

Successful Wine Cooperatives: Field Reports from Cooperative Managers in Austria, Italy, and Germany

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Domäne Wachau (Dürnstein, Wachau, Austria)

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Austria has a quite small cooperative sector, only about 10 to 15% of all Austrian wine is produced by wine cooperatives. The first wine cooperative was established in 1882 (Eisenstadt-Ruster-Weinproduzentenverein). An intense wave of cooperative establishment took place in Austria and Germany at the beginning of the 20th century, lasting through the 1960s, that was due to the unfortunate general socio-economic situation of vintners.

Domäne Wachau originates from a winery owned by the church, first documented in the 11th century. After secularization in the late 18th century, the Austrian aristocratic

These reports could not have been compiled without the help of numerous people who helped procuring, translating, and/or editing them. We are particularly indebted to Alessandro Corsi (University of Torino, Italy), Patrizia Fanasch (University of Paderborn, Germany), Simonetta Mazzarino (University of Torino, Italy), Guenter Schamel (Free University of Bozen-Bolzano, Italy), and Karl Storchmann (New York University, USA).

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family Starhemberg took over ownership. In 1938, the cooperative, then named *Winzergenossenschaft Wachau*, was established and bought the Starhemberg winery, that is, its cellar, buildings, and vinification facilities. However, Starhemberg, Vice Chancellor of Austria from 1934–1936, was an outspoken opponent of the “Anschluss” with Germany and had to flee the country in fear of Nazi retribution. The winery contract was signed and paid, but the deal was not officially closed. Nevertheless, all Starhemberg property was confiscated by the Nazis and the legal status of the cooperative winery was in limbo for some time. After WWII, the Starhemberg family sued for restoration, and only in 1951, under a court arrangement, the cooperative could claim the winery its legal property (Schwarz, 2008). In the 1950s and 1960s, *Winzergenossenschaft Wachau* was one of about 50 Austrian cooperatives.

Our cooperative has always performed well and was among the first wineries that established professional marketing strategies. However, due to some mismanagement, our performance dropped dramatically in the late 1990s and early 2000s (distribution and market share loss followed by decreasing grape prices).

In 2004, a new chairman joined the cooperative and started a restructuring program, installing a new top management. That led to some significant organizational changes in working with our member-growers, in the internal structure, in the way decisions are made, and finally in the business performance.

Organizational Structure

“A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (International Co-Operative Alliance, 2018). According to Austrian Cooperative Law, modern wine cooperatives are responsible for promoting the financial gains of members through the purchase, processing, and marketing of their grapes.

Individual wine cooperatives are given the legal capacity to act through a charter. This represents statutes for action and defines decision-making processes. However, charters are only internally oriented and bureaucratic and impede modern management methods. Committee bodies of a cooperative are the board of directors and supervisory board, which are elected at the general assembly. The board of directors is led by a chairman who, together with the vice-chairman, form the commercial committee, responsible for economic activities of the cooperative.

A wine cooperative is subject to audits, which were established in the early years of the cooperative movement. However, audits are predominantly restricted to functional correctness and only minimally include marketing deliberations.

Although cooperatives are particularly democratic organizations, decision finding and making processes can be rather slow. Many people are involved and the bureaucratic approach blocks quick, market-oriented decisions.

In 2004, Domäne Wachau overcame this formal obstacle by implementing a dual leadership, the winery director and the head winemaker (who is also responsible for vineyard management). Every few months, short summary reports are given to the board, that way, Domäne Wachau has developed into a modern, very efficient company. Today the management represented by the winery director and the head winemaker is very much independent from the formal bodies of the cooperative. The management gets much trust and freedom from the board and can act independently; this refers to all decisions regarding personnel, marketing, portfolio, wine styles, pricing, organisation, strategy, etc. Only in case of substantial changes or major investments, the board of directors and the supervisory board is involved. For example, in 2018, Domäne Wachau completed its largest investment project ever done, a central vinification facility was established and the vinification cellar was enlarged and restructured—a total investment of €11 million.

Over the last ten years the separation of management and cooperative formal bodies has been the largest change at Domäne Wachau. The executives are hired agents rather than principals. At Domäne Wachau these agents are Heinz Frischengruber (head winemaker) and Roman Horvath (winery director). Frischengruber is Wachau born, grew up in the region but studied and gained experiences in other regions and wineries outside of Wachau. Horvath is one of Austria's few Masters of Wine and brings in deep knowledge on wine marketing and solid management expertise. In recent years, a team of international young wine professionals was formed and well-trained wine experts work in marketing, sales, and production. Needless to say, that changing the organizational process has been a long process.

