



SINER-GI project

Budapest Regional meeting

24 - 26 October 2007

JINHUA HAM

Frederic Wallet - Bertil Sylvander

Guihong Wang (INRA)

1. Case presentation

- Name : Jinhua Ham
- Type of product : Cured Ham
- Location : China, Zhejiang province, Jin Hua and Qu Zhou regions
- Size : 220.000 ham units (2005-2006), mainly for home market, export (about 15%) in South Eastern Asia (Japan , Hong Kong); 300.000 ham units in 2000 ;
- 15.000 to 20.000 pork breeders (family farms), 10 slaughterhouses, 55 ham producers (49 in Jinhua + 6 in QuZhou)
- Jinhua ham is sold in supermarkets and retailers



2. Protection schemes

Two registration systems

- The Jinhua ham history began about 1200 years ago in China
- 1990's: in prospect of joining WTO, China had to harmonize its IPR legislation with TRIPS
- Two systems of GIs acknowledgement:
 - AQSIQ: based on a decree whose principle is closed to European legislation on GIs
 - SAIC: based on the trademark law
- Jinhua protection schemes: reflect the difficulties induced by the coexistence of these two systems

Conflict between agrofood company of Zhejiang and Jinhua local authorities

- 1979: SAIC registered the private brand "Jin Hua" (company of Zhejiang)
- 1994: Jinhua town hall asked to SAIC to recover the ownership of the brand, but SAIC extend the period of registration to allow the Zhejiang company to solve the problem
- 2002: AQSIQ approve the application of the region Jin Hua applied for a GI
- 2003: Zhejiang food company started an action for forgery against small producers of Jinhua: current court proceeding, small firms have to pay royalties to the company to use the name Jin Hua at least until 2013



2. Protection schemes

AQSIQ protection scheme

- Procedure: the local body of AQSIQ starts the procedure. The national AQSIQ appoint experts to assess the codes of practices and the validity of the area, then the file is published so as opponents have two months to object to the protection. After this phase, a state decree establishes the protection.
- Product specifications in the code of practices: Jinhua breed (“two black heads”) + know-how (breeding, processing) + specific climate (warm and wet) + production period (winter)
- control system: quality and origin controlled by AQSIQ which is in charge of both GI and sanitary inspections.
- GI device doesn’t protect against forgery and frauds:
 - 2003: fraud on a prohibited use of preservative (pesticides) in two firms
 - several firms outside the region use the name Jin Hua ham
 - some of the producers make a standard industrial ham they produce all over the year
 - most of the firms don’t use GI logo due to high risk of its copy
- A producer’s association exist but its role seems to be quite weak (individualist strategies)
- State doesn’t really play its role (despite efforts made by AQSIQ)
- Supply chain is based on the consumers’ confidence on private brands

