

Introduction to the Issue: Wine Cooperatives

This issue of the *Journal of Wine Economics* is devoted to wine cooperatives and centers around a symposium entitled “Organization and Performance of Cooperative Firms in the Wine Sector” and guest-edited by Günter Schamel. The symposium draws from an AAWE workshop organized by Günter Schamel and held at the Free University of Bozen-Bolzano in June 2017. We augmented this symposium with an additional research paper and various field reports from managers of successful wine cooperatives in Austria, Germany, and Italy.

The cooperative movement began in the early 19th century, primarily in the United Kingdom and in France, in order to bundle the purchasing power or productive ability of many small members. In general, “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).

Although producer cooperatives were not limited to agricultural production, they have played a preeminent role in agricultural production. For instance, in the United States, dairy co-ops handle more than 80% of the national milk supply (USDA, 2017). Cooperatives play a dominant role on the European market as well (see Figure 1). However, and in contrast to the United States, where wine co-ops are virtually absent from the market (USDA, 2017), European wine cooperatives look back to a long history¹ and currently produce approximately 42% of all European wine.

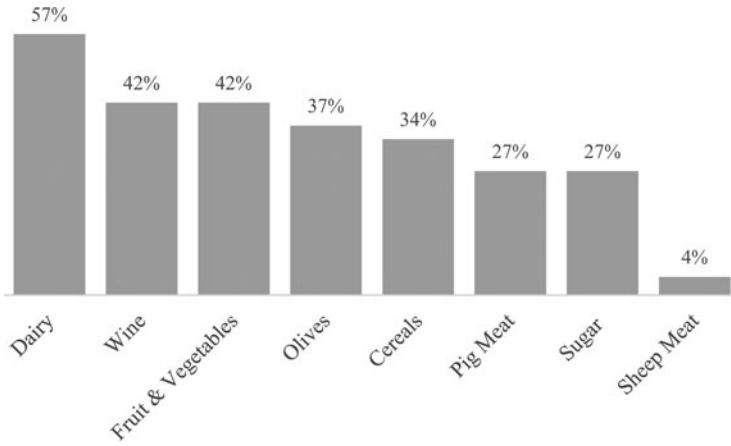
Figure 2 shows the level and the wide range of national wine cooperative shares among European Union wine-producing countries. With 70%, Spain exhibits the highest wine cooperative share in Europe. However, the other two large wine producers, France and Italy, do not follow far behind. Outside of Europe, cooperative wineries play a significant, but somewhat smaller role in South Africa and in Argentina (Karlson and Karlson, 2015).

Despite their large market share, one of the main issues for cooperative wineries is their, on average, low profitability. Many cooperatives bottle only a small part of their production and sell a significant part in bulk at low prices. This is particularly true in Spain. In a study for the European Commission, Bijman et al. (2012) report that “most of the top-5 wine cooperatives in France, Italy, and Germany view

¹The first wine cooperative, *Winzerverein Mayschoß*, which is still in existence was established in 1868 in the Ahr region of Germany.

Figure 1

Share of Cooperatives in National Production of European Union Countries by Selected Product Classes, 2010



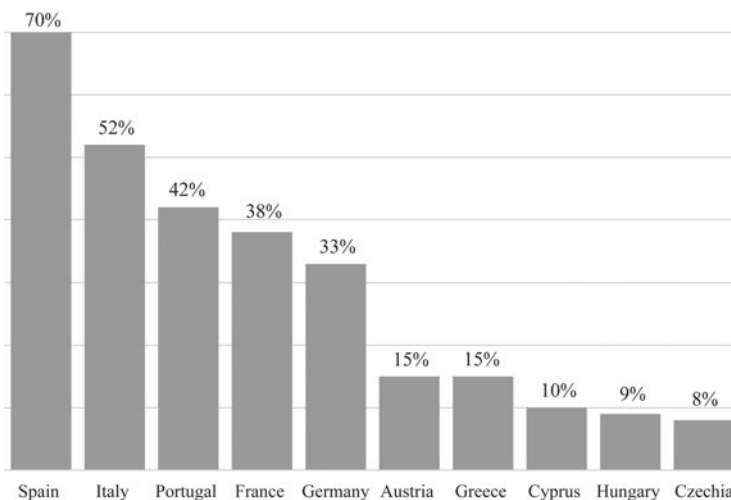
Source: Bijman et al. (2012).

marketing branded wine as their major goal” (Bijman et al., 2012, p. 48). However, only one out of the top five Spanish cooperatives sells branded wine.

