

Distinctive values in African exports

How Intellectual Property can raise export income and alleviate poverty



In sub-Saharan Africa, something quite new is happening with Intellectual Property. IP is now being used in business strategies to boost export income for large numbers of African producers.



Contents

- 1-15 The intangible nature of business today
- 16-17 The scale of opportunities
- 18-19 Developing an IP strategy
- 20-49 Product briefs



What's all the buzz about?

These innovations use Intellectual Property (IP) in export strategies that involve literally millions of producers and are showing a new and exciting direction for success. This booklet explores some of the possibilities for large-scale opportunities to increase export income and improve the security of that income for millions all over sub-Saharan Africa.



The Ethiopian fine coffee sector has been in the news over the last couple of years with a ground-breaking initiative that challenged the existing order in specialty coffee, and to date has brought more than 80 coffee distributors on board.



Divine Chocolate Ltd, owners of the Divine chocolate brand, now 45% owned by Ghanaian cocoa growers, has also been in the news celebrating 10 years of rapid growth.

Intangible value has grown in importance worldwide

Intangible value is the value of the non-physical characteristics of a product, such as its uniqueness, reputation, or tradition.

In recent decades the intangible value of products in developed country markets has overtaken the physical value as the main source of corporate income. In 1982, 62% of the market value of Standard & Poor's 500 companies could be attributed to tangible assets and 38% to intangibles. By 1998, only 15% of their assets were tangible, while 85% were intangible. This shift in the value of assets reflects the ability of these intangible assets to generate income.

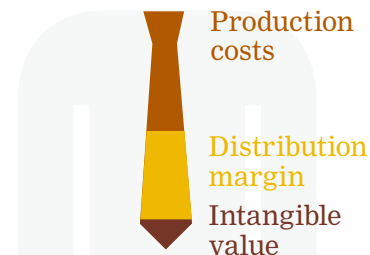
An everyday product, such as a man's tie, offers an example of this shift. Just 25 years ago, about half the retail price of a tie represented its physical value – materials and manufacturing costs – while the rest went to the costs of distribution.

Little or none of the price represented the design, brand, or other intangible value of the tie. In contrast, today, around 95% of the price goes to the rewards for the design or brand (the product's intangible value) and to

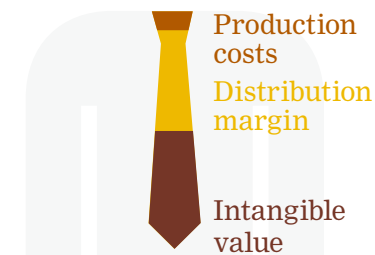
Market value of Standard & Poor's 500 companies



1982



2007



distribution. As little as 5% is being returned to the producers for the materials and manufacturing costs.

Intangibles 9–1 Tangibles

When Philip Morris paid \$12.9 billion to buy Kraft, the second largest food company in the world, only \$1.3 billion of that price was the value of Kraft's tangible assets – hundreds of food production and packaging facilities, for products from cheese and veggie burgers to coffee, candy, and soft drinks.

Kraft also had an IP portfolio – its technological know-how, brands, trademarks, trade secrets, licenses, patents, and other forms of IP. The difference, \$11.6 billion, was the price paid for Kraft's intangible assets, it's truly great source of earnings.

Business has changed

With intangible assets being so important to their income, IP management stands at the core of business strategies for producers and businesses in the developed world.

Whether they produce computer software, home appliances, candy, or

“

The management of IP assets can no longer be considered a discretionary function, nor is it solely the domain of the legal department. It must be treated as a core component of business strategy.

Ron Carson
Innovation Asset Group

”

music, producers in rich countries use various forms of IP tools to own and control the intangible aspect of their products.

For them, IP is not merely a “legal issue,” it is the base of their business strategy, the means by which they achieve their business objectives. ■

Not only established multinational corporations!

Producer cooperative manages its brand

The experience of a US agricultural producer organisation offers a good example of how producers employed IP tools as part of their overall business strategy. Sunkist Growers, Inc. is a cooperative created by independent farmers who banded together in 1893 to garner more profit from their produce. In the early 1960s, Sunkist's licenses were non-royalty agreements. But by the mid-1980s, Sunkist developed a profitable licensing program that included royalties. This change contributed to growth in revenues over a 10-year period from \$13 million to almost \$1.2 billion. Sunkist's licensing program is continuing to expand decades after it first began: from 2005 to 2006, the program grew by nearly 15%.



Small company innovates for a place in the market

Another US company offers an example of how the analysis of the consumer market led to the identification of intangible values that were central to a small company's business strategy. A small company called Method, Inc. was a manufacturer of home cleaning products, such as dishwashing soap, laundry detergents, and air fresheners. Noting that household products were considered a sluggish, "anti-design," and unemotional product category, the Method company, which had fewer than 10 employees at that time, saw its chance to carve out a successful niche in this industry, which is dominated by a handful of manufacturing giants such as Procter & Gamble and Colgate-Palmolive.

Method focused on the intangible values of its products. One of the founders, a chemical engineer, designed cleaning liquid formulas that didn't involve animal testing and were biodegradable. Method also used packaging design for consumer appeal. The company hired a designer to create a signature look for all of Method's products. Consequently, the company's bottles for dish soap and laundry detergent were designed to look like bowling pins and figure eights.

After Method spent a couple of years building up its company profile, Target, one of the largest retailers in the US, gave Method a chance and began selling its products. Today, Method's products can also be found in other major US retail chains and in the UK. Its annual revenue, at about \$71 million, is small compared to that of its huge competitors, but the company has successfully used creative packaging design, innovative names and scents, and eco-friendly contents to create an emotional brand whose value and competitiveness rests on intangible assets.





Exporting distinctive products

IP controls the rewards that are paid to distinctive products in export markets

Managing IP is a key element in increasing Africa's export income

Africa could develop business strategies with IP built-in when exporting to developed country markets where value is dominated by IP. Currently, for almost all non-mineral exports from Sub-Saharan Africa, valuable returns from IP are being captured in the importing country and not in the African country of origin.

Unfortunately, strategies for export development in Africa have relied too heavily on increasing the production of commodities and establishing new processing or manufacturing plants. These strategies have put Africa in intense competition with other developing countries that are also increasing production and manufacturing.

African countries and other developing nations are competing with each other for a small part of the production returns. That is, they are competing for income from the ever-shrinking physical value of products.

Oversupplied and Underpriced

As producers in poor developing countries have continued to increase the supply of goods, prices have steadily dropped. The decline in prices paid to producers from developing countries has been especially evident in the agricultural sector, where commodity prices have fallen over the last 30 years. A recent upturn in some agricultural prices has been seen because of conversion of acreage to crops as a source of ethanol, but this increase is unlikely to hold. Oversupply and low

prices can be expected to return and continue in the long term with the use of high-yield industrial agricultural methods worldwide.

African countries can increase export income by focusing on the intangible value of products and then controlling and managing that value through IP strategies that can result in long-lasting income gains.

Capturing long-term income from the intangible value of African products in export markets, using intellectual property and business tools, is the key opportunity being addressed by the Ethiopian fine coffee sector and the Divine Chocolate company.

It's most common to think of IP in relation to creative products – software, music, or literature, for example. But physical products, including agricultural products and manufactured goods, also have intangible value, such as their uniqueness, high quality, or design.

Distinctiveness is the Key

High quality and reputation are the intangible elements used in the successful IP initiative to increase export income from Ethiopian coffee. Ethiopian fine coffees are recognised globally as some of the best-tasting coffees in the world. However, the significantly high retail prices for these coffees were being enjoyed by foreign coffee distributors and retailers, while the producers were compensated at very low levels – around 5-10% of the retail prices. ■



Ethiopian fine coffee trademarking and licensing initiative

A coalition of stakeholders, including growers, exporters, and government representatives, established the Ethiopian Fine Coffee Trademarking and Licensing Initiative, which registered the trademarks of Ethiopia's most famous coffees – Harar, Sidamo, and Yirgacheffe – in countries around the world. Companies that sell, or want to sell, a trademarked Ethiopian coffee must obtain a license. The Ethiopian growers and exporters are now in a position to engage more equally

with their international buying partners. In addition, new brand management policies are being implemented which aim to increase overall retail values. These changes are helping the producers to secure export prices that reflect the high retail values of their fine coffees. Begun in 2004, the initiative has moved rapidly through the implementation phases and has already contributed to increased income from exported coffee two to three years ahead of schedule. ■

Another successful IP-based business strategy was initiated by cocoa farmers in Ghana.

Ghana's cocoa is known worldwide for its reliably high quality within the industry but not by consumers. Creating strong distinctive branding, guaranteeing a fairer trade agreement with farmers, and giving farmers ownership of the marketing company were identified as the key strategies for the producers to capture higher levels of the retail price of chocolate products made from their cocoa beans and to compete in a competitive, mature market.

In the 1990s, Ghanaian cocoa farmers set up their own cooperative business called Kuapa Kokoo, which then helped establish the Fairtrade chocolate marketing company Divine Chocolate Ltd. Today the Divine brand successfully sells their chocolate products in the UK, US and elsewhere. The brand's Ghanaian roots are explicitly displayed on the chocolate's packaging in the form of a pattern of traditional Adinkra symbols, and marketing communications emphasise the quality of the cocoa as much as the Fairtrade credentials.