The success of a cooperative can be measured in various ways. However, essentially, it is all about paying our members, and is expressed either in €/kg or €/ha. Ten years ago, Domäne Wachau payed average prices, comparable to the overall Austrian market, which was approximately €0.55/kg of grapes. Since then, we have increased our prices almost fourfold and pay €2/kg, which is about two to three times more than the rest of the market. For a regular medium-quality Grüner Veltliner (Federspiel) we pay around €2.50. The highest grape prices reach up to €4.50–5.00 for single-vineyard Smaragd wine grapes.

High payments to the members for grapes have to be balanced with the long-term strategy of the winery (investments) and with sufficient marketing and personnel expenses. There is no need for high profits in the balance sheet at the end of the year of a cooperative, but, of course, cash flow and sufficient equity capital are crucial.

Members are paid in six part-transfers beginning just after the harvest and finishing two harvests after.

Member growers of Domäne Wachau sign five-year contracts. Leaving before the five-year period (or taking out just some vineyards) results in grape price deductions.

About one-third of our member growers also have their own production, mostly on a very small scale selling a bit to local tourists or mostly served at their own “Heuriger” (wine tavern). For the vineyards under contract with Domäne Wachau, 100% delivery is mandatory.

Domäne Wachau works on about 440 hectares—approximately one-third of the region’s total vineyard area (about 1,350 ha). Since our 250 vintner families have their vineyards spread over the entire region, Domäne Wachau is able to source from all prime Wachau vineyards. Depending on the vintage, we produce approximately 2.5 to 3 million 0.75-liter bottles yearly, exclusively from Wachau grapes.

Due to the steep and narrow dry-stone-walled terraces mechanization is very rare, cost is high, and our members mostly work on small parcels ranging from just two or three terraces to up to ten hectares. Vineyard work generally is a family affair with more than one generation involved, bringing in a fair amount of experience and expertise. The number of members, as well as the total vineyard area of Domäne Wachau, have been relatively stable over the last years. Currently, we even notice a slight increase.

Domäne Wachau is a member of the *Vinea Wachau Nobilis Districtus*, the appellation protection association of the Wachau, founded in 1983. Members must adhere to strict quality standards, in order to preserve the unique quality profile of white wines from the Wachau.

Since we work with grapes only from the Wachau region, one challenge we face is fluctuating yields. We only work with our own grapes; buying outside grapes or wine to smooth our inter-annual production variations is not permitted. One year we can hardly satisfy demand and have to cancel listings, in bigger vintages, we have to start all over again. Finding the right balance to deal with these variations is a major challenge. There is no open bulk or grape market in Wachau.

In 2005 and 2006, we initiated a grading system for member vineyards. Throughout the vegetation period the vineyards are observed according to standards set by Domäne Wachau, which are aimed at linking grape prices to vineyard performance. The grading system is flexible enough to adapt to each vineyard and each vintage. Parameters such as canopy size, use of cover crop, yield situation, health of the vineyard, no use of insecticides, no use of herbicides, organic certification, and many more are integrated into the grading system. Regardless of harvest, the vineyard score influences the grape price by up to 25%.

We determine the grape prices to be paid as follows. At the end of the harvest the management works out the budget plan for the next fiscal year based on the number of bottles and price points that can be sold (turnover) and the costs (marketing, depreciation, labour costs, administration, etc.). The remainder is the total amount available for grape payments, which will be distributed according to the parameters mentioned earlier.

Close Relationship with Members

A major change apart from the paying system was to establish a very close relationship with our growers. There used to be very little written information sent to the members and maybe two or three meetings with them. Today we are in close contact with our vintner families throughout the year, not just for the harvest. We offer seminars on a regular basis and hire vineyard consultants. Every few weeks, we visit vineyard with smaller groups of growers to enable a more detailed discussion. We will complete our sustainability certification shortly; we favor organic production and are certified vegan.

Selecting the harvest date is not left to the grower but is determined by the cooperative. Our winemaker defines the right time of picking depending on grape variety, desired style, originating vineyard, and the quality of the grapes. Since our members work on approximately 2,000 small parcels all over the Wachau Valley, we finish with about 200 different batches of wine and finally bottle about 80 different wines.

The work in the cellar is based on what we get from our vineyards; but we are open to new methods of vinification. A few years ago, we launched “backstage”-portfolio of wines that are atypical for the Wachau region and were fermented in clay amphorae, concrete eggs, or marble barrels. We also produce a fortified Grüner Veltliner and a reserve-style rosé, which ferments in 500 liter oak barrels.

