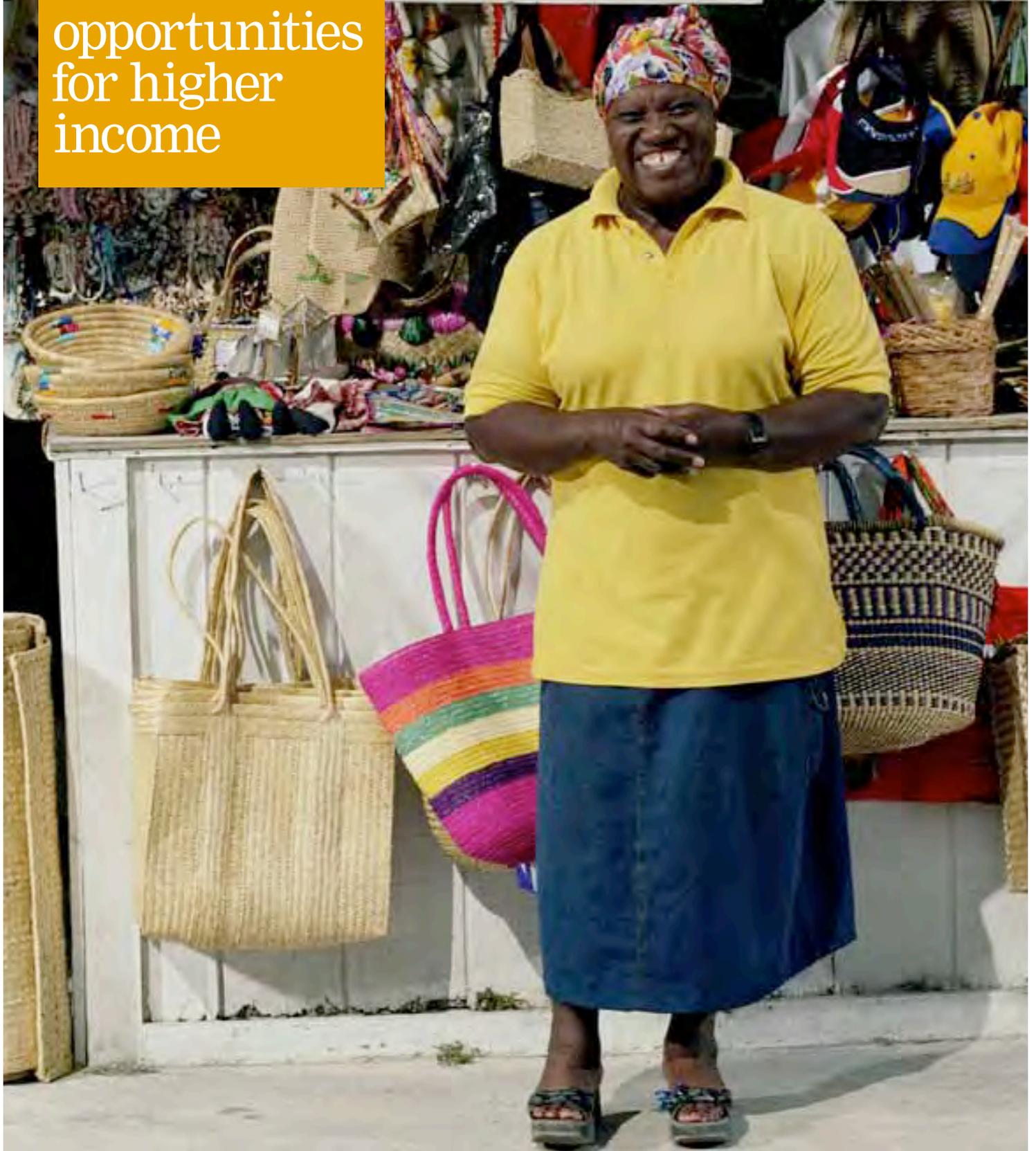


IP value
capture:
Caribbean
opportunities
for higher
income



Something new is happening with Intellectual Property (IP) IP is now being used by large numbers of low-income farmers living in Africa to significantly increase their export income. Caribbean farmers and producers can also increase their incomes by using a method called “IP Value Capture.”



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 - 8-11 How can the IP Value Capture Method boost income in the Caribbean?
 - 12-17 The IP Value Capture Method
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- What's new about this method? Corporations around the world use it all the time. What's news is that when IP Value Capture business strategies are applied to distinctive products, low-income producers benefit and secure higher export income, too. This booklet provides a sample of the many distinctive Caribbean products representing IP Value Capture opportunities.

Businesses in the developed world use IP management as the core of their business strategies.

This is true whether the business is computer software, cars, soft drinks, coffee, artisan products or music. Businesses use IP to own the brand and control the income from their products.

For successful businesses, IP is not merely a legal issue; it is the basis of their business model – the means to achieve their business objectives of earning money.

Modern companies the world over use this strategy. Why shouldn't Caribbean products also use and benefit from IP strategies to earn more income from their distinctive products?

“

Low-income export producers of distinctive products need to develop and use business strategies to earn a similar share of retail value that producing corporations have been earning for decades.

Ron Layton, CEO Light Years IP

”

IP strategies are not mysterious

Consider the global brand, Coca Cola which some experts suggest is worth \$US23 trillion. While estimates vary, we can all agree that Coca Cola has a remarkably successful marketing strategy. Did you know that Coca Cola is also an IP business strategy? In the early 1900s, Coca Cola expanded into the Caribbean with distribution outlets; it also set up bottling plants and distribution in Africa during WWII, all the while maintaining diligent control over its brand and quality. Now, Coca Cola is the largest employer in Africa propelling the brand of a simple fizzy water from its origins at a soda fountain in Atlanta, Georgia, USA, to one of the world's most successful generators of income. The strategy: Manage the brand and the distribution. If it works for fizzy water, it can work for Caribbean producers with their distinctive products.

Sunkist: How a cooperative of agricultural producers manages its brand and distribution in 45 foreign countries

Today, the Sunkist brand is on 600 products. Vitamins and other packaged products continue to generate income for Sunkist, although these have little to do with the original orange.

Sunkist's products appear in 45 countries on 5 continents.

How did Sunkist take a common orange and turn it into a billion dollar brand?

Sunkist Growers, Inc. was a cooperative created by independent farmers who banded together in 1893 to garner more profit from their produce. 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 is an IP business success story. It took a series of IP business strategies beginning in 1893 to rocket the orange company to success.

Ownership of the trademark for Sunkist was secured in 1926, and in decades to come, Sunkist opened distribution companies in many countries, quite far from their original California home farms. Now, the producers control the Sunkist brand in 45 countries.

The ability to continue as a producer cooperative, acquire trademarks, control distribution and generate income enables Sunkist to provide strict quality control, so crucial to their brand.

