Title
Going east, going west – Food regimes and the Georgian wine industry

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Conference Presentation

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Keywords
Wine economics, food regimes, territorial organization, economic history of wine, Georgia

Research Question
How has the wine industry in Georgia developed over time? How do history and contextual issues influence current development of the industry?

Methods
Mixed methods approach, triangulation, phenomenography.

Results
The study shows the development of the industry during the Russian food regime and changes under a global regime when Georgian industry started to turn towards western markets.

Abstract
INTRODUCTION
During the last 100 years, the Georgian wine industry has undergone several transformations and periods of transition. During the 19th Century, entrepreneurs started to modernize wine production bringing in French style wines, but since the Russian revolution, the Soviet planning economy, heavily influenced production as Georgian wine industry became a part in the Soviet food regime. During the Soviet supply system, efforts were made to eradicate traditional production and large high productivity was preferred. But during recent decades a firm wind of change again induced both technical change and structural transformation as the access to the Russian market was abruptly stopped in 2006 and wine makers were forced to find new markets and satisfy new preferences. This latter change forced the Georgian wine industry to enter the global food regime and global competition within the wine sector. This article highlights the long-term story and structural transformation of the Georgian wine industry departing from an analysis of changing market conditions, institutional change and technical development.
THEORETICAL FRAMEWORK
The historical development of the wine sector is closely connected to issues of local and global power, culture, religion, geography, trade and the existence of large resources (Unwin, 1996; Pinney, 2005; Loubère, 1978, and many more). Therefore, a study of the wine sector in any country can be approached from different perspectives. One such perspective is a systemic approach, based on the analysis of the geopolitical organization of food and agricultural relations (McMichael, 1996; Rytkönen, 2011); A additional approach in studies covering long periods of time is starting off from the interplay between changing societal structures, rules, regulations, market conditions and responses of businesses and industries, through a structure and agency perspective (Lundqvist, 1984; Johnson, 2001). The latter argues that actors and their actions cannot be understood in a meaningful way if they are not related to the structure and/or context in which they act (Johnson, 2001; Welter, 2011). This interplay between structure and agent can then be put in the context of geopolitical organization of food and agricultural relations, embedded in the features and characteristics of each period of time.

WINE IN THE HISTORY OF GEORGIA
The history of wine production in Georgia has been organized under two distinct regimes, preceded by a history that includes the invention of wine (at least 6000 BC), the cultural embeddedness of wine consumption and production which ended with a short period of Europeanisation during the late 19th Century. The historical period grasps the invention of vitiviniculture, the domestication of vines and development of production and consumption practices. During the historical period production was mainly made for domestic/home consumption and it has been a key element in peasant agriculture, as well as in the creation of traditions, the Georgian national identity and the articulation of religious ceremonies (McGovern et al., 2017).

This peasantry-based system, which combined pastoralism in the mountains and slopes, orchard cultivation, wine making, and cultivation of grains such as wheat has gradually evolved over a history. As Georgia has been continuously occupied, annexed or in other ways been territorially claimed by foreign forces, the landscapes, but not the least the production and consumption of qvevri wines has filled an important role to maintain the Georgian identity. Today ancient practices are sustained by the continuing production of home-made wine in many of Georgia’s rural areas. The main driving forces during the historical period were culture, its connection to religion, access to valuable calories and the believe that the traditional wines are carriers of components that promote health.

During the late 19th Century a short and transitory period in which a small number of larger vineyards with state-of-the-art technologies were introduced. These vineyards, although small in number, introduced European and especially French wine making technologies and were the result of large capital investments made by local investors. It is unknown whether these ventures were driven by the market window which was opened in Europe as a result of the Phylloxera crisis in the late 19th Century, however, some of the interviewed wineries stated that a window of opportunity for exports to Russia was opened in the 19th Century and that they have historical records in their winery stating that fact. Since Georgia was annexed to the Russian Empire during the early 19th Century, it seems reasonable that Georgia, with its wine history could fill any market gaps appearing in Russia. This was however a short window, but it probably helped laying the foundation for the role of Georgia within the Soviet food regime.

WINE UNDER THE SOVIET FOOD REGIME
The Soviet regime emerged after Georgia became incorporated to Soviet socialist rule, first through the Transcaucasian Socialist Federative Soviet Republic (1922-1936) and thereafter into the Soviet Union until 1989. The Georgian wine industry became a piece of puzzle of the Soviet supply system with the task of (along with Bulgaria, Romania and Moldavia) delivering wine for the Russian market. Production was organized through a system of collective farms, kolkhozy and state-owned farms, sovkhozy. New large-scale processing and storage facilities were built and high yielding vines replaced less productive ones. As can be seen in diagram 1, the area under vine increased from +/-50 thousand hectares in 1914 to +/-112 thousand hectares in 1985 (Georgian Wine Association, 2011). The reason for this in-crease is the productivity goal of the Soviet food regime.

