### Title

A comparison between the cooperative and corporation in the Italian wine sector

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Conference Poster Session

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### Keywords

cooporative corporation financial statement performance legal profit income ROE ROI Italian sector production sales accounting

### Research Question

Is cooperative more suitable and profitable in the wine sector compared to the company?

### Methods

Comparison and analysis of financial statements over time about 50 cooperatives and 50 companies.

### Results

The data of financial statements show best performance of cooperatives than companies. This is probably due to the more important role played by cooperative's member in respect to company's shareholder.

### Abstract

The wine sector in Italy is particularly important for the country's economy. This appears to be a strategic sector between those who belong to the agricultural sector and it is extremely important in a context where the quality of the good food is increasingly felt by consumers. In this context, improving of "Made in Italy" is a priority. However in addition to the quality of the product it is important efficiency production in order to compete effectively. In this sense, the study focuses on the legal form that winery can assume, considering how legal form can affect the cost of business. Especially in the Italian context, regulatory issues play a key role in making the firm’s governance more or less responsive to the specific economic sector. In particular, the study focused on the two legal forms of company prevailing in this business: the corporation and the cooperative. Both of these legal forms have own specificity and therefore, they have specific advantages and disadvantages that characterise them.
In particular, the mutuality is the main feature of the cooperative and the participation of all members is oriented, through a business organization, to maximize the benefits they generate for themselves. The main purpose of the cooperative is not the profit, but the realization of a service useful and usable by all the members, which are, at the same time, cooperative members and recipients of the service produced from the cooperative. In fact, in the cooperative every member participates to the business not only with capital but also providing labor, raw materials, products or services into mutual relations. Cooperative’s member gets benefits that depend on underlying associative relationship, so the advantages can be achieved from mutual association only if the member retracts greater benefits compared to a similar market transaction (i.e. from corporation).

In the specific case, we analysed agricultural cooperatives and we focused only on those that processing and marketing the products offered only by the members, namely agricultural production cooperatives. The mutual purpose is obtaining more money return for the member that sells the products respect to selling the products on the market from himself and, on the other hand, the member is safer to continually place his production because the cooperative’s relationship.

The cooperative performs a social function when it gets the results of mutual and collective interest through responsible behavior from a social point of view (Article 45 of the Italian Constitution explicitly recognises the social function of cooperation, that has a mutualistic nature and no profit business). However, the adoption of cooperative form and following constitutional purposes are not sufficient to make the cooperative as well but it gets when it is not cooperative but when acting as such. For firms of this type, it is not enough only to communicate accounting data about financial and economic situation, but it is essential to incorporate, in the most appropriate way, the information on the management behavior put in place and the results obtained. The financial statement is a kind of mediation report among the different information needs of the stakeholders. Among the stakeholders most important are the partners, especially in the cooperatives because these latter are, at the same time, bearers of capital and conferring of services, supplies, labor, and therefore they are doubly interested in the survival and development of the cooperative. In their role of lenders, they are interested in the return on investment but they have also interest in knowing how the cooperative has used their work and/or resources conferred.

The study, starting from this basis, it suggests that the business of wine has better performance in a cooperative rather than in the corporation. The study involved the analysis of several financial statements belonging to a sample of 50 cooperatives and 50 corporations operating in the Italian area. The comparison between the two different legal forms is possible because for the preparation of the financial statement, the cooperatives should refer to the accounting principles already provided for corporations (art. 2423 et seq and art. 2519 Civil Code) and, only residually, to the generic articles of the Civil Code that rules some peculiarities of the cooperative (in particular, the satisfaction of the members through the practice of mutual principles belonging only to cooperative).

The results of the financial states analysed, considering the period between 2008, the first collection of data, and 2014, the latter was characterized by Italian economic upturn, albeit weak. In this period, the structure more suitable for wine business would seem the cooperative. In particular, it shows on average higher economic performances and improved financial structure. In the pre-crisis period, the data just showed better economic performances and more solid financial structure in the cooperatives, the latter issue is really important because that allows to the firm to withstand economic difficulties (due to the negative performance of the specific sector or unfavorable economic trends, as aftermath of the 2008’ economic crisis) in a better way and, for the same reason, the cost of debts is lower (also this aspect can adversely affect economic performance due to a higher cost of borrowing and increasing exposure risk perceived by lenders, who will act on the interest). Moreover, considering the period of observation, we have noted that the negative impact of the economic crisis has affected lesser the cooperatives than the corporations, also to the issues described above. Cooperatives, over the period have grown sales volume because of the internationalization’s process. With sales more differentiated, and not just concentrated in the domestic market, the cooperatives have also been able to manage the downturn in domestic demand.