SEMI-HIDDEN FACTORS IN THE CRISIS OF VITICULTURE IN MENDOZA

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The adaptation of the wine producing area of Mendoza to new patterns of global demand (new consumer segments, new preferences, etc.) requires major adjustments. They are specially difficult in this Argentinian region, and they are particularly affecting small and medium producers.

Some are old acquaintances: first macroeconomic factors hinder the competitive adaptation to new realities. In Argentina they are mainly: the exchange rate, the interest rate and export taxes. Thus, the type of "delayed" change - as defined in Argentina to delay devaluation against inflation - is being heavily criticized by entrepreneurs who believe that their wines are less competitive than those of other wine regions. The interest rate for loans is also very unfavorable for the industry: rates over 40% discourage strongly investment. The results of economic policy are cited as responsible for the wine crisis, inflation pushes up the basic inputs of the activity (oil, fertilizers, agrochemicals) and while social protection maintain high minimum wages, the price of grapes has remained stalled years.

But also there are other more specific problem areas. The cost of manual harvesting is quite high and prevents small producers maintain a group of harvesters with legal status, as well harvesters who used to come from neighboring countries no longer attend due to unfavorable exchange rate. Small producers have difficulty in accessing the mechanized harvest not only due to costs but by the type of structure of the vineyards making it impossible in some cases ("parrales").

Despite all these obstacles grape production has remained modest growth and although the wines have increased the domestic price keeping pace with inflation, the grapes are paid the same price for the last 4 harvests. Hence the complaints of small producers about some features of oligopsony in the industry. In recent years, the "trasladistas" wineries have been severely reduced sales of their commodities ("blanco escurrido" and “mpsto concentrado”) by the international crisis and now, with vessels full, cry for government subsidies, and announcing even lower prices for grapes.

Moreover, since the wine industry is a highly regulated activity in Mendoza many time ago and apparently all stakeholders have a say in such regulation may wonder why it failed and if not these regulatory failures that are deepening the crisis.

The paper will investigate in those other lesser known factors and analyze their influence in this crisis. Analyze failures of regulation and market failures from the point of view of the weakest link in the industry: small and medium wine producer in the region of Mendoza.