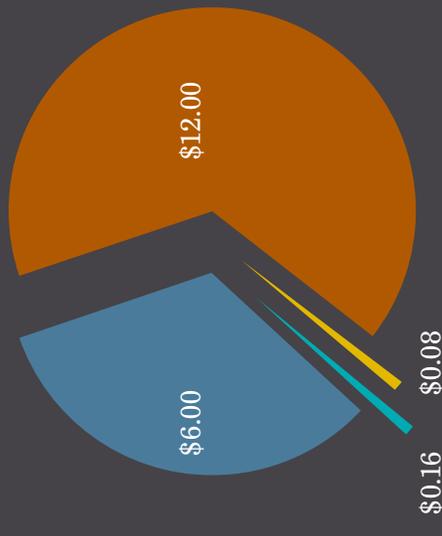


The current scenario: Low returns to farmers and exporters for distinctive products

The diagram below represents the producer and export shares of retail prices for gourmet quality vanilla pods in an African country. These same ratios of low returns for the farmers and producers exist in many distinctive Caribbean export products.

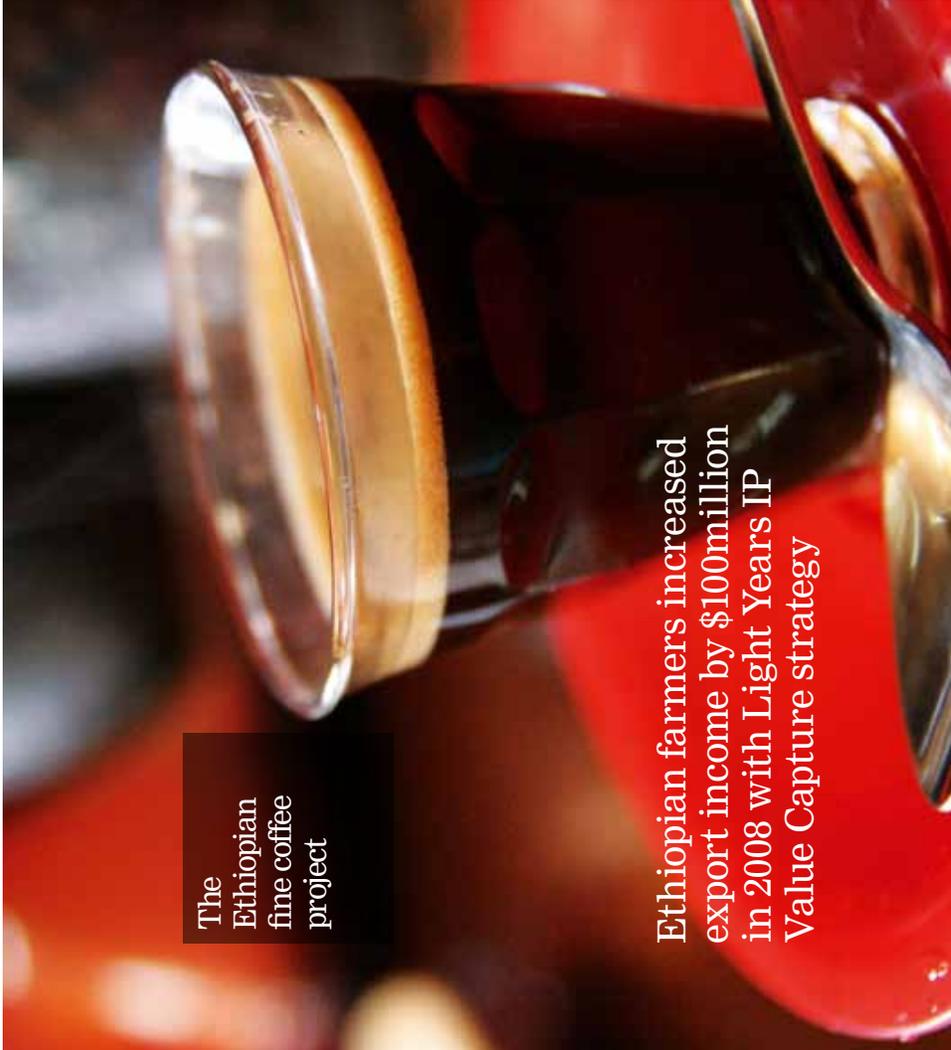
Gross % of Retail price (2 vanilla pods)

- Farmer
- Exporter
- Wholesaler
- Retailer



IP Value Capture

As you can see from this diagram, the bulk of the income is going to the wholesaler and retailer and not to the farmer and exporter. IP Value Capture strategies use IP business strategies to return more of the income to the farmer/producers.



The
Ethiopian
fine coffee
project

Ethiopian farmers increased export income by \$100million in 2008 with Light Years IP Value Capture strategy

Ethiopia implemented a ground-breaking initiative with design and assistance from Light Years IP to change the existing order in fine coffee. Ethiopian fine coffees are recognized globally as some of the best-tasting coffees in the world. Before 2007, almost all of the retail price value of Ethiopian fine coffees was being enjoyed by wholesaler and retailers outside of Ethiopia with only about 5-10% being returned to Ethiopians. A coalition of stakeholders, including growers, exporters, and government representatives established the Ethiopian Fine Coffee Trade marking

and Licensing Initiative. The purpose was to manage the brands of Ethiopia's most famous coffees – Harar, Sidamo, and Yirgacheffe – Ethiopia registered trademarks of the brands in countries around the world. Since there are now almost 100 licensed distributors those that wish to sell one of these trademarked Ethiopian coffee must obtain a license from Ethiopia. Since there are over 4 million Ethiopian coffee farmers and roughly 15 million Ethiopians involved in coffee, IP Value Capture has made a major difference. ■

Divine Chocolate, Ltd. is another example of successful IP business strategies and is now 45% owned by Ghanaian cocoa growers.

Ghana's cocoa is known worldwide for its reliably high quality within the industry but not by consumers. Creating strong distinctive branding, guaranteeing a 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 chocolate marketing company Divine Chocolate Ltd., which today successfully sells the Divine brand of chocolate products in the UK, USA and elsewhere. The Ghanaian roots are explicitly displayed on the chocolate's packaging in the form of a pattern of traditional Adinkra symbols, and marketing communications emphasize the quality of the cocoa.

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. Farmers benefit from increased levels of income as well as security of income, by having a major share in the Divine brand. ■



How can IP boost income for the Caribbean?



A woman grades a tray of nutmeg, one of Grenada's main exports.

Consumer behavior has changed. Modern consumers are increasingly willing to pay higher prices for distinctive products for specialty goods over generic ones. Fine coffee sells for \$20.00/lb or higher in retail stores, while generic coffee sells for about \$4.00/lb. The difference is called “intangible value.”

At stores like the Whole Foods Market, two fine vanilla pods sell for \$12.00. The prices of the distinctive products represent potentially higher income for farmers and producers. Many Caribbean products hold intangible value in their distinctiveness, too. Products such as Grenadian nutmeg, Jamaican natural beauty products and West Indies Sea Island cotton all have potential to generate more income back to farmers.