Today, Domäne Wachau bottles its entire production and sells about 2.5 million 0.75-liter bottles per year, depending on the vintage. Approximately 25% of our wine is sold in Austrian retail, 25% to distributors in Austria, and about 40% is exported. The remaining wine we sell in our shop at the winery (cellar door) in Dürnstein.

Although we have been exporting since the 1960s, export sales have played a major role in our commercial success for only the past 15 years. We have grown in existing export markets and also entered new markets. This was partly achieved by finding new partners for import and distribution and partly by re-establishing our cooperation with existing partners and actively working the markets. Because of its low price points, over the last ten years, we have reduced our commitment in the German market and have grown in various other export markets instead (particularly in The Netherlands, Sweden, the United Kingdom, the United States, Belgium, and Denmark). Today, Domäne Wachau is the leading Austrian premium wine brand in many export markets. We have a team of four wine professionals working in export.

Our priority is to produce high-quality, pure wines, with the best possible terroir note, mineral character, and longevity. We have a clear idea of the style and quality we want to produce. Special attention is given to our single vineyard Grüner Veltliners and Rieslings.

For the future, we expect increases in competition on the domestic market. A challenge is the lack of demand for Austrian wine on a broader scale. Although Austrian

wine will always be of interest to the top sommeliers, we need to get the average consumer more interested in our Grüner Veltliner.

A cooperative can succeed as long as it over performs and it pays higher grape prices compared to the rest of the market. Only that way a cooperative can expect solidarity from its member growers and the management to implement higher-quality criteria in the vineyard.

Kellerei-Cantina Tramin (Tramin-Termenò, Alto Adige, Italy)

Wolfgang Klotz, Director Sales & Marketing

Kellerei-Cantina Tramin was founded in 1898 and is one of the oldest cooperatives in the Alto Adige wine region. Currently, we have 350 members and 260 hectares under vines. Our membership is very homogenous in size with many small growers and only 5% of members with more than three hectares.

Our total annual production is about 1.8 m bottles with almost everything being estate bottled. We believe that this level of production is a good size for a cooperative to be cost efficient in our regional context. Moreover, it is still small enough to focus only on the premium and super premium segments of the market. However, it means that we have a limit in terms of adding new growers and expanding our production. In fact, over the last few years, we had more new member requests than could be accepted.

The governance structure of the cooperative is organized as follows. Every three years, we elect a president and the executive board. The president oversees the cooperative but is not operatively active. The board meets approximately once a month and decides on larger investments, long-term strategies, and new membership requests. The management tier includes three directors for administrative, sales and marketing, and technical (winemaking and viticulture) matters.

Together with the president, the management tier prepares larger investment decisions, which need to be approved by the board. It holds weekly meetings and takes most operative, day-to-day decisions independently from the board, thanks to the trust it has earned through highly successful operative results over the last 15 years.

We believe that one of the keys to a cooperative's success are the people/management running the company. They should be selected among the best possible candidates regardless of whether they are members or not. The strategy and success of a cooperative is in their hands, even though the board votes on decisions, it is the management that creates and proposes the strategies to move forward.

We continue our strategy to improve in quality (mainly through efforts in viticulture) and to grow in revenue, by continuously improving our branding, reputation, and wine quality, but not necessarily grow in terms of total production. On average,

we pay more than €20.000/hectare to our members. We preselect the vineyard plots that potentially can go into our super premium wines and for which we will pay a premium. These vineyards must have the best possible combination in terms of terroir, micro-climate, variety, and old enough vines. Moreover, the growers farming these plots must have a proven track record of excellence during the last years. For these specially designated plots (but not for all plots the grower owns), we ask for more efforts during the year; the winery will take the quantity risk within limits given that the required grape quality is delivered. This arrangement motivates our growers to deliver high-quality grapes. We support our growers through educational activities and assist them in managing their vineyards. These efforts are supported by the South Tyrolian farm advisory service. We stipulate that all our growers join the advisory service network, which advises farmers regarding spraying, irrigating, and pruning the vineyards.

We sell very little in bulk and bottle about 95% of our wine. Our main market is local/regional where we sell about 40%. We sell about 35% in the rest of Italy and export the remaining 25% to various foreign countries. We sell our wines at an overall average price of about €6.90/liter including bulk wines.

Our outlook for the future is generally positive. Cooperatives in the region usually have a big advantage in terms of having access to many diverse vineyards with the area's best fruit. We believe that having access to potentially excellent fruit is becoming a very important competitive advantage in today's market environment especially when combined with stricter official controls and more severe sanctions according to the wine law in Italy. In this regard, we believe that our cooperative has set the proper basics over the last 20 years such that we can continue to build on them in the future. However, there is still a lot to do and to improve, even on small details and therefore the future should look good for us.

