Regional and Product Identity in Agriculture: Creating Higher Value-Added for California Agriculture

Bradley Christensen

And

Martin Kenney

And

Donald Patton
Community and Regional Development Unit
University of California, Davis
Davis, CA

Abstract

 Amidst rising production costs, increasing environmental regulation, globalization pressures and constant downward pressure on prices, California’s agricultural regions face many challenges. One path out of this downward treadmill is to create an industrial identity for the region. This article examines how the fine wine industry responded to these pressures by building and leveraging regional identities. Identity is not synonymous with brand, but rather has a dual nature being contingent upon and requiring internal action and validation by external audiences. Other agro-industries can learn from the identity creation experiences in the wine industry. We suggest directions for further research.
Identity politics, corporate identity, and personal identity are increasingly considered vital factors in understanding economic, political and social processes. To be a New Yorker, southerner, foodie, liberal, organic farmer, etc. evokes notions of particular traits that send strong signals to outside viewers. In agriculture, many regions such as Bordeaux, Champagne, Islay, Speyside, Parma, and Tuscany evoke deep-held feelings of excellence and quality. Discussion of these regions and their identities has often been limited to “terroir”, particularly how the physical characteristics of that region impart particular characteristics to their agricultural products; and to the protection of cultural heritage as seen in the various European Union geographical indication schemes. While the limestone soils of champagne or coastal sea breezes of Scotland do indeed influence their respective agricultural products, there has been little discussion of identity, specifically industrial identity as it relates to economic value and industrial structure of those regions, and the creation process for these identities.\footnote{In this paper, we refer only to collective or social identities not individual firm identities.} This paper draws upon our earlier research on the creation of identity in the Paso Robles American Viticultural Area (AVA) to interrogate the larger question of the dynamics of identity creation and how it can contribute to higher value-added for agricultural producers.

Much has been written about world-class regions and the formation and maturation of local industrial clusters. It is now accepted that the growth of these clusters changes the local environment, physically, socially, and economically (Porter, 1998). What is remarkable about these world-class clusters is how they develop an identity and this becomes a magnet for talent, a foundation for the development of public good specialization, and the basis of regional pride and cooperation. While industrial identity is often not considered as a significant economic variable, this paper argues that, on the contrary, it is of great significance and, especially, for regions capable of producing distinct agricultural products. Importantly, unlike the famous European agro-product regions, U.S. regional identities have been based upon the creation of unique and
resonant product-regions that form the basis for future growth and development as opposed to European model, which has tended toward protecting traditional cultural products. The major California wine regions such as Napa, Sonoma, and Paso Robles are prime examples of identity-creation dynamics. In the case of wine – and we believe for other agricultural products as well–building an identity can also contribute to economic gains in other value-added fields such as tourism and hospitality.

**Wine Identities: Learning from the Wine Industry**

The quintessential example of place identity-based agriculture is the wine industry. It is one in which, in partnership with UC Davis, California has achieved remarkable success (for a discussion of this relationship, see Lapsley and Sumner 2014). Though Napa is the premier example, other regions including Paso Robles and the Alexander and Russian River Valleys, are also developing recognizable identities that have value for both customers and producers. Moreover, in these areas on top of the agricultural base, a sophisticated high value-added hospitality industry has emerged that is building upon and synergistically contributing to strengthening the local identity.

Since the start of the California wine industry, the Napa Valley has been at the forefront of innovation. Napa Valley, and the early pioneers that shaped it created an industrial structure and an identity that in many ways codified what the US wine industry would look like. Since those early days Napa has firmly established itself as a world leader in wine and has enabled new areas to begin similar processes that it went through. One of these areas is the Paso Robles wine region in San Luis Obispo County and provides a good case study for illustrating the process of creating an industrial identity.

**Identity Creation in Paso Robles: An Example**
Wine making in the Paso Robles region dates back to 1797 when Franciscan missionaries first planted the Mission grape. However having a long history of winemaking is not sufficient to become an established and recognized region. Not until the 1970’s did Paso Robles begin the process of creating the identity for which it is known today. The Paso Robles identity creation process was initiated by a handful of pioneers that saw the promise of the Paso Robles region. As part of their initial plan to upgrade the region, they contacted well-known wine professionals including Harold P. Olmo, a professor in the UC Davis Department of Enology and Viticulture program and the famous transplanted French enologist Andre Tchelistcheff who moved to the Napa Valley.