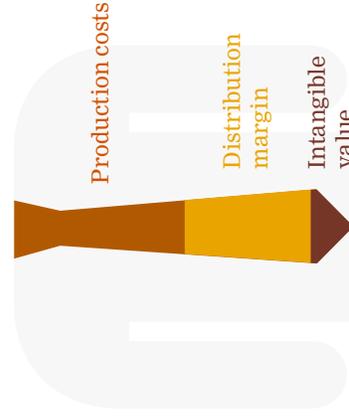
Intangible value has grown in importance worldwide

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

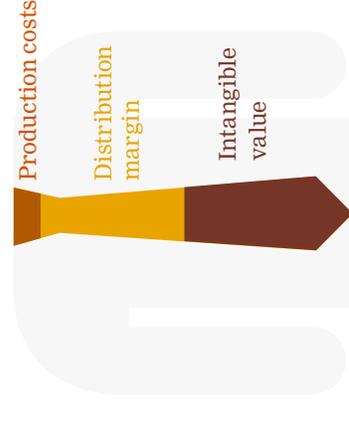
In recent decades, the intangible value of products in developed country markets has overtaken the physical value as the main source of corporate income. In 1982, 62% of the market value of Standard & Poor's 500 companies could be attributed to tangible assets and 38% to intangible assets. By 1998, only 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 85% of the price goes to the rewards for the design or brand (the product's intangible value) and to distribution. As little as \$0.75 is being returned to the producers for the materials and manufacturing costs of a good tie.

1982



2007



Why we focus on Intellectual Property to increase Caribbean export income

IP controls the allocation of intangible value in developed country markets - who gets what proportionate share of retail value. Having some control in developed country markets is a key business approach used by corporations that can be used by low-income producers in the Caribbean for large financial and social impact.

African and Caribbean country farmers and producers have important distinctive products, such as farmed products, artisan wares and processed products, some of which have been developed over centuries (such as West Indies Sea Cotton). In many situations, the farmers are only receiving 1-5% of the retail value of these products. IP business strategies can change that to bring a higher income return.

Managing IP is a key element in increasing Caribbean export income
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.

Caribbean 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.

Using the IP Value Capture method

IP Value Capture Strategies take a new approach to export. By focusing on the intangible value generated from a product's high quality, reputation, story of origin and/or distinction, countries can become new players in the global supply chain and capture some of the retail value associated with their distinctive products. IP Value Capture involves understanding how higher prices are generated by distinctiveness in final retail markets.

IP Value Capture involves a combination of strategic options such as:

- Licensing
- Owning and Managing a Brand
- Finding new distribution channels
- Determining international market options
- Trademarking and other forms of brand ownership, including Geographical Indications
- Owning distribution companies in foreign countries
- Changing the negotiating position of farmers and producers.

What is the IP Value Capture Method?

The Light Year's team conducts research to determine which products have genuine distinctiveness for IP Value Capture

1 The product holds genuine distinctiveness in final markets or retail markets: There are many generic products, but some are genuinely distinctive. For example, while there are many honey products, some honey is distinctive by its rareness, content quality, story of origin, reputation or perceived value in the marketplace.

2 Retail market price and export price gap: Light Years IP has found large price gaps for many Caribbean exports with the large majority of retail price value remaining outside of the export country.

3 Potential for leverage in the supply chain: The next step is to assess all aspects of the supply chain to determine WHERE the best IP Value Capture opportunities exist to boost income for the Caribbean farmers and producers.

4 Clear social impact potential for low-income farmers and producers: Light Year's mission and purpose is to help achieve higher and more secure income for producers who most need it. Does this product have potential to generate significant income return for large numbers of low income farmers and producers?

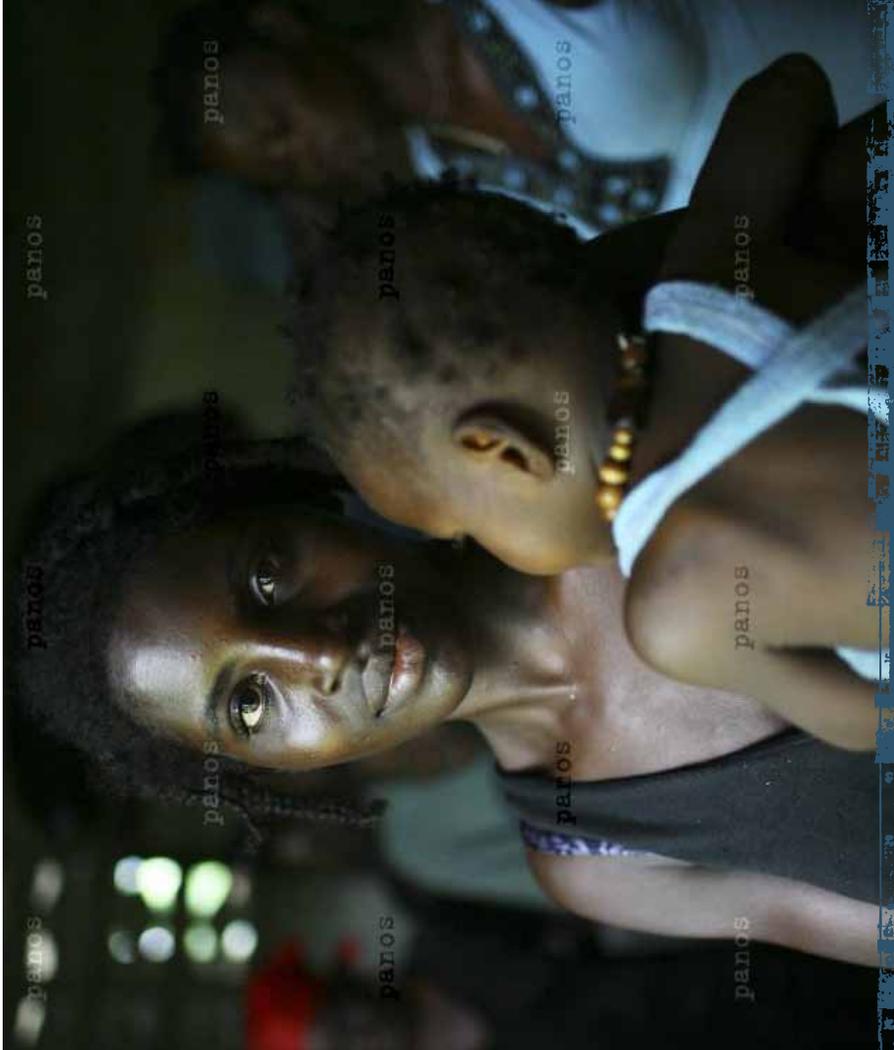
5 Local stakeholder interest and enthusiasm: The farmers/producers own the projects and their full participation will take these business strategies forward if they so choose. Producers tend to become active stakeholders and own the business strategies..

6 Investment-ready projects: Assistance can be provided to design initiatives ready for investment that will finance the new business strategies..

Which Caribbean producers can use these same IP strategies?

Some distinctive products in the region have been developed over centuries such as the ingredients for Jamaican natural beauty products and Grenadian nutmeg. Some products are central to a country's identity. For example, reggae is not only a form of music in Jamaica, but has become embedded in the Jamaican culture. The key is to assess all 6 steps of the IP Value Capture method.





IP Value Capture has Social as well as Financial Impact

Though social impact is more difficult to measure than financial impact, IP Value Capture holds dramatic promise as it both invests in the future generations by securing producer ownership of IP and demonstrates new ways of earning a living, world income.