Because Kuapa Kokoo owns a significant share of the company, it has meaningful input into how Divine chocolate is produced and sold, and a significant share in the profits. Most importantly, with a major share in the Divine brand, farmers can benefit from continuing improvement in income security, as well as their level of income. ■



IP in Action

Producers in other developing countries have also identified the intangible value of their products and created successful business models using IP tools to leverage that value for higher income streams, including the following examples:



Whether leveraging their name, their image, their reputation for quality, or some other distinctive aspect of their product, these producers have recognised the intangible value of their products and used IP tools to build successful business strategies.

Brazil

The company AmazonLife used both a patent and a registered trademark as IP tools to increase export income. After the company developed and patented a process for creating “vegetal leather,” a leather-like material created from rubber trees in the Amazon rainforest, it registered the Treetap brand as a trademark. Treetap leather is used in fashionable products such as purses and wallets.

Cuba

A cosmetics company named Suchel Fragrencia developed a branding campaign that drew on the reputation of Cuban cigars, along with the cultural image of Cuba’s relaxed and sensuous atmosphere. The company trademarked its brand and is continuing to expand its market in Europe and elsewhere.

Uruguay

Yerba maté is a traditional, tea-like beverage enjoyed in Uruguay, Paraguay, southern Brazil, and Argentina. The Ache Guayaki tribe of Uruguay, associated with yerba maté, licensed the tribal name in a licensing agreement with the distributor, Guayaki Sustainable Rainforest Products (GSRP). The license enables the Guayaki tribe to control ownership of its name and to capture income from the commercial use of the brand in export markets.

Business strategies with IP can increase income for all

Producers and distributors are business partners. Both will gain from sharing marketing plans and quality improvement measures and can also share the results of success in retail markets.

Working with distributors

When producers own more and earn more for the distinctiveness of their products, they are more able to invest in areas such as quality control, production volume, traceability measures, handling and other production improvements. These factors are often very important for importers and retailers in marketing the final product.

A small number of foreign importing distributors of Ethiopian fine coffee initially resisted the producers' trademark and licensing plans, claiming that "the distributors should own the brands, and the producers should just grow the coffee." The coffee project team made clear to their distributors that they, too, would enjoy long-term benefits when producers owned and managed their own brands. Coffee producer income increased in 2007 and will be secured over the next five years. This change is increasing the incentive to work on production quality, reliability of supply and tighter identification of superior coffee, all of which benefit the distributors.

As the experiences of Sunkist, Method,

the Ethiopian coffee initiative, and the Ghanaian cocoa growers have shown, today's successful producers have identified their intangible assets as the foundation of their business models. They are using IP tools such as licensing, patents, trademarks, and royalty agreements to own and manage the intangible value of their products and increase their income. Their distributors are business partners in the management of their brands.

Reaching above survival

Business strategies with IP tools can help producers living in poverty to move beyond the bare survival level offered by producing agricultural commodities. It is one of today's great tragedies that the majority of producers in the world are pinning their hopes for a better future on boosting production through hard work but have received less and less in return from commodity markets. The recent increase in global food prices will mostly benefit industrial agriculture in developed countries, rather than producers in remote, African agricultural areas with high

“

Companies are forging alliances with each other in order to heighten the value of their IP assets and to obtain mutually beneficial competitive advantages through cross-licensing.

*Kamil Idris
World Intellectual Property
Organisation (WIPO)*

”

costs of shipping their products to the nearest port.

Each developing country, including the least developed, can create or find unique assets with potential for IP-based export opportunities that can lead to increased and more secure income that improves the livelihoods of low-income families.

IP more than just enforcement

Some people have negative perceptions about the concept of IP. One reason for this reaction is the experience in Africa with the high price of patented pharmaceuticals for the treatment of HIV/AIDS, in which patent enforcement puts them beyond the reach of people in need.

Another reason that IP is sometimes

considered negatively stems from the unrealistic pressure on African countries to use IP enforcement, rather than consumer legislation, to control the trafficking in counterfeit goods.

Unfortunately, these two issues – the high price of patented drugs and the enforcement of counterfeit laws – have confused many about whether IP should be shunned or embraced in a selective way. As a result, the truly large IP opportunities that lie in export markets have mostly been unexplored.

Strategies based on IP

Capturing income from intangible values can sometimes be straightforward and involve just one IP tool – licensing a trade secret for instance. Or it can be fairly complex and involve a variety of tools and related business actions.

The IP tool selected to accomplish the goal will vary with the product. For some products, the retail value is greatly enhanced by branding and marketing. In other cases, brand owners may earn the best return by licensing the production and/or sale of their product.

What IP tools have in common is that they are an integral part of the overall business strategy. They are the means to owning and controlling the income potential of the distinctiveness – that is, the intangible value – be it uniqueness, invention, reputation, design, quality, or some other important desirable asset. Business partners with shared interests in the reputation and presentation of the product will aim to develop distinctiveness and market it attractively to retail consumers. ■

The scale of opportunities

The potential to increase export income from applying IP tools to the development and marketing of products from Sub-Saharan Africa is significant.

The estimates presented in the table below are in most cases drawn from the views of technical and marketing experts on each product and IP business experts who have seen a range of IP tools applied in different situations. They are based on retail values gathered through desk research and phone interviews and provide indicative figures (rather than econometric estimates).

This work aims to stimulate producers' thinking about using IP strategies and to encourage project design for specific opportunities. It is intended to be exploratory rather than definitive and there are many more opportunities than have been explored here. Producers might think imaginatively about how to enhance the distinctiveness of their products.

The table below presents estimates of export income that could be realised for 14 products that were researched in this study.

Sub-Saharan Africa – Export Income and Potential Gains			
Products Studied	Current Export Income	Estimated Future Export Income	
		Low	High
Kenyan tea	\$492,000,000	\$536,000,000	\$561,000,000
Sudanese cotton	\$44,000,000	\$60,000,000	\$90,000,000
Ethiopian fine coffee	\$400,000,000	\$1,200,000,000	\$1,600,000,000
Namibian marula oil	\$22,000	\$1,300,000	\$1,700,000
Togolese black soap	\$50,000	\$2,000,000	\$4,000,000
Senegalese tuna	\$31,200,000	\$70,000,000	\$100,000,000
Tanzanian blackwood	\$1,000,000	\$215,000,000	\$320,000,000
Mozambican cashews	\$32,000,000	\$48,000,000	\$72,000,000
Ugandan vanilla	\$10,000,000	\$50,000,000	\$90,000,000
Madagascan cocoa	\$6,000,000	\$15,000,000	\$25,000,000
Malian mudcloth	\$200,000	\$400,000	\$700,000
Ethiopian leather	\$90,000,000	\$300,000,000	\$500,000,000
Television animation	\$500,000	\$40,000,000	\$100,000,000
Creative industries	\$1,000,000	\$40,000,000	\$60,000,000
Totals	\$1,108,020,000	\$2,567,700,000	\$3,514,400,000
Average Factor Expansion		2.3x	3.2x

Earning \$20.1bn to \$27.6bn from Physical Exports

A range of African products with potential were researched in this study to determine the factors by which export income could be increased through consciously developing and implementing an IP business strategy related to the retail and export sale of these products.

The additional potential for increasing export income across a wider range of products from Sub-Saharan Africa can be estimated by applying the average increased earnings of the 14 products studied.

Trade statistics for African non-mineral merchandise showed that total export earnings in 2006 were \$29bn. Light Years IP estimates that about one-third of these products offer potential for increased earnings through the application of IP techniques. Those products had export earnings of \$8.7bn, and it was from that group that the 14 products, with earnings totalling \$1.1bn, were selected for this study.

The research on the 14 products suggests that capturing their intangible value could increase export income by a factor of between 2.3 and 3.2, shown on the above table. If those factors of increase are applied to the 2006 export income of \$8.7bn, it would be increased to between \$20.1bn and \$27.6bn.

This level of change and increase in value is far greater than the increased earnings that could result from applying conventional techniques to export development, such as improving quality, infrastructure, training,

and market access. From 1996 to 2006 export earnings of African non-mineral merchandise grew from \$24.8bn to \$29.0bn – an increase of about 17% over 10 years, or 1.7% per year. If this rate of growth is sustained for the next 10 years, the resulting increase in the \$8.7bn of exports with IP potential would be to rise to about \$10.2bn.

However, the two approaches – capturing intangible value through use of IP techniques and increasing income through conventional improvements – need not be thought of as mutually exclusive. In fact, they are often complementary as seen in the Ethiopian fine coffee initiative – implementation stimulated investment in quality control and production improvements.

Further Gains from IP

IP business strategies can also positively affect the income from Sub-Saharan Africa's export of services, currently about \$38bn p.a. The development of successful IP-based strategies for the \$7.5bn craft exports sector is another opportunity for substantial increases in income, particularly valuable for low-income artisans.

It is important to remember that, in the global economy, creativity can lead to unexpected export income results, with a product sometimes intended only for local consumption ultimately generating large scale export income. For example, Mexican TV soap operas were marketed in Russia and became very popular, earning substantial export income, an unpredictable financial result. ■

Developing an IP Strategy

Scoping Study

Around \$5,000

1 month

- » Establish how distinctiveness determines retail prices of similar products
 - » Estimate intangible value in these similar products
 - » Understand how intangible value is allocated to points on the supply chain
 - » Estimate the retail price of the product if positioned better in the retail market
 - » Establish the total intangible value at that price
 - » Estimate how much more value might be gained in export and producer prices
 - » Determine whether to go on with more work on this product
-

Feasibility Study

\$20-50,000

3 months

- » Study the negotiating power of exporters and importers
 - » Establish several possible IP strategies to increase export and producer prices
 - » Estimate costs and potential benefits of these strategies
 - » Evaluate strategies and select the best one
 - » Develop a clear description of the steps to implement the chosen strategy
 - » Evaluate constraints and how to overcome them
 - » Determine whether to go on with more work on this product
-

Full Project Design

\$50-100,000

12 months

- » Design project management able to change the product's position in export markets
 - » Identify the benefits to distributors and discuss the strategy with key ones
 - » Design the linkages from improved export prices to reach producers
 - » Identify all skill areas needed, including those resident in the retail markets
 - » Examine likely responses by participants in the supply chain
 - » Develop detailed task timeline and logical framework
 - » Evaluate production related issues to enhance project
 - » Develop a detailed budget and funding proposals, discuss with funders
-

The stages of project design and evaluation

Scoping Study

During the scoping stage, broad estimates of possible income gains are developed based on an initial understanding of the final consumer markets and the export-import situation for a particular product.

