STOWARZYSZENIE EKONOMISTÓW ROLNICTWA I AGROBIZNESU
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WINERY CORPORATIONS IN EUROPE AND IN THE WORLD[1]

PRODUCENCI WIN W EUROPIE I NA ŚWIECIE

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Słowa kluczowe: współpraca, sukces, kooperacyjny, klaster przemysłowy

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Abstract. The global grape and wine market has been rearranged during the past 15 years. Over the course of events, as new world wines gained ground, further emerging countries joined in and the production of old world wines decreased, giving rise to a new era. It was affected by globalization that placed concentrated markets in an advantageous position. As a result, there is a growing emphasis on the formation of vine growth and wine production collaboration networks in case of both the new world and European countries, which are able to provide solutions to global challenges arising as a result of global wine market development. In European wine producing countries with great traditions, integration, necessary for the stable operation of the sector, was established much earlier, typically in the form of producer cooperatives. In new areas, concentration began later, thus forming clusters constituting an appropriate form in many cases. This paper examines the necessity of cooperation and overviews the advantages and drawbacks that can be obtained from it. It compares wine producing collaboration networks in European countries and areas overseas. The aim of the study is to find the most important attributes leading to success.

Introduction

In Hungary, since the 1990s, a decreasing trend has prevailed in terms of both vineyard area and total grape harvest. However, at the same time, average yield growth has typically been observed [HCSO 2015]. The country has excellent natural conditions for growing grapevines, which is why it is necessary to find the causes for decline in the sector. Inadequate concentration and integration of the sector may be one of the possible reasons.

The present state of the sector is a result of changes following political transition. Production and wine production, usually grouped together, were separated. Founding producer groups and producer advocacy organizations may be a decisive factor. In Hungary, the problem lies in the fact that there are hardly any organizations actually based on producer groups, and the protection of interests is in the hands of wine producers.

According to research [Szabó, Barta 2014], in Hungary, the following factors can be enumerated as causes of success (or lack) of cooperative coordination: small market share, low-level subsidiary cooperation as well as the lack of confidence among stakeholders and pending solutions to the issue of financing. There has been a significant change in the membership data of producer groups existing in the grape and wine industry. In the period between 2006 and 2012, the number of members decreased by more than 50%, from 2653 to 1288. In crop production, only a 10% decrease was observed. It also indicates that in the grape and wine supply chain, stakeholders (producers, trade organizations, government, etc.) still have things to be done in the field of co-operation. The cluster model is the most appropriate tool to satisfying this requirement. In some respects, it is more capable of integrating participant interest and roles than the classic models of cooperation, collaboration. Our findings to that effect are in agreement with the experiences of Mariusz Maciejczak [2012] in Poland. It can be stated, as a further argument, that transaction costs shape up favourably, which is an important economic aspect [Maciejczak, Szczupska 2012].

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This paper examines the necessity of cooperation as well as overviews the advantages and drawbacks that can be obtained from it. It compares wine producing collaboration networks in European countries and other parts of the world. This study is intended to determine the main arguments for success by processing and systematizing samples that are relevant with regard to the grape and wine industry, which play an important economic role both in the regions of the Southern Great Plain and Northern Hungary.

Material and methods

Starting from the objective of the research, a comparison of advantages, drawbacks and special characteristics of various cooperation forms an essential part of analysis. Following, a non-exhaustive overview is given about the South Australian wine cluster, the Washington State wine cluster, the Italian Piedmont wine cluster and the French 'Vines de Sables' cooperative. The reasons for choosing the Australian cluster and the American cluster from overseas was that, among the TOP100 spirits and wine brands in 2015, they appeared a great number of times within the first 100 in the wine subcategory (Tab. 1). Their growth was robust still in 2015, and it is estimated to continue being so in the future. Choosing Italian and French cooperating organization, chosen from amongst the three biggest wine producing countries at a European level, could help explain why these collaborations make these two countries so successful.

Essential characteristics in case of each cooperating organization are taken into account, namely: the form of cooperation; the number and importance of participants; the main areas of activity; the advantages and disadvantages or threats.