The method can double or triple gross income and net income by several times, as production increases are often not necessary for gains to be made. While improving income and other financial variables are important, other social impact measures are important and here is how we measure it.

1 Higher standard of living: Income generation for millions of low income producers that translates into higher standards of living in housing, education and better nutrition.

2 Re-engagement in production: With greater control of foreign distribution, income can stabilize. This brings new incentives for quality control and benefits distributors and producers.

3 Sense of ownership: Incentives for future generations to engage by developing a sense of ownership in their distinctive products and become entrepreneurs. This is in marked contrast to evidence of the younger generation turning away from farming and production.

4 Advancement for Women: Many distinctive products are farmed and produced by women. IP value capture strategies holds promise for future development and advancing women toward a world income.

5 IP Value Capture Training: We consider the social impact of educating the next generation in the value of brand management and distribution. Training changes farmers and producers to have more ownership and dignity and less dependency on commodity only pricing structures.

6 Fair IP for everyone: Another outcome of IP Value Capture methods is to advance a world understanding of the value, respect and merit of upholding IP around the globe. This has reciprocal outcomes for all nations.

Developing an IP Strategy

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.

To investigate the potential for a given product, the first step is for producer 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 higher and more secure income.

- Establish how distinctiveness determines retail prices
- Estimate intangible value, show how it is allocated
- Develop broad strategies and estimate potential gains

Feasibility Study/Project Design/Strategic Implementation

Having considered possible strategies during the Scoping Stage, more detailed study will enable them to be ranked by criteria, including likelihood of success, achieving goals of stakeholders and return on investment. The complete process will choose a strategy and move the project to a point of being ready for investment.

Included in this phase is the design of 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 the foreign markets, such as licensing of distributors and brand management. In contrast, a UK joint venture company was created for chocolate distribution under the Divine brand owned by Ghanaian cocoa growers.

Changes to price incentives for farmers to pursue quality improvements is an important strategic element and project design also considers conventional measures to improve aspects of production, such as traceability and, possibly, certification. Cost Benefit analysis assists in project design.

Preparation for Investment and Strategic Implementation

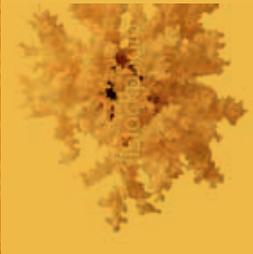
Strategic Implementation means taking early steps that might be done when investing in changing the position for stakeholders. For example, Ethiopia began the process of registering trademarks before full funding had been secured, as this element was a key urgent process. It is common to use narrowly targeted market research to help decide in which market to position an importing distributor.

- Establish how negotiating power sets export incomes
- Estimate costs and potential benefits of 3-4 strategies
- Evaluate strategies and select best one
- Develop steps to implement strategy
- Establish what new stakeholder organization is needed to implement strategy
- Identify partners and approach key ones
- Evaluate production related issues to enhance project
- Develop detailed budget and funding proposals to “investment-ready” position

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Product Briefs

Light Years IP has been supported to research the distinctive products of three countries as an initial sample of the many opportunities in the Caribbean. We believe there are numerous opportunities throughout the Caribbean that would benefit from an IP Value Capture method's approach.



The eight 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 Caribbean producers. Each brief suggests the type of business strategies that relate to the position of each product in foreign markets. Possible strategies vary considerably across products – there is not likely to be a ‘one-size-fits-all’ strategy that would be appropriate for all products.

Jamaica

This Caribbean island is rich in natural and plant resources and relies heavily on the tourism and service industries that comprise 60% of its GDP. Despite being an island full of natural resources and a determined people, the country has been struck with serious debt due to a sequence of adverse changes in exporting conditions. These have led to large-scale unemployment and underemployment, especially amongst the youth. The efforts to promote export-led growth have been met with limited success, resulting in an economic growth rate of only 1.3% in 2007. The agricultural industry in Jamaica is much weakened with the sugar and banana plantations forced to close down due to market access changes and the devastating impact of hurricane Gustav in 2008.

The reliance on these traditional export commodities is hazardous for Jamaica, as time and nature have both proven that these commodities will not bring Jamaica out of its current economic situation. Jamaica is in need of a non-traditional approach to trade; one that will identify the distinctive elements of Jamaica's existing and potential exports and that also enables Jamaica to reach beyond its borders to capture some of the value that its products earn in the foreign market.

Light Years IP recommends that Jamaica develop IP value capture strategies that are applicable to a wide range of distinctive Jamaican products, all of which can bring in higher and more secure export income from the global market. The initial study focused on four such products: Jamaican Logwood Honey; Jamaican Reggae; Natural Beauty Products; and West Indian Sea Island Cotton.

Jamaican Natural Beauty Products

Almost 3,000 known flowering plant species grow in Jamaica, making it a biological “hot spot.” As cosmeceuticals are a \$US 4 billion industry, this represents an IP Value Capture Opportunity for Jamaica!

A lifestyle movement has taken place throughout the US and Europe which focuses on holistic living. While this started as a niche market that commands high retail prices for all-natural products, the market has expanded, becoming more mainstream in recent years. There is significant opportunity for Jamaica to break into this industry as it is still in its infancy.

Demand for Natural Beauty Products is Increasing

2,888 known flowering plant species grow in Jamaica and 27% are endemic to the island.

- Cosmeceuticals have seen rising popularity within the last few years, with sales reaching over \$4 billion in 2007.
- Consumers are opting more than ever for all-natural products and products that are non-carcinogenic.

Across the globe, prices for all-natural personal care products are much higher than commodity beauty products that one would find in retail chains. For example a small container of an all-natural concealer (0.3 oz) from All-Natural Cosmetics retails for \$13.00, whereas a similar product that is not all-natural retails for about \$5.00 in generic chains. An all natural face lotion such as Dr. Hauschka's moisture

cream retails for \$79.00 (3.4 oz) at Whole Foods Markets, whereas the same quantity of a generic face cream retails for \$5.99 in generic chains. This reflects an IP Value Capture opportunity for Jamaican natural beauty products.

The natural beauty market is not only a multi-billion dollar per year industry, but is predicted to increase based on several market and demographic factors.

The growth of natural beauty products has a global reach. While markets such as France, the UK, and the United States have long been understood as high demand regions for natural beauty products, the rising demand is not at all limited to large, consumer markets. Croatia, as just one example, has expanded its market for natural beauty products by 45% from

Key points

- » Jamaica has almost 3,000 natural flowering plant species (27% are endemic to Jamaica)
- » Jamaica has 81% of the world's most popular herbs
- » The natural beauty market is over \$US 5billion/year and Jamaica is poised to do well with an IP Value Capture strategy



“

“Likewise, niche natural products also continued to show market growth worldwide, despite the market recession and...have still proved increasingly popular despite commanding a premium price.”

Simon Pitman, 30-Nov-2009 from CosmeticsDesign-Euro.com

”

2003-2008, according to industry experts of CosmeticsDesign-Euro.com.

IP Value Capture Opportunity

Since Jamaican exporters are open to cooperating, Light Years IP recommends launching unique natural beauty products under a single, high quality brand that is based on the distinctiveness of the “natural treasures” of Jamaica.

