-added agricultural products. In particular, we consider four well-known and successful regional marketing initiatives in detail: Napa Valley wine, Bordeaux wine, Colombian coffee, and Kona coffee. Each of these regions provide an example of value-added, high-end agricultural products that have established a connection between place and product in the minds of the market, the media, and consumers through the creation of a robust regional brand identity.

Geographical indications (GIs) are a key concept used throughout this assessment to draw out the principles underlying these regions’ successes. In the most technical sense, GIs refer to a form of intellectual property (IP) that is held collectively among many producers within a specified geographic region. More broadly, however, GIs have received global attention in recent decades as a strategic frame for driving regional economic development in areas that have long traditions of producing specialty products tied to that region.

As a legal category, there are many complexities and nuances surrounding GIs, particularly in terms of their applicability across national and international lines. As a conceptual strategy for regional economic development, however, GIs are well-studied, and their lessons are broadly applicable to specialty production regions, regardless of whether the name of the region benefits from formal legal protection as a GI. For this reason, throughout this assessment, we refer to GIs primarily as a *strategy for sustainable rural economic development* rather than a *legal category*, unless otherwise specified.

Conceptually speaking, GIs are typically managed as a joint partnership with involvement from industry, local governments, and sometimes the local community at large. GI development gives central consideration to issues including equitable distribution of resources, democratic participation,

environmental sustainability, and long-term resilience of institutions. We propose that this holistic frame is most appropriate for achieving the goals the Board of Supervisors has established for Project Trellis and the county's cannabis program more broadly. This assessment will make the case that the goal of a Humboldt County marketing program should not be only – or even primarily – to maximize short-term sales of Humboldt cannabis. Rather, a collective marketing program should establish a foundation for resilient institutions that can help support the long-term vitality of the Humboldt cannabis industry and Humboldt County as a whole.

A central challenge in this assessment is connecting the experience of established GIs to the specific situation that Humboldt County currently faces. All GIs are unique, but the cannabis industry faces many specific dynamics that are not applicable to other industries: a multi-generational history of criminalization, a highly complex regulatory framework, market dynamics that have yet to be clearly defined, and rapidly-shifting policy that may soon open up national and international markets.

The complex dynamics facing the newly-regulated cannabis market create many challenges, but also speak to the enormous opportunity facing Humboldt County and its cannabis community. At the time of this assessment, Humboldt County, containing the greatest number and density of permitted cannabis farms in North America, has established a global reputation for high-quality cannabis production, and has a deeply-rooted culture and knowledge of the cannabis plant spanning multiple generations. Early experience in the legal cannabis market has shown that Humboldt's cannabis businesses possess knowledge, networks, and cultural rootedness that cannot easily be replicated even by the most well-financed newcomers to the cannabis industry.

The challenge over the next decade and beyond will be to build on Humboldt County's unique strengths to establish a sustainable, equitable cannabis industry that can support livelihoods and prosperity in Humboldt County for many generations to come. In this project, countywide marketing efforts funded through Measure S will play a central role. The remainder of this assessment will seek to draw out the specific marketing challenges currently facing Humboldt cannabis businesses, assess the strategies that other craft producing regions have used to address similar challenges, and make recommendations to overcome these challenges and build a successful Humboldt cannabis marketing program.

Why Market Humboldt Cannabis?

Discussions on cannabis legalization in Humboldt County have centered on issues of regional marketing and branding for many years prior to the passage of Proposition 64 in 2016. As far back as 2010, as California considered Proposition 19 – what would have been a first-in-the-nation effort to legalize cannabis for adult-use – Humboldt cannabis producers have deliberated on how the collective history, culture, reputation, and unique qualities of Humboldt cannabis could be communicated with legitimacy and authenticity to consumers in a legal market.

In these discussions, Napa Valley, with its world-class reputation for wine, has often served as a point of comparison for Humboldt’s aspirations as a cannabis producing region. In May 2010, with the prospect of a vote on Proposition 19 approaching, a Napa Valley Vintners spokesperson speculated on the possibility that Humboldt County and the Emerald Triangle might successfully adopt the Napa model once cannabis was legitimized:

“Pre-dating the [Napa Valley Vintners Association] vigilance was an agreement among Napa wineries that they would promote the region before their own brands. This grape game theory is how a relatively small wine region ended up with such an iconic name, [Terry Hall, spokesman for the NVV] said.

At the very least, Northern California’s pot growers should seek similar pacts to protect and promote potential brands like Humboldt, Mendocino or Emerald Triangle, he said.

“They need to have some sort of camaraderie in terms of what your mission is, come out of hiding, be proud of your product,” he said. “It will be a huge marketing endeavor to come out from under cover. They will be smart, I think, if they form these alliances earlier.”¹

Based on Napa Valley’s experience in wine marketing, Hall identified the central challenge for Humboldt County cannabis marketing as a *collective* one: a project of consensus-building and regional organization that exceeds any individual producer or business interest.

On the surface, these have been aspirational conversations, premised on the hope that Humboldt County could successfully promote its global reputation for craft cannabis just as Napa Valley has solidified global recognition for its high-quality wine. In another sense, however, the marketing discussion has been driven by a more defensive mindset. Since the mid-20th century, many sectors of American agriculture have become increasingly driven by “go big or get out” market dynamics that have resulted in large-scale consolidation and the elimination of many thousands of small farms.

¹ McLaughlin, E.C. *As Vote Looms, Northern California Ponders How to Peddle Legal Pot*. CNN, 12 May 2010, www.cnn.com/2010/TRAVEL/05/12/california.marijuana.tourism/index.html.

Between 1991 and 2017, the share of food production attributable to small farms has dropped from approximately a half to approximately a quarter.² In turn, the disappearance of small farms has hollowed out rural communities, driving many of rural America's current economic challenges.

Historically, the grey-area legal status of cannabis cultivation under Proposition 215's medical cannabis framework has insulated legacy California cannabis farmers from the consolidation trends driving American and global agriculture. One estimate placed the number of California cannabis farms on the eve of Proposition 64 at over 68,000,³ with many thousands of small farms distributed throughout the North Coast and California more broadly. In Humboldt County specifically, cannabis cultivation - mostly conducted on small scales - has played a central role in insulating the county from the economic hardship and loss of livelihoods connected with the decline of the timber and fishing industries in the second half of the twentieth century.⁴

As cannabis becomes legitimized, however, some have argued that small and independent cannabis farms are effectively an anachronism driven by the unique historical circumstances surrounding cannabis prohibition. Such perspectives typically imagine that, in a fully-developed legal market, cannabis will not be a craft product at all, but a *commodity* – like wheat or corn – essentially sold as an undifferentiated product at centralized, exchange-driven prices. Political commentator Matthew Yglesias has been one proponent of this perspective, predicting in 2012 that legal cannabis, exposed to the forces of modern agriculture, would quickly plunge in price to as low as \$5-\$20 per pound:

*“America’s farmlands are some of the most productive in the world, thanks in no small part to technology and the existence of scale sufficient to leverage that technology. Even what Americans think of as a small family farm is quite large compared with an illicit marijuana operation. There are no amber waves of cannabis anywhere in the world today, but under a true legalization regime there would be. And this makes all the difference.”*⁵

Comparing mass-produced cannabis flower to Splenda packets, Yglesias suggested that under a legal cannabis regime a single joint would potentially sell for as little as two to three cents: “about as cheap as things that are often treated as free.”⁶

² Semuels, A. ‘They’re Trying to Wipe Us Off the Map.’ *Small American Farmers Are Nearing Extinction*. TIME Magazine, 27 November 2019, <https://time.com/5736789/small-american-farmers-debt-crisis-extinction/>

³ California Growers Association. *An Emerging Crisis: Barriers to Entry in California Cannabis*. February 19, 2018, https://d3n8a8pro7vhmx.cloudfront.net/emeraldgrowers/pages/3249/attachments/original/1519106158/An_Emerging_Crisis.pdf?1519106158

⁴ Raphael, R. (1985). *Cash crop: an american dream*. Ridge Times Press.

⁵ Yglesias, M. *Get High For Free*. Slate, July 18, 2012,

<https://slate.com/business/2012/07/how-much-would-legal-marijuana-cost-a-new-book-says-it-would-be-nearly-free.html>

⁶ So far, Yglesias’ predictions have not materialized. As of February 2020, average wholesale prices in California ranged from \$900-\$1,100 per pound for outdoor flower, and \$1,800-\$2,200 per pound for indoor flower. See Schaneman, B. *California wholesale marijuana flower prices holding steady on lack of licenses, growing demand*.

The framing of cannabis as a commodity, essentially interchangeable and valued mostly for its raw THC content, runs deeply contrary to the experience of California's legacy cannabis farmers. From the perspective of Humboldt's cannabis community, there is broad consensus that Humboldt cannabis producers are unmatched in North America – and perhaps the world – in terms of a deep knowledge about the cannabis plant, a collective library of unique cannabis genetics, a range of specific microclimates well-suited to cannabis cultivation, and the use of production practices perfected over many decades.

This internal conviction is matched in external reputation: nationally and internationally, Humboldt and surrounding regions in the Emerald Triangle are synonymous with cannabis. Such a collective reputation, *established without a dime spent on traditional marketing efforts*, represents an incalculably valuable form of communal intellectual property that a private company might spend enormous time and resources attempting to establish.

Reputation alone, however, has not yet clearly established the Humboldt name as a major differentiating factor in the minds of California consumers. As subsequent case studies will make clear, reputation alone may have limited impact if it is not integrated with strategies for differentiation, IP protection, and marketing, strategies which are at the core of the GI conceptual approach. These factors, which ultimately hinge on a well-constructed collaborative approach, make the difference between a region with a free-floating reputation - which lacks definition and whose benefits may be captured by a small number of private actors - and a concrete *regional brand identity*, which is well-defined and which is managed for collective benefit of the region as a whole.

In short, there is conflict between the perspective of Humboldt County farmers and manufacturers who view cannabis as a highly differentiated, artisan, regionally-grounded product on one hand; and a range of forces that view cannabis through the lens of consolidation, commoditization, and maximal efficiency on the other. How these divergent perspectives play out in the minds of consumers – in particular, the extent to which cannabis is considered to be a craft product, a commodity, or both – will play a central, and perhaps decisive, role in the future of Humboldt County and the livelihoods of thousands of people connected with it.

The question posed by this assessment, then, is not simply how to sell the greatest amount of cannabis within the market as it currently functions. To a large extent, a successful Humboldt County marketing program would not just respond to, but seek to *define and influence* the direction of a legal cannabis marketplace still in its infancy.

In the following section, we seek to define in more detail the current state of Humboldt County businesses within the current cannabis market, and identify a set of central questions that the remainder of the assessment will seek to answer.

The State of Humboldt County Cannabis

Several existing dynamics deserve close consideration as part of the development of a Humboldt cannabis marketing program. Important dynamics include the size and scale of cultivation in Humboldt County; the relationships between Humboldt’s cultivation and non-cultivation businesses; the production methods most common to Humboldt producers; access to markets in California and beyond; factors affecting current perceptions of market value; and legal structures that define the boundaries of regional intellectual property in cannabis.

The below sections consider each of these dynamics in detail, and pose questions to consider with respect to each dynamic.

Size and Scale of Cultivation

At the time of this assessment, Humboldt County leads the state of California, and in turn the nation, in legal cannabis cultivation. According to data from the California Department of Food and Agriculture, as of May 27, 2020, Humboldt County cultivators hold 1,366 total state cultivation licenses. Because individual cannabis farmers may hold multiple cannabis cultivation licenses on the same property and under the same business entity, this total is divided over 794 independent cannabis farms. Humboldt County cultivators hold 28.6% of total state cultivation licenses and make up 30.7% of the independent cannabis farms in the state.

Using state data, it is possible to further understand the composition of these 794 legal farms. In total, Humboldt County farmers cultivate up to 383.5 acres of state-permitted canopy.⁷ The average size of a Humboldt cannabis farm is therefore just under a half acre, or 21,039 square feet. A total of 405 licensed Humboldt farms – 51% of the overall total – are licensed to cultivate a cumulative area of less than 10,000 square feet, and are consequently considered “small” farms under California’s state licensing framework.

The size, scale, and composition of permitted Humboldt County cannabis cultivation differs substantially from major cultivation regions in Central and Southern California. The second-largest legal cannabis cultivation region in California is Santa Barbara County, where cannabis farmers hold 1,057 total cultivation licenses over 257 acres of canopy. However, just 75 independent cannabis farms control these licenses, representing a much greater degree of consolidation than in Humboldt County and other Emerald Triangle counties. The largest cannabis farms in Santa Barbara County region hold over 60 acres of licensed cannabis cultivation area, many times larger than the largest Humboldt County cannabis farms. At the same time, Humboldt County farms are somewhat larger on average

⁷ A limitation of this number is that state cultivation licensing data only expresses the *maximum* allowable area to be cultivated under a state license. Many farmers do not plant the full total of their state-permitted area, and so the actual area under permitted cultivation in Humboldt is somewhat less than 383.5 acres.

than farms in neighboring Mendocino and Trinity County, both of which currently prohibit farms that cultivate more than 10,000 square feet.

Humboldt’s cannabis cultivators are in a unique position within the state-level and emergent nationwide cannabis markets. Given Humboldt County’s position as 1) a major volume producer in the existing legal market, 2) a specialty producer of high-quality craft cannabis, and 3) a highly distributed producing region composed of many small farms, how can a marketing program ensure legitimacy, a unified message, and long-term effectiveness?

Non-Cultivation Cannabis Businesses

Only cannabis cultivators in the unincorporated areas of Humboldt County pay into the Measure S cannabis tax, which in turn funds the proposed Project Trellis marketing program. However, Humboldt County is home to many other cannabis businesses – including manufacturers, distributors, retailers, and testing laboratories – which do not fit this criteria. This includes any business based in Humboldt County’s incorporated cities, including Arcata, Eureka, and Rio Dell, each of which permit commercial cannabis activity.

Based on a review of state cannabis licensing data on May 13, 2020, Humboldt County and its incorporated cities contain:

- 60 cannabis manufacturers, including 30 Type 6 (non-volatile solvent) manufacturers, 23 Type 7 (volatile solvent) manufacturers, 6 “infusion-only” manufacturers, and one “packaging-only” manufacturer.
- 58 distributors.
- 19 storefront dispensaries.
- 1 delivery service.
- 14 “microbusinesses” that are vertically integrated and carry out multiple licensed cannabis functions.

These businesses are interdependent with Humboldt cannabis cultivators and are a critical cornerstone of the Humboldt County economy, particularly in the incorporated cities. Eureka’s Director of Development Services has estimated that licensed cannabis businesses employ 300-600 people in Eureka, pointing out that these jobs pay above-average wages – generally \$15/hour or more – and often involve skilled labor. Arcata’s Director of Community Development has stated that licensed cannabis businesses have created hundreds of jobs in Arcata, helping the town to thrive economically “even though we’re behind the Redwood Curtain.”⁸

In addition to their positive economic effects, non-cultivation businesses play a powerful role in the promotion of the Humboldt cannabis brand. Local manufacturers create unique extracts, derived

⁸ Waraich, S. *Cannabis manufacturing is booming in Humboldt County*. Eureka Times-Standard, August 15, 2019. <https://www.mercurynews.com/2019/08/15/cannabis-manufacturing-is-booming-in-humboldt-county/>

from Humboldt County-grown cannabis, that are often branded using the Humboldt name; local distributors carry Humboldt-made products and promote Humboldt producers to industry partners in California’s cities; and local retailers make Humboldt-made products available to consumers while playing a key role in tourism.

From a big-picture perspective, the existence of a full value chain in Humboldt County ensures that the economic benefits of cannabis remain within the County, creates jobs, and reduces the leverage that well-capitalized external distributors might hold over Humboldt producers. Additionally, the county of origin protections provided by California law are applicable to all cannabis that is 100% produced in Humboldt County, broadening the legal baseline for Humboldt-branded cannabis to include processing and manufacturing as well as cultivation.

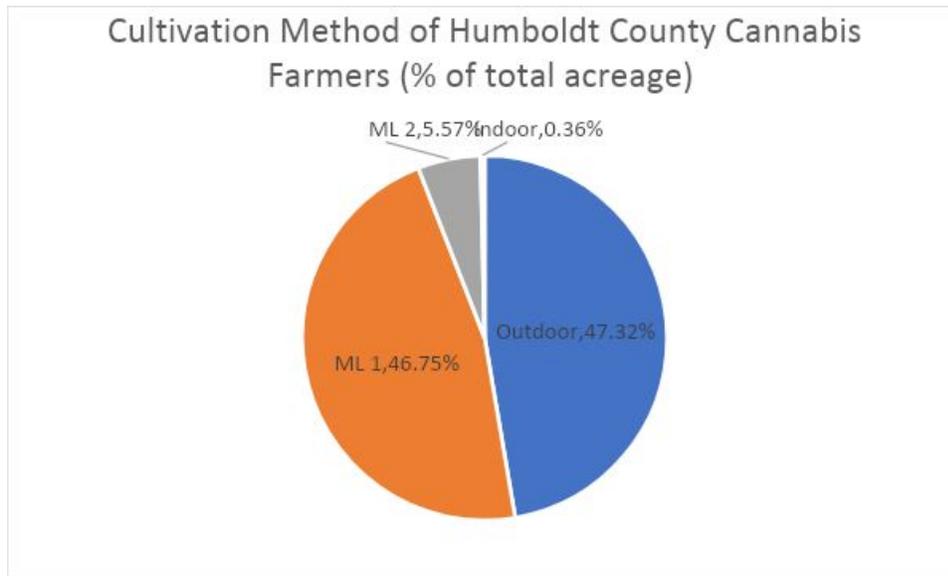
Humboldt cultivators, manufacturers, distributors, labs, and retailers are highly interdependent. Considering that only cannabis farmers currently pay into the County’s proposed marketing program, how – if at all – can a Humboldt County cannabis marketing program integrate non-cultivation cannabis businesses without creating a free rider challenge?

Production Method

California state law classifies cannabis cultivation under four categories: outdoor, indoor, “mixed-light tier 1,” and “mixed-light tier 2.”

- **Outdoor cultivation** is conducted in the full sun, with no artificial lighting, and is prohibited from using structures such as hoop-houses or greenhouses.
- **Mixed-light tier 1** cultivation refers to cultivation that uses structures and/or less than six watts per square foot of artificial lighting. Typically, in Humboldt County, mixed-light tier 1 cultivators do not use artificial light for mature plants. Instead, the primary technique associated with mixed-light 1 cultivation is the use of tarps to manipulate natural sunlight and induce early flowering, enabling greater control over production and the completion of multiple harvests per year.
- **Mixed-light tier 2** cultivation refers to cultivation taking place with between 6-25 watts per square foot of artificial light. These operations typically include a significant degree of climate control, and many run year-round.
- **Indoor cultivation** refers to cultivation with the highest degree of artificial lighting and climate control, typically conducted in a fully indoor environment.

Cultivation in Humboldt County is overwhelmingly conducted under outdoor and mixed-light tier 1 license types, with no use of artificial light used during the flowering phase of cultivation. In total, based on our analysis of CDFA data from May 27, 2020, Humboldt County farmers are licensed for 181 acres of outdoor cultivation, 180 acres of mixed-light tier 1 cultivation, 21 acres of mixed-light tier 2 cultivation, and 1.4 acres of indoor cultivation.



The “sun-grown” quality of most Humboldt County cannabis distinguishes it from cannabis grown in areas like Los Angeles, the Bay Area, and the Coachella Valley, where nearly all cultivation occurs indoors under artificial light and climate control.

Beyond the legal categories that classify production methods, Humboldt County farmers utilize a range of agricultural and production practices that have not been surveyed to the point where they can be clearly quantified or defined. These include organic and permaculture/regenerative methods, although official organics certification is complicated by the control of the “organic” label under federal government guidelines. California is currently developing its own comparable-to-organic certification for cannabis, which may begin to provide opportunities for differentiation along these lines.⁹

There is currently limited recognition among consumers regarding sun-grown, organic, and regenerative cultivation methods. How can Humboldt County’s specific production methods and practices for environmental sustainability be incorporated into the County’s marketing program?

Protection of Regional Intellectual Property

California state law includes a multi-tiered system for the protection of cannabis regional origins, including protections for county of origin and appellations of origin. Additionally, as more markets become available, national and international tools for collective intellectual property protection will become increasingly important. This section considers each of these IP protections, and their implications for Humboldt County cannabis, in turn.

⁹ California Department of Food and Agriculture. *Ocal Program*. Accessed July 30, 2020. <https://www.cdfa.ca.gov/calcannabis/ocal.html>

County of Origin

County of origin protections, which have been in place since the implementation of state cannabis regulations in 2018, are critical to protecting the integrity of Humboldt-grown cannabis. In order to use a California county name on a label of a cannabis product, or in advertising or marketing, state law requires that 100% of the cannabis in the product must have been produced within the stated county.

