Guest Editor’s Introduction to the Symposium: Organization and Performance of Cooperative Firms in the Wine Sector

This issue of the *Journal of Wine Economics* is devoted to cooperative wine producers. Cooperatives play a very important role in many countries even though they are not as visible in the wine market. In Italy, about 50% of all wine is produced by cooperatives (Mazzarino and Corsi, 2015). About 30% of German vineyards are farmed by members of wine cooperatives (DRV, 2016). In France, almost two-thirds of all grape growers belong to a wine cooperative and in the Americas, Argentinian wine cooperatives represent more than 20% of total production (Karlsson and Karlsson, 2015).

The three articles selected for this special issue are the outcome of the fourth AAWE workshop which was held at the Free University of Bozen-Bolzano in June 2017. The call for papers for the workshop solicited contributions on the “Economics of Organization and Integration in the Wine Sector.” The workshop focused on the specific conditions and characteristics of wine cooperatives. Due to globalization, maturing markets, climate change, and continuous technological progress, wine cooperatives are facing many organizational challenges to ensure economic success. To respond to these challenges, they need to innovate and adopt new organizational and institutional structures, related to viticulture and enological practices, production systems, management, strategy, marketing and distribution, and financing.

This symposium opens with a theoretical article entitled “Organizational Form and Payoff Imbalances in an Aggrievement Model: Cooperatives versus Privately Owned Wineries” co-authored by Francisco J. Santos-Arteaga and Günter Schamel (Santos-Arteaga and Schamel, 2018). The authors build their model on Hart and Holmstrom’s (2010) claim that organizational forms, when agreed upon competitively, condition a sense of entitlement of the involved parties that determines their feelings of grievance for the outcome of the contract and their shading efforts creating deadweight losses. Their main result states that if the intensity of shading depends positively on the existing payoff imbalances between bosses and managers, then (non-)integration with coordination is more plausible when the profits of bosses and benefits of managers are (dis-)similar. Cooperatives are integrated organizations where grape growers delegate the winemaking process to a winemaker who cannot exert quality control over the production chain. Private wineries are non-integrated organizations where grape growers may contribute to the winemaking process and, therefore, exert more quality control over the production.
chain. The formal model illustrates how wine cooperatives as an integrated organizational form and private wineries as a non-integrated organization can coexist within a coordinated market equilibrium. Given reasonable parameters, the model illustrates how an integrated cooperative is able to obtain a higher social surplus than a non-integrated private winery.

Patrizia Fanasch and Bernd Frick ask what makes wine cooperatives successful and identify determinants of their organizational performance (Fanasch and Frick, 2018). Starting point of their article is the poor product quality and low reputation of cooperatives that the literature attributes to information asymmetries, leading to adverse selection and moral hazard, and a lack of profit orientation due to poorly specified and diluted property rights. As in reality some wine cooperatives can completely avoid or at least reduce these problems; the authors identify the characteristics that are required to overcome these problems and to successfully compete in the market. They analyze wine cooperatives in Germany, Austria, and Northern Italy and their main performance measure is whether a cooperative is listed in at least one of two leading wine guides (Gault Millau and Falstaff). Employing a logistic regression, they show that older and larger cooperatives have a significantly higher probability while German cooperatives have a relatively lower probability of being listed in a leading wine guide. The finding is attributed to differences in cooperative management.

The last article in this special issue from the Bolzano workshop examines the key role of banks in the lifecycle of Bordeaux wine cooperatives. Julien Cadot and Adeline Alonso Ugaglia motivate their article suggesting a potential misalignment between the continued success of Bordeaux wine cooperatives and member incomes (Cadot and Alonso Ugaglia, 2018). They emphasize the importance of the downstream strategies that cooperatives pursue, which reflect their choices regarding their options to exit, to continue, or to transition and examine the link between debt and prices paid to grape producers. They show that downstream strategies chosen are related to the lending regime, making the relationship between banks and cooperatives an important factor for Bordeaux wine cooperatives.

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References