It is important for stakeholders to gain an in-depth understanding of how the value of their product is determined in the final markets. Is it the product's intrinsic uniqueness, its high quality, design, or tradition that creates intangible value and how is it captured and by whom? This determination is the basis for selecting business strategies that might be used to capture additional income, and will lead to the choice of the most effective IP tools.

Feasibility Study/ Initial Project Design

Having considered possible strategies during the scoping stage, more detailed study will enable them to be ranked by criteria, including likelihood of success and the goals of an investment. The next step is to design the organisational structure needed to implement a chosen strategy. For example, the Ethiopian Fine Coffee Stakeholder Committee was created for the purpose of taking action in their foreign markets, such as licensing of distributors and brand management. In contrast, a UK joint venture company was created for chocolate sales in the Divine case.

A feasibility study includes consideration of capacity-building and changes to producer organisations and home country supply structures from the producer to the port of shipment. It also considers conventional measures to improve aspects of production, such as quality control, traceability and, possibly, certification. This stage also covers estimates of the cost of implementing IP-based strategies as well as more refined estimates of potential returns and when and how these might occur.

Full Project Design and Costing

In the experience of Light Years IP, about 12 months are needed for full project design at a cost of around \$100,000. Following full design, implementation budgets may be in the region of \$3–5 million. Fully developed cost and income estimates can serve to demonstrate the potential and to gain support for investment funding.

Learn More, Take Action

Attend workshops on 'Using IP Strategies' that will include training and assistance with your specific products.

Contact:

Light Years IP
Phone: +1 (202) 547-7515
Fax: +1 (202) 558-4385
Email: info@lightyearsip.net
www.lightyearsip.net

Product Briefs



Fourteen briefs on the products listed in the table are set out in the following sections. Background information on each product, value chain information obtained under this study, and reference material is available online at www.lightyearsip.net/scopingstudy

The fourteen product briefs that follow are intended to give a succinct profile of the product and its current importance as a provider of export earnings for the producing country. Each brief suggests the type of business strategies that relate to the position of each product in foreign markets. Possible strategies vary considerably – there is not likely to be a ‘one-size-fits-all’ strategy that would be appropriate for all products. This is true even where products seem quite similar. For example, Ethiopia’s position in exporting fine coffee is quite different than Tanzania’s; an IP strategy for Tanzania would likely take a different form, use different IP tools and require different institutional arrangements.

Kenyan Tea

Kenya produces some of the best flavour tea in the world, with a flavour index second only to Darjeeling. The altitude, climate and volcanic soil of the Kenyan Highlands give its tea a distinct, rich, robust flavour.

Since it was first introduced to Kenya in 1903, tea has flourished in the east African country, becoming Africa's largest tea producer. Globally, Kenya is the fourth largest producer of black tea after India, China and Sri Lanka, and it's second only to Sri Lanka as the world's leading tea exporter.

Tea farming represents a significant livelihood for more than 315,000 Kenyan tea farmers and smallholders. Small-scale farmers grow over 60% of the tea to be sold at market, with privately owned large-scale farms supplying the remaining 40%. These small-scale tea farmers own their land and have tea licenses permitting them to grow and pluck the green leaf, and deliver it to buying stations run by the Kenya Tea Development Authority (KTDA). KTDA acts as managing agent to the smallholder tea sector and is technically owned by all of Kenya's small-scale tea farmers. KTDA's remit is to support smallholders. Nevertheless, KTDA has not been able to optimise earnings in line with the rising retail value of specialty teas despite the growth in direct sales contracting for premium teas outside the national auction system.

The advances in premium teas and single origin teas offer new opportunities to all whose teas fit in quality terms, and to those able to forge

effective marketing partnerships. The existing popularity and high reputation of Kenyan tea in both blends and single origin teas is a testimony to this. Kenyan tea has a benchmark role in many established blends with fixed flavour profiles.

Within the past 10 years, Kenyan tea has also begun to be recognised as specialty tea, and sold as single origin tea. One example is Milima tea – sometimes called 'golden Milima'. Milima is a fine, high quality estate tea produced in the Kericho region. Milima has a wonderful astringency in the mouth and plenty of body but with a pleasing smoothness and elegance to it. Milima can generate retail prices even

Key points

- » Tea farming represents an important livelihood for more than 315,000 Kenyan growers and smallholders
- » Kenyan tea is being sold by retailers at prices higher than other specialty teas, yet Kenya's export earnings remain relatively low by comparison
- » Currently, the specialty tea sector is worth \$1.2bn worldwide, and is primed to become a major portion of the projected \$10bn annual tea industry in 2010



“

Kenyan tea is highly respected and used in blends by some of the most famous names in the tea world. Tea connoisseurs note that, due to its unique flavour and complexity, Kenyan tea could be in its own category; such as Rooibos, Ceylon, and Darjeeling.

”

higher than premium teas.

These two opportunities suggest a dual IP strategy – one for increasing the amount sold as named origin or named region tea, i.e. 'Kenyan', and one for increasing the amount sold more explicitly as single origin or estate tea, such as Milima.

In 2008, the benchmark retail price in the UK for standard blends (i.e. tea packaged without distinctive elements) was the equivalent of \$13.98 per kilo. Kenya sold around 280,000 tonnes of tea through auction in 2007 at an average export auction price of \$1.75 per kilo. This equates to about 13% of the retail price of standard tea.

In contrast, the average retail price of

named region tea from all sources was \$20.95 per kilo. Experts believe that there is potential to shift 10-20% of Kenyan tea exports to be sold as a named region at retail. If the 13% ratio of export prices to retail prices is sustained, export income gained from shifting only 10% of Kenyan tea exports to named region end product positioning would represent an additional \$25m p.a. If 20% of exports are shifted, the additional export income would around \$50m p.a.

Combined with the above strategy, experts also believe that 2% of these Kenyan named teas could be moved to single origin or estate premium tea positioning. Since single origin or estate premium teas show an average retail price equivalent of \$67.85 per kilo, if just 2% of Kenyan export tea is shifted to the higher market position, this could generate a further gain of around \$19m p.a.

To achieve these two goals, an IP-based approach would include structuring the marketing and managing the brands, enhancing the reputation in both retail and wholesale markets. The total gains of both strategies would be in the range \$44m p.a. to \$69m p.a. An additional strategy of improving the returns from Kenyan tea that is essential to blends, such as English Breakfast, would add further gains. ■

Sudanese Barakat Cotton

Sudan's very fine yet little known variety of extra-long staple cotton, Barakat, is superior in its strength, fineness and softness, suitable for the weaving of luxurious cotton fabrics.

Barakat ranks among the world's highest quality cottons, approaching that of Pima cotton, which is largely exported from the United States. Sudan's Barakat cotton is 100% handpicked, which maintains fibre length, and gently ginned on roller gins. The strength of this extra-long staple (ELS) cotton allows the spinning of finer, longer yarns, yielding a lighter, more supple and durable fabric with thread counts three to four times higher than commodity cotton. Superfine fabrics are only possible with the thinnest, smoothest, longest cotton fibres such as those spun from Barakat, Egyptian or Pima.

Cotton provides an important livelihood for an estimated 200,000 growers and their families, in addition to employing seasonal labour during harvest time. The majority of Sudan's ELS cotton is grown in the Gezira irrigation scheme. While the scheme is government managed, tenant farmers decide which areas and varieties to plant. In recent years, more than half of Sudan's cotton exports have been Barakat, which requires a longer growing season but earns more at export. As shareholders in the Sudanese Cotton Company, the farmers are the producers and, technically, the exporters as well. During the 2006/2007 season, Sudan exported approximately \$44 million worth of

Barakat cotton, primarily to Pakistan, Bangladesh and India.

In 2006, farmers received \$0.64 per kilo for Barakat seed cotton (the handpicked material before ginning separates the fibre from the seeds). Once ginned, about 35% of raw cotton lint is separated out of the seed cotton. Barakat lint is exported at an average price of \$1.80 per kilo depending on the grade. A wholesaler may pay around \$33 for a kilo (equivalent) of pima cotton shirting fabric. At retail, this same fabric will sell for about \$66 per kilo equivalent.

The finest extra-long staple cotton fabrics are used in apparel, particularly shirting fabric, and bed and table linens. The value of ELS finished products in the premium retail market increases two to three times over commodity cotton products. At the very high end of the retail market, the value of these superior

Key points

- » There are approximately 200,000 farmers who depend on cotton for their livelihoods plus seasonal labourers at harvest time
- » Barakat is handpicked and grown in east central Sudan under irrigation
- » Cotton maintains a major role in Sudan's economy



“

Knowledge of cotton planting in Sudan goes back to the 18th century. The major extra-long staple variety is superior both in fineness and strength.