This special issue of the *Journal of Wine Economics* opens with some insights from the business side entitled “Successful Wine Cooperatives: Field Reports from

Figure 2

Share of Wine Cooperatives in National Wine Production of European Union Countries, 2010 (in Percent)



Source: Bijman et al. (2012).

Cooperative Managers in Austria, Italy, and Germany” (Aiassa et al., 2018). The managing directors of the following cooperative wineries shed some light on the history, organization, and incentive structure of their cooperatives.²

Domäne Wachau, Wachau, Austria (Roman Horvath and Heinz Frischengruber)

Kellerei-Cantina Tramin, Alto Adige, Italy (Wolfgang Klotz)

Terre dei Santi, Piedmont, Italy (Paolo Aiassa)

Produttori del Barbaresco, Piedmont, Italy (Aldo Vacca)

Durbacher Winzergenossenschaft, Baden, Germany (Stephan Danner)

Winzergenossenschaft Mayschoß-Altenahr, Ahr, Germany (Matthias Baltes)

Despite many differences among these six wineries, there are also various common characteristics that might have been crucial for their success. First, being able to sell bottled wine under the cooperative’s brand name appears to be an important determinant (or indicator) of success; none of the six “Field Report wineries” sell bulk wine. Second, in order to avoid any moral hazard, where member growers only deliver inferior quality to the cooperative and sell their high-quality fruit on the market, members are required to deliver their entire production to the cooperative. Third, the cooperative influences the production process already in the vineyard by setting rules, conducting regular check-ups, and/or offer training sessions. Fourth, all successful cooperatives pay above-average prices to their growers.

This issue continues with Günter Schamel’s “Guest Editor’s Introduction to the Symposium: Organization and Performance of Cooperative Firms in the Wine Sector (Schamel, 2018). The first paper of this symposium, entitled “Organizational Form and Payoff Imbalances in an Aggrievement Model: Cooperatives versus Privately Owned Wineries” is by Francisco J. Santos-Arteaga and Günter Schamel (Santos-Arteaga and Schamel, 2018). The authors develop a theoretical model and show how integrated cooperatives and non-integrated private firms may coexist in a coordinated equilibrium. Their model also suggests that an integrated cooperative is able to obtain a higher social surplus than a non-integrated private winery.

In the second paper of the cooperative symposium, Patrizia Fanasch and Bernd Frick analyze “What Makes Cooperatives Successful? Identifying the Determinants of Their Organizational Performance” (Fanasch and Frick, 2018). Drawing on whether a cooperative is listed in at least one of two leading wine guides (Gault Millau and Falstaff) as a measure of quality, the authors show that, due to certain management characteristics, older and larger cooperatives have a significantly higher likelihood of being listed.

Julien Cadot and Adeline Alonso Ugaglia examine “The Key Role of Banks in the Lifecycle of Bordeaux Wine Cooperatives” (Cadot and Alonso Ugaglia, 2018) and

²These reports could not have been compiled without the help of numerous people who helped with procuring, translating, and/or editing them. I am particularly indebted to Alessandro Corsi (University of Torino, Italy), Patrizia Fanasch (University of Paderborn, Germany), Simonetta Mazzarino (University of Torino, Italy), and Günter Schamel (Free University of Bozen-Bolzano, Italy).

highlight the potential trade-off between member incomes and the life expectancy of a cooperative. The authors show that bank lending regimes are dependent on a cooperative's downstream strategy (i.e., sell in bulk, joining a federation of cooperatives, or vertical integration) and, therefore, influence its survival.

We augment the symposium with a paper entitled “Cooperatives versus Corporations: Survival in the French Wine Industry” by Justine Valette, Paul Amadiou, and Patrick Sentis (Valette, Amadiou, and Sentis, 2018). The authors find that French wine cooperatives survive longer than corporations, even when controlling for mergers and acquisitions. The higher survival rate of wine cooperatives seems to be due to cooperatives' higher ability to pass adverse business environments on to their members.

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