Among the main challenges for cooperatives to thrive in the future are climate change, European Union regulations, the potential for direct sales, and developments in European and overseas markets. All these topics will have an impact and eventually will present challenges for local cooperatives. Currently, we believe that the biggest and most difficult challenge to handle will be the effect of climate change. For our region, this means the handling of more severe weather events like hail, frost, or grape health and not so much eventual varietal and wine style changes as a direct impact of the temperature increases on the vine.

Terre dei Santi (Castelnuovo Don Bosco AT, Piedmont, Italy)

Paolo Aiassa, Director.

The first customs document mentioning the sale of *Freisa* grapes dates back to 1517. *Freisa* still is the main grape variety grown in this small area, in the heart of Piedmont, 50 km from Barolo and 25 km from Torino. *Terre dei Santi*, a cooperative

organization first known as *Cantina Sociale del Freisa*, was founded in 1953 by a group of wine growers who decided to bring change by working together.

Today, Terre dei Santi has 160 members who cultivate about 340 hectares of vineyards with an average production of 2,500 tons of grapes. The main three varieties, *Freisa*, *Malvasia di Castelnuovo don Bosco*, and *Barbera*, account for about 75% of the production; *Nebbiolo*, *Arneis*, and *Bonarda Piemontese* account another 10%. The cooperative only uses grapes produced by its members; we do not buy any grapes or wine produced by other companies.

From an organizational point of view, Terre dei Santi is controlled by a general assembly of all members that meets annually to approve the accounts and make decisions on the strategic actions recommended by the board. The latter, made up of 25 members and the director, meets on a monthly basis to define the objectives and evaluate the progress of the cooperative. The day-to-day business is left to the head office with various managers for administration, production, finance, and the staff of the headquarters.

The first years after the cooperative's foundation were particularly difficult. In addition to the usual difficulties any business faces, the quantity of grapes sent to us by our members was extraordinarily volatile. This was mainly due to the fact that payments occurred with delay (i.e., after the books were closed) and did not match market prices. As the members did not have any contractual obligations, they tended to sell to the market when prices were high and sell to the cooperative only low-quality fruit or excess quantities. As a result, this created financial difficulties for the cooperative and hampered the establishment of its own market.

The major turning point was in 1988 when the newly-appointed president, Giacomo Aldo Musso, initiated a modification of the cooperative's statutes. Members now had to deliver their entire production and the cooperative guaranteed to buy all of it; this stabilized the average amount delivered and enhanced the winery's planning capabilities. The president's charisma and the gradual progress made opened up the way to various changes. However, many changes were contested and a significant number of members left the cooperative—only to return in the following years, after the cooperative had overcome the initial difficulties and become a reference point in the area. The cooperative is open to everyone who shares its objectives and abides by its rules, just as all are free to leave if they wish.

Massive investments in new winery equipment allowed for significant improvements in the quality of the wine produced.

Commercially, new strategies were explored in those years. The cooperative began to target private customers, especially the rising number of tourists visiting the area. The Castelnuovo site, 25 km from Torino, is situated in a particularly beautiful, natural landscape with numerous historical landmarks such as the Abbey of Vezzolano. Very close to Castelnuovo is the birthplace of Saint John Bosco, founder of the Salesian congregation, drawing more than 500,000 visitors a year.

For these reasons, investments were made to restructure the sales outlet. As a result, in Castelnuovo, we have enjoyed some substantial income growth of 60 to 70%, depending on the abundance of the harvest.

Furthermore, in 1980, together with nine other Piedmont wine cooperatives, Terre dei Santi founded *Terre da Vino SpA*, a winery located in Barolo, in the heart of the Langhe territory. Terre da Vino only produces Piedmont DOC and DOCG wines. The aim is presenting a unifying brand representing all the Piedmont wines and a dedicated organization for world markets. In addition, Terre da Vino's bottling plant bottles wine for the individual associated wineries under their own label.

At the end of the 1990s there were further important developments. The upsurge in sales soon meant new members needed to be enrolled to increase the volume of grapes available and offset any product shortage.

In 1997, *Cantina Sociale del Freisa* (i.e., Terre dei Santi's precursor) acquired *Cantina Sociale of San Damiano d'Asti*, just 35 km away. The merger created the actual Terre dei Santi that was aimed at increasing the number of members in an area typically producing Barbera and Arneis grapes, both varieties being in demand and in short supply. In addition, it provided a second outlet in a strategically important location in Piedmont.

Serious investments were made in production, to improve the quality of the grapes. This was done through collaboration with universities and research institutes. The work was followed with a support network aimed at bringing knowledge and techniques for improving grape-growing directly to the producers. They became more aware of the potential in the particular characteristics of the terrain, but above all, the individual members became more actively involved in the life and the objectives of the cooperative.