Quality was influenced by productive practices (High yield = low quality). After 1985 the productive area decreased of a Russian decision to decrease alcohol consumption. The de-crease continued when collectivized land became privatized in 1992 (after the fall of the Sovi-et Union) and because of an import ban on Georgian wines adopted by
Russia in 2006. An important legacy of the Russian regime is that it sofocated entrepreneurial responses by setting strict rules for who, when, where, what and how much was to be produced. Still, the tradition of home-made wine continued and thereby preserved important knowledge and know-how about ancient production techniques. Maybe because of, or in spite efforts to create a centrally controlled supply system.

Informants claim that efforts were made to eradicate traditional wine production and the use of ancient methods was not encouraged. Qvevri-vessels found in the collectivized wineries were used for other purposes. Consumption of vodka and of industrially elaborated wine was promoted, however although consumption of vodka increased it did not manage to surpass wine and preferred home-made, qvevri wines, for their quality and as an act of patriotism to maintain Georgian identity.

A summary of the endogenous and exogenous forces influencing the wine industry under the Soviet food regime offers the following:

Endogenous forces:
Large scale production, increase productivity, soviet supply system.
Exceptional conditions for production of wine cemented the role of Georgia in the Soviet supply system.

Exogenous forces:
Ideological aspects issue negative impact, for example destruction of traditional artefacts.
Efforts to substitute wine with vodka.
Embargo of Georgian wine in 2006 put an end to the remnants of the Russian regime.

Outcomes:
Increased area under vine
Raised productivity
Benefitted high yielding grape varieties
Quantity over quality
Loss of competence for high quality production.
Access to the Russian market before and after the ban in 2006. Resistance against industry wines as a civil rights/national identity act.

WINE UNDER THE GLOBAL FOOD REGIME
The 2006 ban forced Georgian wine makers to find economic solutions in new markets. Many vineyards went bankrupt and only those financially more stable survived. Land prices fell dramatically and new agents could enter the market, but there was uncertainty and risk con-nected to the need of opening new markets. A structural transformation of the industry took place at the same time that windows of opportunity were opened for entrepreneurs to act upon – and actions can be classified as entrepreneurial, as investment decisions were made under true uncertainty (Alvarez, et al., 2010; Sarasvathy, et al., 2010; Short et al., 2009).

The new wine entrepreneurs, established their businesses with a new proposition, making Georgian wine available to the entire world, promptly bringing Georgia’s wine industry under the global food regime, which is characterized by global wine trade, large corporations, capital integration between “old and new” wine countries, globally accepted territorial organization rules, influential media stars, the emergence of garagistes and other local responses (Rytkönen, 2011). Georgia has partially been integrated into the global food regime, mainly through their participation in competitions and fairs, but also through the collaboration with international wine makers, such as the involvement of Donato Lanati in Badagoni winery. The largest and more modern wineries work with Georgian celebrities, but also with key interna-tional wine agents. Small-scale export-oriented wineries rely on networks of wine entrepre-neurs to promote their wines in foreign countries.

The state supports the sector with start-up loans/investment loans with favourable conditions to both small scale and large-scale businesses. The Georgian Wine Association has been inte-grated in the Ministry of Agriculture and the state supports participation in promotion activi-ties abroad (Interview, Georgian wine association, October 2017).
The main export strategies are to export low-price (on average 1,5-4 USD/bottle) and regular, table wine quality semi-sweet wines to the old (and growing) markets (Russia, Ukraine), but to approach new markets (Germany, China, Japan, USA, Europe) with high-quality, middle to high-price segment (on average between 5-12 USD/bottle) selling natural wines (qvevri-based production) and high quality European style wines.

Home market consumption is still quite important for the larger firms. Some specialized stores for promoting local wines have gradually been established and are considered as important to promote domestic consumption. Interviewees claim that consumption amongst younger consumers (20-30 years old) is still low, therefore efforts are being made to promote wine consumption amongst this group.

Summary of influencing forces
Endogenous forces:
Rich intellectual and historical capital.
Unique features for story-telling and promotion.
Growing demand for natural wines and growing demand for wine in the Russian market.
High cost structure compared to other recent new-comers in the world market.

Exogenous forces:
Threats and political boycotts/conflicts and wars.
Declining population due to wars and conflicts.
Financial support from western countries.
Rising GDP (2006-2018)
Increasingly interesting country for foreign tourists.
The new diaspora can become an important driving force behind exports.
General low innovative capacity (lack of capital, weak institutional frames, shortcomings in quality orientation, old style management structures)

Outcomes:
State of the art European technologies are used along-side with ancient Qvevri based production.
Large emphasis on quality improvement.
Initiation of foreign market penetration.
European style wines are starting to take place.
Differentiated domestic consumption patterns – older consumer buy “on the jar”, whilst younger people buy bottles.
New challenges appear as new markets are entered.
Foreign demand for wine tourism is still unsatisfied (with a few exceptions).
Small scale agriculture needs to develop better business models for diversification.

FINAL COMMENTS
Perhaps the most interesting observations are obtained in the comparison between the Soviet food regime and the global food regime. While the former tried to erase the vitivinicultural heritage of Georgia, this same heritage is now the figurehead of current development. But our answers are only partly answered. A more elaborated version and deeper answers are found in the full version of the article.