

**Place-Based Farm Entrepreneurship:
New Food Systems, Differentiated Products, and Agri-Tourism***

Elizabeth Barham
University of Missouri

*Presentation for conference, *Exploring Rural Entrepreneurship: Imperatives and Opportunities for Research*, Economic Research Service, USDA, Washington, D.C., October 26-27, 2006.
Session title: “Understanding Unique Sources of Competitive Advantage in Rural America – New Approaches to Traditional Activities.”

[title slide]

Introduction

I would like to thank Tim Wojan at ERS, RUPRI, the Northwest Area Foundation and the Farm Foundation for organizing this conference and for inviting me to speak with you today. I will be addressing an opportunity to encourage entrepreneurship in rural America based on emphasizing the unique place-based amenities of many of our farming regions. This opportunity lies in importing an approach to rural development that is well known in Europe but does not exist in the same form in this country. I am referring to the pursuit of high quality, value-added production of specialty items like wine and other craft-based food products that are strongly associated with a particular agricultural region through place-based labeling, or appellations in French, meaning simply the name of the place.

You are probably familiar with appellation systems, at least at a superficial level, through noticing regional labels of origin on well-known products such as Bordeaux wine and Roquefort cheese. If you have ever had the good fortune of touring these regions and others like them, you found a broader palette of foods there that combine to create a sense of local cuisine. That cuisine becomes a distinguishing aspect of the region in your memory, making it memorable in part due to the culinary know-how and creativity of the local people.

What you may not be familiar with, however, are the social, economic and political systems that make it possible for such regions to succeed in other countries. I would like to give you an overview this morning of a few key aspects of these systems, pointing out how they are different from what we are already doing in the United States. In particular, I want to emphasize the kinds of research needed if we want to adapt this way of working to the U.S. context. Let me say right away that I do not believe this approach to rural development is for everyone—that is, not all regions have the givens necessary to be able to compete in this way. In Europe, a great deal of research has already taken place to determine what the necessary characteristics are and how they combine to spell success. But as diversity is, in itself, core to the entire system, there are no short cuts for carrying out the research needed here in the U.S. I want to point out how our own country context poses research challenges for adapting this rural development tool. First, I will share some of the research on the topic I have done so far that I could take more specific questions on later. I also prepared a handout [hold up handout] listing websites you can use to follow up, as well as some publications I have related to place-based labeling that include references on the topic.

European and U.S. Research

[[case studies list](#)] Some of the information I will share with you I learned through case studies of producer groups in France, Spain and Portugal in Europe, interviews with personnel within the European Commission in Brussels and with representatives from OECD in Paris (which is where I met Tim Wojan), and at the World Trade Organization and the World Intellectual Property Organization in Geneva. You can gather from this that there is a definite role for the state in label of origin systems. I'll explain this further a little later, along with how the question of intellectual property comes into play. I have also been following a regional

labeling effort in Quebec, Canada, that is the most advanced example of a European-style appellation in North America. [\[Siner-GI website\]](#) I participated as an associated researcher on a completed multi-country EU-funded project called “DOLPHINS” comparing appellation systems across Western Europe to inform their harmonization at the EU level. I am co-editing a book with this team that we think will be an invaluable guide to the topic, with case studies from several countries, which should be available in early 2007. Currently, I’m participating in a follow-on EU project looking at label of origin systems outside of Europe, particularly in developing countries. This second project, known as “Siner-GI,” has a fairly comprehensive website where you can obtain research reports from the earlier DOLPHINS project as well as the current Siner-GI project. All of this to say that there is a great deal of existing research about how place-based systems work, the research involves many different disciplines and approaches, and the country contexts where systems can be studied at various stages of development offer opportunities for comparative research that can help us consider how best to implement something similar in the United States.

[\[MRC logo\]](#) But perhaps the most important learning experience I have had on the appellation topic is through creating a pilot region and overarching place-based labeling research agenda as a kind of learning laboratory on the ground in the state of Missouri. The overall research project is known as Missouri Regional Cuisines. [\[MRH map\]](#) The pilot region, launched in 2002, is now known as the Mississippi River Hills, and stretches across a six-county area along the Mississippi River south of St. Louis. It takes wine—which I note in passing is now being marketed in every state of the U.S.—as the lead product, because European appellation systems always emerged first for the recognition of wine. But it goes beyond wine to look at how regionally-specific food products can be identified, as well as created, to accompany

regional wine and create a distinctive local cuisine worthy of the word. I have some materials available on the resource table about the project, which has taken off in Missouri in a remarkable way. [\[roundtable slide\]](#) Here you see a diagram of the structure I encouraged the participants to form that illustrates how they bring the various sectors involved in regional food and tourism entrepreneurship together.