At the technical level, changes were made in the working practices within the winery, with the introduction of quality management system ISO 9001 and new procedures aimed at optimizing all processes, in particular at the point of delivery of grapes and all subsequent processes. This was achieved by introducing multi-parametric criteria of visual evaluation (seven at this time) in addition to the traditional methods of analyzing the grapes delivered. This allows to determine what subsequent processes are needed and, above all, the financial value of the grapes can be assessed according to fixed parameters. Transparent and clearly defined parameters allow us to determine different prices for the same grape variety. Given an average price of around €0.70/kg the bandwidth between the highest and the lowest price varies within a 4:1 ratio.

The second action was to organize the grape deliveries according to a personalized calendar for each member, which synchronizes the demands of the winery with those specific to each particular member's vineyard.

Obviously, these changes were not immediately accepted by the members and were seen as an infringement of their freedom. However, there was a gradual consensus that these innovations were working in their favor; members recognized that quality products were being rewarded and waiting time at the delivery point was reduced, all to the benefit of the members.

Currently, we are facing various challenges. One of the major issues for the sector is *Flavescence dorée*, a phytoplasma disease with the potential to kill young vines and greatly reduce the productivity of old vines. The Piedmont region has been badly hit for more than 15 years and the disease has even killed entire vineyards. Up to now, there is no known cure. The threat to the vineyards has driven the cooperative to look for a solution, even if it is only a partial one. In order to guarantee our members access to nursery plants that are certified disease-free, we have started partnerships with nurseries in Sicily where *Flavescence dorée* cannot propagate itself.

There are two further challenges, the lack of young people entering the sector and the modernization of our members' holdings. In this part of Piedmont, many farms with vineyards are small and produce only modest returns. The average wine grape farmer's age is well over 55, even if this figure has remained stable in the last few years.

At the start of the new millennium, we experienced a continuous rise in the number of farms joining the cooperative and a significant growth in the area being cultivated. However, during the last ten years, this trend has reversed. The number of our members has declined from 320 to about 160 (at the time of this report), with the likelihood of further reductions in the next 10 to 15 years, levelling off at probably 110 to 120 members. This reduction is partly due to the average grape wine farmer's age, as well as to the increasingly complicated legislation governing agriculture in general and, in particular, vine growing/wine production. Abandoned vineyards are usually taken up by other members leading to an increasing average size per holding, although at a fairly low level.

In an effort to keep the productive vineyards cultivated, for a few years, Terre dei Santi has bought and replanted vineyard land in order to create productive areas that we can cultivate ourselves or, even better, hand over to qualified members.

From a commercial point of view, the main activity of direct sales to individual customers (more than 60,000 served during 2017 and in continuous expansion) guarantees sales for immediate payment without extra costs or discounts; the same benefits hold true for e-commerce, which—due to the restrictive legislation—has begun only recently to play a role in Italy. Another new line of activity focused on wine tourism and includes various projects for the development of this strategic sector.

Alongside with the wine market for tourists, we are testing our products on foreign markets. Our target is the mature market, where knowledgeable customers are going beyond the well-known brands and are looking to discover new wines. Our next

objective is to reach these niche markets that are able to recognize the value of unique products like the *Cari*, known and appreciated at the court of the kings of Savoy and Italy; we are the only remaining producer today.

Produttori del Barbaresco (Barbaresco CN, Piedmont, Italy)

Aldo Vacca, Director.

The cooperative *Produttori del Barbaresco* was founded in 1958 by 19 farmers in the village of Barbaresco, in Italy's Piedmont region, about 10 km northeast of Alba and 25 km northeast of Barolo. It now has 54 members and controls 110 hectares of a total of 700 hectares in the Barbaresco DOCG appellation. Member farm sizes vary quite a bit from 0.5 hectare to 10–12 hectares. The majority of members are full time farmers, but we do have a dozen members who have another occupation as well.

The winery produces about 600,000 bottles every year and bottles 100% of its production.

We make sure to close payment of the grapes from one vintage before harvesting the new one, on a 12-month period. We generally give members four checks, that is, one in November, one in February, one in June, and a final one in September. If we have “extra cash” we can also give our members dividends on older vintages. These dividends are usually averaged over three vintages to balance up the total amount among farmers who may have replanted or had a reduction in crop in one specific vintage or another.

Produttori del Barbaresco has three levels of decision making bodies: (1) the general assembly, (2) the board, and (3) the managing director and the head winemaker.