¹⁰ County of origin protections are the essential, already-existing legal baseline that provides a firm foundation for a Humboldt cannabis marketing program, and are inclusive of all cannabis produced within the county. As subsequent case studies will make clear, other regions - such as Napa and Kona - have engaged in protracted legal fights to establish name protections that are less robust than those already guaranteed by California cannabis law.

Appellations of Origin

Separate from county of origin rules, appellations of origin protections have also been included in the foundations of California's legal cannabis framework. Unlike county of origin, which is based solely on established political boundaries, appellations of origin are a more exclusive and nuanced program applicable to smaller sub-regions within counties or spanning across county lines. In CDFA's recently-proposed regulations for the cannabis appellations program, Humboldt County - or any California county - would be prohibited from establishing a countywide appellation.¹¹

In concept, appellations are intended to designate an essential causal link between product and place, inclusive of regional factors such as climate, elevation, soils, and cultural practices. The French term *terroir* is often used to capture the totality of natural and human factors that influence the unique qualities of agricultural products grown in specific regions. By tying the special qualities of cannabis directly to the land itself, appellations can be used to demarcate and promote specialty products with inherent ties to specific producing regions.

A critical aspect of appellations is that they are controlled, fundamentally, by farmers themselves. In order to create an appellation, a group of farmers must submit an appellation petition to state regulators that specifies the geographical boundaries of appellation regions, historic naming evidence, as well as the standard, practices, and cultivars required for use of the appellation designation. Once an appellation petition is approved, the regional name becomes protected, and the appellation cannot be used unless it meets the geographic and production requirements outlined in the petition.

¹⁰ Senate Bill 185, California state legislature. Introduced 2019.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200SB185

¹¹ CalCannabis, Proposed California Cannabis Appellations Regulations, February 20, 2020.

<https://www.cdfa.ca.gov/calcannabis/documents/AppellationsProposedRegulations.pdf>

California's appellations program is required to be implemented under state law by January 1, 2021. Once final regulations are approved and a program is implemented, we anticipate that many sub-regional organizations of farmers, within Humboldt County and elsewhere, will begin organizing in order to establish and promote appellations. The importance of these appellations to the marketing of craft cannabis, and the relationship between appellations and the county as a whole, deserves close attention as part of a Humboldt cannabis marketing program.

Additional policy developments may also impact the rollout of appellations. Senate Bill 67, currently under consideration in the California state legislature,¹² would strengthen the requirement that appellations are based in *terroir* and provide additional protections for city of origin. The fate of this legislation, as well as potential future state and federal rules, will have a significant impact on the marketing of Humboldt cannabis.

National and International Protections for Regional Origins

State-level IP protections form an essential foundation for the protection of the Humboldt name and the names of prospective Humboldt-based appellations. As available markets expand, however, California state name protections will be required to scale up to fit established national and international frameworks for geographical IP.

Navigating these larger frameworks is not always straightforward: tools for regional IP protection often vary between countries, and the protection of regional place names has been a frequent subject of contention in international treaty negotiations. Broadly speaking, however, there are three major forms of regional IP protections available at the national and international level:

- **Certification marks** – certification marks are the primary U.S. approach to the protection of regional place names. Understood as a form of trademark, certification marks are held by a third-party certifying body which grants use of the mark to entities that meet specified certification standards. These standards can include production within a geographical boundary, as well as other qualifications or standards.¹³ Vidalia Onions, Idaho Potatoes, and Napa Valley wine are examples of regional certification marks protected by the U.S. Patent and Trademark Office.
- **Geographical indications** – as referenced earlier, geographical indications (GIs) are a form of IP protection for regional intellectual property. While the U.S. PTO has described certification marks as a type of GI,¹⁴ formal GI protection is most often associated with an

¹² Senate Bill 67, California state legislature. Introduced 2019.

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB67

¹³ Barham, E. (2010). American origin products (AOPs): Protecting a legacy. *Versoix (Geveva), Switzerland: oriGI, Organization for an International Geographical Indications Network.*

¹⁴ United States Patent and Trademark Office (N.D) *Geographical Indication Protection in the United States.* Accessed July 30, 2020. https://www.uspto.gov/sites/default/files/web/offices/dcom/olia/globalip/pdf/gi_system.pdf

IP-protection framework heavily utilized in the EU and other countries and enshrined in international treaties. According to the World Intellectual Property Organization:

“A geographical indication (GI) is a sign used on products that have specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.”

¹⁵

A critical aspect of a GI is the understanding that a product is not only produced *within* a region, but that the “qualities, characteristics, or reputation of the product” are *clearly linked* to the region.

- **Appellations of origin** – appellations of origin are defined in international law – specifically, in the Lisbon Agreement – as “*a geographical denomination of a country, region, or locality, which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographic environment, including natural and human factors.*”¹⁶ By foregrounding the notion of an “exclusive or essential” causal link with the geographic environment, and by excluding notions of reputation, appellations of origin demarcate a closer tie between place and product at a higher standard than either certification marks or GIs. Appellations of origin are frequently associated with the notion of *terroir*, encompassing the totality of a link between product and place, inclusive of land, soil, climate, and human factors.

In addition to these collective IP protection tools, geographical names may also be used within trademarks held by a privately-held entity. Many Humboldt-based cannabis businesses include the “Humboldt” name as part of a larger trademark, such as “Humboldt Legends” or “Humboldt Farms.” In California, use of these geographic trademarks is limited by the California county of origin rules described above, which prohibit the use of a California county name on a cannabis product unless 100% of the cannabis in the product was produced in the named county.

As national and international markets become increasingly available, each of these IP protection tools are likely to factor into the ability for Humboldt and its appellations to protect their names in the marketplace. As the forthcoming case studies will make clear, effective navigation of various tools for IP protection at the state, national, and international level are essential to effectively building a defensible regional brand identity.

The intersection between county of origin and appellations will have a major influence on the future of Humboldt cannabis cultivation and the building of a regional brand identity.

¹⁵ World Intellectual Property Organization. *Geographical Indications*. https://www.wipo.int/geo_indications/en/

¹⁶ OriGI (N.D.) *Key Concepts of GIs*. Accessed July 30, 2020. <https://www.origin-gi.com/your-gi-kit/key-concepts-of-gis.html>

Additionally, both county of origin and appellations will eventually need protection beyond the state of California. How can a Humboldt marketing program address collaboration between regional appellations and countywide efforts, and protect these names in a national and international context?

Interstate and International Commerce

Humboldt County legal cannabis exports are currently limited to other regions of California. As a result, with two-thirds of the state's population, Southern California – and particularly the Los Angeles region – has become the largest existing market for Humboldt-produced cannabis products, creating a critical need for any regional branding strategy to reach consumers and industry partners in the L.A. region.

Over the coming years, however, there is a strong likelihood that export markets will begin to open beyond California's state lines. Attitudes on cannabis legalization have changed quickly, and legalization is now supported nationwide by a majority of both Democrats and Republicans.¹⁷ Shifting public attitudes open the possibility that interstate or even international markets may develop over the next decade, potentially expanding the reachable consumer base from 40 million California residents to hundreds of millions or eventually billions of people. As export markets for legal cannabis expand, a regional branding strategy - including IP protection considerations - will need to quickly adapt to new consumers as well as new market rules and dynamics.

Notably, there is also likely a two-way relationship between regional marketing and the development of policy that authorizes interstate cannabis commerce. In Oregon, the Craft Cannabis Alliance recently led successful efforts to pass legislation to conditionally authorize Oregon cannabis exports to other legal states,¹⁸ based largely around a framing of Oregon-produced cannabis as having special and unique qualities as an export product. The Craft Cannabis Alliance's director, Adam Smith, is now working to promote interstate commerce agreements with major emerging markets such as New York state. A critical aspect of Smith's position is the understanding that legacy cannabis producing regions - including Humboldt County - have grown cannabis for generations and already constitute "the best cannabis producing region on the planet."¹⁹ Smith has argued that the long history of sun-grown cannabis produced in the Emerald Triangle and surrounding regions renders the new development of large-scale production in states like New York unwise due to the negative environmental impact

¹⁷ Daniller, A. *Two-thirds of Americans support marijuana legalization*. Pew Research Center, November 14, 2019. <https://www.pewresearch.org/fact-tank/2019/11/14/americans-support-marijuana-legalization/>

¹⁸ The authorization is "conditional" in the sense that it is dependent on reaching compacts with other cannabis-legal states, as well as receiving official tolerance from the federal Department of Justice. For more background: Jaeger, K. *Oregon Governor Signs Bill To Allow Interstate Marijuana Imports And Exports*. Marijuana Moment, June 25, 2019. <https://www.marijuanamoment.net/oregon-governor-signs-bill-to-allow-interstate-marijuana-imports-and-exports/>

¹⁹ Furnari, C. *Cannabis Policy Experts Argue for Interstate Commerce at MJBizCon 2019*. THCNet, December 15, 2019. <https://thcnet.com/news/cannabis-policy-experts-argue-for-interstate-commerce-at-mjbizcon>

associated with large scale indoor production, and that these states should instead develop policy that authorizes imports from legacy, sun-grown cannabis producing regions on the West Coast.

The markets available for Humboldt cannabis are likely to change rapidly over the coming years. How can a Humboldt County marketing program remain flexible in response to the opening of new markets? What role, if any, can Humboldt County’s marketing program play in influencing policy that opens additional export markets?

Differentiation and Valuation of Cannabis Products

As a newly-legal industry, many issues related to the differentiation and valuation of cannabis products remain unsettled. What follows is not an exhaustive list of existing market dynamics, but an attempt to identify a few of the major forces shaping the existing market. To the extent that these shifting market dynamics have the potential to greatly shift the demand for Humboldt-grown cannabis, understanding and potentially influencing these dynamics will be critical to a Humboldt County regional branding strategy.

- **Valuation by THC percentage** – in the existing market, the primary driver of pricing for cannabis flower is the flower’s THC content by percentage.²⁰ There is an increasing consensus, however, that THC potency has become significantly overvalued as a mark of quality. The quantity of secondary cannabinoids (e.g. CBD, CBN, THCv) and terpenes, as well as factors such as smell, taste, and appearance, may be equally or more important to the consumer experience, but are not systematically communicated to consumers or factored clearly into pricing.²¹ Appreciation for the complex interplay of many factors, rather than pricing that reflects THC potency only, will likely play a major role in shifting perceptions of cannabis from a commodity product to a craft product that is understood as expressing the artisanal skills of legacy farmers.
- **Premium for indoor-grown cannabis** – the existing market also tends to provide a significant price premium for indoor-grown flower over cannabis produced outdoors or in greenhouses.²² To many consumers, “outdoor” currently signals low quality while “indoor” signals the highest quality. However, there is strong reason to believe that this notion is subject to change. There is likely significant room to communicate the positive qualities of outdoor cannabis to consumers, including challenging perceptions of low quality, and emphasizing factors such as low energy usage and sustainable land stewardship.

²⁰ Giraud, C. *Why does high-THC flower dominate the cannabis market?* September 13, 2019. <https://www.leafly.com/news/industry/high-thc-flower-dominates-cannabis-market>

²¹ Roberts, C. *Science Reveals The Cannabis Industry’s Greatest Lie: You’re Buying Weed Wrong (And So Is Everyone Else)*. Forbes, June 16, 2020. <https://www.forbes.com/sites/chrisroberts/2020/06/16/science-reveals-the-cannabis-industrys-greatest-lie-youre-buying-weed-wrong-and-so-is-everyone-else/>

²² Sacirbey, O. *The Great Cultivation Debate*. Marijuana Business Magazine, May 2017. <https://mjbizmagazine.com/great-cultivation-debate/>

- **Lack of a unified grading system** – there is currently no unified grading system for cannabis, and in most cases each distributor and retailer have implemented their own independent systems for assessing quality. The lack of a unified system contributes to the reliance on the THC potency and indoor/outdoor metrics described above to determine pricing, as there is no other consensus-based system to communicate the quality of cannabis flower or concentrate.
- **Lack of recognition for organics and sustainable agricultural methods** – there is currently little guidance for cannabis consumers seeking to support cannabis grown using environmentally sustainable methods. While a California state comparable-organic certification is currently being developed,²³ it is not yet clear whether such certification will gain traction with consumers or adequately reflect the most sustainable cultivation practices. Similarly, private environmental certifications have not yet achieved widespread recognition in the market, and face challenges in obtaining IP protection due to the continued federal prohibition on cannabis.
- **Relationship between producers and distributors** – California state law requires cannabis farmers and manufacturers to partner with distributors, or to obtain their own distribution license, in order to bring their products to market. Due to the high cost of obtaining a distribution license, most Humboldt farmers are practically required to rely on third-party distributors to reach retailers and consumers. Additionally, most Humboldt-grown cannabis is currently sold under the brand of a third-party distributor rather than a Humboldt-based or independent farm brand. As a result, partnerships with external distributors can result in situations where the high quality of Humboldt-grown products is used to build the brand of non-Humboldt wholesalers.

Many existing market dynamics do not recognize the unique and outstanding qualities of Humboldt-produced cannabis. How can a Humboldt marketing program influence the development of market dynamics which are currently shaping pricing and consumer decisions?

²³ California Department of Food and Agriculture. *Ocal Program*. Accessed July 30, 2020. <https://www.cdffa.ca.gov/calcannabis/ocal.html>

Geographical Indications and Regional Brand Identity

The question of building a regional brand identity may be new to cannabis, but it is not new to agriculture. Regional marketing strategies for geographically unique export products are widespread throughout the globe. Regions foregrounding such strategies range from Napa Valley wine, to well-known French wine appellations like Champagne and Bordeaux, to Idaho potatoes, Maine lobsters, Colombia coffee, Kona coffee, Darjeeling tea, and many others. Some of these regional branding efforts have become highly successful, bringing benefit not just to farmers and value chain partners but to the region as a whole. Others have struggled, either because they fail to get off the ground, or because they redirect benefits to select private actors and do not distribute benefits throughout the community.

At their best, regional differentiation strategies can promote a distinctive export product that is ecologically sustainable, brings equitable benefit to farmers and value chain partners, and provides stability and long-term vibrancy to the region as a whole. Establishing a strong regional brand for a craft product can insulate small producers from fluctuations in global commodity markets beyond their control, and establishing collective control over the brand can prevent capture of the value chain by a small number of privately-held distributors or exporters.

Geographical indications (GIs) are the critical conceptual approach that encompasses these approaches to regional product differentiation and promotion. As discussed previously, in the most technical sense, GIs are a form of intellectual property whose boundaries are established within a framework of international treaty law. Practically, however, the GI frame expands well beyond issues of intellectual property. From a GI perspective, the project of building a successful regional marketing program is inextricably intertwined with the question of sustainable rural economic development. Successful geographical indications do promote short-term sales, but they do much more than this: they seek to build resilient long-term institutions, prevent boom and bust cycles, balance the needs of the community, drive tourism and broader economic development, and more.

A 2009 report from the International Trade Centre (ITC), written based on the input of over 30 international experts in geographical indications, emphasizes the holistic nature of GIs as drivers of rural development:

“Geographical Indications are not exclusively commercial or legal instruments, they are multi-functional. They exist in a broader context as an integral form of rural development that can powerfully advance commercial and economic interests while fostering local values such as environmental stewardship, culture and tradition. GIs are the embodiment of ‘glocalization’ i.e.

*products and services participating in global markets and at the same time supportive of local culture and economies.*²⁴

At the same time, the ITC report emphasizes that GIs are essentially connected to the question of business. The promotion of a regional brand identity under a GI can be compared to the promotion of a premium brand, with the caveat that the brand is managed collectively among all stakeholders in the region:

*On the business side, GIs are market-oriented. They often align with emerging trade demands since they tend to have standards for quality, traceability and food safety. GIs possess many of the characteristics of an upmarket brand. They can have an impact on entire supply chains and even other products and services in a region and thereby foster business clustering and rural integration. GIs capture the distinctive aspects that emerge from a terroir and its associated traditional methods of production and processing that are often difficult to duplicate in other regions or countries. This differentiation from commodities can offer a valuable competitive advantage that is difficult to erode.*²⁵

Finally, the ITC report cautions against viewing GIs as a quick fix for rural economic development. As the subsequent case studies will demonstrate, successful GIs are developed over decades and depend on strong and resilient institutional structures as well as thoughtful strategic planning:

*“GIs are not easy to establish. Success on a large scale is often measured in decades and requires patient application and sustained commitment. They can have considerable costs, not just for organizational and institutional structures but also for ongoing operational costs such as marketing and legal enforcement. In some cases, without proper planning and management, developing countries could squander limited resources investing to establish poorly chosen GIs.”*²⁶

When GIs are effectively established, managed, and promoted, they can provide considerable benefits for rural producers and economies. A 2009 review of the academic literature on geographical indications²⁷ finds three common GI benefits for producing regions:

²⁴ Giovannucci, D., Josling, T. E., Kerr, W., O'Connor, B., & Yeung, M. T. (2009). *Guide to Geographical Indications: Linking products and their origins*. International trade centre.

²⁵ Giovannucci, D., Josling, T. E., Kerr, W., O'Connor, B., & Yeung, M. T. (2009). *Guide to Geographical Indications: Linking products and their origins*. International trade centre.

²⁶ Giovannucci, D., Josling, T. E., Kerr, W., O'Connor, B., & Yeung, M. T. (2009). *Guide to Geographical Indications: Linking products and their origins*. International trade centre.

²⁷ Bowen, S., & Zapata, A. V. (2009). Geographical indications, terroir, and socioeconomic and ecological sustainability: The case of tequila. *Journal of rural studies*, 25(1), 108-119.

- **Supporting rural producers** - *“economists note that GI products sell for higher prices than their industrially-produced counterparts, and so help farmers to remain competitive in the face of globalization.”*
- **Supporting rural economies** - *“because GIs are linked to a particular territory, and because GI protection is collectively owned, GIs are credited with having feedback effects throughout rural economies.”*
- **Internalizing environmental and social considerations** - *“by ‘short-circuiting’ industrial supply chains, GIs are said to better connect producers and consumers, providing information (about the place of production, the people involved in production, and the methods employed) that allow the true environmental and social costs of production to be accounted for.”*

How do successful producing regions achieve these goals? In the case studies that follow, we conduct a review of four of the world’s most successful efforts for regional differentiation and marketing, considering such factors as organizational structure, quality control, IP protection, and programmatic marketing efforts. Based on these case studies, we reach a number of findings on the most common elements that underlie successful geographic indications.

Case Study #1: Colombian Coffee

Colombian coffee is notable as one of the world's most well-organized geographic indications, managed in close partnership with the Colombian state and responsible for a large proportion of Colombia's economic output. Colombia is currently the world's third-largest coffee exporter by volume, and is home to over 500,000 independent, smallholding coffee farmers. In 2019, the net value of Colombian coffee production totaled over \$2 billion.²⁸ The collective export strategy for "100% Colombian coffee," first initiated in 1958, has been characterized as "perhaps the most successful campaign for a product from a developing country to promote the authenticity of origin."²⁹

The enormous scope and organizational complexity of the Colombian coffee GI provides a useful comparison to Humboldt cannabis in some ways, while suggesting limitations in others. On one hand, it is unlikely that organization on the scale of Colombian coffee would ever become practical or necessary in Humboldt County, where total licensed cannabis farms total less than 1% of Colombia's total coffee farms. At the same time, the Colombian example can help to elucidate the full range of potential operations and strategies available to aspiring GIs. Certain aspects of the Colombian experience may be useful for Humboldt County on day one, while others may serve as aspirational goals over a longer-term organizational project.

Organizational Development

At the center of the Colombian GI is the National Federation of Coffee Growers (NFC), a trade association founded in 1927 that now comprises over 566,000 member farmers.³⁰ The NFC carries out a wide range of functions beyond those of a typical trade association, including acting as a processor and distributor, purchasing coffee directly from producers at a minimum price designed to cover the cost of production, and directly reinvesting in rural infrastructure such as roads and schools. In many respects, the NFC acts as a quasi-governmental entity, with leadership subject to elections and a tiered organizational structure tying the national organization to farmers and cooperatives at the local level.

The NFC's capacity to manage the Colombian GI is tied to its close partnership with both small farmers and the Colombian state. The NFC works in close collaboration with 38 coffee cooperatives distributed throughout the country:

²⁸ FNC Press Office. *Colombian coffee production closed 2019 at 14.8 million bags*. January 14, 2020. <https://federaciondefeferos.org/wp/listado-noticias/colombian-coffee-production-closed-2019-at-14-8-million-bags/?lang=en>

²⁹ García-Cardona, J. (2016). *Value-added Initiatives: Distributional impacts on the global value chain for Colombia's coffee* (Doctoral dissertation, University of Sussex).

³⁰ Roldán-Pérez, Adriana, et al. "Coffee, cooperation and competition: A comparative study of Colombia and Vietnam." *UNCTAD Virtual Institute* (2009): 1-92.