The rapid and enthusiastic uptake of this project by the people of the region frankly surprised me initially, but I now understand it as a natural response to the way one local resident responded when I asked in an early focus group meeting, “How do you picture the economic situation in your region in the past few years?” She responded with a simple gesture that told it all. [\[MRH website slide\]](#) The Regional Cuisines Project has given the local people a way to work together and a common goal, and in so doing it has given them a new pride and hope for the future. The results have been tangible, and you can read about them at the project website. So let me tell you, from my perspective, what it takes to launch a region. You will recognize many, if not all, of these ingredients as necessary to supporting a truly sustainable system of entrepreneurship more generally. They are not new, but the way they are combined, and in particular the way that combination is protected by law, is new in the U.S.

Demarcating a Region/Ecological Specificity

[\[Demarcating a Region slide\]](#) First of all, by nature, each region must have its own specificities that set it apart. This begins generally with the ecology of the region that produces particular landscapes and makes it possible to grow, or find in the natural environment, ingredients that, in the consumer’s mind, will become associated with that landscape. Thus it is part of the goal to find the unique bio-regional comparative advantage of a place and begin a process of encouraging a deep knowledge of that uniqueness on the part of local residents and

producers. Many of them, of course, already have a deep ecological knowledge of place, but unfortunately our American ways of farming and the food system we have evolved are not always attuned to the particularities of place.

[Local Food and Regionality slide] I understand the current consumer reaction to fast food and the growing well documented consumer demand for “local food,” however you define that term, as a reaction to this detachment of food from place. Perhaps somewhat ironically, it presents an opportunity for many rural regions to capture a portion of the urban food market by promoting their region as one version of the “local.” This is particularly useful to a region near a major urban center, as in the case of the Missouri pilot region and St. Louis. The fact that this association of distinctive regionality with “localness” is beginning to occur in America was brought home to me at an upscale restaurant in Minneapolis last week, when the head chef touted the large number of “local” products featured on his menu, ended by saying proudly that, “Even the European products are local.” I felt that I understood exactly what he meant.

[Douro Valley] In Europe, the earliest links between products and places emerged from the historic interaction of local producers with the environmental constraints of a region. This is a picture of the Douro River Valley, where Port wine is produced. It presents a very special growing climate and ecology. When regions began to be demarcated, it was usually in reaction to fraud in the marketplace, or to a situation where products were lucrative in foreign trade but local producers were not receiving fair returns on the trade. This was the case with Port wine. Both local producers and the state—in the case of the earliest demarcations, we would more correctly say the king—were interested in retaining more of the profits for their investment in know-how and quality production that had led to a regional reputation. [Pombalina marker] An early example is Port wine, demarcated in the mid-1700s with stone markers inscribed with the

declaration of the production area recognized by the Portuguese throne. By delimiting the area and controlling the quality and sales of Port on the international market, Portugal was able to retain more of the revenue the wine generated. I will return to the question of the role of the state a little later, but let me stay for now with the issue of demarcating a region.

[Atlas of Eco-Regions slide] In Missouri, as in the rest of the United States, there are some long histories of place-specific production, and our wine industry predates Prohibition significantly, but in order to delineate regions that were ecologically coherent I had recourse to the guidance of a geographer from the MU Department of Geography, Walter Schoeder, and an ecologist from the Missouri Department of Conservation, Tim Nigh, who had produced the Atlas of Eco-Regions of Missouri. They were drawing on the collective knowledge of all of the disciplines that had contributed to the layers of information included in their statewide geographic information system, some of which, like the soils information, were very new at the time. [Detailed LTA slide] The methodology they used delineated sections of the ecological landscape to a small enough scale that I was able to ask them to demarcate ecological regions that included a “critical mass” of existing wineries. The result highlighted three regions in the state, all three of which lie along our two major rivers, the Mississippi and the Missouri, as you can see from this map [MO Regions map]. We began working with the region to the east initially because producers there were already cooperating regionally.