Table 1. Chilean, Australian and US wine brands among the TOP100 spirits and wine brands in 2015
Tabela 1. Chilijskie, australijskie i amerykańskie marki wina wśród 100 najlepszych marek alkoholi i wina w 2015 roku

Position/ *Lokata*	Brand/*Marka*	Owner/*Właściciel*	Country/ *Kraj*	Market share/ *Udział w rynku [%]*	Future growth/ *Dalszy wzrost [%]*
18.	Concha y Toro	Concha y Toro	Chile	9.5	5.1
23.	Barefoot Wine	E&J Gallo	USA	9.5	5.0
28.	Gallo	E&J Gallo	USA	8.5	3.8
30.	Robert Mondavi	Constellation	USA	7.9	5.8
43.	Yellowtail	Casella Wines	Australia	7.1	3.6
44.	Sutter Home	Sutter Home Winery	USA	7.1	3.9
46.	Hardys	Accolade Wines	Australia	7.0	5.1
52.	Lindeman's	Treasury Wine Estates	Australia	6.4	4.0
60.	Beringer	Treasury Wine Estates	USA	6.3	3.8
68.	Jacobs Creek	Pernod Ricard	Australia	5.8	5.4
79.	Blossom Hill	Diageo	USA	5.5	3.4
87.	Kendall Jackson	Jackson Family Wines	USA	3.8	4.8
91.	Black Box Wines	Constellation	USA	4.0	6.5
93.	Wolf Blass	Treasury Wine Estates	Australia	3.8	4.5

Source: own study based on the *World's Most Powerful Spirits & Wine Brands* [2015]
Źródło: opracowanie własne na podstawie World's Most Powerful Spirits & Wine Brands [2015]

Results

Through the concept of cooperation, what is meant is an economic relationship established along the lines of common interest, which gives mutual advantages to the participants of cooperation. In the examined clusters, the heterogeneous nature of organizational forms prevails. The cooperative form is the most popular organization in the world which is why it is the main focus of the study.

The need for cooperation is explained by the fact that the competitiveness of economic operators in the market differs greatly in extent depending on various market structures, however the operators of a typically smaller business size can increase their market power through cooperation and thereby lessen or eliminate their competitive disadvantage with regards to monopolistic or oligopolistic organizations. It is especially true in case of competitiveness problems generated by the world economy globalization. It is important to strengthen advocacy and reduce transaction (and often production) costs, whereby different forms of cooperation can be of great benefit since they can give opportunity to small and medium-sized enterprises to be able to survive in the global market as well as develop and remain viable in the long run.

Increasing operating size, modernising integration (machinery rings, winery cooperatives) and technology used are the most important tasks in increasing competitiveness. An appropriate adaptation of successful foreign examples may be a solution to improving competitiveness.

Based on the processes that can be observed in the world, the competition of networks, instead of individual organisations, is also decisive in the grape and wine supply chain. Owing to globalisation, economic operators with a high level of concentration, working in different parts of the world, are becoming more and more important.

In Europe, small family vineyards and cooperating wineries dominate in the field of wine production, while in new world countries, the level of concentration is very high and vertical integration has a significant role. In Australia and the U.S., the five biggest wine producing companies produce 70% of national production. This value is 50% in Argentina and Chile, while in France, Italy and Spain it is only 10%. The reason for this difference is that the organizational concentration can fundamentally be attributed to historical antecedents [Anderson 2003, Simpson 2009].

In new world countries, there are many clusters, yet not all clusters look the same. While economic operators in New Zealand and Australia have established a very strong network within the cluster, the same cannot be said for South African or Chilean clusters [Migone, Howlett 2010]. Fundamentally, there are three models characterizing clusters, i.e., Porter's diamond model, the Triple Helix concept and Markusen's model. The clusters presented in this study mainly represent Porter's diamond model, where enterprises, local authorities, financial institutions and research institutes are the main actors supplemented by further collaboration networks supporting the industry [Spinoglio 2013].

South Australian Wine Cluster

As an innovative cluster, it fulfills the biggest wine producing and exporter function in Australia. Historically, the formation of the vineyard area can be traced back to the 1830s. The establishment of cooperation became important after the 1980 crisis as it worked as a solution for the backward situation. Among the participants of the organization, there are wine growers, wine producers,

Table 2. Advantages and disadvantages of the South Australian Wine Cluster
Tabela 2. Zalety i wady klastera South Australian Wine