Sudan Cotton Company

”

quality manufactured and tailored products increases ten times, and can be as high as twenty times, the commodity price.

Much of the value of a cotton product is added in the final stages of production when a brand name, designer label, or prestigious trademark is applied. Many popular brands, such as American Apparel, will emphasize the raw material used, such as 'made with 100% American Pima Cotton.' This adds value to the end product as consumers equate high quality with Pima. While brand recognition is important, designers also emphasize the raw material used to further validate the quality of their product.

Sudanese Barakat does not have the brand recognition among consumers for quality enjoyed by Egyptian and Pima cotton. Yet Barakat cotton could easily be used in the highest value segments, depending upon the spinning and weaving processes. Barakat's value would increase if consumer name recognition and association with high quality were established and strengthened. This represents an IP opportunity for Barakat cotton.

An IP-based strategy could aim to establish Barakat as closely similar to Pima and Egyptian cotton, in collaboration with importers so that both parties will gain by increasing demand and price at wholesale and retail levels. It might also aim to secure for Sudan a share of the intangible value in products made from and specifying the Barakat content under such product promotions.

Currently, Pima cotton enjoys a 40% premium over Barakat. Experts suggest that Barakat may reduce the gap between Pima's premium to 18%, which could result in a \$9-15m increase in export value alone based on last season's volume. By combining this with capturing more from the supply chain and positioning Barakat cotton in new markets, total export income could be raised to \$60-90m p.a. ■

Ethiopian Fine Coffee

Ethiopia is the birthplace of coffee, growing some of the finest Arabica beans in the world, as well as boasting the widest genetic base for Arabica coffee.

It is believed that a young goat herder named Kaldi discovered the bean in the Ethiopian highlands after he noticed his goats kicking wildly from eating the red cherries. For centuries, coffee quality has been closely tied with Ethiopian culture, with coffee ceremonies being a daily practice amongst Ethiopians. An estimated fifteen million people are involved in the coffee industry in Ethiopia. Of this, roughly six million participate in the production and trade of the most famous and distinctive fine coffees – Sidamo, Yirgacheffe, and Harar/Harrar, brands that are Ethiopia’s own Intellectual Property.

In recent years, the demand in the United States for gourmet and fine coffee has grown at an annual rate of over 10%, and new markets have opened in India and China. Coffee connoisseurs know that some of the finest coffee in the world originates in Ethiopia; the country has a strong reputation for these heritage coffees. Yet for years Ethiopian fine coffee was earning about the same export price as non-distinct commodity Arabica, which is subject to substantial price fluctuations. The Ethiopian farmers of fine coffee were not gaining the benefits of their superior product.

Prior to the trademarking and licensing initiative, Ethiopia was

receiving as low as 6% of the final retail price for its fine coffees. Farmers were receiving about \$1.00 per kilo, with the exporting sector receiving about \$2.00 per kilo. Wholesalers receive about \$6.00-11.00 per kilo, with the final retail price about \$20-28.00 per kilo. In one promotion in the United States in 2005, the retail price for Sidamo reached an astounding \$57.20 per kilogram. The retail prices reflect the value of the hard-earned reputation and willingness of consumers to pay premium prices for distinctive, high quality coffee.

In 2004, with assistance from Light Years IP, the Ethiopian Intellectual Property Office began the initiative in conjunction with the Ethiopian Fine Coffee Stakeholder Committee, which

Key points

- » Ethiopia is the birth place of coffee, providing some of the world’s finest Arabica beans
- » An estimated 15 million Ethiopians depend on the coffee industry for their livelihood
- » Ethiopia serves as a model of how producing countries can take control of distribution in foreign markets in order to receive higher and more secure export income



“

If the coffee is perfect, then really you have an intensity, and a balance, and a complexity of aroma that is wonderful. You have chocolate, you have flowers, you have fruits, you have honey, you have toast, you have all kinds of complex aromas.

*Dr Ernesto Ily
Ily Cafe*

”

is made up of unions of coffee farmer cooperatives, private coffee exporters, and other bodies responsible for the development of the coffee sector. The three famous brands were secured with trademark registrations in around 30 countries and distributors were required to obtain licenses to sell them. In this way, Ethiopia took a degree of control in the foreign distribution of its fine coffees through licensing its distributors. The first year of licensing saw improved negotiating positions, resulting in short term increases in export prices. The Oromia Union of Coffee Cooperatives reported that in 2007 Yirgacheffe farmer

incomes doubled over 2006.

The initiative is a ground-breaking partnership between Ethiopia and coffee distributors, roasters and retailers. The initiative is unique in that Ethiopia intervened in the foreign markets to achieve its goals, but also offered benefits to the distributors of its distinctive product. The distributors gain by contributing their views and energy to joint promotions and by jointly securing access to an increased supply of the unique coffees.

Ethiopia now has over 80 licensees in 8 countries with a target of 150-200, at which point higher prices can be permanently secured. An umbrella brand has been developed which covers the three fine coffees and creates market awareness of Ethiopia’s unique capability to deliver more fine coffees to market, due to having by far the largest range and types of unexposed fine coffees.

With this strategy in place and the constant development going into the initiative, it is projected that, in the long term, all of Ethiopia’s export of coffees will be sold as branded fine coffees. It is estimated that producers could raise and secure their income at around the \$6-8.00 per kilogram level. Total coffee export income of \$400 million before the initiative would then be raised to around \$1.2-1.6bn p.a. ■

Namibian Marula Oil

For centuries, indigenous women in the rural areas of Namibia have cracked the nut of the marula fruit to extract the kernels from which marula oil is made, an oil with highly regarded healing properties.

The marula tree is found throughout Southern Africa. Marula oil is rich in antioxidants and oleic acid, essential components for the preservation of healthy skin. These characteristics, as well as the exceptional chemical stability, make marula oil ideal for producing cosmetics. Additionally, marula and other African plant extracts and oils have qualities that make them ideal ingredients for fortified foods, so-called “cosmeceuticals”, and other health care products.

One of the two buyers/processors in Namibia is a cooperative that represents about 4,500 women producers.

Companies are marketing natural ingredients in their products more than ever before. A Namibian cooperative supplies The Body Shop, one of the most well-known all-natural cosmetics companies, with Namibian marula oil, which the company uses in almost all of its make-up. The Body Shop attests that marula is “an amazing natural moisturiser” and advertises marula’s long history within Namibian culture and production by a women’s cooperative. The profiled use of unique raw ingredients by the retailer raises the retail value of products such as lipsticks, foundations, blush and eye shadow.

The Body Shop is one of the few companies that have started to identify

the specific natural product used in their personal care lines. This differentiates their products from the thousands of others that simply advertise as using ‘all-natural ingredients.’ This kind of promotion appeals to consumers seeking out new products with unique stories behind them. The Body Shop has clearly capitalised on the distinct social and cultural aspect of marula, as well as it being a natural product.

The natural ingredients contribute to the intangible value of these products. The retail price for a small unit of shimmering eye shadow from The Body Shop that contains marula oil sells for four times more than the eye shadow sold in chain supermarkets. Marula oil is also used as a massage oil, with prices in line with other premium massage oils, and sells for much more than non-

Key points

- » Over 4,500 Namibian women extract marula oil in order to earn an income
- » The demand for natural and exotic products is continuing to rise in developed markets
- » More than ever, retailers are advertising natural ingredients in their products: an intangible value that commands higher retail prices



“

Consumers are looking for products that are natural, have a story behind them, and have healing properties – positioning Africa in an ideal situation to share its cultural knowledge of traditional beauty regimens using local plants.

”

distinct massage oils. Premium massage oils earn a higher retail price due to the natural essential oils in them.

Currently, producers are receiving \$2.35 per kilogram for marula oil. The exporting sector collects \$23.45 per kilogram for the same oil, which has a wholesale price of \$131.25 per kilogram. The average equivalent retail price for pure marula oil is \$262.50 per kilogram.

While marula producers are well organised and have even patented a by-product of marula, Marulene, there is still potential for marula producers to consolidate and refine the positioning of their product in retail. As there is clearly a niche market for this unique

oil, marula oil producers could generate more than the current income levels of \$22,000 if business strategies with IP were in place to popularise the ingredient, expand its usage, and ensure that Southern African producers, using traditional techniques, were the only recognised suppliers with no synthetic simulations being acceptable. This type of IP strategy could triple export earnings. Further earnings might also follow with the expansion of its use in premium branded products.

Strategies could be applied to a number of distinctive products in this sector, producing export income gains for producers in several parts of Africa. The export income gains could total many millions from a range of African natural products.

As the popularity of marula and other natural ingredients begins to rise, small companies based in Africa have expressed their need to assert intellectual property protection. Due to the informality of the trade, retailers are often able to reap the benefits of using the name ‘marula’ in their products, while the producers are virtually forgotten. A business strategy that may focus around certification and distribution aspects could be employed to protect African producers from future misuse of their products. ■

Togolese Black Soap

This uniquely natural soap has been handmade by women in West African communities for centuries, with the recipe being passed down from generation to generation.

Black soap, also known as ose dudo, anago, and alato soap, is a traditional treasure of Togo. It is produced from a unique mixture of plant wastes such as cocoa pods, plantain leaves and bark, shea plant by-products, and/or palm kernel shafts, as well as vegetable oils such as palm oil or coconut oil. Most conventional soap is made from oils and chemicals, but black soap is produced from oils and agro-wastes, resulting in a very unique creation. The all-natural soap is touted as having an extremely soothing effect on dry and irritated skin as well as clearing acne and red areas. Due to the purity and simplicity of ingredients, it is said to be one of the healthiest soaps for the skin.