“The NFC is active in all districts, through the cooperatives that exist there. These cooperatives are the point of contact between the grower and the NFC. Apart from purchasing the harvest, the latter provides the former with assistance such as social programmes, loans, advice on new technology, education and incentives – in the form of certification – to improve the quality of the coffee. This assistance is managed in such a way as to make growers part of the institution which manages the country’s coffee policy.”³¹

The NFC also acts in close coordination with the Colombian government to promote the Colombian coffee industry. The Colombian government regulates prices, ensures quality control of exports, funds research and development, and attempts to open new export markets and establish favorable trade rules. The government also imposes a tax on coffee, a portion of which is reinvested via the NFC to fund collective programs on behalf of the coffee industry.³²

Quality Control and Coffee Classifications

Minimum quality and production standards are central to the Colombian coffee branding strategy. To ensure consistent quality, the NFC deploys about 1,000 coffee specialists to educate farmers on the most up-to-date quality control techniques and technologies.³³ All Colombian coffee is derived from Arabica beans, hand-harvested, and processed under specific parameters that involve using a sieve to separate out the beans of highest quality. Processing rules explicitly limit the use of technological aids that may increase efficiency, but which would threaten to decrease quality:

“The manual harvesting process of Colombian coffee, combined with the washing process, is its key added value element. These factors ensure appropriate aroma, body and taste of the coffee. By way of this added value, a higher income is sought for growers and is obtained when consumers are offered innovative and high quality options at each consumption opportunity.”³⁴

Until the 1990s, the primary goal of these standards was to ensure a consistent and homogenous product of high quality. In recent decades, however, global coffee markets increasingly began to value differentiation and diversity, requiring a substantial adjustment to Colombia’s marketing strategy:

“To the extent that different international players sought to obtain greater value by differentiating the final product, the Colombian strategy of offering a single quality did not

³¹ Roldán-Pérez, Adriana, et al. "Coffee, cooperation and competition: A comparative study of Colombia and Vietnam." *UNCTAD Virtual Institute* (2009): 1-92.

³² Echavarría, Juan José, et. al. (2015). *Report Written by the Commission on Coffee Competitiveness in Colombia*. <https://www.semanticscholar.org/paper/WRITEN-BY-THE-COMMISSION-ON-COFFEE-COMPETITIVENESS-Echavarr%C3%ADa-Esguerra/b68d07e64c838d523ea896151f1daba78d29d529>

³³ World Intellectual Property Organization. *Making the Origin Count: The Colombian Experience*. Last modified September 16, 2015. <http://www.wipo.int/ipadvantage/en/details.jsp?id=2617>.

³⁴ Roldán-Pérez, A., Gonzalez-Perez, M. A., Huong, P. T., Tien, D. N., Riegler, F. X., Riegler, S., ... & Hang, N. T. (2009). Coffee, cooperation and competition: A comparative study of Colombia and Vietnam. *UNCTAD Virtual Institute*, 1-92.

seem the most appropriate. In these new circumstances, those coffee institutions designed for times already gone, appear oversized, inflexible and not transparent; it does not offer a favorable environment for private initiative and innovation, for the development of differentiated coffees or to increase domestic consumption; it does not react fast enough to the changing dynamics of the international market.”³⁵

As a result, in parallel to its efforts to protect and promote “Café de Colombia” in general, the NFC worked to promote a range of distinctive specialty coffees. Today, there are three major areas in which the NFC has sought to distinguish Colombian coffees: origins, environmental certifications, and specialty preparations.

- **Coffees of origin** – this category is notable in that it largely mirrors the appellations of origin system currently under development for California cannabis. Coffees of origin derive from specific Colombian regions and seek to demonstrate a clear causal link between geography and place. While Colombia itself serves as an “origin” in some respects, the country as a whole is too large to claim that all coffee is produced with a consistent *terroir*.³⁶ Coffees of origin therefore focus on smaller subregions that can demonstrate more directly how *terroir* influences the quality of the coffee produced.

The most well-known example of a regionally distinctive Colombian coffee of origin is Café Nariño, which must be 100% sourced from the remote, mountainous, coastal Nariño region of southern Colombia. The Colombian industry has identified a unique flavor profile specific to Nariño coffees grown at higher altitudes, which includes acidity and a soft, sweet finish. Cenicafé, the NFC’s research arm, conducts substantial scientific study to validate the distinctive qualities of origin coffees such as Café Nariño:

“Using in-depth surveys and research Cenicafé has successfully identified 36 out of 1,050 chemical components that vary according to different growing environments. When plotted on a graph, it is easy to discern these specific components that are associated with a particular region and so a coffee can be readily differentiated, even beyond a professional taster’s skills, and tested to see whether it meets the typical profile of that region. This technology, applied over the course of several harvests, can objectively isolate and identify coffees coming from neighbouring regions, which is a substantial advancement in both origin control and deterrence of potential infringers.”³⁷

³⁵ Echavarría, Juan José, et. al. (2015). *Report Written by the Commission on Coffee Competitiveness in Colombia*. <https://www.semanticscholar.org/paper/WRITEN-BY-THE-COMMISSION-ON-COFFEE-COMPETITIVENESS-Echavarr%C3%ADa-Esguerra/b68d07e64c838d523ea896151f1daba78d29d529>

³⁶ In this sense, there are substantial similarities between the use of “Colombia” name - which demarkes a political boundaries and a shared set of standards and practices, but not a consistent *terroir* - and county of origin protections for California cannabis, which are similarly based on political boundaries rather than *terroir*.

³⁷ Giovannucci, D., Josling, T. E., Kerr, W., O’Connor, B., & Yeung, M. T. (2009). *Guide to Geographical Indications: Linking products and their origins*. International trade centre.

Following the Café Nariño example, growers in other Colombian regions are now assessing the potential costs and benefits of pursuing similar designations of origin in their own areas.

- **Sustainable coffees** – coffees in this category are certified, labeled, and marketed as grown using environmentally sustainable methods. Environmental sustainability has become an increasingly pressing concern in the Colombian coffee sector, in part due to a shift from traditional “shade-grown” cultivation methods to cultivars that prefer direct sunlight and therefore incentivize clear-cutting. While several environmental certifications are available to Colombian farmers, the program that has received the most institutional buy-in is the Rainforest Alliance certification. This certification is promoted in a partnership with the NFC, and has benefitted from \$12 million in external funding from the United Nations Development Program. The availability of external funding has been crucial, as successful environmental certifications require widespread adoption on both the supply side and the demand side of the coffee market. Achieving these outcomes requires a substantial investment of resources to educate and certify farmers as well as promote the certification to consumers.

A 2017 analysis conducted by Princeton University researcher Blair Cameron found that the Rainforest Alliance certification program has yielded mixed results.³⁸ By 2016, about 10,000 Colombian farms had become Rainforest Alliance certified. Many farmers, however, have found that price premiums are too inconsistent and the costs of maintaining certification are too high to justify continuing the program. Some have chosen to embrace other certifications associated with large private companies, such as Nestle or Starbucks. One potential reason for the weaknesses of the Rainforest Alliance program is that, following the initial allocation of grant resources to promote the program, adequate additional funding has not been made available. However, despite these challenges, Cameron suggests that Rainforest Alliance certification has created a set of baseline standards and educational materials that have incentivized many Colombian farmers to adopt more environmentally sustainable practices, even in cases where farmers choose to not to maintain certification.

- **Preparation coffees** – these coffees encompass unique preparations such as peaberry coffee, supremo coffee, and select coffee that hold a premium reputation in markets, but that are not necessarily derived from a specific origin. Peaberry coffee, for instance, is composed exclusively of coffee cherries that hold one coffee bean rather than two, while supremo coffee is composed exclusively of extra-large coffee beans.

Marketing Activities

The external face of Colombian coffee is Juan Valdez, originally created by the NFC in 1959 with the intent of representing the typical Colombian smallholding coffee farmer and promoting 100%

³⁸ Cameron, B. (2017). *Working Toward Sustainable Coffee: Rainforest Alliance Certification in Colombia, 2006–2017*.

<https://successfulsocieties.princeton.edu/publications/working-toward-sustainable-coffee-rainforest-alliance-certification-colombia-2006%E2%80%932017>

unblended Colombian coffee. The Juan Valdez character was created with both internal and external audiences heavily in mind. From the perspective of its domestic audience, the Juan Valdez brand was constructed to hold legitimacy and build pride among Colombian farmers who produce coffee. Externally, the Juan Valdez brand has been used to advertise directly to coffee consumers and to build positive associations with a country that is often viewed in terms of civil conflict.

From an export perspective, Juan Valdez-branded coffee has been a major success, with beans selling for a 20% premium over coffee from other countries.³⁹ The Juan Valdez brand has also been used to extend the reach of Colombian coffee producers directly into retail, with fifty retail Juan Valdez stores opened in the U.S. and throughout the Americas in the early 2000s.

Beginning in 2004, the NFC partnered with an Oregon-based marketing agency to reimagine the Juan Valdez brand. In 2006, after an extensive search, the NFC announced the “retirement” of the existing actor playing Juan Valdez, and announced a new Juan Valdez: Carlos Castañeda, a third-generation Colombian coffee farmer cultivating on a small ten-acre plot with his wife and three children. In unveiling the new Juan Valdez, the NFC emphasized the ways in which Castañeda embodied the authentic spirit of the Colombian coffee farmer:

“The goal was to find the person who embodied the fictional, yet real, Juan Valdez who would capture the essence and value the people who inhabit Colombia’s various coffee growing regions,” says the narrator of the launching webcast... ‘a member who will be representative of a huge group of hard-working cheerful and prosperous men who work in the Colombian Andes day after day to assure, through their efforts, the well being of future generations since it is them who will be in charge of carrying on the transition of the time-honored occupation of cultivating the land.’”⁴⁰

Colombia’s approach has largely focused on promoting exports rather than encouraging tourism. However, positive effects on tourism appear to have emerged as a secondary effect of this export-based strategy. Colombia has a long history of social and political upheaval and has been involved in a low-level civil war for much of the past fifty years. Colombia’s efforts to promote coffee internationally – and the Juan Valdez campaign in particular – have challenged these negative images and associations:

“Recent research gives us an idea of how this incidental co-branding has worked and the effects it has had over the decades... This research contains several interesting findings, some of which are listed below:

- *“Coffee” is the first thing that comes to mind to a majority of people when thinking of Colombia.*

³⁹ World Intellectual Property Organization. “Making the Origin Count: The Colombian Experience.” Last modified September 16, 2015. <http://www.wipo.int/ipadvantage/en/details.jsp?id=2617>.

⁴⁰ Mollada, J. C., & Roberts, M. (2008). The value of “authenticity” in “glocal” strategic communication: The new Juan Valdez campaign. *International Journal of Strategic Communication*, 2(3), 154-174.

- “Coffee” comes third when people are asked to say something positive about Colombia.
- After the national flag, Juan Valdez is the second perceived country’s symbol.
- After the actress Sofia Vergara and the pop star Shakira, Juan Valdez is the third most well-known Colombian personality.
- Coffee is, by far, the first perceived national product before flowers, emeralds or fruits.⁴¹

The positive effects of the Juan Valdez campaign have arguably extended even into Colombia’s diplomatic relations:

“For a war-torn country mostly known abroad for its rebel groups, death-squad warlords and cocaine traffickers, Valdez has arguably been Colombia’s best diplomat. He has posed for pictures with former U.S. president Bill Clinton and was awarded Colombia’s National Order of Merit in the Grade of the Silver Cross. With Juan, Colombia’s mild, aromatic coffee became something more than a simple commodity.”⁴²

In addition to consumer-facing marketing, industry-facing marketing has been critical to the Colombian GI strategy. The NFC plays a key role producing educational materials for, and communicating with, supply chain partners such as millers, roasters, traders, and exporters. The importance of these industry-facing activities increases in proportion to the distinctiveness of the coffee being marketed. Where the Juan Valdez campaign for Café de Colombia – applicable to all 100% Colombian coffee – is targeted broadly at coffee consumers, specialty and origin-based coffees have been marketed more directly to supply chain partners in order to more effectively allocate limited resources:

“The Federation recognizes that it can be very costly to broadly promote a GI directly to consumers (like it promotes “Café de Colombia”) unless there are sufficient economies of scale, and acknowledges the need to work closely with the industry. Companies like Starbucks (see a list of such companies in the resources section) have demonstrated a vivid interest in coffees from this region, and their marketing efforts have contributed greatly to Nariño’s name recognition in consumer markets. Roasters based in other markets have also become more interested in the Nariño name, thus further increasing levels of consumer recognition.”⁴³

⁴¹ Bassols, N. (2016). Branding and promoting a country amidst a long-term conflict: The case of Colombia. *Journal of Destination Marketing & Management*, 5(4), 314-324.

⁴² Sanchez, M. (2003). *Colombia’s Juan Valdez back with new ad campaign*. Forbes, July 7, 2003. <http://www.forbes.com/markets/commodities/newswire/2003/07/08/rtr1020686.html>

⁴³ Giovannucci, D., Josling, T. E., Kerr, W., O’Connor, B., & Yeung, M. T. (2009). *Guide to Geographical Indications: Linking products and their origins*. International trade centre.

Protection of Intellectual Property

Beginning in the 1980s, the NFC embarked on an intellectual property protection strategy designed to protect Colombian coffee from fraudulent practices. As part of this strategy, the Juan Valdez Café de Colombia logo was created to certify 100% Colombian coffee.



In order to protect this intellectual property, the NFC acquired U.S. certification marks for the Juan Valdez logo, as well as the use of the words “Colombian” and “Café de Colombia” in relation to coffee. However, the legal and technical resources required to maintain these certification marks and protect them against fraudulent use have been significant:

“The FNC found enforcing their certification marks in North America difficult and expensive, and their lawyers had to make regular presentations to the United States Patent and Trademark Office (USPTO) so as to prevent registrations of trademarks containing the word Colombian which would give brand owners the right to sell products containing little or no Colombian coffee... Each test could cost us US \$500 to carry out, and complementary chemical tests to analyze the composition of the coffee were even more expensive.”

In the European Union, the availability of formal geographic indication protection has made for a more streamlined process. In 2007, Café de Colombia was formally recognized as a Protected Geographic Indication (PGI) in the EU, the first time that a non-European product had ever received this designation.⁴⁴

As one of the world’s largest and most well-developed GIs, the Colombian example draws out the wide range of strategies available to promote regional brands. The Colombian government and the NFC have jointly carried out projects including the creation and enforcement of a baseline quality standard, promotion of differentiated products based on origin and environmental certification, robust research and development initiatives, farmer education programs, a well-funded consumer-facing marketing campaign, and a comprehensive IP protection strategy.

However, despite these wide-ranging programs, the NFC and Colombian government’s resources are not infinite. Environmental certification programs have faced challenges for lack of resources, and

⁴⁴ World Intellectual Property Organization. “Making the Origin Count: The Colombian Experience.” Last modified September 16, 2015. <http://www.wipo.int/ipadvantage/en/details.jsp?id=2617>.

limited budgets for promoting coffees of origin have led to strategies that de-emphasize direct consumer advertising.

Despite these challenges, the NFC and Colombian government have been largely successful in establishing a coffee sector that supports livelihoods for hundreds of thousands of small Colombian farmers, providing an instructive model for other aspiring geographical indications.

Case Study #2: Kona Coffee, Big Island, Hawaii, USA

In the previous section, we explored the Colombian coffee GI strategy, which seeks to promote the success of over 500,000 Colombian coffee farmers who collectively produce the third-most coffee of any country worldwide. In contrast, this section explores a region that seeks to compete primarily on quality rather than volume: the Kona district of the Big Island of Hawaii, where an estimated 630 farmers produce coffee on farms with an average size of just 5.4 acres. The comparatively miniscule production volumes in this region render Kona a true “specialty” coffee that seeks to differentiate itself in a unique space in a global commodity market.

Origins of Specialty Coffee in Kona

From the time the first commercial coffee farms were planted in Kona in the 1850s, the region has struggled with boom-and-bust cycles correlated with coffee prices in a global commodity market. However, more recently, Kona has succeeded in essentially delinking itself from global coffee prices. In 2009, the price per pound for unroasted Kona coffee beans was about four times that of commodity coffee beans, and 100% Kona beans sold for approximately \$22-\$30 per pound at retail.⁴⁵

Considering its long history, Kona’s differentiation as a specialty coffee producer is a relatively recent phenomenon. In the early 1960s, Kona coffee was sold as commodity coffee, with prices determined by the global market. Kona struggled with high labor costs, lack of access to larger distributors, and difficulties preserving its identity in U.S. and international markets.⁴⁶ These challenges led Kona producers to adopt a variety of collaborative strategies to differentiate local products.

Takeshi Kudo, a second-generation Kona coffee farmer, was responsible for much of the strategic planning that led to Kona’s differentiation in the marketplace. In 1959, Kudo organized one of the first coffee cooperatives in Kona – Sunset Coffee Cooperative – which pursued a vertical integration strategy by purchasing coffee processors as well as roasters. Identifying quality as a major problem, Kudo launched a process that would make quality control and grading standards central to Kona’s marketing strategy. After being elected to the Hawaii state legislature, in 1963 Kudo was able to spearhead legislation to create statewide coffee grading standards through the Hawaii Department of Agriculture. Shortly thereafter, Kona farmers established a foothold in the nascent gourmet coffee market by entering into a mass purchasing agreement with Superior Tea and Coffee, an Illinois-based specialty coffee purchaser.⁴⁷

Kudo’s focus on quality was prescient and would ultimately be vindicated by larger trends driving the global coffee sector. Beginning in the 1970s, global coffee markets began to recognize the uniqueness of specialty qualities of origin-based coffees with specific *terroir* and production methods. The global

⁴⁵ Foscolo, J. (2013). The Kona Coffee Archetype: A Case Study in Domestic Geographic Indication. *Kentucky Journal of Equine, Agriculture, & Natural Resources Law*, 5(2), 3.

⁴⁶ Kinro, G. (2003). *A cup of Aloha: The Kona coffee epic*. University of Hawaii Press.

⁴⁷ Kinro, G. (2003). *A cup of Aloha: The Kona coffee epic*. University of Hawaii Press.

trend towards specialty coffees enabled Kona farmers to emulate the established wine model for marketing specialty products:

“More change occurred in Kona coffee in the last 20 years of the 20th century than had occurred in the previous 80 years. Worldwide, coffee labelled by place of origin began to be sold in specialty food shops... This made the unthinkable possible – Kona coffee could be marketed as a place-brand product, not sold off in bulk as a flavoring agent... farmers had more marketing savvy and took their cue from the Napa Valley wine region. By the 1990s they had started opening shops on the roadside. Individual farms became ‘estates’ and sold coffee grown only on that piece of property. Tourism became an ally; tourists were now seen as people having enough money to pay premium prices. With the internet came direct on-line sales. Education campaigns extolling the virtues of pure Kona were launched.”⁴⁸

Alongside quality control, tourism has been a major driver of the Kona coffee regional branding project. In an analysis of Kona coffee tourism, Charles Johnston notes that, while coffee itself has historically been subject to boom-and-bust cycles, tourism in Hawaii has remained relatively steady over time.⁴⁹ Tourism represents an opportunity to promote Kona coffee directly to consumers, as well as a strategy to insulate Kona coffee from fluctuations in the global price of coffee. Johnston sorts the tourist experience of Kona coffee into five categories: “buying coffee [at] retail, visiting a coffee farm, seeing coffee roasted at a mill, staying overnight at a coffee farm, and visiting a coffee museum.” Possibly due to the small size of the Kona coffee sector, Johnston notes that Kona coffee has generally been promoted as a subset of a larger agritourism campaign, rather than a tourist attraction in itself.

Protecting the Kona Name

As consumer interest in specialty coffee rose throughout the 1980s and 1990s, protection of the Kona name has become an increasing challenge for local producers. Due to low production volumes, substantial price premiums, and difficulties in enforcement, Kona beans have been particularly vulnerable to fraudulent labeling. In 1992, the Hawaii state legislature sought to address these concerns by passing legislation to require that coffee marketed as a “Kona blend” must contain at least 10% Kona coffee.

While some coffee farmers initially supported this attempt to protect the Kona name, a greater number have come to oppose the 10% standard as too weak. In 2006, the Kona Coffee Farmers Association (KCFA) articulated their formal opposition to the 10% blending law, alleging that the 10% baseline lacks integrity and results in consumer confusion.⁵⁰ KCFA argues that Kona bean flavor is practically undetectable a 10% blend, that a 10% standard would not be acceptable in the context of other American GIs such as Napa wine or Idaho potatoes, and that federal protection for the Kona name will not be achievable without baseline standards that hold integrity. The KCFA recommends

⁴⁸ Johnston, C. (2010). Coffee and Coffee Tourism in Kona, Hawai'i—Surviving in the Niche. *Coffee Culture, Destinations and Tourism*. Channel View Publications, 111-133.

⁴⁹ Johnston, C. (2010). Coffee and Coffee Tourism in Kona, Hawai'i—Surviving in the Niche. *Coffee Culture, Destinations and Tourism*. Channel View Publications, 111-133.