- The unifying brand may draw from the Brand Jamaica approach, but must be tailored to the actual chosen target market segment. Individual exporters can still use their own branding, but Light Years recommends a strong use of the unifying brand, to optimize high returns from IP Value Capture.

- Register patents from Jamaican scientific research to limit exposure to theft in final markets.

- Although patenting products in the U.S. and Europe is expensive, an IP Value Capture strategy would involve making licenses only available to select Jamaican producers and exporters for set time periods.

Reggae Music

Jamaican Reggae is a large global industry that doesn't return much income to Jamaica

Reggae music has long been associated with Jamaica and the reputation of a lifestyle and philosophy. While everyone recognizes the “Don't worry. Be happy” phrase popularized by Bob Marley as distinctively Jamaican, Reggae music is reproduced in many countries. Reggae can earn more income for Jamaica but this opportunity has not been fully realized.

Creative merchandising.

In the entertainment industry, the licensing of merchandise deriving from a successful creative work, such as a movie, music, or TV show, is often worth more than the actual creative product.

One example of this is the popular American TV show, Teenage Mutant Ninja Turtles which at one point was already the source of over \$3 billion in gross revenue from merchandising of Teenage Mutant Ninja Turtles products, while the television and video revenue fee of the actual shows was \$200 million, a fraction of the merchandising revenue. Merchandising exceeds recording revenue in countless examples demonstrated by the Walt Disney Company.

IP Value Capture Opportunity

The International Intellectual Property Institute (IIP) estimated

that in 2004, reggae generated an estimated \$1.0 billion in retail sales, including copyrighted music and retail merchandising. Of that total, Jamaica was estimated to be receiving only \$1.4 million. This large gap indicates that there is potential for Jamaica and some other Caribbean countries to capture more of the total value. As there are many talented artisans in Jamaica, coupled with the deep cultural image that has been created about Jamaica, the opportunity to create a line of artisanal products that will bring significant returns to Jamaica is strong.

Jamaica has an image of peace, harmony and a joyous approach to life which they can build on to return more income from Reggae music

Key points

- » Jamaica has a distinctive product in Reggae music and merchandising
- » Reggae sales of \$1.4 million represent only a fraction of the \$1.0 billion annually in Reggae music sales and merchandising.
- » The IP Value Capture opportunity can return millions more to Jamaica



Jamaica can benefit from an IP strategy
The care-free attitudes, relaxed lifestyle, distinctive music, and the natural beauty of Jamaica have all resulted in the development of a strong international image that can bring more export income. This image can be recreated in craft products that convey the 'reggae' lifestyle. The unique image of Jamaica coupled with the imagination of craft producers will result in products that appeal to reggae audiences.

The unique products would be handcrafted by producers in Jamaica, not mass-produced in a factory for the tourist industry. The time, thought, and effort that go into handicraft production is something that cannot be recreated in a factory-produced product. The producers would own the brand of Authentic Jamaican Reggae products, another aspect that separates these products from other non-distinct products.

Light Years IP recommends that Jamaica establish a unique marketing channel, such as promoting the crafts products in reggae music stores or Jamaican/Caribbean restaurants, and in countries where reggae is extremely popular such as France. We expect that \$25 million worth of products can be sold with a \$3 million investment. The

profitability per item must be more than the marketing cost, which marketing experts generally advise is about 10% of the gross revenue. Other costs include a certification system for authenticating the artisanal products.

Light Years IP proposes that Jamaica create a Reggae music stakeholders group to earn more from the merchandising of authentic Jamaican reggae crafts products and also create a new stakeholder group of handicraft artisans to create a product. Under this concept, products will be developed by local artisans that have a reggae image associated it – whether it is beautiful wooden figures of men and women playing instruments, jewelry made from all natural sources such as shells or polished fruit seeds, or shirts with red, green, gold, and black. These products will all be certified as Authentic Jamaican Reggae products. ■

Jamaican Logwood Honey

Gourmet honey sells for 2-3x that of non-gourmet honey

Honeys in the gourmet bracket are being sold for at least double that of non-distinctive honey, sometimes at quadrupled prices. Logwood honey, being a single origin honey, has significant potential to bring more export income into Jamaica if developed with the appropriate IP Value Capture strategies.

The honey industry is one of eight agricultural sectors that the government of Jamaica is giving high priority to, as it hopes to create jobs and increase export earnings from honey. While there are over 2,000 people tending apiaries, there is still considerable opportunity to train more people in beekeeping and to show Jamaicans that beekeeping is more than just a hobby – it can be a profitable business that enables the development of entrepreneurial skills.

Jamaican logwood honey is distinctive
The bright yellow flower of the logwood tree produces a unique honey that is thick, dark golden, and has a strong flavor that leaves a mint-like after taste. Like fine wines and coffees, certain types of exotic honey are fast finding a niche in the gourmet food bracket. While many people have opted to use honey as a sweetener over sugar due in part to its nutritional attributes, discerning consumers are now giving new attention to distinctive honey varieties –

differentiating honey based on the year it was produced (“vintage honey”) as well as floral origin, such as single varietal honeys (artisanal) or wild tropical honey.

The distinctive taste of these honeys as well as their rarity contributes to the high retail prices. Although it is not as internationally well known as black sage or manuka honey, logwood honey is recognized as a distinctive, exotic honey that has the potential to increase the export earnings of Jamaica. The returns from this export effort will be greater and more secure if IP Value Capture strategies are applied.

IP Value Capture Opportunity
Single varietal honeys have income earning potential outside of commodity markets. These honeys are in high demand in niche markets. Most commodity honeys

Key points

- » Gourmet honey consumption is in demand
- » Distinctive honey at retail sells for \$25.00/ 25 ounces whereas non-distinctive honey sells for \$5.00/ 25 ounces.
- » Jamaican logwood honey is distinctive and should be sold as distinctive rather than as a commodity product

Current Jamaican Logwood Honey Prices



are a mixture of honey from clover plants, which grow in abundance in the United States, Canada, and Europe. Honey that is found in mainstream grocery stores, often in the shape of bears, already retails at a relatively high price compared to sugar and other sweeteners.

- A 25-ounce jar of clover honey sells for an average of \$5.50.
 - A 25 ounce jar of single varietal honeys such as Orange blossom or Tupelo sells for a wide range from \$6.00- \$25.00.
 - The unique flavor, exoticness, and rarity of Jamaican logwood honey creates intangible value in the retail market.
 - Jamaican logwood honey, once developed for export could fall into these premium price categories.
 - Based on comparative distinctive honey products, a 25-ounce bottle of Jamaican logwood honey could sell on the international market for an estimated retail price of about \$23.00.”
 - wA 25-ounce jar will sell for \$2.00-\$3.00 in Jamaica.
- Small scale farmers can benefit with social impact**
Logwood honey is mainly produced by small-scale bee farmers in the southwestern part of the island where the climate makes ideal growing conditions for the logwood tree. Presently, Jamaican beekeepers will farm the bees in order to produce the honeycomb. The honeycomb can be sold as is, but is often taken to a local processing plant where the comb is removed so that only the liquid honey remains. It is then bottled, labeled, and sold locally. Based on comparative honey products such as tupelo and orange blossom honey, a 25-ounce bottle of Jamaican logwood honey could sell on the international market at an average price of \$23.00. A 25-ounce jar will sell for US\$2.00-\$3.00 in Jamaica.
- Light Years IP proposes a combination strategy of developing the most effective descriptive brand and Jamaican producers owning distribution in the final markets. ■

West Indian Sea Island Cotton

West Indian Sea Island Cotton is the highest quality cotton in the world.