The 54 members meet at least three times a year. In July members meet for a general overview on how the growing season is proceeding. In this meeting decisions on “green harvest” are made; sometimes we do mandatory reduction of the crop allowed by the appellation rules and all the members have to adjust their production accordingly. Another general meeting takes place in September, which is when we look at how the ripening is evolving and usually decide the day when we are going to start the harvest. Then in November a meeting is held in which the members officially approve the fiscal balance of the year, being that they are the shareholders and owners of the company.

Once every three years the members elect nine farmers to serve on the board, which operates on a one person/one vote system. The nine “executive members” elected then choose one of them to be the president. The president and board meet once a month and make all the major decisions in terms of investments, price list, new members, grape payments, etc. These decisions are implemented by

the executive team, that is, the managing director and the head winemaker who attend the board meetings, but do not participate in voting or decision making. The managing director takes care of sales and marketing, and the head winemaker deals with all matters of the supply side.

In principle, both the board and the assembly decide by majority. However, most of the time we do not reach a situation where we have to vote; usually we discuss the issue, share opinions, and then try to agree.

Anybody who wants to become a member may apply and may be considered by the board. In our appellation, 90% of the wine is currently estate bottled, so there are very few farmers left who actually sell out their grapes in the open market and, therefore, may be interested in becoming members of our co-operative. Although the admission of a new member is a rare event, the last four were inducted in 2013.

Likewise, during the 60 years of the cooperative's lifetime, only six farmers left to start their own winery. Even though the Barbaresco appellation is worldwide known and "boutique wineries" can be quite successful, we discourage our members from exiting the cooperative by paying usually more than twice the average market price.

The success of the company was set right at the beginning by implementing three "golden rules." Each of these may sound just like common sense today, but they were revolutionary back in the 1950s. It did take some courage, boldness, and long-term vision to implement them and this was particularly exceptional considering what Barbaresco was in those days, a small village of small, poor, not particularly open-minded farmers. These three golden rules are:

1. "Only Barbaresco." The winery decided since day one to vinify only *Nebbiolo* grapes from the Barbaresco appellation to make only one wine, Barbaresco. In those days, farmers were growing several other grape varieties in the region that were easier to sell, but they agreed to focusing on Barbaresco wine in the co-op. As per today, we are still the only winery in the region that vinifies only one grape variety. Barbaresco was not an easy sell and that decision made the first years difficult, but forced the winery into a quality pattern and helped the farmers to build a quality mind-set that was unusual. In the 1950s, when fine wine was not as much appreciated as it is now, when it was normal for a wine cooperative to make every day, simple wine, *Produttori del Barbaresco* went in the opposite direction and it has paid back in the long run.
2. "100% delivery." Our members deliver to the winery only *Nebbiolo* grapes that they grow, but they deliver them all. They cannot make and sell Barbaresco wine under their own label, that is, no conflict of interest ever occurs.
3. "Quality payment." Since the first vintage, grapes have been paid based on quality and not just quantity. Since the yield per hectare is set by appellation rules, the larger a farmer is the more grapes he will deliver. However, we make sure that quality is always rewarded. This is a simple concept now, but it was revolutionary in the 1960s and set our standards higher.

From 1958 to 1998 quality was defined by sugar levels. Since 1998, we have had a more precise system. Every load of grapes coming to the winery is crushed and then a randomly selected sample of the juice is quality checked by a spectrophotometer measuring sugar/color/tannin ripeness. This way we create a scoreboard and every load of grapes is ranked along these lines and will be paid accordingly. Last year we averaged a price per kilogram of €4.50 and the scoreboard was formed by 31 steps of €0.10 going from €2.50 to €5.60 per kilogram. In this way, we make sure that every little extra bit of quality is rewarded and we keep all the farmers focused on the most important goal: delivering the best possible grapes in every given vintage. In comparison, last year, the average market price in the Barbaresco appellation was €2.20 per kilogram.

The growing worldwide success of the Barbaresco appellation coincides with the continuously growing success of the cooperative *Produttori del Barbaresco*. Since the mid 1990s, we bottle 100% of the production and in the last five years we are constantly struggling to keep up with demand. In fact, most of the years we sell out a vintage before releasing the new one. Of course, if those crucial decisions would have not been made 60 years ago, the story now might be very different.

Our winery has been growing slowly and steadily. Ten years ago, we were producing around 400,000 bottles, now we produce 600,000 bottles. We have also invested a lot of our profits in upgrading the winery and equipment in order to put ourselves in the best position to produce high-quality wine. We are very much aware that the quality pattern is now the only option and we also know that the key to future success is simple: do not change anything, keep on producing excellent Barbaresco for a reasonable price.