⁵⁰ Kona Coffee Farmers Association. *Kona 10 Percent Blend Law – KCFA Position Statement and Resolution*. April 19, 2006.

www.konacoffeefarmers.org/kona-blend-issues/kona-10-percent-blend-law-kcfa-position-statement-and-resolution/

that use of the Kona name should require at least a 75% Kona coffee blend, and that any blend should include the precise percentage composition of both Kona and non-Kona coffees.

Despite the KCFA's opposition, Hawaii's 10% blending laws remain in effect today. Existing blending laws are favored by larger coffee processors, blenders, and distributors, and as a result, efforts to increase the blending baseline have consistently failed each year in the Hawaii state legislature.⁵¹

In addition to Hawaii state laws that restrict the use of the Kona name based on blending ratio, the Hawaii Department of Agriculture also holds a federal certification mark for 100% Kona coffee. In the United States, certification marks are the primary legal instrument available to protect regionally-based intellectual property. Certification marks empower the holder to restrict the use of a mark to goods produced in a specific region, and also enable the mark holder to establish additional "certification" standards for use of the mark. The certification standards for the 100% Kona Coffee mark require that beans labeled as "100% Kona" must be derived exclusively from the Kona district and must meet minimum quality standards.⁵² Bags are tagged with official stamps, and inspection and certification services are performed by the Hawaii Department of Agriculture.

While the existence of the 100% Kona Coffee has enabled producers to avoid some of the issues associated with the 10% "Kona blend" designation, it has not fully resolved the concerns of coffee farmers. From a quality control perspective, because the 100% Kona certification occurs on raw green beans – rather than the roasted product – there are limited mechanisms for quality control over the final product that is sold to consumers. From an intellectual property perspective, the certification mark has also been difficult to enforce on the U.S. mainland. State Attorneys General have not always responded to requests for enforcement, and a group of Kona farmers recently filed suit against retailers including Amazon and Walmart who are accused of selling fraudulently labeled Kona coffee on a wide scale.⁵³ The lawsuit alleges that while Kona sells 2.7 million pounds of coffee annually to the mainland, over 20 million pounds of coffee are sold to consumers as "Kona" in the U.S., suggesting an extremely high incidence of fraud.

The existence of 10% Kona blend laws alongside the 100% Kona coffee mark also creates a broader challenge for the protection of Kona's regional name. Advocates for coffee farmers have argued that, by diluting the overall reputation of Kona-labeled coffee, blending laws result in negative consumer perceptions that harm the Kona brand as a whole:

"The absence of Kona blends would in all likelihood have a positive effect on the Kona coffee market due to improved consumer perception of the quality of Kona coffee... many consumers are disappointed in Kona blend quality and are deceived in thinking that this inferior product is representative of Kona coffee. These consumers might not try Kona coffee again... without Kona

⁵¹ Dible, M. *Coffee labeling measure deferred*. Hawaii Tribune Herald, April 3, 2019.

<https://www.hawaiitribune-herald.com/2019/04/03/hawaii-news/coffee-labeling-measure-deferred/>

⁵² The Hawaii Department of Agriculture currently recognizes six grades of quality: Extra Fancy, Fancy, No. 1, Select, Prime, and Hawaii No. 3. In order to qualify for the "100% Kona" mark, coffee must be graded as Prime or better, establishing a minimum quality standard for use of the mark.

⁵³ Read, R. *The Kona coffee you buy from Costco and Walmart? It might be fake*. Los Angeles Times, September 15, 2019.

<https://www.latimes.com/world-nation/story/2019-09-14/kona-coffee-amazon-costco-fake>

blends, anyone who tries Kona coffee would be exposed to the actual flavor of Kona coffee. Given the perception of Kona as one of the great specialty coffees of the world, it is reasonable to anticipate that the eliminating Kona blends from the market will enhance the overall perception of the quality of Kona coffee and hence the shift the demand for Kona coffee upward.”⁵⁴

Such arguments emphasize the extent to which the value of the Kona coffee brand is dependent upon consumer perception of quality. If Kona-labeled coffee cannot consistently meet quality standards, or if the use of the Kona name itself cannot be controlled, Kona farmers risk losing the substantial price premium they have established as producers of specialty coffee.

Underscoring this point, the greatest threats to the Kona brand have occurred when quality of Kona coffee has come under public scrutiny. In 1996, a major scandal broke into public consciousness when it was revealed that a California coffee distributor fraudulently labeled Central American coffee beans as Kona, selling beans at three or four times the price they would receive if labeled accurately. The scandal highlighted the vulnerability of Kona coffee to fraud; even more disturbingly, however, the revelations called into question whether Kona coffee truly deserved the reputation it had established for itself:

“The real blow was that coffee coppers, or taste-testers, claimed that the inferior grade of coffee Norton sold was better than pure Kona coffee. Prices for Kona coffee fell immediately, and many major distributors stopped purchasing Kona coffee. Kona farmers circled the wagons. They lobbied the state legislature. In response to their concerns, the legislature passed a law that requires certification of Kona coffee. It mandated authentication of origin and grade before shipping.”⁵⁵

In short, the fortunes of the Kona coffee brand have largely risen and fallen in accordance with the consumer perception of quality. The issue of quality control – in conjunction with the related issue of IP protection – has been the central feature of the Kona regional marketing strategy. As one analyst puts it:

“The general lesson of Kona, applicable to other crops, is that geographic indication presents an ideal opportunity to make production and quality assurances as well. Kona also underscores the inestimable advantages of state involvement in the formation, inspection, enforcement, and management of effective indicators... Strict quality control undoubtedly puts more marketing tools in the hands of those growers. Simply stating the provenance of a product only scratches the surface of what an indicator can do for an agricultural product.”⁵⁶

The Kona case study is useful in part as a lesson in priorities: as a region with miniscule production volumes in the context of global coffee markets, farmers have tended to pursue collective strategies that require limited resources or partnerships with existing larger institutions. In our research, we

⁵⁴ Feldman, M. (2010). *Economic Effects of Blending Kona Coffee—A Preliminary Analysis*. Decision Resources Report. <https://www.konacoffeefarmers.org/wp-content/uploads/2012/03/Economic-Efforts-of-Blending-Kona.pdf>

⁵⁵ Kinro, G. (2003). *A cup of Aloha: The Kona coffee epic*. University of Hawaii Press.

⁵⁶ Foscolo, J. (2013). The Kona Coffee Archetype: A Case Study in Domestic Geographic Indication. *Kentucky Journal of Equine, Agriculture, & Natural Resources Law*, 5(2), 3.

found little evidence of direct advertising campaigns or other significant organized consumer-facing marketing activities.⁵⁷ Instead, Kona farmers have utilized existing infrastructure and resources to promote their products: whether through gaining the support of the Hawaii Department of Agriculture to implement grading standards and certifications, partnering with large distributors such as Superior Tea and Coffee to purchase and market their products, or taking advantage of Hawaii's existing infrastructure to promote and direct tourism. While Kona continues to face challenges, it appears that these strategies have been largely successful in enabling Kona farmers to survive as a specialty product under pressure from the lower production costs and higher volumes achieved by their global competitors.

⁵⁷ A thorough analysis of the costs and benefits of different approaches to marketing Kona coffee can be found in a 1989 marketing analysis prepared for the Hawaii Department of Agriculture. Nakamoto, S. T., & Halloran, J. M. (1989). *The Markets and Marketing Issues of the Kona Coffee Industry*. <https://scholarspace.manoa.hawaii.edu/bitstream/10125/25509/ITS-034.pdf>

Case Study #3: Bordeaux Wine, France

The Bordeaux region of France is the prototypical geographical indication, with a tradition of winemaking stretching back for centuries and a highly intricate system for organizing, classifying, and promoting regional wine production. The history of wine in Bordeaux has been traced back to the first century A.D., when the introduction of cold-resistant varieties made it possible to cultivate grapes at higher latitudes. By the 1100s, Bordeaux had become a major wine producing region, with an effective monopoly on wine imports to Great Britain.⁵⁸

The modern classification and promotion of Bordeaux wine began in 1855, when Napoleon III instructed the Bordeaux Chamber of Commerce to develop the country's first set of wine quality classifications in preparation for the Universal Exposition in Paris.⁵⁹ Over fifty years later, in 1907, widespread concerns regarding the fraudulent use of the Bordeaux and Champagne names led to the establishment of the world's first appellation d'origine contrôlée (AOC) system in France. The AOC system, now applied to agricultural products around the world, seeks to protect and promote regional wines by foregrounding *terroir* – the causal relationship between the place of production and the qualities of the ultimate product – and creating an intricate, producer-controlled regulatory system designed to maintain the integrity of AOC designations.

The Bordeaux appellation takes its name from the region's central urban area, where many distributors are based, but it extends throughout the entirety of the larger Gironde department. As of 2014, approximately 7,400 Bordeaux winemakers produced 600-700 million bottles of wine per year, constituting about 2% of global wine production. Bordeaux is distributed by about 300 local merchants, with about 25% of local wine destined for export. In total, the regional industry employs about 60,000 people.⁶⁰

Appellations, Classifications, and the Regulation of Quality

The Bordeaux region is geologically united by the Dordogne and Garonne rivers, culturally united by its history, and economically united by its relationship with merchants who are based in the Bordeaux region. The large size and many microclimates of the region, however, lend themselves to the promotion of variety rather than homogeneity. Consequently, the AOC system plays a central structuring role in the production and marketing of Bordeaux wines. In addition to the master Bordeaux appellation itself, there are 57 additional sub-appellations spread throughout the Bordeaux region. Many of these sub-appellations, such as Saint-Emilion and Médoc, carry substantial reputations of their own and are often tied to specific grape varieties and wine preparations.

⁵⁸ CIVB. (N.D). *Major Events that Have Shaped the History of Bordeaux Wines*. Accessed July 30, 2020. <https://www.bordeaux.com/us/Our-know-how/History>

⁵⁹ Matthews, T. *The 1855 Bordeaux Classification*. Wine Spectator, March 27, 2019. <https://www.winespectator.com/articles/the-1855-bordeaux-classification-3491>

⁶⁰ Mora, P. (2014). *Strategic thinking for the future of Bordeaux wines: An interview with Bernard Farges*. Wine Economics and Policy, 3(2), 142-146.

Not all wine produced in the physical territory of the Bordeaux region, however, qualifies as AOC wine. French wines are subdivided into three overarching categories of quality:

- **Appellation** designations are intended for high-quality wine that is representative of regional *terroir* where it was produced, and that expresses an essential or exclusive causal link between product and place. Over the past several decades, a greater and greater proportion of French wine has come to carry an AOC designation. By 2008, AOC wine had grown to as much of 55% of French wine production and 81% of total value.⁶¹

French wines must meet a range of benchmarks to qualify for an AOC label and seal.

Appellation wines must be 100% produced within the delimited region, meet restrictions on practices such as vine density, maximum yield, minimum sugars, minimum alcohol level, and grape varietal, and must be labeled with the region of production and grape varietal. AOC wines must also be tasted and approved by an expert tasting committee that seeks to confirm both the quality of the wine and the extent to which it represents the region in which it was produced.

- **Vin de Pays** is a second-tier wine category that accounts for about 20% of French wine production. Vin de Pays wines are subject to limitations on yield, but otherwise are not required to follow nearly the level of restriction that accompanies the production of AOC wines. Vin De Pays wine is labeled with regional names and the name of the dominant grape in the wine. A major rationale for the creation of the Vin de Pays category is to provide an outlet for wines which do not rise to higher AOC quality standards. By creating a secondary category, winemakers can maintain the reputation of AOC wines while creating an additional market for mid-tier products.
- **Vin de France**, formerly known Vin de Table, refers to lower-quality “table wines” that constitute about 30% of French wine production. These wines are prohibited from utilizing place names or grape varieties on the label.⁶²

In addition to these high-level categories, an intricate system of classifications also governs the marketing of wine quality within each category. Within these classification systems, the highest-tier wines are considered to be “first growth” wines, also known as “Grand Cru” or “Premier Cru.” Grand Cru wines benefit from both high prices and guaranteed market access. Participation in the *La Place de Bordeaux*, a network of wine producers and distributors, enables the most prestigious wines to be sold up to eighteen months prior to bottling.⁶³ In Bordeaux, just 100 chateaux qualify for Grand Cru designation.

⁶¹ Colman, T. (2008). *Wine politics: How governments, environmentalists, mobsters, and critics influence the wines we drink*. Univ of California Press.

⁶² Flewellen, J. *AOC or Vin de Table? – the wine classification in France*. The Oxford Wine Blog, August 15, 2011. <https://theoxfordwineblog.wordpress.com/2011/08/15/french-wine-classification/>

⁶³ Bouzdine-Chameeva, T., Faugère, C., & Mora, P. (2016). Wine tourism in Bordeaux. *Strategic Winery Management and Tourism-Building Competitive Winery Tourism and Winery Management Strategy*, 89-114.

In declining order of quality, producers below the Grand Cru tier fall into three categories:

- ***Petits chateaux*** include about 5,000 estate winegrowers who bottle a portion of their own wine. These winemakers typically bottle and sell their top-quality wines directly under a chateaux brand, but often sell lower-quality wines in bulk to merchants for blending.
- **Cooperative** wine producers sell their grapes in bulk to a cooperative, which then markets wine on behalf of the cooperative or resell in bulk to a distributor. Cooperatives account for about 13% of Bordeaux wine production.
- **“Generic”** producers sell 100% of their production in bulk to distributors. About a quarter of wine produced in Bordeaux is sold as generic.⁶⁴

The privileged position of the Grand Cru wine producers, and the gradations of quality within the Bordeaux region, create challenges for collective marketing efforts and institution-building. Where the highest-quality wine producers enjoy guaranteed market access, smaller and less prestigious producers have often suffered from overproduction or lack of access to marketing:

“The leading two hundred chateaux have had little difficulty selling their wines in recent vintages... Their wines, which now command stratospheric prices on release, have become accoutrements of the global elite, along with sports cars and silk scarves... But, moving down the quality scale, the thousands of smallholders in far-flung areas have either had a hard time or a very hard time.”⁶⁵

However, there is also a case to be made that the existence of the Grand Cru designation can aid wider promotional efforts. For example, it has been argued that Grand Cru wine producers – when marketed as part of a larger strategy for regional promotion – can improve the overall perception of the Bordeaux region, thereby aiding smaller wine producers:

“Classifications are Bordeaux’s most famous marketing tool, and also a very valuable means to legitimize participation in a territory... Superior chateaux, called ‘locomotives,’ are intentionally designated for their ability to raise awareness for all. This mechanism works well enough that many wine writers claim that the majority of chateaux ride on the coattails of the first growths. Chateaux competing for rankings also raise the overall level of quality in the territory and the classification is a reward that legitimizes their participation on collective efforts.”⁶⁶

The AOC system plays a major role in seeking to equalize benefits between elite and non-elite producers. By enabling small producers to benefit from well-recognized territorial names, and

⁶⁴ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁶⁵ Colman, T. (2008). *Wine politics: How governments, environmentalists, mobsters, and critics influence the wines we drink*. Univ of California Press.

⁶⁶ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

providing access to well-regarded collective names, small producers with access to appellations are better equipped to maintain their livelihoods:

“...the bottom line as a producer is to use the smallest and most prestigious appellation to which you can legally lay claim... the real value of the system was for producers on the fringes, who can then use AOC status to build connections to these prototypical properties. Smaller, less prestigious producers gain more incrementally from being able to use the name of the AOC than elite producers, who have access to other kinds of markets more keyed to the name recognition of their particular châteaux.”⁶⁷

Organizational Structures

Several institutions are heavily involved in collective marketing efforts in Bordeaux. We consider three institutions here: the Institut National des Appellations d’Origine (INAO) which manages appellations at the state level; the Bordeaux Wine Council (CIVB) which represents the Bordeaux wine industry as a whole; and the 35 regional *syndicats* which represent winemakers at the local level.

- **INAO** – the French AOC system is managed by the quasi-public Institut National des Appellations d’Origine (INAO), established in 1936. Although the INAO was originally incorporated to manage wine appellations specifically, its scope now includes the full range of French agricultural products of origin. The INAO is formally housed under the French Ministry of Agriculture, with 25 local branches distributed throughout the country, and a staff composed of around 250 civil servants tasked with executing strategies on behalf of French origin products. These civil servants work in close collaboration with producers themselves, with many INAO activities effectively managed by producer organizations. For example, INAO committees – including its wine appellation and labeling approval committees – are required to be composed of at least 50% producers and processors who fall within appellation boundaries. Tasting approval committees are made up exclusively of producers and wine experts, with panel composition and training controlled by producer organizations.⁶⁸
- **CIVB** - the primary organization representing the Bordeaux wine industry is the CIVB, or Bordeaux Wine Council. The CIVB is a trade association composed of the full Bordeaux value chain including wine growers, merchants, and brokers.⁶⁹ Leadership is elected by the membership, but growers and merchants alternate in choosing the president, a practice

⁶⁷ Farmer, E. A. (2013). *Delicious enigmas: Legal geographical indication regimes in Bordeaux and the United Kingdom* (Doctoral dissertation, UCL (University College London)).

⁶⁸ Marie-Vivien, D., Bérard, L., Boutonnet, J. P., & Casabianca, F. (2017). Are French geographical indications losing their soul? Analyzing recent developments in the governance of the link to the origin in France. *World Development*, 98, 25-34.

⁶⁹ Mora, P. (2014). Strategic thinking for the future of Bordeaux wines: An interview with Bernard Farges. *Wine Economics and Policy*, 3(2), 142-146.

stemming from the sometimes-contentious relationship between the two factions. Many of the CIVB's early activities – such as controlling production volumes and mediating relationships between producers and merchants – were intended to manage tensions between these two sectors of the value chain.

Today, CIVB has three stated missions:

“Marketing: develop the reputation of Bordeaux wines, in France and abroad, through advertising campaigns, digital communications, public and press relations, and training.

Economic: acquiring data and improving knowledge relating to the production, the markets and the sale of Bordeaux wines throughout the world.

Technical: improve the industry's understanding of various technical issues relating to the production and quality of Bordeaux wines and anticipate new environment – and health-related requirements.”⁷⁰

These activities are managed by 30 administrative staff with a budget of 28 million euros, a significant proportion of which is funded by EU agricultural promotion subsidies.⁷¹

- **Syndicats** - The *syndicats* are 35 associations at the regional level, each of which manages one or multiple of the 57 Bordeaux appellations. Unlike the CIVB, which includes both producers and distributors, *syndicats* are composed exclusively of producers. *Syndicats* are primarily responsible for quality control rather than marketing, but some choose to fund marketing activities through a voluntary dues-paying system.

Saint-Emilion provides an example of *syndicat* with particularly strong quality control standards. Where some appellation regions provide a “passing” grade to nearly all wines subject to taste tests, Saint-Emilion has worked to continually increase quality through restrictive tasting requirements. Saint-Emilion has also engaged in significant R&D and centralized data collection activities, such as weather and pest monitoring. While these collective activities require significant resources, the price premium associated with Saint-Emilion's heightened quality and reputation has helped support a consistent funding stream.

⁷⁰ Gergaud, O., Livat, F., Rickard, B., & Warzynski, F. (2016). *The Costs and Benefits of Collective Reputation: Who gains and who loses from generic promotion programs?* (No. 386-2016-22709, pp. 1-25).

⁷¹ The CIVB received 5.3 million euros in EU agricultural promotion funding in 2016, the seventh-highest proportion of any EU institution. See France TV Info, *Qui s'enrichit grâce à la politique agricole commune?* September 10, 2018.

https://www.francetvinfo.fr/replay-jt/france-2/20-heures/video-qui-s-enrichit-grace-a-la-politique-agricole-commune_2978165.html

Marketing Bordeaux

Together, the CIVB and the more well-resourced *syndicats* are responsible for the bulk of Bordeaux's collective marketing activities. Historically, this collective marketing has been targeted mostly at industry rather than consumers:

“...Bordeaux [has] traditionally been a very closed place in certain ways, to the world. Bordeaux has a reputation of insularity that often goes hand in hand with its prestige. Since merchants and courtiers have such a vital position in the distribution chain here, efforts at promotion have largely been directed to them, with tastings and other events being largely closed, invitation only events. It has long been a specialist space, limited only to those specialists... it is quite recent that Bordeaux has addressed itself to the ‘grand public.’”⁷²

Industry-facing marketing activities are anchored by a range of trade shows, which simultaneously work to sell and promote Bordeaux wine. The most prestigious of these events are annual *en primeur* events, at which the Grand Cru winemakers sell wine futures to merchants for the coming year:

“The evolution of *la place*, particularly *en primeur* sales, was driven by the Union des Grand Crus (UGC), an association of 120 top chateaux, predominantly from the left bank. The association organizes tastings (for 1,500 in 2000); invites journalists, critics, and merchants; puts them up in hotels; and entertains them lavishly at famous chateaux. The event is played up by the trade and media, thus not only does the UGC use the territory for marketing purposes, but it turned the market into a marketing tool.”⁷³

Other *syndicats* operate similar *en primeur* events and wine tasting festivals. The most well-attended Bordeaux trade show is Vinexpo, the world's largest gathering of wine sellers and buyers. Vinexpo brings as many as 50,000 visitors to Bordeaux, but also holds events in major global wine markets including New York, Hong Kong, Paris, and Shanghai.