[MRH map again] Returning to the pilot region map, you can see that the boundaries of the resulting region are ecological, not political. In the project we do work with participants from the entire political area of the six counties touched by the ecological region. We want to create notoriety for the ecological region with the name “Mississippi River Hills,” but as I tell the participants, it is not a disadvantage to be near Napa Valley, even if you are not in Napa

Valley. This allows us to take better advantage of the existing political and community structures organized at the county level. But you will also note that part of the ecological region actually lies in Illinois. We are only beginning to work with this side of the region and hope to bring them fully into the project as they find funding to participate and organize on that side of the river. This points up the fact that projects based in the realities of a landscape and using that local identity to link entrepreneurs and businesses associated with food, agri-tourism and associated lodging and activities will almost certainly span county lines, may span state lines, and may even be transnational at our borders.

Any one of the elements I'm touching on could be the topic of a much longer talk, but let me just highlight in passing just a few of the academic disciplines that can and do become involved in the demarcating process in Europe. [\[disciplines for demarcating in EU\]](#). The list points up the fact that the concept is one of an interaction of human skills and land, a complementarity of agricultural production and culture, that produces a sense of local heritage. In Missouri, for example, the mapping methodology used takes history and culture into account along with ecology. We followed up the GIS mapping process with work by a folklorist specialized in regional food ethnography, to uncover and document the historic specialties associated with the pilot region and use them to promote a sense of a locally specific cuisine.

[\[landscape slide from MRH\]](#) Spokespersons for the European Union frequently point to this type of regionally specific production that is historically grounded as being more environmentally sustainable. I have done some research on this aspect, but it is a point that certainly needs further investigation and testing. However, the argument is based on the idea that regionally specific products emerge from an agriculture that is compatible with the ecological givens of a region because historically it had to be—in other words, the environment

historically imposed certain limitations on human action that encouraged knowledge of that environment in order to stay in production. It is also true that recognized EU products are typically more in the craft arena than industrially produced, and so avoid some of the environmental issues that can arise with the latter. [\[farm family slide\]](#) But my research also found that there is an effect on the producers caused by the name of the region being in such close association with their product which encourages them to be conscious of the perception of the wider region by the consumer. Because of that, they tend to be very protective of the reputation of the region environmentally. More work needs to be done on this connection, however, whether and how it might manifest itself in the U.S. context, and how it might best be harnessed to encourage sustainable agriculture.

Standards Setting

In the European context, labels of origin go through a process of establishment at the regional level that involves a cooperative effort by the producers to set standards for production methods and product quality. The problems of collective action inherent in this process, which can take two to three years to complete, have drawn the research attention of sociologists, economists, anthropologists, historians, political scientists, as well as researchers in business and law. The resulting standards for production, and the rules set for the process of updating them periodically have real consequences in the success of any regional product and the reputation it establishes for the entire region.

The standards setting process is important to entrepreneurship because it has the potential of fueling an ongoing pursuit of higher quality products among a group of entrepreneurs. You are familiar with this from the literature on regionalization, in particular in relation to small industrial districts. Although we are talking here about food products and wine, and products

with a craft distinction, this doesn't mean that producers do not take advantage of advances in technology that can improve their product. It does mean, however, that adoption of changes is done through a process of collective review and discussion with the concern of maintaining the specificity and reputation of the product.

I'm thinking here of the highly successful Comté cheese, arguably the most popular cheese in France, for which standards date back into the 13th century. That is a remarkable history of continuity with appropriate change, made possible by producer cooperation. Obviously, deep histories can make for deeper consumer loyalty. One interesting research point has to do with the contribution of products such as Comté cheese to stabilizing the economy of otherwise marginalized regions by retaining capital and jobs, and thereby retaining young people in the rural economy. This aspect is as important here in the U.S. as it is abroad, and therefore should warrant careful attention from researchers.