Durbacher Winzergenossenschaft (Durbach, Baden, Germany)

Stephan Danner, Managing Director.

Durbacher Winzergenossenschaft is one of the leading cooperatives in Baden and Germany. With its proximity to Strasbourg and Switzerland, Durbach is an industrial location with a good customer structure. We were founded in 1982 by 98 farmers. After WWII, we started to build a building and a cellar. We now have 230 members—of which 141 are active members, as well as 60 full-time families that cultivate 80% of the vineyard area. Membership is obtained by written application, after the decision by the Executive and the Supervisory Boards. The vineyard area comprises 330 hectares. We produce 2.5 million liters of wine from the Oelberg, Plaelrain, Kochberg, and Steinberg, which are characterized by steep slopes. Overall, 75% are steep-slope areas with almost one-third steepest slope with gradients as steep as 40%. The vineyard area remains constant and we also plan no expansion. In general, we focus on quality and distribute the wine as bottled wine in the price segment €5–40. Most of the wine (75%) is intended for sale in Baden-Württemberg, so there is no real export. In general, 15% of the wine is distributed

directly through our vinothèques, 35% through the food retail segment, 35% through specialist trade, 10% through gastronomy, and 5% through industry.

To guarantee high quality, we carry out three annual inspections by members of the boards, as well as by our cellar master. We also assume 100% delivery and pay according to grape variety, kilogram, and degree Oechsle. One important factor for consistent quality is the community itself, as we depend on a 100% cultivation by the winemakers. As years go by, several changes need to be done. One major problem is that young people keep on working in the vineyards only if payment is appropriate, which is due to pressure and high salaries in the industry. Furthermore, customers do not attach enough value to agricultural products and show a lower willingness to pay for them. Therefore, we want to guarantee a fair payment so that winemakers are able to live on their salaries.

Within the cooperative, decisions are made according to the Articles of Association. The Articles of Association specify what decisions the Executive Board, the Supervisory Board, and the General Assembly may make and defines the proportion of votes that are necessary for the changes. A joint meeting will be held at least once a month, with a total of 14 times per year. However, in daily business, most decisions are made by the managing director, who is both an employee as well as a member of the cooperative. Large investments, topics related to prices for the grapes, as well as personnel decisions are agreed upon in accordance with the Executive and Supervisory Boards. Annual balance sheets are published in *Bundesanzeiger*, the Federal Register of Germany. However, our own measures of success are the payments to our member growers. During the last five years, we were able to increase our turnover from €10 million to €12 million, with only a slight increase in costs.

In the future, we plan to adhere to our idea of quality and further expand our image through print media, radio, advertisement, exhibitions, new products, and label design. For us, it is not important to grow or decrease, but to get the best possible return of the existing vineyard area. The influence of external factors, such as the climate change or European Union requirements and inspections, is particularly strong. We respond to this with irrigation of the grapes. It might also be that there are some changes in grape variety, especially for red wine, but this remains to be seen.

Winzergenossenschaft Mayschoß-Altenahr (Mayschoß, Ahr, Germany)

Matthias Baltes, Chairman.

Winzergenossenschaft Mayschoß-Altenahr was founded in 1868 by 22 grape farmers in the Ahr region of Germany and is deemed the oldest cooperative in the world. The region is characterized by a considerable amount of tourism with many surrounding wineries. Our cooperative is a medium-sized company, with a flat hierarchy and 432 members, mostly part-time and hobby grape growers; only

25 of our members are full-time grape growers. Membership is obtained by written application, which is to be addressed to the Chairman of the Executive Board. The General Assembly admits the membership applicant by majority vote. The number of members has been steadily rising over the last years. Furthermore, 33 full-time employees and another 70 half-time employees (so-called mini-jobbers) are directly employed by us. The vineyard area comprises 150 hectares and all grapes are manually harvested. We produce 1.2 million liters of wine, which is almost exclusively distributed as bottled wine in the high-price segment (€6–38). Fifty-five percent of the wine is distributed directly through our three *vinotheques*, 25% through the food retail segment, 18% through gastronomy and specialist trade, and 2% is exported, mainly to the Netherlands (other smaller export markets are Switzerland, Luxembourg, the United States, and China). We are operating profitably and over the last six years, we have distributed these profits to our members.

We measure our performance using common key figures (e.g., equity ratio, staff cost ratio, materials expenses ratio, paid grape price per hectare) or reputational gains, for example, through high-quality scores or medals in various wine competitions. According to Federal regulations, we publish our annual balance sheets in *Bundesanzeiger*, the Federal Register of Germany. Our own measures of success are employee satisfaction, long-term safeguarding of employees and members, as well as continuous improvement of processes and figures. During the financial year 2017/18, our overall turnover amounted to €8 million; our cost has remained constant for years.