Togolese black soap has a very high percentage of unrefined shea butter and unrefined palm oil. The other ingredients (local recipes vary slightly by region) are also distinctive: plant waste is being recycled into a product that has magnificent skin healing qualities and is also environmentally sensitive. Although this soap does not yet have a world reputation, natural soaps already have a reputation for being gentler on the skin, and evoke feelings of comfort, safety, nature, and nourishment. These aspects are becoming increasingly important to consumer choice in skin care products.

The demand for natural personal care items is continuing to rise in developed markets. Companies that base their product line on being all-natural, such as Tom's of Maine, Burt's Bees, and Lush, have seen tremendous growth in recent years. Lush commands premium prices for their natural soap, retailing for more than four times that of other natural soaps. While much of this value is due to brand recognition, Lush also stresses the hand-made, natural, exotic elements of its products. Other all-natural soaps typically retail for double that of conventional soaps. Black soap fits the profile of these products that are earning higher retail prices.

As black soap has not strongly penetrated the market, the retail chains have not been developed, with most black soap being sold by small internet-based retailers. There have been a few brands

Key points

- » There are an estimated 100,000-200,000 small-scale producers of black soap in Togo
- » Black soap is one of the healthiest soaps for personal care usage
- » Experts believe that black soap could become as popular as shea butter in the mainstream market



“

Black soap is distinctive from other all-natural soaps: plant waste is being recycled into a product that has magnificent skin healing qualities. The secrets of beautiful skin are being shared from Togo, a country that has perfected black soap production throughout generations.

”

that carry black soap labels, though not all are produced in Africa. As the popularity of the product continues to rise, some retailers are using the label African black soap. Importantly, some black soap is being made with black dye, containing none of the key qualities of true black soap. However, true black soap is from West Africa – it is the raw ingredients, as well as the traditional hand crafting of the soap, that make the soap authentic. Both genuine black soap, as well as imitation, can be found in a few natural food markets, though they are not widely available.

Black soap producers could be assisted

by an IP-based strategy to capture part of the intangible value that is earned by higher priced soaps. Experts believe that black soap has the potential to become as well known as shea butter, illustrating the need to manage this unique product in the interest of low-income producers.

Most black soap producers are only receiving about \$0.44 per kilogram for their soap. Exporters are receiving approximately \$1.15 per kilogram. Black soap wholesalers are receiving about \$17.00 per kilogram while the retail price is around \$34.00 per kilogram. It is important to note that the trade is still very informal. It is estimated that Togo is currently exporting about \$50,000 worth of black soap.

Given the market situation, with the proper IP strategies which might involve distribution and certification changes, experts estimate that black soap producers could capture an additional 200-400% premium on the price per kilo they are currently receiving, and could build a market yielding export income of \$2-4m p.a.

Togo is one of four West African countries that is exporting black soap as an artisan product. An IP based business strategy might be built for Togo or a combination of different country stakeholders, possibly involving cooperatives. ■

Senegalese Artisanal Tuna

Fishing in Senegal is not only a means to earn an income; it has been deeply embedded in Senegalese culture for centuries.

Fishing in small pirogues (flat-bottomed boats) with nets is the traditional way of life and main source of income for 600,000 Senegalese fisherfolk. Fishing generates an estimated 70% of the Senegal government's annual revenues. The small-scale fishing sector provides 60% of fishing exports and is one of the country's main sources of foreign exchange earnings. Dakar, the capital city, is an important Atlantic tuna port. There is one cannery operating in Senegal, SNCDS, exporting the majority of its production to Europe.

Fishing is not only a means to earn a living, it is deeply embedded within Senegalese culture. Many coastal villages have long been centred around fishing, with traditional fishing techniques being passed down from generation to generation. However, the livelihoods of thousands of fishermen have been threatened in recent years as Senegal struggles to compete with large-scale international industrial fishing fleets.

Canned skipjack tuna is widely sold, yet there remains a large demand for more distinctive types of tuna; those with an emphasis on gourmet flavours, sustainability, or origin. Yellow fin tuna, which is classified as gourmet, demands a higher retail price than the

albacore and skipjack species. There is an opportunity for Senegal to gain more income from traditional fishing and improve the livelihoods of thousands of fishermen.

The average retail price of gourmet yellow fin tuna is more than 3 times what conventional canned tuna sells for. This higher price rests on a number of factors, including the eco-friendliness, the quality of the tuna, the method of catch, and packaging. Increasingly, consumers are concerned with these issues. These distinctive attributes appeal to established niche and gourmet markets in Europe, where consumers are willing to pay more for their tuna.

Currently, fisherfolk receive less than \$1.00 per kilo of tuna. Exporters/canners are receiving around \$4.29 per

Key points

- » 600,000 people are reliant on fishing as a means of income in Senegal
- » Senegal lands some of the finest fish species in the world, including the gourmet yellow fin tuna
- » Consumers are increasingly concerned about the production methods of the products they buy: environmental and social aspects are becoming more important



“

Capitalising on the environmental and cultural aspects of traditional fishing methods, reflected in a gourmet canned tuna brand, could return a higher and more secure income for thousands of Senegalese fishermen.

”

kilo. Wholesale prices of gourmet tuna in importing countries may reach \$20.00 per kilo and retail is at the equivalent of \$40.00 per kilo.

Senegal has the opportunity to develop a product that is distinct in the final retail market helping the fishing industry to earn more income. An IP strategy could see Senegal realising its potential for positioning tuna exports fully in the premium and gourmet bracket. Senegal's long traditions and artisanal fishing methods offer an important underpinning for a branding strategy that can appeal to consumers by emphasising the traditional fishing practice which has a much lower impact on fish populations. A gourmet branding strategy could help the country raise its export income from canned yellow fin tuna by 50%, with

gains continuing to increase over time as the brand becomes stronger.

Complementary to the IP strategies are actions that improve aspects of physical production. The Senegalese inter-professional artisan fishing-sector organization, CONIPAS, is taking action to strengthen the small-scale fishing sector by improving facilities including quays, preservation and processing plants to foreign hygiene and quality standards.

The Senegalese fishing sector may also be able to increase export income from existing exports by building negotiating strength in the supply chain through IP business techniques and applying these techniques to new products. These two strategies combined could result in total income gains in the order of \$40-70m p.a. ■

Tanzanian Blackwood

The tree of music, Blackwood, also called 'mpingo' and 'grenadilla', is an exceptional wood found in southern Tanzania, growing sparsely in dry open forests or in the savannah grasslands.

Blackwood is a member of the Rosewood tree family and grows to full maturity in 70-200 years. Due to various factors, much of the woodlands in the rest of Africa have been depleted.

Communities in Southern Tanzania have been active in gathering the wood or felling the blackwood trees on behalf of the sawmills that process them.

Demand for African blackwood is due to its unique qualities for woodwind instruments, primarily clarinets and oboes. African blackwood is core to the definition of high quality woodwind instruments and a proportion of the retail price is specifically attributable to the type and quality of the wood.

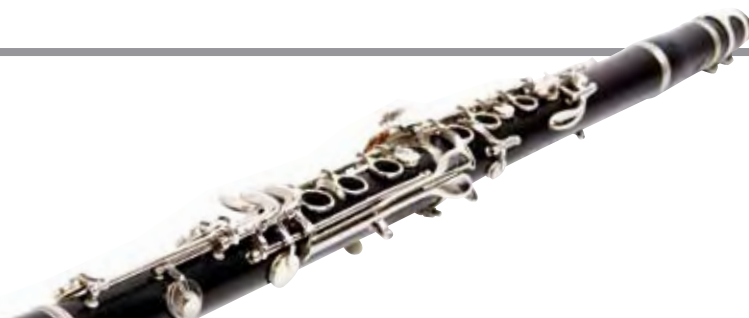
In addition to its use for instrument production, African blackwood is sought after by craftspeople in both Tanzania and abroad. The waste produced from the manufacturing of instruments is significant – around 75% – as only the flawless heartwood is used for clarinets. This scrap wood is valuable raw material for the Makonde people of Tanzania, whose wood carvings are some of the best in east Africa. Traditionally crafted for ceremonial purposes, these carvings are now an important export product. Outside of Africa, specialist craftspeople use African blackwood for turnery, inlay work, and small constructed items such as jewellery boxes.

Retailers always note if a clarinet is made from the exceptional grenadilla wood, as the wood is a key selling point for clarinetists. Skilled techniques are involved in manufacturing an instrument, yet the wood is the essential raw material and a valuable component of the finished product.

Blackwood trees are community resources. Currently Tanzanian communities cutting and gathering the wood are receiving \$0.05 equivalent for every clarinet produced, with an average retail price of around \$5,000. The Tanzanian export sector earns about \$30 per clarinet while the wholesalers/manufacturers are receiving around \$2,500. It is important to note that the cost of crafting the clarinet is about 25-40% of the final retail cost and the craft is highly skilled.

Key points

- » There are more than 4,500 people in various villages where blackwood is found
- » For a clarinet that is produced and retails for an average of \$5,000, communities are receiving only \$0.05
- » Without blackwood, woodwind instruments would not be considered high quality



“

The high quality reputation that blackwood has in the music industry is a major determinant in the final retail price of woodwind instruments compared with instruments made from other woods.

”

In addition to grenadilla wood, clarinets can be made from rosewood, hard rubber, or plastic. Plastic clarinets are often sold to beginners at a considerably lower price range than wooden clarinets, ranging from \$200 to \$500. Rosewood and blackwood clarinets can retail from \$2,000 to as much as, exceptionally, \$22,000. The average price of a grenadilla clarinet is about \$5,000 for medium to high quality.