West Indian Sea Island cotton is grown only in the West Indies and has a reputation as the finest cotton in the world. The product is well-known and in demand due to the distinctive elements of this cotton, there is significant opportunity to develop a viable value capture strategy.

As part of a proposed national campaign to build value capture strategies across 20-30 industries, Jamaica could be the leader in developing a strong recognizable brand and distribution channel that will enable Jamaica and other Caribbean countries to capture more of the value that this superior cotton has in the international market.

West Indian Sea Island Cotton is Distinctive

Known for its silky feel, luster and superior strength, West Indian Sea Island cotton (WISIC) is one of the most valuable and costly cotton varieties. This particular variety of G. barbadense is grown on only a handful of islands in the Caribbean, including Jamaica, Barbados, and St. Kitts and Nevis, where the combination of climate and trade winds allow this cashmere-like cotton to flourish.

West Indian Sea Island cotton has the longest fiber in the world, up to

two inches in length (55mm), and the quality of the material produced from this cotton, whether bed linens, shirts or pajamas, is the highest quality in the world. Industry experts hold that WISIC is superior to American Pima cotton, and even to Egyptian Giza cotton.

Consumer demand for natural fabrics continue to rise, as health conscious consumers across the Americas and Europe seek products that are consistent with a more natural life style, either in image or reality. Pure wools; cashmeres; silks and cottons fetch many times the price of synthetic fabrics.

Key points

- » West Indian Sea Island cotton is the finest cotton in the world
- » It is in demand by consumers for a range of products from shirts to bed linen
- » Jamaican cotton pickers receive about \$1.50/ pound of cotton
- » Foreign wholesalers and retailers receive respectively, \$125- \$250 per shirt requiring 1 pound of WISIC
- » All WISIC producers can return considerably more export income to the producing countries



IP Value Capture Opportunity

Many countries continue to focus their development strategies on value addition in cotton by building mills or processing plants in country.

However, often times this approach is more costly than the benefits accrued. In order to capture the value associated with WISIC control the distribution of products made from this distinctive cotton in the final retail market.

WISIC cotton final products have been produced and sold in very small quantities with very limited marketing. Other cotton has been sold to over-seas mills or garment makers, earning little for the producing country.

Presently yielding export income of around \$2.3m for both Jamaica and Barbados, most of the value is being lost to international wholesalers and retailers who receive high prices for this distinctive product outside of the Caribbean.

The Process of Making West Indian Sea Cotton is labor-intensive and should be rewarded with financial returns. It takes about one pound of cotton lint to make one shirt. An average men's polo shirt made of WISIC, retails for \$250.00, while wholesalers of this shirt receive about \$125.00. For the same shirt, Jamaica receives \$10.00 per pound of cotton lint exported, where Egyptian

cotton is exported at an average of \$1.00 per pound. Caribbean cotton pickers receive an average of \$1.50 to \$2.00 per pound for WISIC.

Looking at these prices, it is clear that the value is being captured by retail and wholesale companies benefitting from the intangible value of WISIC.

Strategy

The importance of IP elements in a business strategy can be demonstrated from the confusion that had been created between 'West Indian Sea Island Cotton' and the more generic product, 'Sea Island Cotton.' This is not a regulated term, thus it can be used by any company, even if the quality of the cotton is not superior.

West Indian Sea Island cotton is cultivated only in the West Indian islands of the Caribbean. It is grown from a particular strain that has not been successfully grown anywhere else.

All producers and users of WISIC need to meet full certification standards for the region to gain full benefits. In order to capture the full value associated with WISIC, Light Years IP proposes that the producers sell only final products, within a scaled up marketing program. One producer group could lead and Light Years IP recommends that all producers are invited in. ■

Grenada

In Grenada, tourism has been the country's main source of income. While tourism, as well as agriculture were hard hit following hurricanes, tourism has rebounded, whereas the cocoa and nutmeg sectors have been slow to recover. As a percentage of GDP, the service sector, including tourism, contributes 73%, industry 18% and agriculture 9%. In contrast, as a percentage of labor force by occupation, agriculture provides almost one third of employment. The discrepancy between agriculture's contributions to GDP versus employment is significant. Given the destruction and arduous recovery of the cocoa and nutmeg industries following hurricanes, historically important export earners, the opportunity presents itself to rethink and reinvent export strategies. IP Value Capture strategies could significantly increase Grenada's export revenue and stabilize income for producers.

Though almost a quarter of the labor force works, at least part time, in agriculture, the sector is in decline. Younger generations have moved away from the land and farming as a primary source of income – for good reason. Incomes are often low, poverty level, and unpredictable. A majority of farmers are older and unwilling to reinvest in permanent crops such as cocoa and nutmeg. Both are long - term investments as they require significant time before bearing fruit. The benefit, however, is both products are well known in global markets and have very good export earning potential. A new approach to these products, domestically, at export and beyond Grenada's borders could reinvigorate the sectors and alter the perception of working the land. The following product briefs will describe in greater detail the IP Value Capture opportunity with export potential of Grenadian cocoa and nutmeg.



Grenadian Nutmeg

Grenadian nutmeg has a strong reputation in the retail market. It is known as a superior product, ahead of the two major country producers. This distinctiveness translates to a 25-30% higher retail price over other nutmegs.

There is clearly a large gap in what Grenadians receive and the price for which retailers sell this unique spice. Farmers are currently receiving between \$1-2 per pound of whole nutmegs, whereas retail prices average \$40 per pound.

Grenada is highly experienced with nutmeg - at its peak exporting 30% of the world's nutmeg, and at one time, nutmeg represented 80% of the countries' export product involving 6,000 nutmeg farmers, although the numbers have declined. The high reputation of Grenadian nutmeg in the retail market, coupled with the country's experienced and well-developed nutmeg farming and processing represents a sound value capture opportunity.

In 2006, Grenada exported just under US\$3 million worth of nutmeg and mace; both are processed and sold as whole, dried spices. Since hurricane Ivan destroyed 80-90 percent of Grenada's nutmeg trees, production has been only a fraction of previous levels. In 2004, Grenada exported almost US\$10 million worth of dried nutmeg. Though this recent history was devastating, the higher export and farmgate prices could replenish and spark renewed incentive in nutmeg farming.

Retailers are aware of the superior quality of Grenadian nutmeg and

market the origin as an important point. Grenadian nutmeg retail prices are at a premium of about 25 to 30 percent over nutmeg from other origins. Unidentified origin nutmeg retail prices for the ground spice average \$20 per pound. However, ground nutmeg packaged in one or two ounce bottles retail at the equivalent of \$40-70/lb or double the price of other origin nutmeg.