The target market for such events depends on the wine classification in question. Grand Crus, which have leverage to hold more lucrative *en primeur* events, sell predominantly to merchants. Less reputed chateaux, by contrast, often “focus on direct sales to private customers, cafes, hotels, restaurants, and specialist wine retailers.”⁷⁴ The Medoc *syndicat*, for example – one of the more robust French appellations – has invested heavily in connecting wine experts directly with culinary professionals in China and the U.S.⁷⁵ In turn, lower-tier producers often target their marketing activities primarily at supermarkets, which more prestigious producers avoid in order to maintain their reputation.

⁷² Farmer, E. A. (2013). *Delicious enigmas: Legal geographical indication regimes in Bordeaux and the United Kingdom* (Doctoral dissertation, UCL (University College London)).

⁷³ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁷⁴ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁷⁵ Farmer, E. A. (2013). *Delicious enigmas: Legal geographical indication regimes in Bordeaux and the United Kingdom* (Doctoral dissertation, UCL (University College London)).

In recent years, Bordeaux's marketing activities have turned more consumer-facing. A 2016 review consumer-facing marketing activities highlights several significant events:

“Another big event is Le Marathon du Médoc, a race with more than 9,000 runners, one third of them being foreigners. The marathon snakes its way through more than 50 wineries... They can stop for tasting wine and are serenaded by piped-in Mozart concertos...

Since 1998, Bordeaux City Hall organizes the Bordeaux Wine Festival along the Garonne riverside. The event is run over 4-days in the last weekend in June. Young and old learn more about the art of wine making and tasting in the joyful atmosphere. The event includes a parade of Bacchus floats, wine tastings, vineyards tours and wine barrel races; spectacular riverside fireworks illuminate the night sky on the last day... Attendance is continuously record breaking approaching 500,000 visitors in 2012. The gross revenue totaled over €3.4 million that year...

Bordeaux has launched the €63 million project of a new museum - The City of Wine civilizations. It should open its doors in 2016 to welcome 400,000 visitors per year in a space of 10,000 square meters.”⁷⁶

Many events are also held outside of France to promote regional wines to an international audience. For example, a “Bordeaux Wine School” seminar at Cornell University drew over 8,000 participants, including both consumers and wine industry professionals.⁷⁷

Tourism plays a significant role in the marketing of Bordeaux. On the level of the individual chateaux, Bordeaux producers have tended to emphasize a broader perspective that highlights history, tradition, and connection to the land rather than pushing immediate direct sales. In promoting a Bordeaux experience over a narrow commercial goal, producers seek to create long-term personal connections with consumers:

“Significantly, the Bordeaux château visit is about the experience-- the how and where of the wine, not simply a sales pitch. ‘They aren't trying to sell the wine, it's name recognition for the future. So that when you're in a restaurant you think, ‘I went there. I remember that place!’ The model is very different from the American one seen in Napa Valley, for example... the goal tends not to be one of acting as an outlet for direct sales. This focus on the experience aligns strongly with the historical economic model which was based around the courtiers and negociants as gatekeepers to external markets.”⁷⁸

⁷⁶ Bouzdine-Chameeva, T., Faugère, C., & Mora, P. (2016). Wine tourism in Bordeaux. *Strategic Winery Management and Tourism-Building Competitive Winery Tourism and Winery Management Strategy*, 89-114.

⁷⁷ OECD. (2012). Food and the tourism experience. The OECD-Korea workshop. *OECD Studies on Tourism*.

⁷⁸ Farmer, E. A. (2013). *Delicious enigmas: Legal geographical indication regimes in Bordeaux and the United Kingdom* (Doctoral dissertation, UCL (University College London)).

This is not to say that Bordeaux regions are not invested in collective marketing efforts that promote tourism. The town of Saint-Emilion, for example – the center of the Saint-Emilion *syndicat* – has heavily invested in wine tourism and includes a centralized wine shop, the *maison du vin*, which is run by the *syndicat* and located at the center of the city. The *maison du vin* offers the complete range of wines produced within the appellation, providing visitors with a robust understanding of the Saint-Emilion appellation. The Saint-Emilion *syndicat* also runs a wine school to provide motivated consumers with a thorough education on local wines.

While industry organizations tend to be central to these projects, it's important to note that they are also embedded within a larger social structure which is not necessarily industry-controlled. Wine production is woven into the social fabric of many French communities, and wine promotional activities incorporate the full range of local resources:

*“Universities, colleges, and training institutions, often at the spurring and funding of the winegrowers, help to provide human resources and general and specific knowledge. Local chambers of commerce, chambers of agriculture and other businesses associations work for synergies between wine and other industries. The direct and indirect paybacks are an increase in jobs, income, investment, and overall vitality of the area. Of these, tourist offices often work hand-in-hand with winegrower organizations. Of course, local and regional governments provide organizational and fiscal support to the winegrowers and other supporting institutions.”*⁷⁹

Bordeaux – and the CIVB in particular – has recently increased its investment in direct-to-consumer advertising, including TV, radio, and internet ads. This advertising has been targeted towards major global markets and has sought to counteract the popular image of Bordeaux as an elitist or exclusive wine. Instead, advertising campaigns have sought to emphasize the diversity of Bordeaux wines and their accessibility to younger consumers.⁸⁰ This emphasis tracks with a larger CIVB strategy in promoting mid-tier wines rather than the exclusive Grand Crus, which are assumed to be able to carry out their own marketing efforts.

Other Collective Marketing Activities

The CIVB and *syndicats* engage in several other activities designed to support these marketing efforts:

- **Intellectual property protection** – from an IP perspective, Bordeaux benefits from its location in Europe, where the EU provides *sui generis* protection⁸¹ for appellations and

⁷⁹ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁸⁰ Anson, J. *Bordeaux launches ad campaign to stem fall in exports*. Decanter, October 15, 2014. <https://www.decanter.com/wine-news/bordeaux-launches-ad-campaign-to-stem-fall-in-exports-5598/>

⁸¹ In other words, the EU recognizes regional agriculture intellectual property as deserving of its own unique form of intellectual property protection. This contrasts with the American “certification mark” system, which can be used to

geographic indications. However, intentional enforcement of the Bordeaux name can be more difficult. Recent IP protection efforts have focused on China, where the CIVB has led litigation to combat the fraudulent use of the Bordeaux name. This litigation is part of a broader strategy to establish protection for Bordeaux in a market with a legal structure that diverges significantly from the EU:

*“Fighting the counterfeits has required the CIVB to develop a strategy, one that is both pragmatic and market-specific. Officials have had to learn Chinese laws and determine what is and isn't legal, rather than try to change the Chinese judicial system. Second, they have pushed wine producers to register their trademarks in China. Third, as a collective organization, they have worked to protect Geographical Indications, such as Bordeaux and Médoc, under Chinese law.”*⁸²

- **Market data collection** – the CIVB’s central role enables it to collect and disseminate market data on a scale not available to individual businesses.

*“...the CIVB tries to overcome the inability of producers and distributors to analyse different geographical and demographic markets, the sales outlets, what appellations and styles of Bordeaux are being sold and for what reasons. It analyses information gathered from the registrations of sales and from the customs and tax departments. Working with the authorities also enables the CIVB to collate reporting and reduce some red tape for the merchants and producers, and incidentally keep track of the fees owed it. Surveys of consumer trends are also purchased, as well as information on international markets. The research is disseminated through a variety of venues on a yearly and monthly basis.”*⁸³

- **Environmental certification** - prior to World War 2, nearly all Bordeaux wine production was organic. Following the war, however, as global agriculture increasingly adopted an industrial paradigm, herbicides and fertilizers came into widespread usage.⁸⁴ Today, less than 9% of Bordeaux producers are certified organic, although 60% have obtained some form of environmental certification.⁸⁵

protect regional names under certain circumstances, but which is not explicitly or exclusively designed for this purpose.

⁸² Mustacich, S. *Bordeaux Scores Victories in Battle Against Counterfeit Wines in China*. Wine Spectator, September 10, 2018.

<https://www.winespectator.com/articles/bordeaux-scores-wins-over-wine-counterfeiters-in-china>

⁸³ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁸⁴ Asimov, E. *Bordeaux Estate Makes Fine Wines Naturally*. New York Times, June 16, 2017.

<https://www.nytimes.com/2017/06/16/dining/bordeaux-wine-chateau-le-puy-biodynamic.html>

⁸⁵ Bernstein, N. *The Challenges of Going Organic and Biodynamic in Bordeaux*. SevenFiftyDaily, July 1, 2019. <https://daily.sevenfifty.com/the-challenges-of-going-organic-and-biodynamic-in-bordeaux/>

Attention to environmental sustainability issues in Bordeaux has increased in recent years. The proportion of organically-certified producers increased by 29% between 2017 and 2019, and the CIVB has set a goal that 100% of farms should ultimately become environmentally certified. To support this goal, CIVB is supporting research into low-sulphur wines, pest control, and carbon usage, as well as supporting the approval of new disease-resistant varieties in AOC regions.

However, environmental certifications have encountered barriers, with some winemakers complaining organic methods result in increased production costs and lower yields. Both producer and consumer perceptions, however, are slowly changing. Consumers are becoming more concerned about the use of pesticides and other chemical additives, and producers have begun to innovate and view organic and biodynamic methods as more fully expressive of *terroir*.⁸⁶⁸⁷ In order for the CIVB to achieve its goal of 100% environmental certification, perceptions on both sides will likely need to continue to evolve.

- **Quality control** – in itself, the intricate classification system described earlier in this section does not guarantee high quality in all instances. Over the last several decades, Bordeaux wines have faced increasing competition from New World regions such as Australia and the United States. The risk of reputational damage stemming from inadequate quality has led to significant organized efforts by both *syndicat* and the CIVB to maintain Bordeaux’s reputation:

“Territories, appellations, classifications, and chateau labels enable a great deal of differentiation within the territory, but these efforts can be undermined if Bordeaux’s overall reputation is not sustained. In the 10 years bordering the millennium, the quality control of generic Bordeaux and many bottling chateaux compared poorly with many new world brands. As Bordeaux’s reputation fell, so did the sales and prices of all but the grand Cru.”⁸⁸

In response to these challenges, the CIVB has led substantial investment in collective R&D activities, as well as direct training and outreach to wine producers. These investments are often supported by other sectors of the local community. French secondary schools offer studies and apprenticeships in viticulture, agricultural chambers of commerce offer technical expertise to farmers, and Bordeaux University has played a leading role in cutting-edge

⁸⁶ Maker, M. *Biodynamic in Bordeaux: ‘The Secret is to Work’*. *Terroir Review*, September 2, 2019. <https://terroirreview.com/2019/09/02/biodynamic-in-bordeaux/>

⁸⁷ Bernstein, N. *The Challenges of Going Organic and Biodynamic in Bordeaux*. *SevenFiftyDaily*, July 1, 2019. <https://daily.sevenfifty.com/the-challenges-of-going-organic-and-biodynamic-in-bordeaux/>

⁸⁸ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

scientific, economic, and social research on viticulture.⁸⁹ Research includes an emphasis on the scientific study of *terroir*, which both helps to substantiate *terroir*-based marketing claims and provides protection against fraud through validating origin claims by chemical analysis.

Like Colombian coffee, the vast scope and long history of the Bordeaux appellation have resulted in a highly intricate system for managing the Bordeaux regional brand. This system is deeply-rooted, highly-resourced, and inextricable from larger community structures that are tied to the fortunes of wine producers and merchants. The scope of the Bordeaux GI is well beyond anything Humboldt County could aspire to in the short-term, but over the long-term, helps provide a roadmap for a truly global origin-based industry.

⁸⁹ University de Bordeaux (N.D). *Institute of Wine and Vine Science*. Accessed July 30, 2020. <https://www.u-bordeaux.com/Education/Colleges-Institutes/Institute-of-Vine-and-Wine-Science2>

Case Study #4: Napa Valley Wine, California

Napa Valley is world-renowned both for producing America's most valued wines and for hosting a world-class tourism experience directly tied to its wine and food industries. Although it spans only 30 miles long and a few miles wide, Napa has significantly impacted the global trade of wine by perfecting its educational and marketing programs. These programs have been led and implemented primarily by the Napa Valley Vintners, a trade association representing over 550 vintners in the Napa Valley appellation. For a region that only produces 4% of California wine and represents just 0.4% of global wine production,⁹⁰ Napa's success is profound and provides an excellent example of how limited production on a regional scale can thrive in a highly competitive market.

The strategic vision of Napa Valley winegrowers, in an American context where such efforts have few successful precedents, makes Napa Valley an ideal case study for a Humboldt marketing program. Through collective action, Napa has done as much as any other region in the world to create and establish a world-class reputation for locally-made products, without the benefit of well-established precedents for the protection of American producing regions. As one Napa historian puts it:

"Napa's reputation eclipses that of any of its winegrowers, yet it is they who created this renown. Underlying the territorial reputation are hundreds of excellent wines, each blended from an appreciation of the valley's diverse terroir and creative viticulture and winemaking. Moreover, Napa's winegrowers have excelled in adapting and creating collective mechanisms that overcome weakness in the value chain and capacities for self-governance... Perhaps the most outstanding thing about Napa is the extent to which it has had to go it alone, sui generis in marketing, value chain, appellation, social and legal initiatives."⁹¹

Origin of Napa Valley Wines: Crisis and Collective Action

Napa Valley has a vibrant history of wine production dating as far back as the late 1600s, when grapes were planted by missionaries primarily for purposes of religious sacrament. It wouldn't be until the late 1800s, however, that a commercial wine industry led by a small group of European immigrants began to develop in the valley. Many of the wineries founded during this period continue to enjoy a strong reputation to this day, and played a critical role in efforts to build Napa's present reputation.⁹²

⁹⁰ Napa Valley Vintners. *Napa Valley Fast Facts*. September 27, 2019. https://napavintners.com/press/docs/napa_valley_fast_facts.pdf

⁹¹ Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd.

⁹² Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd

From 1880 to the early 1890s, the valley exploded with growth, with 200 wineries developing and planting more than 20,000 acres of vineyards. During this time, Napa wines grew in popularity, and wine production increased throughout California. The result was an oversaturated market and declining prices; in response, efforts to organize the industry blossomed. In 1894, the California Wine Association (CWA) was formed in an organized effort to raise prices and demand for their members' products. The CWA quickly attracted controversy, however, due to producer perceptions that its organizational structure was constructed primarily to benefit wine merchants and disempower winemakers. Subsequent attempts to organize winemakers themselves led to producer-driven coordination on quality standards, and vintners began to state on labels whether grapes were grown on the hillsides or the valley floor.⁹³ At the same time, researchers began studying viticulture and establishing academic institutions devoted to wine production.

Such forward movement was hit with a significant setback with the arrival of phylloxera, a devastating root-eating aphid that preyed on more than 80% of the valley's vineyards, bringing the industry to its knees during the height of World War I. At the same time, a movement to outlaw the production of alcohol had been steadily growing in Washington D.C. for years, and in 1919 Napa's worst nightmare became a reality when the hammer of federal prohibition fell.

The Volstead Act outlawed the sale and production of alcoholic beverages and decimated the California wine industry overnight. A few wineries were allowed special permits to produce for religious purposes; however, the mass majority were not. Some tried with little success to pivot to grape juice sold in bulk, but most abandoned their vines altogether. Before 1919, more than 2,500 wineries were licensed in America; by 1933, less than 100 remained.⁹⁴

While producing alcohol remained illegal, growing grapes was not. Research on grape growing continued throughout prohibition, collecting data that would eventually inform the creation of American Viticultural Areas (AVAs) in California many decades later. Researchers determined there were unique climatic zones that grew grapes particularly well and made recommendations on where growers should focus their efforts with specific cultivars. During the peak of the Great Depression in 1932, prohibition ended when the 18th Amendment to the Constitution was repealed. For the next six years, grape growers and winemakers in Napa worked hard to nurture the few vines that made it through prohibition and planted new cultivars based on research. By the start of World War II in

⁹³ Wine Cellar Insider (N.D.) *Complete Napa Valley Wine History From Early 1800's to Today*. Accessed July 30, 2020.
<https://www.thewinecellarinsider.com/california-wine/california-wine-history-from-early-plantings-in-1800s-to-today/>

⁹⁴ Wine Cellar Insider (N.D.) *Complete Napa Valley Wine History From Early 1800's to Today*. Accessed July 30, 2020.
<https://www.thewinecellarinsider.com/california-wine/california-wine-history-from-early-plantings-in-1800s-to-today/>

1939, California's wine industry was just beginning to see its vines mature and produce enough fruit to make wine commercially.

The war brought new challenges, as supply chains were redirected into war efforts, and bottles and rail cars were requisitioned for shipping. Lack of labor proved to be especially difficult during this period as well. In response to common issues, in 1943, at the peak of World War II, vintners came together to form the Napa Valley Vintners trade association. By 1944, NVV's seven founding members set out to begin to promote the Napa Valley as a world-renowned wine-producing region. Their efforts focused on industry advocacy, market development, marketing activities, and hospitality.⁹⁵

Appellations and IP Protection

NVV has excelled at efforts to protect and defend the Napa Valley name. In 1981, Napa Valley became the first AVA in California to successfully petition the federal Tax and Trade Bureau, a component of the United States Department of Treasury, for an appellations designation. Per the federal regulation, AVAs are allowed to be "nested," meaning that they may overlay existing AVAs. Today, Napa Valley is home to 16 different sub-AVAs that all independently petitioned and were awarded designations.⁹⁶

The initial establishment of AVAs was just the first step in an ongoing, multi-decade process to protect the Napa name. In 1990, the NVV successfully advocated for California legislation to require that each of Napa's 16 sub-appellations must be labeled in conjunction with the "Napa Valley" designation. In 2000, the association was able to pass legislation requiring any of the brand names or names of the 16 sub-appellations must utilize a minimum of 85% of the grapes grown within the appellation. In 2006, these laws were challenged and upheld by the U.S. Supreme Court.

In addition to securing Napa name protections through the federal AVA process and California state legislature, NVV also worked diligently for five years to obtain a certification mark from the U.S. Patent and Trademark Office for the name "Napa Valley," becoming the first AVA in the U.S. to do so. Internationally, in 2007, Napa Valley became the first non-European Union product to receive protection as a geographical indication in the E.U., and has followed up with successful name protection efforts in other countries.⁹⁷

A central focus of NVV advocacy has been its work in coalition with wine regions across the globe, including old-world wine heavyweights Champagne, Bordeaux, Rhone Valley, and Chianti Classico,

⁹⁵ Napa Valley Vinters Press Kit (N.D.) Accessed July 30, 2020. <https://napavintners.com/press/presskit/>

⁹⁶ Parr, D. *An Introduction to Napa Valley AVAs*. January 23, 2020. <https://www.napavalley.com/blog/guide-to-napa-valley-avas/>

⁹⁷ Napa Valley Vintners (N.D.) *Napa Name Protection*. Accessed July 30, 2020. https://napavintners.com/about/napa_name_protection.asp

that share the same values as Napa as it relates to mislabeling and misuse of geographic names. In 2005, Napa was one of 32 leading wine regions to come together to form *Wine Origins*, an organization seeking to promote and protect wine-growing place names worldwide.⁹⁸ These efforts sought to challenge the commodity-driven values of large scale, homogenized production common in American agriculture, including in some wine-producing regions. Contrary efforts to utilize regional place names for generic goods continue to result in heated debates, and have influenced global negotiations on trade deals and treaties.⁹⁹

“*NVV has assumed the duty of preserving the Napa Valley name for those who have earned the right to put it on their labels.*”¹⁰⁰

Viticulture, Terroir and Sub-Appellations

Napa Valley is world-renowned for its unique microclimates that are well suited for growing specific cultivars such as cabernet sauvignon and chardonnay. Grape growers and vintners in Napa have worked collectively to become experts in growing and making cultivar-specific wine, further establishing regional quality through consistent uniqueness to place and taste. While cabernet sauvignon accounts for 40% of harvest yield, Napa collectively produces more than three dozen different varieties.¹⁰¹

Like other successful origin-based wines, *terroir* plays a fundamental role in the quality of the wine and, in turn, marketing of place. Napa has a Mediterranean climate, unique soil diversity, a long growing season with a rolling marine fog pattern, and a lack of summer rains that can cause vine diseases. Grapes grown in the rich alluvial valley floor can be strikingly different from those that grow on the valley's hillsides, and it is through this distinction that the various sub-appellations have been developed.

Each sub-appellation has been independently incorporated from an organizational development standpoint, and individually petitioned for their designations separate from the Napa Valley AVA. While in concept, various sub-appellations can be perceived as competitors, in practice their efforts end up being complimentary while maintaining their own distinctiveness. All 16 sub-appellations remain a part of the larger AVA, and work in concert to promote the region through various marketing strategies.¹⁰²

⁹⁸ Wine Origins (N.D.) *Why It Matters*. Access July 30, 2020. <https://origins.wine/location-matters/>

⁹⁹ Hughes, J. (2006). Champagne, feta, and bourbon: The spirited debate about geographical indications. *Hastings LJ*, 58, 299.