What sparked these entrepreneurs was the realization that other regions were contracting to buy their grapes year-after-year to blend into their top tier wines. This indicated to them the high quality nature of their grapes and suggested that the region could produce its own high-quality wines, thereby capturing more of the value of their production. However, they realized that although they believed that they grew high-quality grapes, this view was not validated by outside intermediaries or consumers. In order to receive higher prices and build a validated reputation, they would have to organize and begin the process of creating an identity (Beebe et al., 2012).

For the wine industry, the first step is securing Federal government recognition that the region qualifies to be an American Viticultural Area (AVA). While such boundaries are, in certain respects, arbitrary or based on earlier legal boundaries, once the AVA is recognized it takes on a life of its own and constitutes an arena for collective action. This first period of identity creation was catalyzed by a few visionary leaders who petitioned the Federal government, organized the growers, and created a boundary that enabled those inside to take actions that would have a collective benefit (Ibid). In 1983 they put on the first Paso Robles wine festival and it proved to be an impactful event; it convinced local growers that there was a real opportunity to build a region and identity.
With a growing level of coordinated organization, relatively inexpensive land and a growing reputation, the Paso Robles wine industry expanded rapidly starting in the late 1980’s. From 1986 to 1993, on average two new wineries opened per year. Then from 1994 to 2001, on average eleven new wineries opened per year. The entrants in Paso Robles came from a wide variety of backgrounds and brought new talent and financial resources. The expansion and attention also attracted well-known winemakers from outside the region attracting the attention of key opinion leaders such as Robert Parker of *The Wine Enthusiast*.

In 1992 the community that was emerging became official with the formation of the Vintners and Growers Association (VGA). Its stated goal was to educate and inform growers about new techniques and raise the reputation of local grapes in order to bring in higher prices for all growers. The VGA was inward focused, but it also presented a unified face to the outside (Ibid). As the reputation of Paso Robles wine improved, key local leaders recognized that the next step in strengthening the regional identity was to integrate other regional actors such as the hospitality industry as their success was also dependent upon that of the wine industry. In recognition of the changing nature of the local wine business ecosystem, in 2005 the VGA changed its name to the Paso Robles Wine Country Alliance (WCA). The new organization continued to include the growers and wine makers, but now was open to hoteliers, restaurateurs and other wine related tourism firms, recognizing the need to expand the group boundaries to help collective benefits. The WCA is effectively an expression of the Paso Robles identity, and it is responsible for what has now become a brand.

Organizationally, the WCA undertook marketing campaigns to publicize the Paso Robles “brand,” and pursued an aggressive place-based marketing campaign to promote Paso Robles as a wine region. The WCA budget is provided by the members and, in size, is second only to the Napa Valley Vintners Association. This identity was not a random outcome, but rather was the result of a vision developed by the early entrepreneurs. Initially, it was based on the informal efforts of a few visionary leaders, but later became formalized as the VGA, which evolved into
the WCA, which integrated a broader community of interested parties that shared a common purpose.

The creation of the shared identity was not uncontested. As the value of the identity increased, one group of winemakers located West of Highway 101, which bisects the region, decided that they would be better served with their own AVA due to a belief that their region produced higher quality wines. This was serious because it threatened to bifurcate the hard-won regional identity, thereby threatening its value. As the threat grew, the local social networks that had been built earlier were drawn upon to defuse the controversy. Due to the mobilization of these networks, key Westside winemakers who had initially supported the division withdrew their support, in particular, because they believed that the new AVA would cause confusion amongst consumers, and, more importantly, the identity that they had established would be perceived as incoherent and inauthentic by outside actors (Beebe et al. 2012). The networks that had formed and the value of the identity had become so great that the powerful economic forces justifying secession were out-weighed.