A comprehensive business strategy with IP elements could directly help communities where the grenadilla wood originates to capture a greater share of the end price. Blackwood cutters, gatherers, artisans and processors could develop a direct relationship with instrument makers and retailers,

stressing the integral role of blackwoods in the production of fine woodwind instruments. IP business tools could be used to build a new identity, or co-branding element alongside existing brands, for all instruments made with blackwoods.

As blackwoods are a natural resource subject to sustainable supply constraints, Tanzania could, within this strategy, restrict the supply of blackwood to those prepared to engage in marketing work to develop a clearer association in the minds of both users (musicians) and music lovers (audiences) of quality instruments with Tanzania's unique resources.

Concerns have been voiced regarding the physical sustainability of the blackwood tree. In full project design of initiatives to capture these opportunities, many production, environmental and institutional issues would need to be integrated. Long term resource management can be enhanced if connected to increased income to blackwood cutters and gatherers.

Experts believe that Tanzania could capture an additional \$10-15m annually of the estimated \$100m total retail value of the clarinet market and in partnership with users and audiences might be able to build an additional blackwood artisan business worth \$200-300m. ■

Mozambican Cashews

Management of the Zambique cashew brand may earn more for Mozambique than on-shore processing.

Mozambique was once the world's largest producer of cashew nuts, supplying 30% of global production. At its height, Mozambique supplied 240,000 tonnes a year, with a significant proportion being processed prior to export. However, civil conflict, ailing trees and economic policies resulted in the virtual collapse of this once booming industry. By the late 1990s Mozambique exported to India 98% of its raw cashews for processing. Although Mozambique is producing high quality cashew nuts, importers and consumers often believe they are buying Indian cashews, unaware that they were grown in Mozambique.

The cashew tree, *Anacardium occidentale*, is native to Brazil and was introduced to Mozambique in the 16th century but it was not until the 20th century that the commercial value of the nut was realized. This small evergreen tree is easily cultivated, vigorous, drought resistant and requires little care. The cashew nut comes from the kidney shaped seeds that adhere to the bottom of the fleshy, plump, pear shaped red-yellow cashew apple. The nuts, considered a high value luxury food, are picked, collected and exported as raw nuts or kernels.

Currently cashew production in Mozambique is less than one third of

its historic high, with an estimated 940,000 smallholder farmers cultivating the nut. The cashew nut processing industry in Mozambique has been slowly revitalized and 20 processing plants are now operating within the country. In 2005 Mozambique exported 32,200 metric tonnes (32.2 million kilos) of raw cashews at a value of \$28m and 1000 metric tonnes (1 million kilos) of kernels (shelled nuts) at \$4.3m. Farmers received about \$0.65 per kilo of raw nuts, which were then exported at \$0.87 per kilo. Kernels, however, were exported at about \$4.40 per kilo, commanding a much higher price than raw nuts.

Importers of cashew kernels further process the nuts, roasting, adding flavours and using them in food production. In the retail market, the whitest and largest nuts are the most valuable and graded the highest. Whole

Key points

- » There are about 940,000 smallholder farmers growing cashews in Mozambique
- » Mozambique cashew production is currently at one third of its historic high
- » Cashews are an important crop for household consumption



“

The cashew is an important crop, it is an important export crop, it is an important protein source for families. It provides a valuable income earning opportunity for Mozambicans in an expanding international market.

International Institute for Environment and Development

”

jumbo cashew nuts, one of the highest grades, sell for US\$9-12.50 per kilo at wholesale. At retail these nuts sell for \$18-52 per kilo depending on the outlet.

The primary marketer of Mozambique's cashew kernels is the Agro Industriais Associados (AIA), formed by seven cashew processing plant owners. AIA also serves as an advocacy group, addressing key policy issues such as quality control and export price. AIA developed a brand of Mozambican cashews under the name Zambique. The Zambique brand, however, has not figured prominently in retail sales of cashews. Given that shelled nuts sell at retail for as high as eight times the export price, a branded product should return greater income to Mozambique. An IP strategy would aim to capture a greater share of retail

revenue for Mozambique, along with an effort to build up distinctiveness in the perceptions of final consumers and increase the intangible value of Zambique cashews. Experts believe that export income could be increased to between \$48m p.a. and \$72m p.a.

It is worth noting that processing plants will only offer minor benefits to the industry and the country. Although processing generates employment, it must be financially viable as a physical industry to remain sustainable. Efforts to extract more income from the export market do not depend on processing, since joint ventures or partnership with external processing firms could be a means by which Mozambique may retain control of its final export product, capture intangible value and increase income to farmers and exporters. ■

Ugandan Vanilla

Uganda's green gold, picked at its peak and carefully cured, has a rich, complex flavour with the cream soda and smoky notes associated with world-renowned bourbon vanilla, but with a spicy overtone.

Vanilla beans, long slender pods, are picked from vines and cured over a period of three to six months, using the traditional method of sun drying and sweating in wooden casks, where pods are set in the sun during the day and covered with blankets for the night. This allows the flavours to develop slowly and fully. Of the more than 250 compounds within the vanilla pod, vanillin is the most significant; it produces the vanilla aroma and flavour and imbues the pod with a distinctive flavour profile. Ugandan vanilla contains a notably high vanillin content of around 2% (up to 3.2% is found in the highest Ugandan grades) whereas Madagascan vanilla, currently the most well reputed and recognised origin, generally averages about 1.8%. The most common vanilla products in the retail market are beans and extract; pulp, paste and powder are also available for (food) manufacturing.

While Ugandan vanilla beans have only become readily available within the past four to five years, they are now considered among the top three or four varieties, according to an expert. In addition to producing high quality beans and using time-honoured production and curing methods, Uganda delivers premium quality beans consistently and in even supply. Up to 40% of Uganda's beans are of gourmet quality, that is,

whole bean grade A. Uganda has recently established some worldwide recognition, and confidence in its vanilla beans continues to grow.

Thousands of farmers cultivate *Vanilla planifolia* on their small farms in central and eastern Uganda, where the rich, loamy soil, plentiful rainfall and tropical environment allow them to flourish. Each plant requires hand pollination, and picking the beans when fully ripe is critical to obtaining optimal flavour as vanillin develops in the last few weeks of maturation. Farmers sell green vanilla beans to firms that cure and export them. Ugandan farmers capture about \$8 per kilogram while export prices for cured "pod" beans are around \$25 per kilogram.

A wholesaler in the foreign market may receive around \$123-138 per kilo

Key points

- » There are an estimated 100,000 farmers plus seasonal labourers in the production sector
- » In 2007, Uganda produced 400 tonnes of cured beans worth in excess of US\$9 million
- » This variety has the highest known levels of vanillin, responsible for the flavour and fragrance



“

These beans [Ugandan] are quite simply the finest gourmet Bourbon-style beans we are now seeing in the market – surpassing even the finest Madagascar Bourbon beans we carry.

Amadeus Vanilla Beans

”

for cured pods. At retail, these pods are attractively and hygienically packaged for the end user and may sell at retail for around \$8 for five pods or the equivalent of \$352 per kilo. Pure Ugandan vanilla extract is generally not sold in the retail market but goes directly to food production companies or is blended with other vanillas, balancing the flavour profile. Ndali Estate, a small Ugandan company, exports very high grade vanilla products including both extract (at \$120 per kilo) and cured pods (at \$1,100 per kilo).

In the view of some exporters who are testing the market, Ugandan vanilla, with its particularly high

vanillin content, has the potential to be distinguished as a specialty product. One opinion expressed suggests there is an over-supplied capacity worldwide in the extracting industry, so a conventional strategy of on-shore processing will be unlikely to succeed. Instead, the Divine Chocolate model of a jointly owned distribution and marketing company based in the final markets could be considered, along with a deliberate PR-based campaign to highlight the story of the distinctiveness of this specialty product, as pod or extract. The extraction, if desired, might be sub-contracted, as the prime purpose of such a company would be sales and marketing.

In 2006, 200 tonnes of cured vanilla exports earned nearly \$5 million; production in 2007 was up to 400 tonnes. Uganda has managed to produce the best characteristics of fine vanilla and provide steady high quality supply while increasing production rapidly. Through applying a business strategy that includes IP to raise retail value and gain more from the supply chain, experts suggest that the current Ugandan export price could increase 20-50% by securing a greater share of the existing revenue stream. A larger joint venture strategy might result in an export income volume of \$50-90m p.a. ■

Madagascan Cocoa

The island of Madagascar is not only one of the world's most ecologically diverse countries; it also supplies some of the world's finest cocoa, that is, Criollo cocoa.

Industry leaders are calling the current surge in demand for dark gold "chocolate fever". The consumer trend to dark, rich chocolate, high in cocoa content and with strong natural flavour has sent the chocolate industry off in search of high-end, single origin cocoa sources from all parts of the world. Some varieties of cocoa have seen an 800% increase in price in the last two years with traders paying 10 times the market price for specialty cocoa beans, and the fine chocolate market is expected to reach \$1.62bn in 2008.

Like tea, wine and coffee, the qualities of cocoa beans are in fact also set to a significant degree on the farm where they are grown, resulting in distinctive taste profile and flavours. This is true in spite of significant downstream processing to produce the end products in the confectionery market. The beans are distinguishable by the soil, local environmental attributes and the careful handling they receive by growers, and depend in large degree not only on the tree type or species, but precisely where and how they are grown and tended. Like most mature markets, segmentation and differentiation, as well as traceability, have become more and more valuable in the last decade.