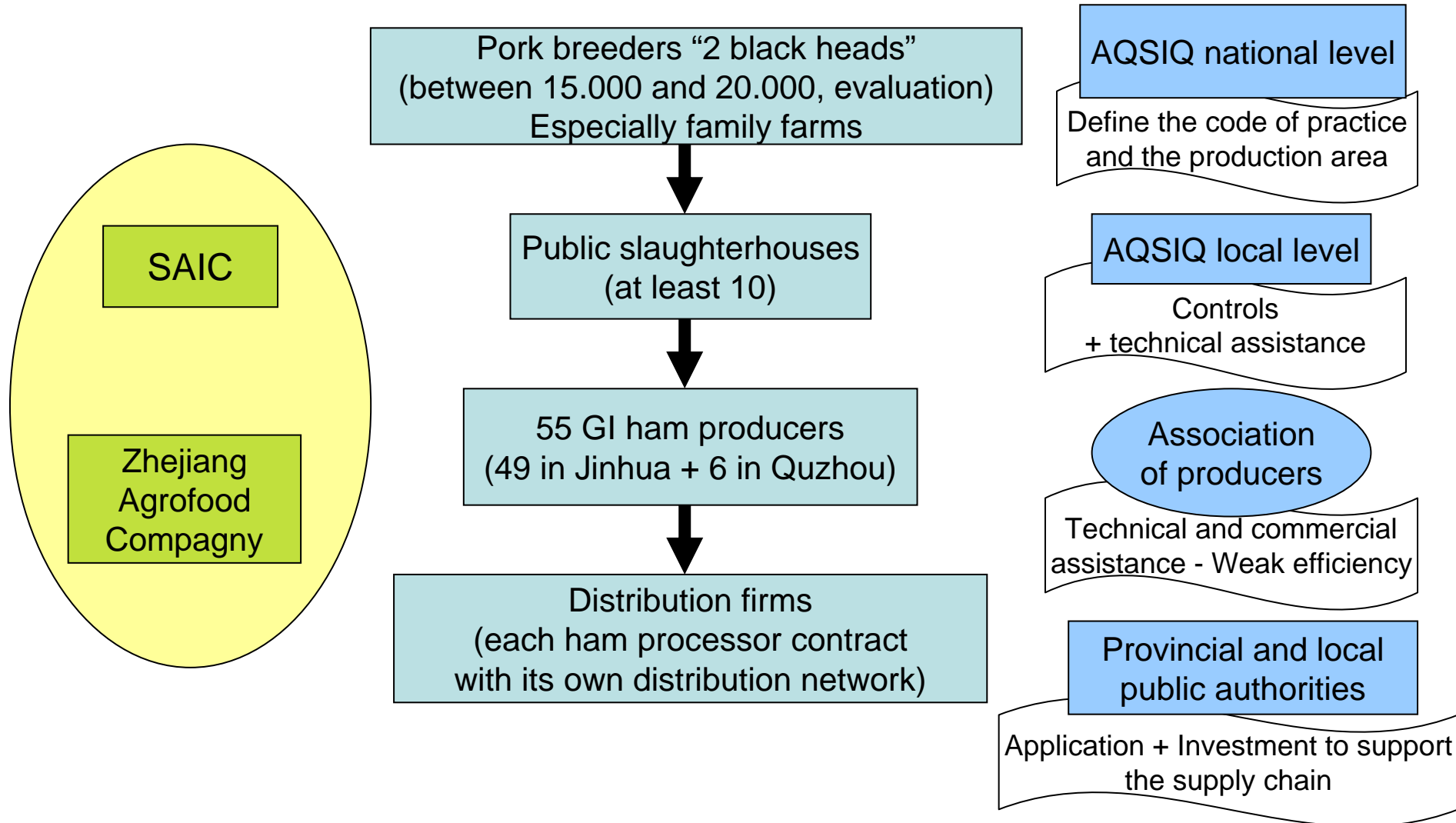


3. Motivations and stakeholders

- First motivation of Jinhua ham producers:
 - to fight against misuses of the name
 - to fight against these imitations: a tool for preserving a traditional know-how
 - to improve access to market, both for home and foreign markets: marketing tool toward consumers for trust and image
- Major part of the processing companies rather counts on their private trademark
- Pork breeders not strongly involved and motivated by the GI scheme
- Local authorities also try:
 - to enhance the rural development in the breeding area
 - to strengthen a quality image for tourism and industrial investment in the breeding and processing regions

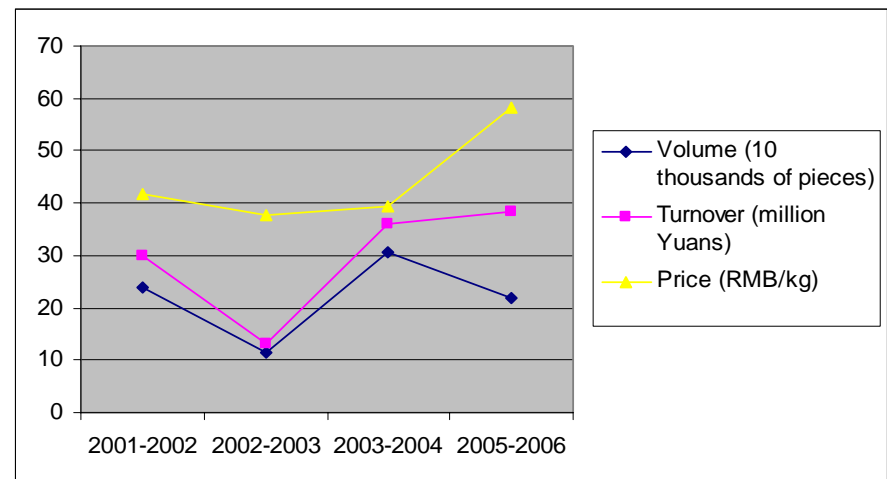


Jinhua Ham – GI System



4. Impacts of the GI system / protection scheme on sustainability / economic effects

- Sharp increase of the ham production in Jinhua region from 1950 to 2003
- Erratic evolution during the last years:
 - Drastic fall in 2002/03 due to the sanitary crisis
 - Strong increase in 2003/04: production recovery
 - Reduction in 2005/06: concentration movement + supply difficulties
- Price increase from 2003/04: general inflation? GI effect?
- Production cost is high + increase in raw material costs, for breeders : Jinhua production not very profitable
- Valuation of the Jinhua ham is about 15% on the carcass valuation that is satisfactory, in relation to standards
- Exploitation of the carcasses is very costly => many firms don't choose this activity
- Consumers still don't pay high attention to GI + often prefer choose private brand or less expensive products