¹⁰⁰ Napa Valley Vintners (N.D.) *Napa Name Protection*. Accessed July 30, 2020. https://napavintners.com/about/napa_name_protection.asp

¹⁰¹ Napa Valley Vintners (N.D.) *Napa Valley Grape Varieties*. Accessed July 30, 2020. https://napavintners.com/napa_valley/grape_varieties.asp

¹⁰² Patchell, J. (2012). *The territorial organization of variety: Cooperation and competition in Bordeaux, Napa and Chianti Classico*. Ashgate Publishing, Ltd

Environmental Challenges and Sustainability Efforts

The discussion around land use and management of natural resources in Napa has a long and contentious history. In 1968, the NVV and other stakeholders in the community began the process of creating the nation's first Agricultural Preserve. Development pressure from urban sprawl threatened fertile agricultural lands, and in response a land use ordinance was established to protect 23,000 acres of the valley floor and foothills.¹⁰³

As Napa wine soared in popularity, so did the criticism of agricultural practices that led to the erosion of hillside soils and discharge into watersheds. In response the Napa County Board of Supervisors enacted a conservation ordinance in 1991 designed to impose rigorous conservation policy such as setbacks from streams. It wouldn't be until 2017, however, that the state of California would adopt a water quality control permit for vineyards in the Napa River and Sonoma Creek watersheds. These permits were adopted in order to require best management practices to control sediment discharge and stormwater runoff increases generated from farms and unpaved roads, and actions to control discharge of pesticides and nutrients.¹⁰⁴

In an effort to incentivise best management practices in Napa, the NVV has worked with more than twenty industry and environmental stakeholder groups to develop a certification, called Napa Green Certified, to showcase brands' commitment to the environment and a climate action plan. The effort integrates the process of developing standards, awarding the certification, and marketing the certification to consumers, industry buyers and the media. In 2015, the NVV made a commitment that every member of the association would have to become certified Napa Green program by 2020. By February of 2020, enrollment in the program had reached 80%.¹⁰⁵

Building a Reputation for Quality

Much of Napa's reputation for quality has been built on intentional, collective efforts administered through the NVV. At the same time, however, outside influences and events - not necessarily planned through the NVV - have been critical to Napa's success. Historically, the NVV has been very skilled at leveraging such events through a strong public relations strategy that adds to the region's reputation for collective excellence.

¹⁰³ Daniels, T. (2019). The Napa County agricultural preserve: Fifty years as a foundation of America's premier wine region. *Journal of Planning History*, 18(2), 102-115.

¹⁰⁴ Hines, R.

Napa, Sonoma vineyards get new rules. North Bay Business Journal, July 30, 2018.

<https://www.northbaybusinessjournal.com/article/article/napa-sonoma-vineyards-get-new-rules-erosion-control/>

¹⁰⁵ Klearman, S. *Napa Green, aided by Napa Valley Vintners, to become nonprofit organization*. Napa Valley Wine Insider, February 10, 2020.

https://napavalleyregister.com/news/local/napa-green-aided-by-napa-valley-vintners-to-become-nonprofit/article_3ab95319-c48b-550b-b278-c351864d1ed0.html

Unlike European appellations, the U.S. does not require producers to specify standards or practices in their appellation petitions. As a result, AVAs are not required to meet prescriptive quality markers to bear the appellation name. Additionally, unlike many U.S. agricultural products, wine is not graded through a metric of codified, predetermined quality standards. What, then, determines how value is perceived in the US wine industry and how that value is translated to the end consumer?

By far the most influential event in the development of Napa's worldwide reputation for excellence was the Judgment of Paris in 1976, when a panel of French wine judges blindly tasted California wines against the best wines of Bordeaux and Burgundy. In a twist that shocked the wine world, the French judges ranked the California wines - Chateau Montelena Chardonnay and Stag's Leap Wine Cellars Cabernet Sauvignon, both from Napa - as better in every category than their French counterparts. Nearly overnight, Napa became a formidable competitor on a global stage. From movies that have been made reenacting the fateful event, to actual redos of the event itself - which Napa has won every time - the Judgment of Paris has proven to be a marketing goldmine for Napa winemakers.

In addition to blind tastings, Napa wine has found its way favorably into the pallets, and publications, of notable wine critics who help shape consumers' buying decisions. One such wine critic is Robert Parker, who is credited with developing a 100 point system for rating wines, a system that has been both successful and controversial in shaping the global market for the past four decades. Parker's reviews launched specific Napa "cult wines" into a high price and reputation bracket, further defining and springboarding Napa's reputation. Parker's critics have charged that quality is subjective, and a single pallet should not and cannot define quality.¹⁰⁶ Parker himself does not disagree, but nevertheless defends role of wine critics such as himself in setting benchmarks for quality:

"No one argues with the incontestable fact that tasting is a subjective endeavor. The measure of an effective wine critic should be his or her timely and useful rendering of an intelligent laundry list of good examples of different styles of winemaking in various price categories. Articulating in an understandable fashion why the critic finds the wines enthralling or objectionable is manifestly important both to the reader and to the producer. The critic must always seek to educate and to provide meaningful guidelines, never failing to emphasize that there is no substitute for the consumer's palate, nor any better education than the reader's own tasting of the wine."¹⁰⁷

Advocacy for Direct-to-Consumer Sales

Direct to consumer export sales of alcohol have had a long history that involve a significant amount of lobbying on a state and federal level from a range of stakeholders. Following Prohibition's repeal, a

¹⁰⁶ Virbila, S. *Robert Parker Goes Toe-to-Toe with his Critics*. Los Angeles Times, February 27, 2014.

<https://www.latimes.com/food/dailydish/la-dd-robert-parker-goes-toetoe-with-his-critics-20140226-story.html>

¹⁰⁷ Parker, R. (N.D.) *Writers Ethics*. Accessed July 30, 2020. <https://www.robertparker.com/writers-ethics>

federal three-tier system for the alcohol supply chain was established based on the relationship between producers, distributors, and retailers. Each state, in turn, was left to determine the specifics of how to regulate and control the industry, with many state-level policy dynamics driven by the states' desire to levy taxes. Across the nation, each state approached the policy differently, creating a patchwork of various regulations. Some states allow for producers to ship beverages from state to state; some states today still prohibit the activity. In response, wine associations lobby various state legislatures for the ability to sell to consumers via mail directly and actively work to open new markets.¹⁰⁸

These efforts have largely paid off. The 2017 Annual Report on Direct-to-Consumer (DtC) Wine Sales by ShipCompliant, the leading shipment compliance firm, and *Wines & Vines Analytics*, reported that “Napa County continues to be the dominant engine in the DTC shipping channel,” representing nearly 50% of the DTC channel’s entire dollar value while accounting for 30% of its volume.¹⁰⁹

Exports, Tourism, and the Fine Food Movement

Napa’s wine industry has embraced a twofold approach to regional marketing: building an export market on one hand, and attracting tourism to Napa Valley on the other. Each marketing approach builds upon and complements the other.

Wine and food have a relationship dating back thousands of years, and Napa has excelled at promoting this pairing. In particular, Napa’s promotion of wine and food have been strongly influenced by California Cuisine, a food movement that highlights local, fresh and sustainable ingredients. Michelin Star restaurants such as the French Laundry, located in the City of Yountville in Napa Valley, have brought global attention to the Napa region.

Napa is home to 35 other Michelin Star restaurants and hosts hundreds of restaurants striving for the same success.¹¹⁰ The result is a culture of hospitality unlike anywhere else in the United States.

Wineries, restaurants, and hotels in Napa are widely considered to rank among the best tourist and hospitality experiences in the world.

The wealth brought into the County and its cities from tourism is substantial, and continues to grow. According to the 2018 Visit Napa Valley Visitor Industry Economic Impact and Visitor Profile, Napa Valley welcomed 3.85 million visitors to Napa Valley. These visitors spent a total of \$2.23 billion, a significant increase from the 2016 figure of \$1.9 billion. Nearly 70% of Napa Valley’s 2018 tourism

¹⁰⁸ Free the Grapes (N.D.). *About Us*. Accessed July 30, 2020. <https://freethegrapes.org/about-us/>

¹⁰⁹ Wines & Vines (2017). *Direct to Consumer Wine Shipping Report*. https://industry.oregonwine.org/wp-content/uploads/2017_DtC_Report_013117_web.pdf

¹¹⁰ Carl, T. 2019 *Michelin Guide bestows honors on Napa Valley restaurants*. Napa Valley Register, November 30, 2018.

https://napavalleyregister.com/business/2019-michelin-guide-bestows-honors-on-napa-valley-restaurants/article_9e98df1b-9f91-51e7-b5d4-8292d5e684db.html

revenue was generated by overnight guests in lodging, which generated \$85.1 million in tax benefits to residents in the form transient occupancy tax (TOT), sales taxes and property and transfer taxes paid on lodging facilities. The employment statistics are equally impressive. The tourism industry alone in Napa supports an estimated 15,872 people in the community, with an estimated combined payroll of \$492 million.¹¹¹

The ease of accessing Napa Valley from major metropolitan areas such as San Francisco and Sacramento which has been a considerable factor in the development of its tourism sector. Within the county various associations representing the wine industry, the tourism industry, and business community work together to promote the county, cities and AVAs. This collaborative spirit and synchronized effort has propelled Napa into the marketing powerhouse it is today.

Various state-level legislative efforts centering on direct sales to consumers, as well as local policies enabling expansion of food services and “marketing events” at wineries, have provided major boosts to Napa Valley tourism. While tourism has brought economic benefits, its impacts on the community have also been the subject of constant discussion in Napa Valley. Opponents of such activities highlight the negative impacts associated with high levels of tourism, including road maintenance, traffic, and impacts to quality of life. In addition, consolidation of the tourism and wine industry by large, well-capitalized investment firms has been noted to have changed the characteristics of the community, pointing to the potentially double-edged nature of economic development in the county.

Current NVV Marketing Strategies: Signature Programs

Napa's extraordinary economic success, based on a foundation of exporting wine while importing tourists, has been carefully crafted and executed through decades of various marketing approaches. One key element of this strategy has been building Napa's reputation through events and education. A starting point for this strategy came in the late 1940s and early 1950s, when the vintners hosted 700 Harvard University graduates and 2,000 guests from General Electric in separate weekend experiences in Napa.¹¹² Over the following decades, this approach would kick off what would become a multi-dimensional, multi-generational approach to marketing. Generally, marketing programs have taken the form of events and strategic partnerships rather than direct consumer advertising.¹¹³

¹¹¹ Huffman, J. *Report says tourism has a powerful impact on the Napa County economy*. Napa Valley Register, May 3, 2019. https://napavalleyregister.com/news/local/report-says-tourism-has-a-powerful-impact-on-the-napa-county-economy/article_493b7d6a-8762-54e0-bc69-22ef328b3bf1.html

¹¹² Napa Valley Vintners (N.D.) *History of the Napa Valley Vintners*. Accessed July 30, 2020. <https://napavintners.com/about/history.asp>

¹¹³ Stringer, C., & Le Heron, R. B. (Eds.). (2008). *Agri-food commodity chains and globalising networks*. Ashgate Publishing, Ltd.. p. 168

Today, major Napa promotional events include the following:

- **Auctions** - NVV holds two high-profile wine auctions each year: Premiere Napa Valley and Auction Napa Valley.

Premiere Napa Valley is a private event centered on the auction of rare and high-quality Napa wines and explicitly targeted at wine buyers and other wine trade members. Winemakers create batches of small-lot wines specifically for sale at this auction. The auction raises about \$4 million yearly, and proceeds are a significant funding source for the NVV's annual operating budget.

Auction Napa Valley is a private, invitation-only, four-day annual event that centers on the auction of rare and high-quality Napa wines. In 2019, 900 guests enjoyed live music, food pairings, and a live auction that raised nearly \$12 million to support local nonprofits and community organizations. Since its inception in 1981, Auction Napa Valley has raised over \$200 million to support community nonprofits.

Premiere Napa Valley and Auction Napa Valley are major marketing and promotional events for Napa winemakers and raise significant funds for the NVV and the broader Napa community. As invite-only events that specifically target wine buyers, retailers, and journalists, and that encourage competitive bidding over Napa's prestigious wines, these auctions serve to both educate industry partners on Napa wine and to create positive earned media for the Napa region.

- **Educational programs for consumers** - Napa Valley Rocks is a short, 50-minute online certification course aimed at consumers and wine industry professionals that provides a thorough introduction to Napa Valley wines. The course includes detailed information on Napa history, *terroir*, viticultural methods, appellation areas, and common varietals. Following the course, participants can complete a quick test to certify their knowledge of Napa wines and production methods.

In addition, NVV takes Napa on the road by bringing vintners and their wines to cities and hosting "Taste Napa Valley," an event designed to introduce Napa's craft and people to consumers without requiring travel to Napa.

- **Educational programs for professionals** - multi-day immersion programs are targeted at wine educators, journalists, restaurateurs, and other influencers who help tell the story of Napa.

- **Content-driven marketing** - the NVV produces Napa Magazine, a biannual magazine that features interviews, news, and winery profiles as well as robust website and social media presence.
- **Research and partnerships** - NVV conducts economic impact and marketing studies, both independently and in partnership with various institutions, in order to better understand how consumers relate to Napa as a location and as a brand.
- **Press** - NVV serves as the direct point of contact for media coverage on Napa's wine industry, providing time-relevant information and working to connect press with individuals in the industry. The NVV also serves as a central point of information regarding appellation regions, and maintains a website with extensive media resources including a press kit, photo galleries and fact sheets.

The global reputation of Napa wine, reaching back to the 1800s but solidified only over the past forty to fifty years, is a testament to the tremendous organizational and strategic vision of Napa Valley's winemakers. Napa provides an instructive example for how effective use of a range of regional promotional tools can be used to build a brand identity on a global level, and chart the path for the economic development of an entire region.

Summary of GI Case Studies

Colombia

Kona

Bordeaux

Napa

Management of GI	NFC partnership with the Colombian federal government.	Primarily Hawaii Department of Agriculture (HDOA), with support from the KCFA and other trade groups.	CIVB, syndicats, and INAO, with support from the French and EU governments.	Primarily Napa Valley Vintners, with support from state and federal governments via labeling and AVA standards.
Quality Control	Minimum quality standards, agricultural practices, and coffee varieties are required.	Grading standards are established by HDOA; coffee must meet minimum standards.	Wines must meet appellation production standards and be approved by INAO tasting committee and third party accredited control body.	85% of grapes must be sourced from Napa; informal quality control standards; research.
IP Protection	Colombia coffee and Juan Valdez are protected in Colombia as a denomination de origen, in the U.S. by certification mark, and as a GI in the EU.	Hawaii state law requires that “Kona blends” must contain at least 10% Kona. 100% Kona coffee is protected by federal certification mark.	Bordeaux and 57 sub-appellations are protected by the EU. International IP is protected on case-by-case basis and in EU bilateral treaties.	Recognized as an AVA in the U.S., and protected by an additional certification mark. GI protection in the EU and other countries.
Industry - facing marketing	NFC is large enough to act as a major distributor in itself, while also partnering with major processors, distributors, and retailers (e.g. Starbucks).	High-impact partnerships with large coffee distributors.	Global wine fairs, festivals, and futures-buying events that largely target distributors. Partnerships with restaurants.	Industry auctions, B2B, events, research and strategic partnerships.
Consumer - facing advertising	Juan Valdez direct consumer advertising campaign.	Limited.	Public wine fairs, wine schools, direct consumer advertising.	Educational programs for consumers, tourism.
Tourism	Emphasis is on export rather than tourism, but coffee marketing has helped drive tourism and improve the national image.	Heavily dependent on farm tours. Tourism is administered as one aspect of the larger Hawaii agritourism sector.	Chateaux tours focus on building connection to land and culture rather than direct sales. Some regions invest more heavily in tourism with events and public infrastructure.	Strategic partnership with tourism industry, heavily invested in regional experience including wine tasting rooms, food pairing and restaurants and events.
Environmental certification	Collective NFC investment in Rainforest Alliance certification. Several other certifications are also available.	No systematic efforts identified.	CIVB has set a goal for 100% of producers to become environmentally certified, and funds research to help support transitions towards certification.	NVV has sponsored and promoted the Napa Green certification, which now enrolls 80% of producers.
Sub - appellations	Includes terroir-based appellations such as Café Narino.	N/A	57 sub-appellations are promoted in cooperation with Bordeaux as a whole	16 sub-appellations are promoted in cooperation with Napa Valley as a whole
Production / distribution relationship	NFC and 38 cooperatives serve as farmer-controlled processing and distribution.	Cooperatives have historically sought to vertically integrate where possible. Partnership with large distributors is key to export marketing strategy.	Close but contentious relationship is mediated through the CIVB. Wine fairs are a key point of contact.	Independent distribution required by three-tiered system, with exceptions for on-site sales and state-by-state shipping agreements.
Major marketing activities	Juan Valdez campaign, direct-to-consumer advertising, industry-facing marketing through centralized NFC distribution.	Partnership with large distributors, tourism, direct farm sales.	B2B wine fairs and festivals, tourism, wine schools, direct consumer advertising, building direct relationships with restaurants and specialty wine retailers.	Auctions, tours and educational events targeted at journalists/industry/restaurants, partnership with luxury brands, research and development.

Lessons and Findings From Global Geographic Indications

Collectively, the experiences of Bordeaux, Napa, Colombia, and Kona provide a useful range of case studies in considering the structure of a regional branding project for Humboldt County cannabis. These case studies include producing regions of varying sizes - ranging from 550 Napa Valley winemakers and 600 Kona coffee farmers to over 7,000 Bordeaux winemakers and 500,000 Colombian coffee farmers. These examples involve multiple different product types, and include producers operating in a range of countries with distinct political structures, cultures, and legal regimes.

In this section, we draw several lessons from these case studies that are relevant to the future of the Humboldt County cannabis industry. In addition to the case studies already considered, we also integrate the findings of a 2009 International Trade Centre (ITC) report on global geographic indications. The ITC is a United Nations and World Trade Association -backed organization whose mission is the global promotion of small and medium-sized enterprises, and which holds considerable expertise on geographical indications.

The 2009 ITC report is based on an exhaustive review of global GIs and includes contributions from over 30 leading global GI experts. It identifies four core aspects of successful GIs, all of which are consistent with our findings:

- Strong organizational and institutional structures.
- Equitable participation.
- Effective legal protection.
- Strong market partners.

In the below findings, we also identify several other principles which are worthy of consideration as Humboldt considers a collective marketing program.

- Grading and quality control.
- Collective data collection, research, and educational programs.
- Promotion of environmental sustainability.
- Integration with public policy expertise.

Finding #1: Strong organizational and institutional structures are critical to GIs that seek to promote regional products over many decades. Most commonly, resilient and successful GIs are managed in collaboration between industry and government.

All four case studies we considered involved substantial collaboration between industry and government. In Bordeaux and Colombia, the CIVB and NFC are highly integrated with their

respective federal governments. In Kona, the Hawaii Department of Agriculture has taken the lead on GI management, with significant involvement from the KCFA and other coffee trade groups. Among the case studies we considered, Napa wine producers relied on the least amount of public involvement, but the NVV has nevertheless worked closely with state and federal governments in the realm of IP protection and enforcement, and has collaborated with local government on the promotion of tourism and land use regulation.

The ITC report identifies “strong organizational and institutional structure” as one of four essential components of a successful and equitable GI, and recommends collaboration between government and industry groups as the foundation of these structures:

“The skills and costs for monitoring and enforcement of the GI can be considerable – to certify compliance and diminish fraud – even in the domestic market. There may often be other ongoing operational needs to consider, for example to ensure a coherent policy, serve as a mechanism for dealing effectively with change, and provide a basic measure of promotion. Collective or public structures with a commitment to preserving the GI’s reputation can facilitate all of these. As such, local institutions will need not only transparency and democratic representation, but also a continuity of policies and processes. While this represents a certain decentralization or independence from government politics, it would be foolish not to have a working relationship with government. Likewise, if a GI is to be an equitable proposition for the majority of its stakeholders, such institutions will also serve to facilitate the working relationships between local governance systems and the private sector to their mutual benefit.”¹¹⁴

In our review of the case studies, we found that governments play a range of roles in the management and promotion of GIs, including setting and enforcing minimum quality standards, passing and/or enforcing laws to protect intellectual property, holding collective intellectual property, and sometimes seeding or subsidizing marketing budgets.

In turn, industry organizations play critical roles including facilitating participation of affected stakeholders; providing technical knowledge on agricultural practices, quality control, and market dynamics; marketing regional products to other segments of industry; creating democratic and accountable structures; and promoting linkages with sub-regional organizations of farmers such as appellations or cooperatives.