To ensure continued success, we pursue several strategies. First, there are various rules regarding the cultivation (crop protection, maximum permitted levels, pruning, etc.), whereby specific guidelines for crop protection are specified by law. We issue annual harvesting regulations where we distinguish between wines in the low and medium range and premium quality grapes.

Requirements for wines in the low and medium quality range refer to quality and maximum yields, depending on the grape variety (e.g., Pinot noir and Riesling have a maximum yield of 140 kg/ar) (1 ar equals 100 sqm). Any change in the vineyard area and its varietal composition needs to be communicated by May. In addition, there are several reward schemes on fulfilment of minimum must weights for red grape varieties. We also prohibit harvest on rainy days or in very wet vineyards.

For our premium quality programs, we only consider high-quality grapes. Members that want to have their grapes to be part of this program, need to register by May and should provide information on plot size, year of planting, planted clone, growing space, and form of cultivation. No partial deliveries or any pre-harvestings of grapes are allowed; the entire vineyard needs to be harvested at once. Furthermore, for fruit that is scheduled for our quality program, we perform a two-step vineyard evaluation. The initial assessment is carried out after flowering (June/July). We inspect whether the vineyard is in proper condition and has been prepared for the quality program. The second assessment takes place shortly before the

harvest (August/September). At this point, we analyze whether the vineyard can be considered “premium” and check structure and health of the grapes, soil maintenance, vine health, canopy management, and estimated yields. In general, we distinguish among the quality programs *Pinot Noir Classic*, *Riesling Classic*, and *Riesling noble-sweet*. For the *Pinot Noir Classic* program, we require a minimum vineyard age of five years. After being classified, we pay price premiums between 50 and 250% depending on quality (from a minimum of 88 degree Oechsle to a maximum of 105 degree Oechsle). There is a similar system for *Riesling Classic* with a maximum premium payment of 100%. Furthermore, we only allow two canes per vine. The *Riesling noble-sweet* program is aimed at producing noble-sweet wines on an area of one ha. Therefore, after the regular harvest (for our dry wines) one grape cluster per cane may remain for further maturation.

In addition to these rules, our board members and the head winemaker carry out further inspections. These inspections are conducted twice a year (noted earlier) by three to five inspectors over a length of one week.

In addition, we stipulate that 100% of the harvest needs to be delivered to the cooperative. Payment is done per kilogram, degree Oechsle, average yield, and health of grapes. Also, we offer continuing education events twice a year; there are also several additional service offers by the Dienstleistungszentrum Ländlicher Raum (DLR) Rheinland, a public service center.

During the more than 150 years of our existence, we have experienced several changes, such as the introduction of our quality program in the early 1990s. We have seen a move from “mass-wine” and “drink-tourism” to quality wine with lower yields and to more discerning and sophisticated customers. This is reflected in our production data. In 1992, we produced 1.6 million liters of wine on an area of 100 hectares. Now we produce 1.2 million liters of wine on 150 hectares. That is, statistically, our yields have been cut in half.

Decisions are made by the Executive Board, the Supervisory Board, and the General Assembly. The Supervisory Board is the controlling body and is made up of seven independent honorary members. The Executive Board manages the cooperative under its own responsibility and is represented by the managing director and the sales manager. The managing director is both an employee as well as a member and chairman of the cooperative. He answers to the Supervisory Board for any deviations from any predetermined plans. All Executive and Supervisory Board members are elected by the General Assembly. Furthermore, there is an honorary managing board made up of five active member winegrowers, which is involved in all day-to-day business decisions. Fundamental decisions are jointly made with the Executive Board. Decisions on major investments, admission of new members, or amendments to the Articles of Association are made by the General Assembly. A simple majority of the all-present members is required for all votes and elections. A joint meeting will be held at least once a month. Further meetings take place in different committees, such as the harvesting or the building

committees. One special feature of our cooperative is wanted personal fluctuations in all boards and commissions. After reaching the age of 65 we have mandatory resignation from all elected positions. In addition, each year, the longest serving member on each board and commission has to step down from office. However, they can stand for re-election until the age of 65.

In the future, we plan a further specialization of our product range to sharpen our profile. We also plan to digitize our operations. Moreover, we deem the support and the protection of steep slope viticulture as cultural asset essential. However, we will maintain our size and will search for higher-added value by specialization.

We have also been affected by various external factors such as climate change and a complex regulatory network. Although climate change has overall been positive for us, the many European Union and national regulations have significantly impeded viticulture. Particularly, our many hobby vintners may lose interest in growing grapes.

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