Abstract

In recent years the debate on "structural change" in emerging economies and its contribution to the understanding of development has resurfaced. New types of structuralism using the concept of value chain in certain production sectors that have experienced a significant change process are discussed.

The Argentine grape-wine industry is widely recognized as a "successful case" and its study has attracted interest from academics, businessmen and public policy makers. There is a broad consensus that the significant progress experienced by the sector in the decades of the 90s and 2000s was based on a structural change that included restructuring of vineyards, technological modernization of wineries and development of a high management level, all accompanied by an unprecedented investment of risk capital. Moreover, in analytical terms, viticulture presents a dense historical script, a set of clearly identified economic actors and territorial characterization that make this industry a recurring subject of study from an interdisciplinary perspective.

The aim of this study is to contribute to the current debate on structural change of Argentine vitiviniculture from a dual analysis approach: Strengths and Governance.

At first it is revealed that wine production takes place under conditions of an imperfect market, where prices are the result of an asymmetrical negotiation between the purchasing power of a demand concentrated in few companies and a fragmented supply in the hands of thousands of producers. We analyze the strengths resulting from the interaction between own internal factors of the production unit and external forces that operate within a certain framework of business organization. We describe how the producer is related to resources and markets and trace the path to the double strengths of markets and resources. We combine the above analysis with a focus on governance, which refers to the way in which the relations between the various actors involved along the grape-wine value chain are governed. We analyze the relationships between firms and institutional mechanisms through which coordination actions of the chain activities are set out in the market. It is remarked the importance of explicitly incorporating the axis of institutional analysis of the wine chain, as a means to prevent that what is agreed by "consensus" will not then be distorted by enforcement agencies.

A first conclusion of the study shows the two approaches as being complementary ways of making a diagnosis of a chain value and in our case they both reveal “the existence of a continuous segment going from one highly centralized to a more decentralized coordination".
Knowing the ways in which value chains are governed allows to see their influence on “upgrading” of producers, being this understood as the “increase in value added of the chain attributed to innovation”. We illustrate it with an example of clonal selection of Malbec in which knowledge flows from the innovator to the rest of the grape-wine production chain, generating a positive externality that can be internalized through appropriate policy instruments.