Finding #2: Equitable participation requires decision-making structures that can balance the management of a regional brand identity with the specific priorities of stakeholders such as appellations, cooperatives, independent brands, and distributors. Successfully integrating these stakeholders is an essential aspect of creating an equitable GI.

¹¹⁴ Giovannucci, D., Josling, T. E., Kerr, W. A., O’Connor, B., & Yeung, M. T. (2009). Guide to geographical indications: Linking products and their origins (summary). Available at SSRN 1736713.

As a strategy that seeks to promote collective intellectual property, equitable distribution of returns across the value chain is a fundamental goal of GIs. All regions we considered have developed organizational structures to balance the interests of the range of stakeholders involved, including large and small producers, producers with or without independent brands, producers that benefit or lack a high level of prestige, producers in different sub-regions or appellations, and relationships between producers, manufacturers, distributors, retailers, and consumers.

Many of these organizational structures are highly intricate. In Colombia, the NFC has developed an extensive committee structure, holds elections, and depends on its relationship with 38 coffee cooperatives throughout the country. In Bordeaux, there is a close relationship between the umbrella CIVB trade association - which represents both producers and distributors - and the regional *syndicats* which are controlled by producers and represent sub-regions and appellations. In Napa, the NVV works in collaboration with 16 independently-incorporated appellations to promote the regional brand alongside smaller regions.

Kona has the most fragmented institutional structures of the GIs we considered, with stakeholder representation distributed across the KCFA, Kona Coffee Council, Hawaii Coffee Association, and Hawaii Department of Agriculture. As we discussed in the Kona case study, this fragmentation - which stems largely from unresolved splits between farmers and distributors - has led to substantial contention over the 10% Kona blending laws, which Kona farmers argue have significantly undermined their position in the value chain.

The potential for regional marketing to benefit some stakeholders while excluding others underlines the importance of representative GI decision-making structures that can mediate disputes and ensure equitable outcomes. Without equitable structures, the benefits of a GI can be captured by a small number of elites, such as powerful distributors or exporters, defeating the purpose for which a collective marketing program is designed in the first place.

The ITC report emphasizes the importance of equitable participation, and the risks inherent in GIs that are not controlled by their stakeholders:

“The potential overall benefits of GIs seem to be diminished when they are captured by a select few...

When the GIs are controlled by only one part of the chain, i.e. exporters, or the local elite, they may be more business-minded in furthering the GI’s commercial success but they also may not offer much to producers, unless producers have a position of power, as they do, for example, in the Colombian case study. In some cases, capture by the elite can diminish the effectiveness and potentially put the original assets of the GI at risk...

Ownership of the legal designation is typically held by the government in trust for the stakeholders of the region and most successful GIs are managed by representative stakeholder

*associations. There are considerable risks when a GI is not controlled by its stakeholders or when it can be sold and made inaccessible to some producers within the specified region of origin or even delocalized.*¹¹⁵

Finding #3. IP protection and anti-fraud activities are critical to GI viability. Successful IP protection strategies involve several components, including: advocating for public policy that protects collective regional brands, attaining protection as a certification mark or protected geographical indication, enforcing the mark domestically, and enforcing the mark internationally.

Effective IP protection is a critical component of any regional marketing program. Absent effective control over IP, fraudulent products produced elsewhere can and will be sold under regional names. Such fraud directly undermines regional producers, but also constitutes a major threat to the integrity of the regional brand as a whole by diluting consumer perception of regional quality. In Kona, for example, difficulty in controlling the use of the Kona name is perhaps the principal structural issue affecting the region's marketing efforts.

In the EU, IP protection for regional names is relatively straightforward due to European policies that explicitly recognize and protect geographical indications. American IP policy, which does not recognize geographical indications specifically by that name - and typically involves IP protection through a less well-defined certification mark process - is more challenging to navigate. As a result, American producing regions have placed a greater emphasis on public policy advocacy to create systems that can protect their regional intellectual property. Kona producers have advocated for name protection through the Hawaii state legislature, while Napa has broken new ground in the U.S. by successfully advocating to establish federal wine appellations as well as state laws that protect the Napa name.

The ITC's report on GIs emphasizes the importance of a robust IP protection strategy:

"A strong domestic GI protection system is essential. Selecting the appropriate method of protection requires careful consideration. There are many factors to take into account, and the implications are not always self-evident, so seeking experienced counsel and developing a strategy are key early investments to make. A number of the more successful GIs report having spent hundreds of thousands of dollars each year to defend themselves. These expenses cover the ongoing monitoring, updating, and enforcement or conflict resolution in all relevant markets. That is in addition to the initial establishment costs. A viable protection strategy usually begins with a strong domestic

¹¹⁵ Giovannucci, D., Josling, T. E., Kerr, W. A., O'Connor, B., & Yeung, M. T. (2009). Guide to geographical indications: Linking products and their origins (summary). Available at SSRN 1736713.

*GI system that reduces the likelihood of internal fraud (within the origin) that could compromise the reputation and, in some cases, the validity of legal protection overseas.*¹¹⁶

Regardless of where a GI is based, any successful GI will ultimately need to protect and enforce their IP in both domestic and international markets. In all the case studies considered here, these IP protection activities require a significant investment of legal resources and constitute one of the fundamental tasks for regional brands.

In Humboldt, the importance of IP protection has been recognized in County deliberations on cannabis policy since before the passage of Proposition 64. Early efforts to protect the county name by integrating IP protection with track and trace, however, were unsuccessful. As originally proposed, an integrated track-and-trace/IP protection system for Humboldt County was focused on four primary returns:

- Providing a County mechanism for oversight of inversion and diversion of product.
- Protecting the integrity of origin of products coming out of Humboldt through a stamp placed on packaged products.
- Collecting data on tracked products to inform future research on market dynamics and to influence marketing efforts.
- Providing a mark for future certification opportunities.

As early adopters of a cannabis pilot program, Humboldt County moved forward on this initiative before the State of California had awarded a statewide track and trace contract. When a competing firm secured the statewide contract, however, the program became largely redundant and was dropped. The creation of a countywide marketing program provides an opportunity to reassess these efforts and determine what form of IP protection will best serve Humboldt going forward.

Finding #4: Collective regional marketing can take a wide variety of forms, including industry-facing marketing, direct consumer advertising, strategic partnerships, media partnerships, and tourism. Among these approaches, strong market partnerships are the most common foundation of successful GI strategies.

The GIs we reviewed have deployed a wide range of marketing tools to promote their regional brands. Importantly, we found that GIs are highly strategic in choosing which marketing efforts to prioritize based on resource efficiency and perceived impact.

Industry-facing strategies were at the core of all GIs we considered. Napa and Bordeaux have devoted large amounts of resources to promoting industry connections through auctions, wine fairs, and strategic partnerships with restaurants and media; the historical foundation of the Kona marketing strategy has been their partnership with the Superior Coffee and Tea distribution company; and the

¹¹⁶ Giovannucci, D., Josling, T. E., Kerr, W. A., O'Connor, B., & Yeung, M. T. (2009). Guide to geographical indications: Linking products and their origins (summary). Available at SSRN 1736713.

Colombian NFC invests significantly in vertically integrating their own supply chain with collectively-owned processing, distribution, and retail, as well as promoting partnerships with large international importers and retailers.

Direct consumer advertising campaigns are an example of a more resource-intensive marketing strategy available primarily to larger GIs. The least-resourced region we considered, Kona coffee, conducts essentially no direct consumer advertising and relies heavily on the aforementioned partnerships with larger distributors, as well as leveraging existing Hawaiian programs for tourism promotion. By contrast, the largest GI we considered - Colombian coffee - invested heavily in the Juan Valdez marketing campaign, but has placed less emphasis on tourism.

Napa and Bordeaux have pursued a middle path. These GIs have focused the bulk of their resources on promoting industry connections through auctions and wine fairs, developing tourist infrastructure, and forming strategic partnerships with restaurants and media. These activities have sometimes been supplemented with direct consumer advertising, as in the case of Bordeaux, which has taken a recent turn in this direction.

ITC's report emphasizes the importance of strong market partners in regional marketing efforts. Specifically, it finds that strong market partners are particularly important for smaller GIs which lack the substantial resources required to fully vertically integrate:

“The strength of the market partners is key to the promotion and commercialization of the GI over the long term. While the presence of a GI is a concrete starting point, producers and firms must also utilize traditional marketing strategies to convey their unique factors and develop themselves as a brand. For a GI, the processes of launching products, penetrating markets, and segmentation are no different than those for other products. Success depends significantly on careful implementation of effective marketing strategies. These will often require close partnerships with private firms that can distribute the product and undertake its promotion...

Many of the GI successes in overseas markets are the result of long-term and consistent commercialization by competent market partners. This is especially true of the successes from developing countries. Colombia may arguably be the exception for its coffee GI but its success is the result of extraordinary large-scale democratic institutional processes and considerable long-term marketing investments (millions of dollars per year) that are not easily replicable in most origins.”¹¹⁷

Finding #5: Quality control efforts are often critical to GI strategies and associated marketing programs. Quality control strategies have several potential components,

¹¹⁷ Giovannucci, D., Josling, T. E., Kerr, W. A., O'Connor, B., & Yeung, M. T. (2009). Guide to geographical indications: Linking products and their origins (summary). Available at SSRN 1736713.

including: implementation of grading and classification systems, research and education to improve quality, and legal requirements for minimum quality standards.

GI approaches depend on establishing, promoting, and maintaining the reputation of a regional brand over an extended period of time. As with privately-held brands, an important component of regional brand reputation is consumer perception of quality, which in turn hinges on effective differentiation.

Our review of case studies found that low or inconsistent quality is a consistent threat to even the world's most successful GIs. As a result, quality control is often a central component of GI programs. In Colombia, Bordeaux, and Kona, the establishment of official quality control mechanisms and classifications can be argued to be the foundation of each region's collective marketing strategy. Bordeaux requires adherence to a set of appellation standards and practices as well as approval by a tasting committee; Colombia requires the use 100% Arabica beans, and only allows beans of a minimum quality to be designated for export; and Kona beans must be graded "prime" or above.

Quality control projects can take several different forms. At the minimum, any quality control system requires an agreed-upon grading or classification system that can clearly differentiate based on quality, a system which is still lacking in the context of cannabis. Agreed-upon standards can help inform the creation of farmer education programs, research and development projects, and processing and storage improvements that maintain the quality of regionally-branded cannabis. Finally, many GIs - including Colombia, Bordeaux, and Kona - have adopted legally-required minimum quality standards in order for products to be sold under a regional name.

Among the GIs we reviewed, Napa was notable as the only region without a substantial quality control program. Several factors potentially contribute to Napa's ability to maintain its reputation despite such a program. Napa wines are well-liked by influential wine critics such as Robert Parker, Napa has seen enormous benefits from high-profile media exposure such as the Judgement of Paris, and Napa's substantial tourist infrastructure effectively connects consumers directly with wine producers. Additionally, Napa has been able to successfully promote its unique *terroir*, demonstrating how skilled producers work within local microclimates to produce top-quality wines.

Collectively, these case studies suggest that while there can be many approaches to maintaining a reputation for quality, the question of quality control remains a central consideration in building a regional brand identity.

Finding #6: GIs can conduct other important centralized projects including data collection, R&D, and farmer education.

The collective entities behind GIs have frequently taken advantage of economies of scale to produce important collective research and education efforts. These programs are comparable to traditional marketing or quality-improvement efforts that are found in private companies, with the key distinction that research and analysis are distributed to all producers. Even in Kona, the smallest GI we

considered, the Hawaii Department of Agriculture conducts substantial market research to support Kona coffee producers.¹¹⁸

Finding #7: GIs can play an important role in supporting environmental sustainability by emphasizing the relationship between the land and production, promoting environmentally-friendly practices, and incentivizing adoption of voluntary standards and practices. However, GIs should be cautious about investing heavily in specific environmental certifications without confidence that the certification can be widely adopted and marketed to consumers.

Because GIs are regionally-based, with production inherently tied to the health of the land, regional marketing projects have an inherent incentive to promote environmentally sustainable practices. Unlike a privately-held brand, which can theoretically be produced anywhere in the world, GI-based collective brands cannot be outsourced and must give central importance to issues of sustainability, including environmental sustainability.

GIs can also be used to promote environmental practices that go beyond legal requirements. In most regions, government regulations require producers to meet minimum standards for environmental impact. Incentivizing businesses to adopt additional standards, however, can be more difficult. Some producers will voluntarily adopt higher standards; others will not, whether out of lack of interest, a lack of understanding of the value, or inadequate resources. In this context, collective marketing efforts can be used as one lever to incentivize the adoption of environmentally sustainable practices above the legally-required baseline.

Environmental certifications are one common approach to incentivizing sustainability, but as the Colombian example demonstrates, several benchmarks must be met in order for such certifications to be successful. On the producer side, the certification must be understood and adopted, and not require excessive paperwork or administrative burden; on the consumer side, the certification must be recognized by consumers and drive purchasing decisions and retail pricing. In Colombia, collective investment in environmental certification has educated many farmers and improved production practices. At the same time, however, high administrative overhead in obtaining the certification, and lack of consumer recognition, has limited the certification's impact.

Finding #8: GIs are often heavily involved in public policy issues. Public policy dynamics affect marketing strategies as well as the overall viability of producing regions.

Public policy considerations substantially affect marketing decisions in each case study we considered. In Napa, the NVV fought heavily for federal appellations protection and state name protection, and continues to work in coalition with other wine associations for the ability to sell directly to the consumer. In Kona, reforming Hawaii's 10% blending laws is the top priority for farmers seeking to

¹¹⁸ For example, see Nakamoto, S. T., & Halloran, J. M. (1989). The Markets and Marketing Issues of the Kona Coffee Industry. <https://scholarspace.manoa.hawaii.edu/bitstream/10125/25509/ITS-034.pdf>

protect the Kona name. In Bordeaux, heavy involvement of the French government and EU in appellations policy affects every aspect of regional marketing efforts. And in Colombia, the negotiation of international trade rules has major impacts on the scope and nature of markets for Colombian coffee.

At the same time, collective marketing efforts also influence policy outcomes by building partnerships with other segments of industry, driving press coverage, and increasing consumer awareness. Napa's policy programs are a clear example of the two-directional relationship between policy and collective marketing: both the appellations campaign and direct to consumer campaigns simultaneously worked to change public policy while also creating a platform to educate consumers on Napa wines.

Recommendations for a Humboldt County Cannabis Marketing Program

In light of the above findings and case studies, we conclude with a set of recommendations for a Humboldt County cannabis marketing program. Our recommendations fall into two categories: recommendations for the organization and structure of a Humboldt cannabis marketing program, and recommendations for the substance of Humboldt collective cannabis marketing activities.

The structural recommendations that follow relate to the necessary long-term components for the success of a Humboldt cannabis marketing program, and in particular to the critical issue of *how countywide marketing decisions should be made*. If decisions are made under a strong organizational structure that utilizes an equitable, stakeholder-driven process, there is a high likelihood that these decisions will result in positive outcomes for the Humboldt cannabis community and Humboldt County as a whole.

In addition to structural recommendations, we also offer substantive recommendations on topics such as IP protection, environmental sustainability, and specific marketing efforts. These substantive recommendations are based on the experiences of other successful GIs, and are worthy of attention as possible activities for the organization receiving county marketing funds. As potential long-term programmatic priorities, the organization that carries out Humboldt County marketing should at least have the *capacity* to implement the bulk of these recommendations, regardless of whether any specific recommendation is prioritized at a given time.

That said, it falls to the Humboldt cannabis marketing program itself – not to this assessment – to determine what substantive marketing efforts should be prioritized at any given time. In other words, so long as substantive marketing decisions are made and implemented based on a well-structured process that involves the relevant stakeholders, the foundation will be set to achieve positive results.

For this reason, we encourage special attention to the first eight recommendations below, all of which deal with structural and organizational issues. The additional twenty-two substantive recommendations, while also important, are intended more as guidelines or considerations that may become more or less critical depending on available resources, market conditions, policy developments, and other contextual factors.

Recommendations to build strong organizational structures

Recommendation #1: Humboldt’s cannabis marketing program should be built on a strong institutional foundation that prioritizes long-term strategic vision over short-term sales.

Successful regional marketing programs are built over many decades. Where private firms often face incentives to provide quick financial returns for shareholders, GIs are fundamentally based in

communities and should prioritize generational sustainability over short-term sales volume. The NFC, CIVB, and NVV all date to the 1940s or earlier, and the Humboldt cannabis industry and the institutions supporting it should aspire to a similar multi-generational vision.

Recommendation #2: Collaboration between industry and government should be the foundation of Humboldt’s cannabis marketing program.

Collaboration between industry and government is at the core of nearly all successful geographic indications. Industry’s participation ensures the involvement of affected stakeholders, provides democratic legitimation to marketing efforts, and provides necessary technical knowledge, while government involvement sets policy, addresses collective action problems, and ensures that industry operates for the benefit of the larger community.

Recommendation #3: A marketing program will benefit from strong ties to community organizations beyond industry and government.

While industry and government form the foundation for successful regional marketing efforts, achieving goals for sustainable rural economic development will benefit from the participation of the broader community. Each of the case studies we considered have developed strong linkages throughout their local community, including developing significant cooperation with local institutions such as universities, tourism groups, small businesses, and other local organizations.

Recommendations to ensure equitable participation

Recommendation #4: The organizational and decision-making structure that determines marketing efforts should be representative of, and accountable to, the Humboldt cannabis industry.

Equitable, representative control of marketing efforts by the affected industry stakeholders is at the core of successful GIs. As the ITC report emphasizes, a major risk in regional marketing efforts is that the value of the regional brand will be captured by a small number of elites, such as distributors or exporters, and not benefit the region as a whole.

The equitable involvement of affected stakeholders is critical at every step in the marketing process. Any marketing and messaging decision has the potential to benefit some market segments over others: for example, by benefiting large producers over small producers, benefiting a white-labeled brand over an independent brand, or benefiting distributors over producers. Similarly, the authenticity of marketing efforts requires the participation of the full range of stakeholders. Any organization responsible for marketing Humboldt cannabis should have the capacity to mediate these conflicts and ensure that programmatic marketing efforts benefit all affected stakeholders.

Recommendation #5: The organization that receives Humboldt County marketing funds should be held accountable to public oversight. Specifically, we recommend establishing a single County committee tasked with review for all tax-funded countywide promotional efforts.

The marketing organization that receives County funds should be subject to public oversight, both because the funds themselves are public and because the marketing program will only be successful to the extent that it is managed for collective interest. The organization receiving marketing funds should have sufficient flexibility and autonomy to effectively carry out its mission, but also should be held accountable to public review.

Throughout our research, a critical component for the success of regional marketing efforts is collaboration between various promotional organizations. The County currently provides public funding for several distinct Humboldt County marketing and promotional programs, which have the potential to either build each other up by leveraging their respective expertise, or to compromise all efforts through lack of collaboration and confusing messaging. Rather than creating a public oversight body only for Project Trellis marketing funds, we recommend the establishment of a single committee to provide oversight and review for all tax-funded County promotional programs collectively.

In addition to providing public accountability for these programs, a single committee would work to review performance of various County marketing efforts in concert with Economic Development staff and make recommendations to staff and Board of Supervisors. We recommend that tasks for the committee include yearly performance reviews, a clearly-defined process to assess benchmarks, and establishment of a process for public engagement.

Recommendation #6: Humboldt manufacturers, distributors, and retailers should contribute proportionally to collective marketing efforts.

Currently, Humboldt cannabis marketing funds are generated exclusively from cannabis farmers located in unincorporated areas. The absence of manufacturers, distributors, and retailers from the current funding stream triggers complications for a collective marketing program. Two concerning outcomes are possible: either non-cultivators will free-ride off an assessment burden that lands exclusively on cultivators, or marketing efforts will exclude non-cultivators and risk pitting farmers against the rest of the supply chain. To avoid these dynamics, we recommend considering solutions, such as Business Improvement Districts (BIDs), that can generate equitable funding for marketing programs from across the supply chain. In addition to addressing issues of equitable participation, buy-in from all local cannabis businesses will improve collective marketing efforts by involving the story of the full Humboldt supply chain.

Recommendation #7: Marketing efforts should build close relationships with appellations and cooperatives as they develop.

A close relationship between larger regional marketing programs and smaller sub-regional organizations, such as cooperatives and appellations, is central to the successful GI strategies in regions including Bordeaux, Napa, and Colombia. Collaboration along these lines helps to ensure accountability, increases organizational capacity, and boosts marketing efforts by emphasizing the diversity and vitality of the region.

To this point, most sub-regions of Humboldt County have not yet formally developed regional organizations to represent their local historical cultures. California's appellations program will not be implemented until January 1, 2021, and cooperatives remain at an early stage of development. As the legal industry matures and appellations protections become available, we anticipate the development of far more sub-regional organizations that represent local producers.

Sub-regional organizations such as appellations will drive marketing by generating messaging that includes a focus on *terroir*, environmentally sustainable cultivation, and the unique standards, practices, cultivars, and cultures of each region. At the same time, from an organizational perspective, these sub-regional organizations will become some of the most critical stakeholders in countywide marketing decisions. For these reasons, it is essential that the countywide marketing program and these regional organizations collaborate closely on marketing strategies.