Other research questions related to standards include how groups network effectively to set their standards, how standards are communicated or signaled to consumers, how they affect the value-added of the product, the policing of standards, including sanctions for violation and interiorizing of self-policing by groups, and the facilitation of information sharing across groups via standardization. Standards are also avenues for linking local places to larger scale entities. For locally established standards to be meaningful outside the region, they require recognition by outside entities such as the state or certifying bodies, either for profit or non-profit. The form this takes matters to regional success. And standards set outside the region by national or global entities such as Codex impact what producers can do at the local level. What is the best mix of these things for rural regional development? This is just a small sampling of a rich area of research that involves many disciplines in Europe.

Legitimacy and Law

[Legitimacy and IP slide] One aspect of origin label systems of crucial importance is the status of the regional name on a product label as intellectual property in the marketplace. In some respects, they are a form of branding and so not unfamiliar. Almost all state governments have some sort of state labeling program, for example, such as AgriMissouri in my state. Food product labels of this kind, and almost all private labels in the United States, are for the most part protected as intellectual property as trade marks.

But in the European systems I have been describing, place labeling globally takes a different legal form defined in the GATT accords that established the WTO trading regime. Those accords recognize place names as “geographical indications,” or GIs, and gives them a special status that functions somewhat more like a common property belonging to a region rather than to an individual or a corporation. European appellations are protected as GIs by the state, which means that the state helps administer the systems as aspects of their rural development efforts, usually through their ministries of agriculture. The state also gets involved in defending the names against usurpation in the market, or misuse of the name by outside competitors. This means that small and medium producers who could not afford the legal costs to protect a valuable regional name have protection from the government, leveling the trade playing field for them internationally. This is a unique aspect of GI systems that is crucial to their success.

There are a number of important research questions concerning the legal status and forms of protection of labels of origin that have to be addressed to implement this approach fully in the U.S. context. I have been working with the National Agricultural Law Center on some of these aspects, which of course have very important impacts on businesses attempting to market their products together on a regional basis. Within the U.S. we have had one interesting case with

Napa Valley, which recently won a lawsuit at the level of the California Supreme Court to prevent the Bronco Corporation from using the name “Napa Ridge” on wines not produced in Napa Valley. The legal status in the U.S. of origin labeling is a complex issue that I cannot explore within our time limits here, but I have included websites on the handout that can help you investigate this topic. As with any business, the legal form it takes matters, and in the case of appellation marketing [\[make handout available with URLs for further investigation\]](#)

Funding

[\[securing funding slide\]](#) I would like to close by saying a few words about funding for regional efforts like the one in Missouri. The project there was launched with a Federal-State Market Improvement Grant and continued with funding through the Missouri Department of Agriculture. This was followed with a grant in the current year from a statewide entrepreneurship effort known as the CEED Program (which stands for Community Enterprise and Entrepreneurial Development). We are hopeful the CEED grant will be renewed in the coming year. [\[map slide\]](#) We have produced a map featuring two hundred locations to visit in the region which was free in the first instance, but which we hope to turn into a fund raising vehicle as time goes by. But for now the project remains on grant funding, which as we all know is a precarious way to operate for the long term. So we are working on sources for self-financing within the pilot region, including the establishment of non-profit status and fundraising efforts, some linked to education opportunities we want to offer in the pilot region for other areas considering this approach.

In Europe, when regional products are successful and generate profits, funding is often derived from a self-imposed tax, or check-off, instituted by the producers to offset the costs of operating the system. These funds are supplemented by staffing assistance from state agencies

(local and national offices of the ministry of agriculture, for example). But unfortunately, from my point of view, in the United States we have not come to terms with the need for a more concerted national rural development effort with the funding that such an effort would require. The European Union has gone much further than we have in directing agricultural funding towards rural development, including supporting more diversified regional economies in rural areas and high quality products rather than bulk commodities.

I believe we could benefit greatly in this country from more comparative research with European counterparts examining the strategies they have used for regional development surrounding food products and agri-tourism. One very rich connection with the EU would be through their LEADER+ program, which has funded a number of projects on this theme. We might also consider matching regions in the U.S to counterpart regions in Europe that share certain conditions, encouraging comparative research on outcomes and success criteria. While international research can be slower and somewhat more expensive, there is also a cost advantage in not reinventing the wheel. My conviction is that the U.S. is fully capable of developing regional cuisines on par with those of Europe, and with the right kind of legal and administrative supports for regional products, we can be highly competitive in trade in regional quality products and in promoting the regional tourism associated with them.

Thank you and close