Whole Grenadian nutmegs retail at \$2.50 per ounce or \$40 per pound whereas nutmegs of other origin retail at \$2 per ounce. Importing wholesalers will earn an estimated \$10 per pound from this distinctive nutmeg.

The export of Grenadian nutmeg is under the sole auspice of the Grenada Co-operative Nutmeg Association. (GCNA) which also buys and processes all nutmeg from farmers. Currently, they are exporting nutmeg at about

Key points

- » Grenadian nutmeg is superior among country producers
- » Grenadian nutmeg retails for \$40 per pound while exporters receive about 8% of this or \$3.60 per pound.
- » Farmers receive \$1-\$2 per pound
- » Both farmers and exporters should be able to capture more of the retail value



This chart demonstrates the difference between what the farmers and retailers are receiving for Grenadian nutmeg, and shows a significant IP-value capture opportunity

Grenadian Nutmeg Prices in Value Chain

Retail Whole nutmegs:	\$40/pound
Wholesale Whole nutmegs	\$10/pound
GCNA Exporting Prices -dried, whole nutmegs:	\$3.60/pound
Farmers Earnings for green nutmegs:	\$1-2/pound (depending on bonuses)

\$US3.60 per pound of dried whole nutmegs. Farmers currently earn about \$1-\$2 per pound of green nutmegs.

distribution, owning a wholesale brand or owning a wholesaler.
Light Years IP advice is that a combination of IP strategies will serve Grenada well to capture more income from this distinctive nutmeg product. ■

IP Value Capture Strategy

There is clearly a large gap in what Grenadians receive and the price for which retailers sell this unique spice. Grenada as the producer of a superior quality nutmeg should be in a position to negotiate their export prices. Grenadian nutmeg's reputation for high quality is a source of intangible value – an element that should be capitalized upon by those who farm and market the nutmeg from Grenada. Light Years IP believes that an opportunity exists for Grenadians to capture a larger share of the final market value so that producer and export income can be increased and secured.

Strategies to capture more value may involve changing the position in foreign markets, such as exclusive wholesale

Grenadian Cocoa

Theobroma cacao is known as “the food of the Gods” and has been grown in Grenada for centuries

Global demand for dark chocolate is rising significantly, particularly in the UK where sales have been up by 25 percent in recent years. In response, chocolate makers have been launching new dark chocolate products and supermarkets have been expanding their offerings of dark chocolate.

Demand for super premium chocolate bars, single origin as well as single estate bars is also soaring. Studies showing the health benefits of dark chocolate are also creating increased demand as the anti-carcinogenic effects of dark chocolate become widely established.

Chocolate, as a specialty, gourmet product is entering the realm of wine and coffee as consumers are becoming much more discerning about what they buy and appreciative of the product's effects on the palate. The International Cocoa Organization states consumer demand for premium, single origin, dark and high cocoa content chocolate has surged.

The Grenada Cocoa Association carefully oversees and controls the propagation and processing of cocoa to maintain high levels of quality and consistency. The cocoa beans are specially hand-processed to ferment and turned every 2 days and sun-dried, to assure the special flavors are not lost.

IP Value Capture Opportunity
Grenada's reputation across the globe for producing consistently fine flavored cocoa is precious intangible value that should be earning the country more secure income.

Grenadian cocoa is unique. The small volume of Grenadian Trinitario cocoa creates a unique opportunity to establish a conscious strategy to ensure that every sack of cocoa beans is recognized and promoted for its exceptional quality and flavor and is sold in the up-market retail segment.

Grenada can sell its cocoa beans not only as single origin cocoa but also with the more coveted “single estate” designation. An IP value capture strategy would focus very specifically on distributing Grenada's cocoa beans to a

Key points

- » Grenadian cocoa is in the specialty category of cocoa with processes going back to the 18th century
- » Chocolate bars produced from Grenadian cocoa retail for about 25 times more than the farmers receive who produced the cocoa.
- » Consumer demand for fine dark chocolate is rising with sales up by 25% in the UK in recent years



specific set of end users, such as artisan chocolate makers who craft handmade chocolates. Buyers blending Grenadian cocoa with other cocoas should be passed over because the value capture opportunity for the specialty Grenada cocoa is in its uniqueness, its single origin and well-developed processes to insure quality.

Grenada produces some of the world's finest cocoa beans; they are recognized around the world because truly fine chocolate can only be made from particular varieties of cocoa, such as Grenada's variety of Trinitario. For more than half a century Grenada has been working to preserve its particular cocoa plant so that from across the island, the cocoa is uniformly high quality. Grenada's cocoa is noted as fruity, slightly spicy and delicate in flavor.

There are an estimated 6,000 chocolate farmers in Grenada and the chocolate, known as “uniformly fine” is sought after by niche market chocolate makers: Amedei, L.A. Burdick Handmade Chocolates and others.

Chocovic sells a 71% Grenadian cocoa dark chocolate bar at \$6.95 for 80g. L.A. Burdick sells a 75% Grenadian dark chocolate bar at \$6 for 100g.

Currently, cocoa export prices are at their highest in recent years. The Grenada Cocoa Association,

recognizing the distinctiveness of their cocoa has earned price premiums over commodity cocoa. However, considering the final market prices Grenadian cocoa commands, farmers still earn a disproportionately small income compared to retail value. At retail, Chocovic earns about \$85.00/kilo or 25 times more than the farmers who receive about \$3.40/kilo.

Cocoa harvesting is labor intensive; the pods are harvested individually by hand and sliced open by hand to remove the seeds and the surrounding pulp. The wet beans are sold to the Cocoa Association who have standardized the fermentation process.

Grenada is poised to take particular advantage of value capture opportunity with its unique and fine cocoa, carefully developed and well reputed globally, at a time when fine, dark chocolate consumption has soared and demand for specialty, dark chocolate is predicted to continue to rise as its health benefits are widely touted. Since Grenada holds 5-10% of the world market, LYIP value capture strategy is to focus on a niche market retail user such as artisan chocolate makers who cater to the growing retail demand. Such a niche-market focus will return more of the retail value to Grenada farmers and revitalize cocoa farming, a truly unique asset. ■

Belize

Belize has a population of about 300,000 with a small, essentially private-enterprise economy with tourism as the mainstay of the economy followed by exports of marine products, citrus, cane sugar, bananas, and garments. Other exported commodities include clothing, molasses and wood.

Belize, however, has many natural assets and a good growing season. It also hosts dedicated people and a government making many strides in moving this small country forward. Trade organizations, such as Beltraide, have been energetic to find new export strategies, though past and current export strategies have yet to make significant, tangible differences in the income of the state and its people.

While small countries face challenges to compete, they also have opportunities that larger countries may be less able to advantage, such as changing their market focus to be less dependent on one region and having the flexibility of new opportunities. Light Years IP believes that there are several distinctive export products from Belize that have considerable intangible value in foreign retail markets that could and should be earning the country much more income.

This section highlights two Belizean products that are distinctive and have high intangible value in foreign markets. Xate is a palm-like plant that is valued in floral arrangements, particularly during Easter. It is plentiful in Belize, though found in very few countries and the supply is rapidly dwindling. Belize also contains rich eco-systems in coral reefs. Marine bio assets have potential to be commercially valuable, so these resources must be protected by some kind of ownership and access regime.

