

Padua 2017 Abstract Submission

I want to submit an abstract for:

Conference Presentation

Corresponding Author

Roberta Capitello

E-Mail

roberta.capitello@univr.it

Affiliation

University of Verona

Co-Author/s

Name	E-Mail	Affiliation
Maria De Salvo	mdesalvo@unict.it	University of Catania
Diego Begalli	diego.begalli@univr.it	University of Verona

Keywords

risks in viticulture; risk perception; winegrower, wine cooperative; Italy

Research Question

- Analysis of winegrower's perception of risks and relationships between the different types of risk
- Assessment and ranking of business risks with respect to their likelihood and riskiness

Methods

The study reports the preliminary results of a survey by 45 winegrowers. The questionnaire investigated: farm vulnerability and risk-taking self-assessment; perception of risk probability and riskiness; risk management strategies.

Results

Climate change, competition, input markets and institutional environment are sources of risk perception. Uncertainty about market information and commercial relationships are critical aspects in increasing the perception of risk exposure.

Abstract

Introduction

The concept of risk is an omnipresent component of individual's decision-making process and the extent to which people are willing to take risks shapes their risk attitude (Slovic, 1987; Blais and Weber, 2006). Generally speaking, risk is perceived in a negative connotation or as something to be managed or to live with. For entrepreneurs, risk can be translated into a positive meaning, i.e. as a factor to be turned into an opportunity. According to the literature, risks in winegrowing are originated by several factors (Kimura, Antòn and LeThi, 2010; Kourtis, Markellos and Psychoyios, 2012; Seccia, Santeramo and Nardone, 2016) and the management of risks is reaching growing interest due to their rapid increase over the past decades in all categories of food production (OECD, 2009). The wine industry is also characterised by higher added value products compared to other industries, so risks can negatively and seriously affect producers performance in very short time (Seccia et al., 2016).

Research objectives

The objectives of this study are as follow:

- to analyse winegrowers' perception of risks in relation to their sources;
- to analyse the relationship between the different types of risk;
- to assess risks in terms of event likelihood and perceived impact;
- to select the most relevant risks in order to identify risk management strategies and best practices for policy

makers in the definition of sector policies.

Methods

The study has so far developed three research steps.

In the first step, a comprehensive analysis of the literature in agricultural economics and management was carried out in order to identify all possible types of risk associated with the wine industry.

In the second step, four focus groups were carried out in order to select the most relevant risk items for winegrowers and wineries. A wide inventory of risks divided by category (hazard and non hazard risks, and, among non hazard risks, production, market, financial and personal risks) was evaluated in terms of probability of occurrence and potential impact. Focus groups involved 34 winegrowers, 15 of them are members of wine cooperatives.

In the third step, a pilot survey through personal interviews by means of a questionnaire by 91 winegrowers was carried out during the month of November 2016. The questionnaire was articulated in six sections: winegrower characteristics; farm characteristics; self-assessment of risk-taking and farm vulnerability with respect to risky events; probability and riskiness perception of risky events in winegrowing and business management; adopted risk management strategies; probability of implementing new risk management strategies, their benefits and drawbacks. Respondents rated all items using a seven-point Likert scale (from 1, unlikely or not risky, to 7, very likely or very risky).

This study reports the preliminary results of a survey by a sample of 45 winegrowers associated to two cooperatives in northern Italy, both controlled by Collis, the second Italian cooperative group in terms of processed grape volumes.

Next research steps will consist of carrying out surveys by large samples of wine entrepreneurs in order to investigate other wine-growing areas and business typologies.

Results

The survey highlights a general low level of self-perception to risk. Most winegrowers (72%) did not perceive the vulnerability of their business as higher than that of the other cooperative members. Therefore, a propensity to consider themselves as risk-neutral entrepreneurs prevails (56%). Only one third of respondents feel to be more risk taker than the other cooperative members.

Among the most relevant production risks, winegrowers considered the interruption of the production cycle as an unlikely event, however characterised by a strong negative impact if it happens. Conversely, heat waves are perceived as both a likely and risky occurrence. This highlights that climate change issues and the consequent mitigation and adaptation strategies are assuming an increasing relevance among the cooperative members. In this regard, the cooperative can play a pivotal role in managing an effective process of strategy definition and implementation.

Among market risks, the competition intensification is considered as the most likely risk, with a high potential impact. Winegrowers assessed the increase of incumbents' power as well as the entry of new competitors as both likely and risky events. Winegrowers indirectly expressed a perception of vulnerability of their source of competitive advantage and uncertainty about the probability to succeed for the competitive strategies implemented by the cooperative. Therefore, members-cooperative cohesion and members' involvement with cooperative managerial choices are still delicate issues, especially in the case of large-membership cooperatives, as this case study shows.

Among economic financial risks, tax burden and increasing input prices are ranked as the most relevant occurrences in terms of likelihood and expected impact. The feeling of institutional environment variability in governing the sector policy increases the risk perception. Therefore, the relationships between winegrowers, cooperatives and their respective institutional pressure groups are still a critical topic.

Associate winegrowers did not consider the technology as a limiting factor. The implementation of innovations and the damages to production facilities are not perceived as likely and/or risky events. Winegrowers assessed these risks as potentially manageable by the available human resources and technology is seen without access barriers.

Among personal risks, serious illness or death of employees emerged as scarcely likely events, even if characterised by the highest riskiness degree. This further confirms the role of human resources in winegrowing activities.

Conclusion

This study shows that the participation in a wine cooperative is a key factor in determining entrepreneurial

behaviour in terms of risk management. It confirms that associate winegrowers tend to be focused mainly on the production issues also when they evaluate and manage risks, while they transfer the management responsibility of the other risks to the cooperative. Access to market information and relations with trade are critical issues in increasing the perception of risk exposure by the associate winegrowers.

Finally, this research project is open to collaborate to enlarge the survey to other wine-growing areas and business typologies and to verify degree and sources of heterogeneity in risk perception and risk management strategy.