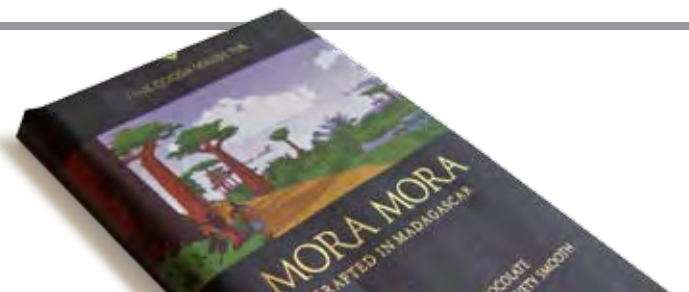
While quality certainly matters, other characteristics that have begun to draw

attention are the origin of the cocoa, traceability of cocoa bean production, organic and fair-trade certification, health attributes, and environmental sustainability. The retailing advances for single origin chocolates are notable and offer potential benefits for producers who can create appropriate international marketing partnerships.

Worldwide sales of chocolate in 2007 were valued at around \$80bn, while revenues from cocoa beans were less than \$5bn, showing that producing countries together are receiving only around 6% of the retail value, a ratio of 16:1. The ratio of beans (cocoa) to retail (chocolate) is even greater for gourmet and other differentiated chocolate products. Currently, integrated grinding and manufacturing companies are able, due to market dominance, to capture

Key points

- » Producing countries, together, are receiving only around 6 percent of the value of their products
- » Madagascar is the only African country that the International Cocoa Organisation (ICCO) recognises as a producer of 100% fine cocoa
- » The range of fine cocoa in Madagascar has yet to be completely discovered



“

With a variety of trends fuelling the cocoa market, Madagascar is in favourable position to raise its export income from cocoa through applying IP business tools that would benefit all stakeholders.

”

the intangible value of fine cocoa in the chocolate product.

Around 60% of growers in Madagascar produce cocoa on small family farms of about 2-10 hectares. Data suggests that these cocoa producers are receiving between \$0.10 and \$0.16 per kilogram for their cocoa beans.

Where the distinctiveness of origin is significant, a part of this brand value can potentially be shared between the distributor and the supplier in the place of origin. Around 8 producing countries have managed to establish their

reputations as single origin suppliers, in line with the recent trend towards single origin chocolate. Madagascar is one. As a low volume, specialty cocoa producer, Madagascar is in favourable position to raise its export income from cocoa through applying a careful business strategy to optimise earnings on the total volume available. An approach might build on the exclusivity of the product in a framework that benefits all formal stakeholders. That is, even though cocoa is, conventionally speaking a traditional 'commodity', it could make sense to remove it from this categorisation.

This might be achieved through better product marketing and messaging and proactive support in the retail environment to build the presence of unique brands, such as Malagasy Chocolate. A survey of chocolate retail pricing shows that, while Malagasy Chocolate is currently achieving retail prices above premium chocolate, it is still some 30% below the average price for single origin chocolate.

Experts believe that strategic partnership and low-cost marketing campaigns can be implemented to make up the 30% gap and, through some adjustment to margins, export income could be raised from about \$6m p.a. to about \$15-25m p.a. ■

Malian Mudcloth (Bogolan)

This variation on a textile inspired from the uniquely Bamanan 'bogolanfini'; including spinning cotton yarn, weaving strips of fabric, preparing dyes and mud, and painting the patterns.

The Bamanan, a tribe of two million located largely in Mali, painstakingly create 'bogolanfini'. Traditionally the patterns and designs carried messages and the cloths were worn at life's pivotal transitions. All-natural vegetal materials are collected from within the immediate region and made into dyes by the artisan. Mud is used to paint the background around the pattern and symbols; this technique requires great skill, time and patience. The meticulous attention to design distinguishes this craft. 'Bogolan', also known as mudcloth, is a new take on the traditional bogolanfini. Bogolan designs are often simplified and the cloths have been adapted for use in home décor, clothing, accessories, and even shoes.

Mudcloth has gained recognition due to local fine artists promoting and exhibiting their work in Europe and Francophone Africa and also because of the work of celebrated Malian fashion designer, Chris Seydou. Artisans work in workshops or cooperatives painting cloth that has been provided to them by a merchant/exporter. There are also merchants known as 'suitcase sellers' who operate on a small scale. The value of exports in 2006 is estimated to be around US\$200,000, an imprecise figure due to informal trade.

Retailers in the US and Europe further

enhance the value of a bogolan cloth by producing finished items such as handbags, pillow covers and scarves, which sell for prices equivalent to full pieces of cloth. A pillow cover made from bogolan costs twice that of a mass produced pillow cover. Artisans have been adapting bogolan to accommodate a wide range of products without diminishing its singularity and recognisable intangible value.

Artists, many of whom have trained at the Institut National des Arts à Bamako, create unique cloths, sometimes abstract, sometimes resembling traditional bogolan; they may sell their work directly to clients or retailers, which will retail at up to \$250. Several artists have capitalised on both the economic and social value of mudcloth

Key points

- » The traditional, completely handmade textile uses dye made from a solution of leaves and mud collected and fermented for up to a year
- » Traditionally, one piece could take up to three weeks to create
- » There are at least 100 workshops in San and many individuals and cooperatives throughout Mali that are producing bogolan



“

Because bogolanfini has important traditional uses and because the designs themselves are loaded with cultural significance, these artists who draw on its style or techniques evoke all of these referents.

*Victoria Rovine
University of Florida*

”

by founding ateliers or workshops that teach this distinctive craft to young people, who learn an important income generating skill.

For their work painting a 'pagne' (eight to ten strips of cotton sewn together) measuring approximately 45" x 70", artisans earn \$1-2. The merchant/exporter may then sell the cloth for about \$9. Wholesale prices range between \$12-24 and at retail, a pagne can sell for \$35-65 with prices reaching up to \$125. Alternatively, independent artisans who fund themselves may sell their pieces for \$12-48, depending upon negotiations with the buyer.

Price ratios where artisans earn 1-3% of the retail price of handicrafts

are common for a very large number of artisan products from Sub-Saharan Africa (and from Least Developed Countries in other continents).

An IP strategy could directly build on three aspects of the intangible value of bogolan. The IP is derived from production traditions, evolving design work and aesthetic distinctiveness. An IP strategy could unify worldwide presentation and marketing of designs, and control the use of designs and pages by certification, or by licensing the garments, furnishings and other final products producers make. This could expand the applications of authentic bogolan to quality retail products (clothing, furniture, accessories) into a variety of categories, mostly at the higher end of the retail market, and protect against the risk of counterfeiting. A bogolan aficionado believes the market has not nearly reached saturation and, certainly, individual high quality pieces could bear price increases of 20%, and perhaps 25%. Global marketing and management could triple the income of artisans and artists and gain a far larger share of the retail value, adding \$375,000 to export income. Institutional issues, including the widely spread and small scale production situation, would need to be incorporated into an IP-enhanced strategy. ■

Ethiopian Leather

Three types of skins coming from Ethiopia result in some of the finest leather in the world: Bati, Cabretta, and Selallie. All fetch high retail prices in developed markets.

Ethiopia is home to the largest population of livestock in Africa, with at least 40 million people owning livestock. Sheep and goat skins represent the bulk of Ethiopian leather production, producing an estimated 15 million skins annually. This sector is important in reducing poverty, as a large percentage of the population is directly affected by the leather industry.

Ethiopian product names that have for many years reflected distinctive high-end leather products are Bati Genuine, which refers to thin goat suede, Bati-type and Selallie Genuine, which refers to a special type of hair sheep skins.

There is also recognition in the wholesale market of the superiority of Cabretta leather for making gloves, not only for sport but in fashion as well, though many consumers are unaware of the Ethiopian origins. Ethiopian Cabretta leather is distinctive for being soft and yet strong at smaller thicknesses than other leathers making it the best type of leather for golfing gloves, with some retail prices double that of non-Cabretta gloves.

Bati goat skin is known to produce the softest, finest suede. Ethiopian herders are receiving about \$10 for the skins that will produce a Bati coat. After tanning and processing to 'wet blue' or better levels for export, the exporter collects

about \$40-50 for the leather that will be manufactured into a coat outside Ethiopia. An importing wholesaler/manufacturer will then make the coat with the final retail price being at least \$400.

Herders and family sheep owners are receiving around \$2 for the skins that will be used to produce one Cabretta golf glove that is both strong and thin, and better than other skins. The exporting sector is obtaining \$5 for the leather that will be manufactured into the finished glove. Outside of Ethiopia, the glove retails for \$25.

Cabretta, Bati, and Selallie skins are all internationally recognised for their strength and other qualities, resulting in premium prices being paid for these types of leather. Also, some of the fine leather goods coming from Italy are made from Ethiopian Bati, as wholesalers

Key points

- » At least 40 million Ethiopians raise livestock to supplement their income
- » Two international standards for high quality leather are Ethiopian: *Bati Genuine* and *Selallie Genuine*
- » Ethiopian Cabretta leather is recognised as the best material for high quality golf and fashion gloves



“Ethiopian leather is recognised by manufacturers all over the world for its high quality, yet hardly anyone in the general public associates the quality of the leather with Ethiopia.”

and manufacturers know it is one of the world's best and are prepared to pay premium prices for it. This kind of reputation is important when devising an IP strategy, as reputations have intangible value and can result in greater export income.