Creating and maintaining an identity

In agricultural clusters, as illustrated in the Paso Robles case, one firm does not own an identity; it is a collective good with shared ownership amongst the members. Thus maintaining an identity requires certain organizational forms and processes that distinguish it from managing a single firm. For a region or industry wishing to create an identity or achieve recognition, developing internal coherence and community commitment are vital for establishing an effective organization. In many of the recognized industrial identities, this process often started with a key leader or group of leaders that initiated organizing and working together to improve joint outcomes (Ostrom, 2000). Creating and maintaining an identity is about cooperating with others to create a dynamic of shared quality upgrading. In effect, the knowledge being created, in some significant degree, becomes a common resource available to members of the community and
which adds value to each individual member’s business. Identity creation has similarities with managing a common resource but overuse is not the problem that needs to be controlled. The problem for regional agricultural identities is low-quality producers damaging the external perception of the region.

The act of creating legally delineated boundaries defines those having a collective interest in success. For wine this is accomplished by the AVA creation process that circumscribes the area and requires 85% content for labeling. Further, there must be rules or norms that have impact on the members. In various French wine districts these rules are codified in the number of vines per hectare, grape clusters per vine, and sweetness per grape. This is not the case in the US, where social pressure and collective interest in protecting the investment in the vineyard and winery, and increases in value due to the perception of the AVA by outsiders creates similar outcomes. While other members of the region cannot impose direct sanctions, social pressure by other producers within the AVA are a powerful force. Also, in contrast to the more rigid French system, one of the strengths of the U.S. model is that it provides far more space for innovation – a general strength of the California economy. The remarkable result of the operation of these principles in the California fine wine AVAs is that even after an identity has been created there has not been a dilution of quality due to free riders; rather the dynamics have been so powerful that there has been a secular increase in quality.

The process of creating and maintaining an identity is built on several generalizable features that enable this secular increase. The foundation of identity is the idea of an industrial cluster and what it facilitates for cluster inhabitants. Scholars have observed that, in general, clusters have two key characteristics that distinguish them from simple collections of businesses located in geographical proximity to each other. The first is largely economic and refers to horizontal structure of co-located competitors and a vertical structure of proximate suppliers or customers. These linkages result in the constituent firms attracting skilled labor, the
encouragement of educational institutions to produce specialized employees and relevant research results, and other specialized assets.

The second aspect of clusters is the knowledge creation and sharing networks that emerge as persons interested in the related economic activities communicate with each other. To illustrate, while sitting in a café in the Napa Valley one is likely to hear discussion of wine and grape plant varieties, while in Silicon Valley the overheard discussion is likely to be on the newest Internet social media startup. These are indicators of the vitality of the information flow and, while untraded in a market, have real economic value (on these untraded flows, see Storper, 1995). In regions such as Napa, while the wineries are located there for the climatic and physical attributes, this knowledge sharing has significant economic value and can attract other industry participants. In industries with a high level of innovation-based value creation, having access to that knowledge means being on the cutting edge of new products and technology (Gertler, 2003). In industries within which “craft” knowledge is important having effective institutions and mechanisms for sharing of particular importance, knowledge disseminated person-to-person is of great significance.

Creating an identity is by no means a simple and straightforward endeavor. It cannot be completely planned and does not simply emerge from ongoing social and business interactions found in an industry cluster. An important principle here is that local actors must decide what are the key characteristics they want signaled by their shared identity. While purposive action is involved, identity emerges through social dialogue among interested parties. It is not simply conjured or unilaterally determined, but must be based on the interactions in the particular business community and is accompanied by the development of strong social ties. Absent these developments, the identity is likely to appear inauthentic.