Belizean Marine Bio-Assets

Belize's Grover reef atoll is considered the richest tropical marine environment in the Caribbean.

Three of the Caribbean's four atolls are in Belizean waters. An atoll is defined as having the unique property of the presence of an organic reef Coral reefs are important because about one quarter of the ocean's species lives in and around them. They are "underwater tropical rainforests."

Many of the world's most valuable and successful medicines have been derived from nature. Ten of the world's 25 top-selling pharmaceuticals were derived from natural products and accounted for global sales of nearly \$20 billion. The major natural product sources examined by the pharmaceutical industry are microorganisms, plants and marine macro-organisms. The industry spends nearly \$US 2billion annually to launch a new drug, and, according to a study by Bain and Co. in 2003, nearly 50% of that amount is spent on prospecting and developing the new drug.

"Access and Benefit Sharing (ABS)" refers to work by developing countries to secure revenues from such prospecting for bio-assets in their natural environments and to ensure that the people of the host country are able to afford any pharmaceutical or other patented products that derive from those environments. would be to create a scientific institute in country. Such an institute would provide the country with

jobs for research workers and lightly trained rural and marine bio-prospectors, while serving to reduce the barriers to entry for pharmaceutical and other prospecting companies.

IP Value Capture Opportunity

Light Years IP recommends action be taken promptly to conduct a feasibility study of a far-reaching business strategy to capture value from marine bio assets. Strategies to be evaluated include new Belizean commercial entities to enter joint ventures with foreign prospectors. The Government also needs to establish legal and business ownership for Belize of the rights to bio assets. The strategy would include using income to enforce rights and enable Belize to assert more control over prospecting this rich eco-environment. All components together would create an effective IP value capture model. ■

Key points

- » Belize has rich organic coral reefs
- » Three quarters of the Caribbean's atolls are in Belizean water
- » 10 of the top 25 pharmaceuticals are derived from natural species such as plants and marine products
- » Marine bio assets represent a potential IP value capture opportunity for Belize

Belize Xate

Xate is a name given to three distinctive palm leaves grown in Belize. The leaves are attractive in floral arrangements because they last for up to 45 days.

Xate is a name given to three distinctive palm leaves grown in Belize. The leaves are attractive in floral arrangements because they last for up to 45 days. Currently, the Belizean harvesters receive about \$US .01/leaf which retail for \$US 1.00. Because this product can be harvested in the wild and is unregulated, much of the Belizean supply of Xate is harvested by Guatemala. In fact, it is estimated that US \$30-90,000 worth of xate is harvested every week in Belize and brought to Guatemala.

IP Value Capture Opportunity

The gap between what xate sells for as a distinctive and popular floral leaf and the 1% return to the farmers makes the product an attractive IP value capture opportunity.

The three palm leaves are distinctive in shape and last 45 days after being cut. They are popular in wedding and funeral arrangements as well as on Palm Sunday. The parlor palm is a small palm with long graceful, bamboo like fronds. It is also popular as a house plant. The fishtail palm has a strikingly shaped leaf that grows to up to two feet long and one foot wide. The jade palm has smooth, large dark green leaves.

Due to their small size and attractive leaves, three varieties of Chamaedorea

are harvested from the wild, exported and used in floral arrangements and on Palm Sunday. They include *C. ernestii-augustii* (Fishtail), *C. oblongata* (Jade) and *C. elegans* (Parlour Palm). These ornamental leaves are indigenous to and found in Belize, Guatemala and Mexico.

To date, in Belize, xate is harvested from the wild only. If just a couple leaves are removed at a time, they can regenerate and the plant is not harmed in any way. Mostly, however, the harvesters are not careful to cut only good leaves; they cut indiscriminately, often cutting the whole plant. Xateros will camp and hunt in the forests for weeks while they gather the leaves. If current levels and methods of harvesting continue, wild xate plants are in serious danger of depletion at which time all actors in both Guatemala and Belize will lose all economic benefits from this distinctive and commercially valuable plant.

These activities and their adverse environmental impacts have elicited

Key points

- » Belize Xate sells for about \$1.00/leaf and harvesters receive about .01
- » There are an estimated \$1.5 million worth of Xate leaves taken from Belize and exported through Guatemala



public attention and sparked interest in the potential of xate as a non timber forest product for Belize. To this end, the government of Belize has created a Xate Technical Committee, including the Ministries of Agriculture, natural Resources and Foreign Affairs, to inform the development of a sustainable xate industry. Additionally, the Belize Botanical Garden and Ya'axche Conservation Trust conducted a cultivation trial and produced a xate growing manual.

An estimated \$1-5 million worth of xate leaves are taken from Belize and exported through Guatemala to Holland and small amounts to the US. Quality of leaves is the greatest contributing factor to higher market prices. Handling of the leaves after harvest, during sorting and transport can improve the quantity of leaves that are exported and, in turn, export income.

Once a distribution company is established, the stakeholders would earn considerably higher incomes. They would share in the wholesale revenue. It is important for a distribution structure to be in place before extending the strategy to include other harvesters. As greater export incomes are returned to Belize, issues regarding collection, management, and conservation may be addressed.

Light Years IP recommends an IP Value Capture strategy that involves:

- Establishing a distribution company
- Engaging a feasibility study to determine which international markets will best support the distinctive product
- Establishing a shareholder's group
- Managing issues of collection and conservation.

Next steps

“The next steps for the Caribbean are critical. Light Year’s recommends seizing the opportunities promptly while focusing on niche, sectoral or geographically limited markets and drawing in investment capital”.
Ron Layton, CEO, Light Years IP

Jamaican Natural Beauty Products

- » Carry out a full feasibility study of a range of blended or combination brand strategies for Jamaican Natural Beauty Products
- » Engage exporters in design of a \$2-3m promotion in a single market

Reggae Music

- » Design the launch and development of a five year approach to one market
- » Focus on strength in reggae demand in France for reggae merchandising
- » Engage and form two groups – music owners and artisans

Jamaican Logwood Honey

- » Create options on joint brand development, evaluate likely returns
- » Engage honey producers to manage preparation of financing proposal

West Indies Sea Island Cotton

- » Evaluate IP value capture strategy starting with one producing country, Evaluate outsourced processing/manufacturing at world class standard
- » Target niche markets in Monaco, the City (London), etc.
- » Draw in all other Caribbean producers in phases

Grenadian Nutmeg

- » Set up new brand company owned by farmers and processors, engage youth
- » Evaluate strategy to launch with cash reserve scheme for future rebuilds
- » Implement with investment finance

Grenadian Cocoa

- » Complete market research on optimum positioning in growth markets
- » Evaluate capture of wholesale margins and launch of new brand

Belizean Marine Bio-Assets

- » Consider research institute, as part of national development plan
- » Evaluate contingent positions in exploitation chains
- » Ensure costs of enforcement are researched in plans

Belizean Xate

- » Develop and evaluate plan to benefit all stakeholders
- » Consider joint ventures and sole ownership



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