Recommendation #8: Messaging should be developed with substantial community input and reflect community values.

Messaging that authentically represents the values of the Humboldt cannabis community is critical to the integrity and long-term viability of regional branding efforts. Themes and messaging involved in Humboldt cannabis marketing should be developed based on substantial community input and should reflect the community's goals and values.

Recommendations to protect collective intellectual property

Recommendation #9: Consider adopting a countywide stamp program, including a certification mark, once this resource becomes available.

Currently, federal certification marks are not available for cannabis, and California lacks an independent state-level certification mark process. Once these opportunities become available, however, the county and industry should consider a certification mark for cannabis that meets Humboldt county of origin standards. As part of that process, a cost-benefit analysis should be made on to what extent a certification mark or stamp can provide a host of additional benefits, such as IP protection, data collection, and marketing opportunities.

Recommendation #10: IP for the Humboldt County cannabis marketing program should be held by local government.

In order for regional marketing to be conducted for collective benefit, IP for the Humboldt County marketing program should be publicly-held. Public ownership ensures the value of the Humboldt cannabis brand can never be captured by private actors and that IP is managed in the public interest.

Recommendation #11: A Humboldt cannabis marketing organization should have capacity to develop and enforce an IP strategy, including registration of marks, enforcement against fraudulent uses, and integration with IP-related public policy issues.

Protection of IP is a core element of a successful GI strategy, and our research indicates these strategies can become costly and complicated in proportion to the scope of available markets. As national and international markets open up, effective IP protection - including enforcement of any registered marks - will become an increasingly important aspect of the Humboldt marketing program. Considering that the details of federal and international cannabis policy frameworks have yet to be developed, public policy dynamics will also likely become relevant to these efforts. IP protection efforts must be housed with an organization that holds both the incentive and the financial capacity to implement a robust name production strategy for Humboldt County cannabis products.

Recommendations to build strong market partnerships

Recommendation #12: Marketing efforts should prioritize building relationships with distributors and retailers in major urban markets.

Building relationships with market partners, such as distributors and retailers, can have a multiplier effect where businesses beyond Humboldt County become partners in promoting Humboldt cannabis and the regional brand. In particular, retailers in the Bay Area and Southern California have access to the bulk of California consumers, and the purchasing and marketing decisions these retailers make will have a major impact on the Humboldt regional cannabis brand.

While there are many ways to structure such partnerships, we recommend particular attention to Bordeaux and Napa, where wine fairs and auctions that link producers with buyers are structured to draw press attention and “turn the market into a marketing tool.”

Based on our review of case studies on the ITC’s findings, these industry-facing marketing activities are highly cost-effective and therefore form the foundation of most GI marketing strategies.¹¹⁹ As federal and international markets open up, and the resources required to reach consumers increase, building strong market partnerships will only become more important.

¹¹⁹ Given the highly-regulated nature of the cannabis industry, events such as auctions and trade fairs are more complex to implement than they might be in other industries. Marketing activities along these lines will need to be vetted for compliance with state laws, and additional policy development may be necessary to facilitate some marketing activities.

Recommendation #13: Marketing efforts should prioritize building relationships with equity businesses.

Following the passage of Proposition 64, several local governments in California established cannabis equity programs, with the intent of assisting individuals who have been impacted by the War on Drugs in facilitating their successful transition into the legal cannabis market. Beginning in 2018, these efforts have been further supported by state legislation that provides financial support specifically for equity cannabis businesses.

While the experiences of rural legacy cannabis farmers and urban equity businesses differ in many ways, there is also an undeniable similarity and connectedness between these communities. Both urban and rural legacy cannabis communities were targeted in the War on Drugs, both communities share values and experiences as small businesses emerging from prohibition, and longstanding cultural and market linkages have only recently become disrupted following the implementation of Proposition 64.

As state and local policies increasingly seek to incentivize and prioritize the licensing of equity businesses, marketing efforts should prioritize the reconnection and promotion of legacy urban and rural supply chains. Collective marketing efforts are one key resource that can be used to ensure that the economic opportunity generated by cannabis legalization benefits the communities that were most severely impacted by cannabis prohibition.

Recommendations for other marketing activities

Recommendation #14: Marketing efforts should work to influence market dynamics, not only to maximize sales within existing market dynamics.

Existing market dynamics, which privilege vertically integrated production-retail models, indoor-grown cannabis with maximal THC percentage, and which provide little visibility into origin or *terroir*, are generally unfavorable to Humboldt-produced craft cannabis. Over the long term, building a market for cannabis that recognizes and values the positive environmental and craft qualities of sun-grown Humboldt products will be a major component of a successful regional marketing strategy. Shifting existing attitudes and market dynamics will take time and a significant investment of resources, but should be prioritized as a medium-to-long term vision alongside more immediate efforts to promote near-term sales.

Recommendation #15: Programmatic marketing efforts should carefully consider prioritization of resources.

In the context of limited resources, care should be taken to ensure that resources are spent in the most effective possible way. Some forms of direct consumer advertising, such as billboards or TV advertisements, can be costly investments that require considerable scale to be successful. Resources

should be prioritized towards cost-effective programs that can provide the greatest return for building a regional brand identity.

Recommendation #16: Marketing efforts should promote Humboldt and its sub-regions through a lens of *terroir*.

In each of the case studies we reviewed, *terroir* has been a central conceptual, legal, and promotional aspect of regional marketing strategies. The notion of *terroir* ties together many of the most important aspects of Humboldt’s cannabis industry and community: the unique relationship between product and place; the connection between smallholder agriculture, environmental sustainability, and livelihoods; and sub-regional cultures and communities that make up the larger Humboldt community.

In a 2019 white paper, Origins Council underscores the critical importance of *terroir* for legacy cannabis-producing communities in California:

“There are historic and pragmatic motivations behind these terroir-based delimitations, such as regional unification and the need to hold ground for agricultural communities, particularly small holders... By holding ground we mean the epochal fight for farmers to literally hold onto the ownership of their land, their home and their livelihood in the face of consolidation, climate change, regulation, market pressures, etc., These are not new challenges to agrarian peoples, though magnified to a crisis pitch at present for the legacy cannabis producing regions of California. It was from these types of challenges that the French gave birth to this brilliant and poetic standards-based regulatory system that is producer driven and producer benefiting, because it is tied to the land itself.”¹²⁰

As a regional brand identity tied to place and to land, rather than a free-floating private brand, the *terroir* of Humboldt County’s many producing regions is the critical conceptual notion that ties together a countywide marketing program.

Recommendation #17: Incorporate public relations and media coverage into countywide marketing efforts.

Among the case studies we reviewed, Napa wine producers have been particularly skilled in leveraging their collective accomplishments, community programs, and name protection efforts as content marketing. Collectively, these efforts have helped to cement Napa’s place as America’s most valued wine region. The Humboldt County cannabis industry is already regularly featured in local, state, and national press, affording a rare opportunity to shape the media narrative for the county as a whole. As the county continues to attract media attention, it will be essential to incorporate a press strategy, rooted in industry knowledge and participation, into any cannabis marketing efforts.

¹²⁰ Origins Council. *The Case for Terroir-Based Appellations*. June 17, 2019. <http://originscouncil.org/services/>

Recommendation #18: Marketing efforts should promote emergent cannabis tourism and coordinate with existing tourism promotion programs on joint content marketing efforts.

In Napa and Kona, tourism has played a critical role in supporting a broader strategy based around the export of regional products. The experiences of these regions point to possibilities for integrating tourism as an aspect of export promotion efforts, as well as an economic development strategy in itself.

Emergent Humboldt County cannabis tourism will face significantly different dynamics as compared with these regions. In contrast to Napa and Kona - where agriculture is located in small, relatively-accessible valleys - Humboldt's cannabis farms are distributed over a rugged region three times the size of Rhode Island. While some tourism infrastructure could be located in more-accessible towns, or along major highways, it is important to carefully consider the implications of tourism in more rural areas. Napa's experience points to the push-and-pull dynamics of tourism in rural areas, where an increasing embrace of tourism can lead to concerns regarding development and the loss of the agricultural character of a region.

Collaboration with existing tourism promotion programs will be essential to effectively integrate destination marketing into a larger Humboldt cannabis marketing program. Efforts to market the cannabis industry and Humboldt products in conjunction with destination marketing should be carefully considered through a collaborative lens to align messaging to the consumer and with cannabis policy endeavors, while ensuring compliance with local and state laws.

Recommendations for quality control and grading standards

Recommendation #19: Track the development of cannabis grading standards over time, and consider promotional efforts related to the development and implementation of standards.

Considering precedent from other specialty agricultural products, cannabis grading standards are highly likely to be developed over the short-to-medium term. Whatever grading standards are ultimately recognized will have a major impact on the perception and marketability of Humboldt cannabis.

Currently, there is no universally agreed-upon grading system for cannabis flower or concentrates based on factors such as smell, taste, visual appearance, terpene content, density, non-THC cannabinoid content, cultivar, or subjective effect. As a result, the existing market is led to rely on longstanding norms that favor high THC content and indoor growing methods. Many market participants do not view these standards as reflective of quality, but they remain powerful determinants of price in the absence of alternative standards to take their place. Existing standards disadvantage Humboldt farmers who cultivate craft, sun-grown cannabis that does not necessarily rely on THC content for its high quality.

As cannabis grading standards for flower and concentrates are developed, these standards will have major impacts on Humboldt cannabis marketing and should be incorporated into countywide marketing efforts. The development of grading standards themselves is also a potential effort that can be marketed, since such efforts are likely to deepen the conversation around cannabis quality and highlight complex craft qualities of Humboldt cannabis.

Recommendation #20: Consider conducting agricultural and consumer research on cannabis quality and grading standards.

Research is a core aspect of many regional marketing programs and has the potential to inform discussions on quality and grading standards. Partnerships with research institutions, such as Humboldt State or College of the Redwoods, could potentially facilitate these goals.

Recommendation #21: Over a long term horizon, consider the adoption of minimum quality standards or quality-based classification for cannabis labeled with the Humboldt name. Any potential minimum standards should be based around thorough stakeholder-driven process and a high degree of substantiated industry consensus.

The establishment of minimum quality standards are a common GI strategy to protect the reputation of regional brands. These standards can help to establish regional brands, and also defend against criticism that the regional name lacks meaning. However, because minimum quality standards heavily impact all industry stakeholders, any effort to create such standards should only be considered if based on a long-term consensus-building process that achieves widespread agreement among stakeholders.

While minimum standards are a potentially important tool over the long term, it is also unlikely that achieving agreement on these standards will be possible for some time. Until a cannabis grading system is developed, minimum standards cannot even be considered. Additionally, there is a lack of clarity on the legal dynamics involved in conditioning a county of origin designation to meet a minimum quality standard. More legal research will be necessary to determine whether, and how, such rules could be enacted and enforced.

Recommendation #22: Collaborate with appellations on the marketing of appellation quality control standards, and other appellation-related programs.

California cannabis appellations are legally required to adopt minimum standard, practice, and cultivar requirements as part of their appellation petitions. As a result, once petitions begin to be drafted in 2021, appellations will find themselves on the cutting edge of defining quality standards and the boundaries of “craft cannabis” more broadly. Countywide marketing should build on this work and collaborate with appellations to promote appellation standards as a part of larger countywide marketing efforts.

Recommendation #23: As appropriate, consider using Measure S funds - such as microgrant funds - to support cooperatively-owned processing and distribution.

Producer control over processing and distribution can help to ensure that high quality standards are maintained once cannabis leaves the farm. In many producing regions throughout agriculture, farmer cooperatives have prioritized this form of vertical integration in order to reduce costs and improve quality. As discussed earlier, cooperatives and appellations are currently in an early stage of organizational development. As these organizations grow and stabilize, however, Measure S funds, such as microgrant funds, could potentially play a significant role in supporting cooperative efforts. State law and regulation currently incentivize this form of producer control by requiring that a product labeled with a county or appellation name must be 100% produced within the labeled region, inclusive of all processing activities.

Recommendations for integration of public policy considerations

Recommendation #24: A Humboldt cannabis marketing program should integrate public policy expertise on issues including: how policy dynamics will affect the California market, how policy dynamics will affect the availability and nature of interstate markets, development of an IP protection strategy, and policy and compliance considerations related to legal restrictions on cannabis marketing.

Evolving local, state, and federal policy will have a significant impact on marketing strategy and should be integrated into Humboldt cannabis marketing efforts. Policy developments will shape law and regulations on labeling and marketing activities, as well as influencing the shape of the cannabis market itself. Over the past year, state and local legislative and regulatory developments on issues including appellations, energy efficiency requirements, and local equity programs have helped to shape California cannabis market dynamics. Looking forward, the potential shape of national and international markets will have major implications for the marketability of the Humboldt regional cannabis brand.

Recommendation #25: Marketing efforts should consider the potential impact of programmatic marketing activities on state, local, and international cannabis policy developments.

In becoming the first local government in the U.S. to support the development of a cannabis GI system, Humboldt County will once again find itself at the forefront of efforts to challenge cannabis prohibition on a federal level. This presents an extraordinary opportunity and responsibility to help shape national and international markets, and demands care in messaging economic development and policy development considerations. In the case studies we reviewed, it was clear that policy and marketing efforts should work together to reinforce, rather than impede, each other's progress. Clear lines of communication between policy advocacy and marketing efforts will be critical to maximize the impact of both efforts.

Recommendations for centralized data collection, R&D, and education

Recommendation #26: Consider conducting research on consumer trends, quality control, agricultural practices, etc. and making this research available to all Humboldt cannabis businesses.

Recommendation #27: A Humboldt cannabis marketing organization should make relevant educational materials available to all Humboldt cannabis businesses.

Research, analysis, and quality control often command significant resources for marketing departments within large private companies. A collective Humboldt County marketing body should consider supporting similar activities, and distributing the results to all Humboldt County cannabis businesses. Providing educational and technical resources to Humboldt cannabis businesses will help drive quality improvements, collective messaging, and leadership in the market. Colombia's Cenicafé, discussed in more detail in the Colombian case study, provides a useful example of a research arm that both supports producers on a technical level, and facilitates marketing and protection of IP by researching the unique chemical qualities of Colombian coffee as an expression of local *terroir*.

Recommendations for promotion of environmental sustainability

Recommendation #28: Marketing efforts should promote existing baselines for environmental sustainability in Humboldt, including sun-grown production methods, stringent environmental regulation through multiple state and local agencies, and the prohibition on the use of pesticides.

Over the past six years, Humboldt County and the state of California have created some of the strongest environmental protections related to agriculture anywhere in the world, including prohibitions on streamflow diversions, promotion of rainwater catchment and water storage, and a prohibition on the use of pesticides. We recommend initial environmental marketing efforts promote these stringent standards which have already been set through the regulatory process.

Additionally, as discussed earlier in the assessment, over 94% of Humboldt County cannabis farmers cultivate using sun-grown methods, and do not utilize energy-intensive artificial lighting. We recommend promoting the positive environmental qualities of sun-grown cannabis as a core element of a Humboldt cannabis marketing program.

Recommendation #29: Marketing efforts should collaborate with appellation regions to promote cannabis grown with higher voluntary environmental standards, including regenerative and permaculture methods.

We recommend the marketing efforts promote and chronicle the development of appellation regions that grow cannabis utilizing higher voluntary environmental standards. As discussed earlier, appellations are required to specify unique standards, practice, and cultivars as part of their appellation petition, creating an opportunity for appellations to set voluntary standards above the regulatory baseline.

Senate Bill 67, which is currently being considered in the California state legislature, would further promote environmentally sustainable appellations practices by requiring that appellations must utilize production methods that involve planting cannabis in the ground, without the use of structures or artificial light. Such *terroir*-based practices will set a strong environmental baseline for all California cannabis appellations.

Promoting the environmental efforts of appellation regions will help to shape the narrative of Humboldt County cannabis flower production, while also providing a critical resource to the growth strategies of emergent appellations.

Recommendation #30: Marketing efforts should consider promoting additional environmental certifications only if such certification standards are sound, can be adequately promoted to consumers, and will be widely adopted by producers.

For environmental certifications to effectively incentivize producers, certifications must be valued and understood by cannabis consumers. Our research into GIs, most notably Colombian coffee, points to the challenges of reaching consumers via environmental certification even when such efforts are well-resourced. While additional environmental certifications potentially hold promise for Humboldt cannabis farmers, any collective efforts to promote such certifications should ensure that the certification was developed with integrity and is well-positioned for success among both producers and consumers.

Addendum: Impact of the COVID-19 Crisis

COVID-19 has resulted in a range of challenges across the cannabis industry, including labor concerns, supply disruptions, and market uncertainty. In other ways, however, Humboldt County's cannabis industry has found itself relatively well-equipped to weather the crisis. The remote isolation of farms, once suited for evading law enforcement, now serves to evade the virus. The designation of the cannabis business supply chain as "essential" has provided the industry with legal standing to continue operations during the global pandemic. Perhaps even more importantly, the designation as essential has helped create a sense of place, validation, and confidence never before experienced in an industry that was criminalized just six years ago.

As Humboldt County prepares for what many predict to be one of the most severe economic crises in generations, we urge the County and stakeholders to remain visionary while strategizing for economic viability and resiliency. We ask the community to lean into the unique opportunity the cannabis industry can provide the community as a whole in both the short term and the long term.

As primarily an export industry, cannabis has the potential to substantially mitigate COVID-related economic impact through employment opportunities, Measure S returns, and state and local taxes. As long as cannabis farmers remain in business and successful, Measure S funds will continue to provide a key revenue stream for the County. From our perspective, effectively marketing of Humboldt's world-renowned collective cannabis brand will be essential to leverage this unique opportunity into a multiplier effect that brings benefit to all of Humboldt.

In addition to Measure S funds, the industry provides thousands of jobs across the county ranging from entry-level farm labor, processing, manufacturing, and retail, to technical professionals including consultants, legal, and administrative specialists. From a land-use perspective, the cannabis farming community has invested five years into becoming compliant and is beginning to finish the permitting process, while starting the restoration process for site-specific environmental concerns. We expect the need for expertise in this area to increase over the next several years. As unemployment reaches unprecedented levels, we recommend that local staffing agencies and the County explore campaigns to educate potential new employees from other impacted industries regarding the opportunities within the Humboldt cannabis industry. A campaign along these lines could specifically focus on our rural cannabis farmers' labor needs, given that such labor is typically seasonal and would provide a bridge for displaced workers until a vaccine becomes widely available.

From the perspective of cannabis businesses, the initial wave of the COVID crisis resulted in widespread shock and uncertainty. While writing this assessment, however, roughly five months into the pandemic, the cannabis market has been fortunate to find somewhat stable ground in comparison with other similar industries. Origin-based wine regions, for example, are suffering greatly due to their dependence on direct consumer experiences such as tourism and restaurants. The immaturity of tourism-based activities in the cannabis industry has insulated Humboldt cannabis businesses which have not yet had the opportunity to capitalize on these revenue streams, relying instead almost

exclusively on sales outside the county. Following the pandemic, however, the return of tourism will be critical to an economic rebound. As we discuss throughout the assessment, we believe that tourism and direct consumer experiences will ultimately be essential pieces of a larger Humboldt cannabis export marketing strategy.

In closing, we would like to offer some perspective from our research on geographic indication (GI) development, rural economic resilience, and crises. All the GIs we reviewed for this assessment were developed as a reaction to major crises, whether global crises such as world wars, or local crises such as falling commodity prices. While each region's success varied, one key factor stands out: communities that come together during crises, rather than dividing into self-interested factions, can overcome the severity of the situation and emerge better equipped to handle the next one.

We would specifically like to highlight the ongoing partnership between the Napa Valley Vintners and Visit Napa Valley, the official destination management organization for Napa County, which we believe provides a model for collaboration in the face of crisis. The devastating economic impacts from COVID to Napa County as a whole are not yet fully understood. Still, one thing is clear: the community's long history of working together has prepared them to take crises, such as devastating wildfires and turbulent market conditions, head on. This has only been achieved through cooperation, innovation, and sense of community. Working together to identify the strengths of various stakeholders, and build shared community endeavors based on those strengths, has been the key to their collective success.

We implore anyone involved in developing Humboldt County's economic recovery plan to review this assessment and work to facilitate healthy communication and dialogue between stakeholders, incorporating the cannabis industry into the county's larger economic strategy. To isolate the cannabis industry into one lane and untie it from its place or purpose within the County will ultimately lead, in our opinion, to long-term failure. Cannabis is and has been woven into the cultural identity and economic reality of Humboldt, and now can serve as a critical player in a broader economic recovery plan. From our perspective, the most serious threat to Humboldt County cannabis industry reaching its full potential, and providing the greatest amount back to the community, does not stem from outside influences, but rests here at home. We truly believe this community's ability to work together will determine our collective fate as proud residents of this beautiful, uniquely positioned and complicated place we all have been afforded the privilege to call home.