It is commonly believed that identity is synonymous with a “brand,” however we argue that there are several features that differentiate the two. A brand is a form of intellectual property that has significance to consumers and, to at least a certain degree can be created through
advertising alone. It does not require the collective action activities of the producer community which is the source of the internal coherence necessary for identity creation. Most often, brand creation is one-sided process of broadcasting outward. It does not have an organic community-derived meaning and has limited ability to embed distinctions of quality, process, social conventions or norms into the products and can have difficulty appearing to be authentic. So, for example, some wineries will have a number of brands that they use to market differently. When they sell generic “California” wine, there is no strong identity associated with the wine and, not surprisingly, it has only weak meaning to consumers. In the traditional branding literature, a brand is often more or less placeless; it is not rooted to a specific geographic area. In contrast, a wine from Napa or the Alexander Valley, signals that grapes have specific value and that the region that makes them has meaning and value, and this “value” accrues to the other wineries in the AVA.

In the US, agricultural regions have attempted to create regional brands that are different from regional identities and we would argue, are not as valuable as an identity. To illustrate some of the problems of such regional branding, we give an abstract illustration. Take a regional branding exercise for say a large diverse agricultural county, we shall call “Diverse County.” Diverse County might mean something to local residents and they might buy the product. But what does it mean to extra-local consumers? If a visitor asks, “what product should I buy to understand Diverse County, what would be recommended? In one such California County exercise, marmalade, lamb, peppers, firewood, and even Christmas trees are among the products listed on the Diverse County website. In contrast, in wine regions with well-established identities, members of the industry could recommend what to taste in order to understand the aspects of that region and their identity. If you want to taste the Napa Valley get a Cabernet Sauvignon; Russian River Valley, get a Pinot Noir. Such reputation effects, while helping to determine what is grown, also allow experimentation.
Alternatively, to create an identity there must be a measure of authenticity, which presumes a two-sided process in which there is the identity creation and maintenance by internal actors, as well as validation of that identity by external audiences. A region might believe that it produces an excellent bottle of Cabernet Sauvignon but if that belief is not shared by significant outsiders, the opinion will have limited impact on consumers who will perceive the wine as being over-priced. Conversely, when a region has developed an identity, even if consumers do not recognize the producer, the region confers value on the product as it is recognized by consumers. With this benefit, there is a concomitant danger, if the product disappoints the consumer, then the regional identity also suffers.

From this mutual dependence flows one of the most powerful aspects of the identity creation process, namely the community interest in internal community upgrading and investment in quality. To receive greater compensation for a product, regions must develop the knowledge, skills and technical ability to create higher-quality, higher-value output, however the “quality” of these products must be validated in the market place by outside critics and consumers (see Figure One for a graphical illustration). In ideal cases the interaction between the internal and external dynamics can enable the formation and growth of yet other activities such as agrotourism that leverage the region’s high quality products as a springboard for further economic development.

In the wine industry, Wine Spectator, Wine Enthusiast, Saveur, Food & Wine, and restaurant sommeliers, amongst others, perform this identity validating function by informing and educating consumers. For other agricultural producers aiming to create identity, the cultivation of such intermediaries or even attempting to establish them should be a central industry goal. Conversely, products where such external intermediaries exist are ripe for identity creation. Direct marketing has value, but intermediaries capable of speaking to larger, more dispersed communities provides a different function.
Other strategies for increasing external visibility include establishment of events such as festivals. The Paso Robles Wine Festival was very effective at garnering external attention especially in its largest primary market, Los Angeles. As the Festival expanded, so did external awareness of local wines. In the Santa Barbara area, winemakers cultivated informal ties with filmmakers who featured their wines in films such as *Sideways*, leading to the “sideways effect” that produced a significant increase in sales for the region. In the case of Paso Robles, they cultivated informal relationships with the Los Angeles entertainment industry encouraging them to make films or television programs in the region. Notice the connection with an entirely different industry, entertainment. California agriculture is blessed with two global-class regions, the San Francisco Bay Area and Greater Los Angeles, each of which in their own way are global trend-setters and magnets for tourism. Commercial success, in such global-class regions, is an excellent indicator of the potential for an agro-industry to be globally attractive.