4. Impacts of the GI system / protection scheme on sustainability / social effects

Supply chain structure

- Hard to assess the number of direct jobs concerned by Jinhua ham production
- Changes in the breeding activities are uncertain. Two contradictory movements:
 - the need to reinforce both *competitiveness* of agricultural sector and *farmers income*, which *requires an upsizing of farms*;
 - the concern of *maintaining populations* in rural areas, which claims for maintaining a *family agriculture*
- Concentration at the processing level:
 - 200 family craft enterprises before GI registration, 55 SME today
 - AQSIQ engaged a procedure of shutting down many factories to ensure products sanitary quality (2006/oct.2007)
- Promote GI is linked to a policy of improving the sanitary quality, which induce – at least at the beginning – job cuts



4. Impacts of the GI system / protection scheme on sustainability / social effects

Territorial impact

- Territorial impact of Jinhua ham: quite low (1,6% of the Jinhua region's GDP)
 - Weak in the processing areas (located in industrial urban plains with rapid economic development)
 - Stronger in poor mountainous areas where breeding is done.
- Current data inadequate to assess indirect employment implied by the Jinhua ham (logistic, farms and processing firm's equipment, quality control, vet services...)
- Impact of Jinhua production on tourism and region's fame is difficult to measure (no initiative from breeders)



4. Impacts of the GI system / protection scheme on sustainability / environmental effects

- Environmental concern = very recent in China
- Priority put on economic growth + inadequacies in regulation of environmental issues => environmental scandals
- Central axis of rural development policies = to ensure a decent income to local populations for discouraging them to move to big cities
- Jinhua ham production
 - no special concern on environmental question
 - neither in the code of practice nor in breeding or processing practices
 - breeding practices are less intensive than for standard pork breeding
- Economic valuation of an original local breed of pig (“two black heads” or Jinhua) => play a part in supporting biodiversity



5. Comparison with other cases - initiatives

- Jinhua ham = typical example of contradiction between trademark and GI products in China
- Comparison with Xuanwei ham (SAIC labelled): the Jinhua situation seems to be better
 - Price evolution quite better (price 3 times higher) as well as quantity evolution
 - Producers use different pork breeds in Xuanwei => differences in hams (not the case for Jinhua)
 - Xuanwei: lack of investment mainly in maturing capacities (not the case for Jinhua)
 - In the two cases: association of producers doesn't play its role + lack of market regulation



5. Comparison with other cases - initiatives

- Several conclusions can be drawn from this case:
 - Complexity of coexistence of the two systems + weaknesses of devices for fighting against frauds and forgery
 - Primacy of sanitary security issue compared to the one of quality linked to origin recognition
 - Concentration of the supply at the processing level (may be tomorrow at the breeding level)
 - Prices changes allow to support breeders income, but not sufficient in relation to the increase in production costs
 - Weakness of distribution networks



6.1 Trends and perspectives: GI system

(value chain structure/technology/market)

Driving forces

- Improvement in Chinese standards of living
- Integration of China in world trade

Pressure

- Increase in market consumption
- Rising price of cereal market
- Increase interest for quality and sanitary issues

State

- Growing scarcity in raw material and increase in competition
- Increase in Jinhua price and production costs
- Temptation to cheat with code of practice (imitation and frauds)
- Chinese products struggle for reaching stable sanitary quality level (foreign markets)

Response

- Crucial stake: build efficient devices to enforce code of practice (controls)
- Breeders responses ?
- Distribution network organization and export strategy from the ham producers
- Integration and contracting strategies by ham processors
- Private brands more used than GI

6.2 Trends and perspectives: GI protection schemes (*organization and political strategies*)

Driving forces

- 2 registration systems
- Pressure by trade partners to increase the coherence (+WTO)
- Existence of a new agricultural policy (quality aspects and rural development)

State

- Lack of coherence and confusion for applicants
- For one product = possible to obtain a double protection
- New player: Ministry of Agriculture

Pressure

- Competition between administrations and between provinces

Response

- New protection device by Min Agri in 2008?
 - New law on GI by AQSIQ in 2011
- => more coherence or more competition?