Also, twelve Ethiopian leather companies recently developed a brand of luxury leather goods, Taytu. This brand is based on Ethiopia's image as being authentic, and possessing the 'essence of Africa'. The brand is distinctive, capitalising on Ethiopia's geographical location and culture, both of which have strong intangible values. This luxury designer label had a successful launch; the entire collection sold out at the Paris fashion accessories collections in autumn 2006. Fashion experts note that consumers are beginning to tire of big brands; they are looking for unique

labels, such as Taytu.

Supporting these differing elements with a package of IP-based business strategies would enhance existing reputations and communicate new ones, in order to produce more export income and secure that income for all stakeholders in Ethiopia. Given the recognition by wholesale buyers of Ethiopia's fine leather and the intangible values tied to it, experts believe Ethiopian leather producers could increase their export income by three to five times. The 2007 export income was just over \$90m, growing most by expansion of volume and some increased processing. Additional processing may create 'value-added', but only if the processing is profitable. 'Value-captured' through IP-based strategies can produce better net returns, an outcome that can be determined from a feasibility study with consideration of costs and benefits.

The quality and preservation of the hide are affected by dipping for disease prevention and quality control during slaughter and post slaughter transport to tanneries. In order to ensure high quality leather from Ethiopia, a scheme that provides incentives to herders and collectors to give more attention to the quality of the skins should be incorporated into an IP-based business strategy. ■

Television Animation

For the first time in history, modern technology has closed the distances between Africa and export markets, for digitally transmitted products.

The arrival of high speed fibre optic cable in more parts of Africa has opened opportunities for graphic-intensive export businesses in Africa, since developed country clients require rapid access to the production process. This is an historic and remarkable change, in that remoteness from markets is a major reason for competitive disadvantage in exporting faced by most of Africa. Many African countries face very high costs of bringing physical goods to a port, meaning that exports are only competitive if returns to producers are extremely low, among the lowest export incomes in the world.

Now, for the first time in the modern era, the effective distance of African producers from export markets, for a range of digitally transmitted products, has become virtually nil. This is a dramatic levelling of the playing field in international trade competitiveness, perhaps unprecedented in world history.

It will take some creative business thinking to capture the opportunities that high volume data carriage offers Africa. Television animation, as an example, may stimulate some of this thinking.

The worldwide animation market is worth about \$50-75bn with a further \$100-150bn coming from merchandising. The market has changed dramatically

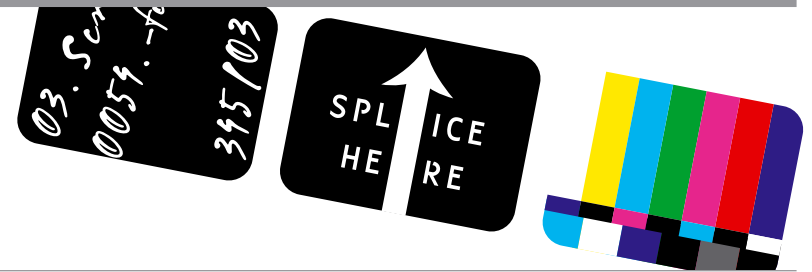
in recent years. Broadcasters' fees now cover only 10% of production budgets, forcing producers to look at how they can reduce their upfront budgets. Typically, a producer will write, design and story-board the animation show and ask an off-shore company to handle the line production – the colouring, rendering and production of frames.

The artistic skills, IT support and management skills needed for line production exist in a number of African cities that are newly connected with fibre optic cables of large capacity.

Animation production had shifted from the US and Europe to East Asia at much the same time as light manufacturing made the same shift. Creatively as old as film-making, it was a television production industry driven by

Key points

- » The world-wide animation market is worth \$50-75bn dollars, with an additional \$100-150bn coming from merchandising
- » The playing level for digital products has evened out considerably in recent years due to technology reaching remote areas such as Africa
- » African countries could become major players in digital animation



“Transmission of digital products has dramatically levelled the playing field for Africa, a change unprecedented in world trade.

Ron Layton, CEO, Light Years IP”

the US market until the early 1990s. By then, several developing countries had a share of line production, notably South Korea and the Philippines. Regrettably, both countries failed to develop significant creative capacity, so they were dependent on labour cost advantages for a purely price-based export business. Both countries lost market share to China and India throughout the 1990s.

For animation, a phased strategy might be built up from an initial joint venture to provide production capacity for developed country producers in the very cost-sensitive TV production industry. A key element in a long term strategy would be the training and development of creative staff working for an animation studio to become designers. Once a studio has the ability to contribute to the creative element of new animation and the finance to share ownership of rights, it becomes an Intellectual Property owning business,

with greater income security.

A joint venture between a foreign creative producer and an African production company could provide a cost-based export business in the short term and a strong base for creative TV and animation work in the mid term. Within Africa, demand currently exists for commercials, television bookends, filmmakers, special effects and education. While there is already some animation capability in a number of African countries, annual incomes of more than \$1m is thought to be rare.

Given the size of the global animation market and the potential scale of the business, it would be reasonable to speculate that a country could build export income in the order of \$40-100m per year. The impact would be several times higher if several countries or companies also set up animation capacity, as the market is large.

Further opportunities lie in digitally transmitted export products. In the long term, such businesses and industries need to develop creative and design skills to have greater potential and security of income, as true Intellectual Property owners. The export income estimates for this sector are shown at \$40-100m per year in the summary tables, but these estimates should be revisited in two to three years time. ■

Creative Industries

The Creative Industries, as defined by the UK Department of Culture, Media and Sport, identifies 13 industries for classification. The industries include the arts and antiques markets, architecture, advertising, crafts, design, designer fashion, film and video, music, publishing, performing arts, computer and video games, software, and television and radio. These sectors are characterised by their cultural content and high levels of intangible value.

The total market size of the creative industries worldwide is estimated to be \$2,700bn. Growth rates in 2000-06 averaged 6% a year, twice the rate of the rest of the economy. On this basis, the worldwide figure for 2008 is estimated at \$3,033bn.

Creative industries are a major growth area in all regions, showing faster and more robust growth than traditional manufacturing and services in terms of employment, added value and profit. The bulk of production and consumption takes place in Europe, the United States and Japan, followed by other OECD countries, and then China, India and Brazil.

Many developing countries have a rich culture and routinely produce cultural products that, while appreciated locally, are not often monetised, or if so, only marginally. Export income to Sub-Saharan Africa is currently very small in most of the creative sectors, other than crafts and textiles.

Sub-Saharan export data for the creative industries for 2005 is shown below.

Sectors	US \$m
Textiles	2,176
Crafts	7,484
Furniture	55
Travel goods	35
Arts and antiques	8
Music	2
Film	3
Advertising	18
Architecture	8
Audio-visual services	1
Publishing	2
Other heritage/cultural services	12
Misc. Manufactures	1,224
Clothing	1,345
Total	12,373

Textiles and Crafts

African crafts are widely recognised, employ a substantial proportion of the population and contribute to the region's economic growth. It is very common to find analysis of value chains showing artisans receiving 2% of the retail value of their products in foreign markets. A sustained doubling of this share would uplift the economic position of low-income artisans and small farmers.

Craft exports are frequently undercut by cheaper factory-produced imitations or by hand-made goods from production line shops in low-cost manufacturing countries. Although traditional designs, such as Bambara batik from West Africa, are said to be "lost into the public

domain", Light Years IP and others are working on new strategies to address this issue. These strategies are aimed at securing (and recovering) rights in final market countries for cultural and artisan owners and to build direct connections between rights owners and the returns due to them. "Manos del Uruguay", formed in 1968, is a cooperative of artisans formed with an innovative strategy – to establish retail outlets in final markets, like Italy, under their own brand.

Film

The global film market is worth about \$81bn. Africa has strong traditions of play-writing and performance, and these have helped to support its film-making. Outside of Nollywood, production is mostly artistic and export activity is very small at present. Creative thinking is needed to find niches in the global market and to design strategies for accessing them.

Licensing

Several countries see potential export gains in the licensing of inventions, traditional knowledge and traditional medical knowledge.

In some African countries, traditional healers keep their knowledge as secrets known only to their families, as a source of employment for future generations. This tradition, still strong in Ethiopia and other countries, is commercially valuable in that the information is held as "trade secrets". Several countries have been working on the process of establishing ownership for a sample of such trade secrets. Although only a

small percentage of traditional remedies are commercially developed worldwide, Light Years IP believes that the export potential deserves attention through the design of commercially sound and socially sensitive programmes.

Graphic Design

For African landlocked countries with access to fibre optic data transmission, a long-term investment in graphic intensive businesses could be considered as a priority area for investigation. Joint venture design studios with modern production management and overnight transmission to markets could build production-based export businesses initially, which may include such products as plans for surveyors and architects. Then, raising standards to produce more complex products, like books and storyboards, should be seen as part of a long-term move to becoming an IP business.

For future development

An initial estimate of \$40m p.a., representing early potential in the non-craft areas, is included in the scale of opportunities table (see page 16), but no forecasts for the other creative sectors has been included for total potential export income. It is anticipated that these other creative sectors will be analysed in detail in the future.

In particular, substantial impact would be made by successful strategies enabling the crafts export sector to gain higher and more secure income.



Light Years IP
611 Pennsylvania Avenue SE
Suite 261
Washington, DC 20003
Phone: (202) 547 7515
Fax: (202) 558 4385
Email: info@lightyearsip.net
www.lightyearsip.net

Supported by



Department for International Development
1 Palace Street
London, SW1E 5HE
Phone: (020) 7023 0000
Fax: (020) 7023 0019
www.dfid.gov.uk