One question that arises is how does this process differ from the European model of various geographical indication schemes such as Protected Denomination of Origin (PDO). These PDO’s, and the identity of the region that produces them have a historical origin and the specific products are expressions of unique socio-cultural backgrounds. In the post World War II mass consumption societies, many of these cultural products were on the verge of being eliminated by globalization, various non-tariff trade restrictions or simply because of a lack of interest (for a recent example see Leitch, 2003, and creation of *Lardo di Colonnata*). However, during the last two decades a reawakening in awareness and interest in food and local knowledge changed norms of consumption. The identity of Champagne, Parma and Bordeaux are very much built around the cultural heritage of the region. New World producers cannot draw upon these deeply embedded cultural sensibilities. Even Napa Valley, the most famous wine region in the New World has only been known for its distinctive wines since the 1970’s. For this reason, any agricultural product identity in the U.S. cannot be connected to a cultural legacy, but must be based upon a notion of “quality,” this freedom from cultural tradition allows the development of
new and innovative products, but must adhere to the perception of “quality” that is more rigorous.

For businesses, regional identities can be important because, in the words of pioneering researchers in this field, Elaine Romanelli and Olga Khessina (2005, p. 345) they, “affect economic investments, including individuals’ decisions about where to locate their talents, entrepreneurs’ decisions about where to locate their organizations, and investors’ decision about where to target financial resources.” For an agricultural region that relies on long-term investment and growth, a strong industrial identity has the potential to attract more resources and encourage higher value production increasing revenues profits, and pride in the quality of the product offered to consumers.

Not only is there increasing recognition of the importance of identity as illustrated through this case study of Paso Robles, other regions are trying to sort out what their identity should be. For example, Sonoma County has wrestled with how to build its identity. Should it follow Napa, which has an identity as a county, or should it be like Paso Robles, which is part of San Luis Obispo County? Throughout Sonoma County, there are now 16 different AVAs ranging in size and reputation. At the County level there has been an initiative to establish a conjunctive labeling law stipulating that all wine made in Sonoma County, regardless of the individual AVA it is from, must have the words “Sonoma County” on the front of the label. This is an effort to simplify the Sonoma identity to create a common identity. However, a number of the larger AVAs have associations that must consider how best to represent the AVA’s interests even as there are pan-Sonoma associations. Sonoma County encompasses a large area with a heterogeneous mixture of landscapes and climates. These unique geographical features make it a very different example than the more homogeneous geographical features of Napa or Paso Robles. The identity formation process undertaken by one region might significantly differ from a formation process in other regions dependent on local social, geographical and product characteristics.
From our interest in identity with its internal and external components, the salient question is which identity will be authentic and drive a collective upgrading process? Is there county-wide sharing and internal solidarity or do the different regions in Sonoma have their own character, industry organization, information flow patterns, and cultures. Are there strong ties binding the larger whole together? From the external perspective, will key external opinion-makers recognize the “Sonoma” identity or will they insist on referring to the various AVAs separately? Or alternatively, will the model create a hierarchy of identities where the individual AVA identity is nestled within the larger Sonoma identity? The answer to these questions will determine whether the push for conjunctive labeling will be successful or obscure the current identities.

(Insert photo of newly created alexander valley signs)

**Lessons for Other California Agricultural Industries**

Identity has long had a role in the wine industry. The question is whether a similar concept can be developed for other agricultural product-regions. Many agricultural products such as wine and olive oil are produced at a scale that far outstrips local demand. Moreover, the Bay Area foodshed, which encompasses a 100-mile radius around San Francisco, produces around 20 million tons of food, yet only consumes 5.9 million tons (Thompson, Harper & Kraus, 2008). While there is still room for local produces to supply local markets, these numbers show the importance of exported oriented products for California agricultural producers. Cultivating an identity has the ability to upgrade the regions value-added and allow production of high-value, high-quality export oriented items. Products for which one might be able to develop strong identities could include non-exhaustively olive oil, hops, artisan cheese, seafood, and cured meats. Outside of California, tropical products such as coffee and tea already have an identity
component, though there has been little active effort to build strong identities for most of these. Spirits such as Scotch, Calvados, and, more recently, Kentucky bourbon whiskies have such identities. Regional leaders, whose agricultural industries differ significantly from the wine and beverage industries should still consider whether they have situations within which a regional industrial identity could be built. While, not all agricultural products can be transformed into cultural goods, the task is to think creatively about possibilities and work collectively to bring them into existence.

The California olive oil industry is certainly ripe for this type of identity creation and could be accompanied by boutique olive oil tasting rooms in and around production areas as well as in San Francisco. Regional hops organizations could pair with the plethora of California brewers emerging throughout the state. The artisan cheese industry in northern California continues to grow and gain recognition, yet there remains many opportunities for cheese tasting rooms and an organized effort to highlight regional cheese specialties. But lest we forget, these tasting rooms are only examples of the outward marketing force by individual producers or collective organizations. While tasting rooms are important for communicating product qualities, they are but one piece of the larger puzzle that producers can use to help reinforce the identity formation process.

Most often mentioned is the possibility of developing regional identity on the basis of organic production. However, we believe this will be difficult as most regions produce a large number of crops making it hard to create a crisp identity. Further, the producers may see themselves almost entirely as competitors and thus be unwilling to share information and

---

2 There are other examples of product-region identity and include names such as Blue Mountain coffee, Kona coffee, Darjeeling tea, Yellow Mountain Fur Peak tea. These have meaning to cognoscenti. In contrast, there are pure branding exercises such as “Juan Valdez” and Colombian coffee that have little serious impact.
knowledge. Also, there may not be agreement on the goal. For example, is it to produce organic foods or high quality foods? Does an organic tomato from the region have meaning that is resonant with consumers? Does an organic potato have the same meaning? Using organic production as a means to get to higher quality might be a useful approach but it depends on consumers associating organic with quality instead of that region with quality. If another region focuses on organic production, these regions are ultimately competing in the organic market instead of creating a market niche for each region.

Another often mentioned technique for fostering economic development is to highlight local production. The consumption of locally produced foodstuffs is one of the fastest growing market segments within agriculture. However, as alluded to before, California produces more food than it could ever consume. Production focused on local consumption is able to capture local dollars and prevent money from leaving a community. Identity laden products on the other hand are focused on export-oriented high-value markets that are resonant with consumers external to the region. While local products are often associated with fresher, higher quality products, for more durable goods there is very little ability to embed distinctions of quality solely within notions of proximity. In wine regions, there is a single focus, while in regions with high concentrations of organic farmers or production geared toward local markets, the sheer variety mitigates against focus. Finally, are there outside evaluators creating status hierarchies differentiating producers and educating consumers?

A local Northern California example of an effort to create a product-region is Apple Hill in El Dorado County, which has built some level of external recognition. There has been some success in terms of building higher value-added activity upon apple production, though there still is limited recognition by external consumers outside of the Sacramento area. There has been limited evidence – but also little research – on the level of internal information sharing and cooperation to improve quality. At this point, Apple Hill is more of a seasonal destination, so the production of less perishable apple-related products might extend the season and further value.
The newly enacted California Homemade Food Act might foster some innovation and entrepreneurship within this arena but is dependent on county specific initiative that could inhibit growth and inter-county sales. Producers could also take advantage of the growing interest in alternative alcoholic beverages by producing regionally distinct hard ciders or Calvados like apple brandies. While most activities involve post-production processes of agricultural products, some regions, such as apple orchards around New Berlin, WI have focused on cultivating antique apple varieties and connecting the flavor profiles of those apples to the terroir of the land. These apples can be found in many of the high-end restaurants throughout the Midwest.

Developing identity is not a panacea for the difficulties of increasing agricultural value, however considering the potential may create new ideas for improving local value-added and increasing rural income. The most discussed case of agro-tourism is the Napa Valley, which has grown to become one of the largest tourism destinations in the U.S. Similarly, Paso Robles is also developing an increasingly significant hospitality industry. Despite the acknowledged difficulties of creating a significant external identity, improved communication and information sharing within the agro-region could increase solidarity and, of particular importance for creating higher value, improve quality. While this may not lead to Napa or Paso Robles-like growth, for agriculturalist increasingly pressured by low-cost imports, environmental demands, and labor cost increases, such new ideas can offer a basis for changing current trajectories.
Figure 1. Identity Formation in the Wine Industry Illustrated
Work Cited