Advantages/*Zalety*	Drawbacks, threats/ *Wady, zagrożenia*
Development in the field of quality and productivity/*Poprawa w jakości i produktywności*	change in market position/ *zmiana pozycji rynkowej*
Production innovation/*Innowacje w produkcji*	the answer for the climate change in corporation is more efficient/*odpowiedź na zmiany klimatyczne jest efektywniejsza*
Successful quality brand at an affordable price/ *Popularna, dobra jakościowo marka w przystępnej cenie*	-
Favourable exchange rate/*Korzystny kurs walutowy*	-
Changes in consumer preferences/*Zmiany w preferencjach konsumentów*	-
'Strategy 2025' is a comprehensive, integral and realistic plan/*„Strategia 2025" jest kompleksowym, integralnym i realistycznym programem*	-
By development, growth and mergers they have achieved economies of scale/*Przez innowacje, rozwój i fuzje uzyskano korzyści skali*	-

Source: own study based on [Nipe et al. 2010]
Źródło: opracowanie włsane na podstawie [Nipe i in. 2010]

brand owners, supporting service providers (bottle makers, screw top manufacturers and barrel makers), institutes for research and collaboration as well as state and federal bodies. In number, 3500 wine growers grow about 200,000 tonnes of grapes annually, which are processed by 648 wine producers [Nipe et al. 2010]. Table 2 summarizes the advantages and disadvantages of the cluster.

Washington State Wine Cluster

The first vineyard in Fort Vancouver was planted in 1825, while in the area of Yakima valley it was as late as 1914. The 'Upland Winery' was established in 1933, and in 1937 Walter J. Clore (the "Father of Washington Wine") joined it. From that time on, the science of viticulture has also played an important role at the University of Washington. In 1954, American Wine Growers was established and was the result of a merge of the Pommerelle and National Wine Company, which later became known as Chateau St. Michelle. The well-distinguished American Viticultural areas were established in 1983 [CAI 2015].

The organization comprises vineyards, wineries, supply businesses, wholesale chains and restaurants. It is supplemented with such support activities as wine tasting committees, research bases and companies offering warehousing possibilities.

Within the cluster, there is continuous development backed up by 2013 and 2014 data. While in 2013, 800 wine growers grew 210,000 tonnes of wine grape and produced 14.8 million cases of

Table 3. Advantages and disadvantages of Washington State Wine Cluster
Tabela 3. Zalety i wady klastera Washington State Wine

Advantages/*Zalety*	Drawbacks, threats/*Wady, zagrożenia*
In many cases, the members are involved in more than one segment of the supply chain (more than 600 wineries also have vineyards)/*W wielu przpadkach członkowie są obecni w więcej niż jednym segmencie łańcucha logistycznego (ponad 600 wytwórni win ma także winnice)*	The proportion of imported wines rises faster than the value of wines sold by the state/*Proporcja win importowanych rośnie szybciej niż wartość win sprzedawanych za granicę*
Possibility of processing under contract in single wine press houses/*Możliwość zakontraktowania w pojedynczej wytwórni wina*	The availability of grapes is limited, thus some wine growers do not make use of maximum production/*Postępność winogron jest ograniczona, więc winiarze nie mogą wykorzystać pełni mocy przerobowych*
The SME sector can also use support activities being critical in producing wine/*Sektor MŚP może świadczyć dodatkowe usługi związane z produkcją wina*	There is no possibility for significant expansion, because many wine growers are in the area/*Możliwości rozwoju są ograniczone, ponieważ na lokalnym rynku funkcjonuje już wielu winiarzy*
A Gallup research shows that it has the highest quality-price ratio for wines in the world/Badanie *Gallupa pokazuje, że ma najlepszy stosunek jakości do ceny na świecie*	Environmental challenges/ *Problemy związane z ochroną środowiska*
It supports 25 900 jobs/*Utrzymuje 25 900 miejsc pracy*	It is difficult to switch between small and large plants/*Trudno jest przerzucić się z małego zakładu na duży i odwrotnie*
Direct tax revenue of about 10 million dollars supplemented by a further approx. 52 million dollars in indirect revenue/*Bezpośrednie wpływy z podatków są na poziomie ok. 10 mln dolarów, uzupełnione o dodatkowe 52 mln w opodatkowaniu pośrednim*	There is a need for continuous market enlargement and expansion; the future depends on it/*Konieczna jest ciągła ekspansja i rozwój rynku*
Shift in preferences (from beer to wine)/ *Zmiana preferencji (rezygnacja z piwa na rzecz wina)*	-

Source: own study based on [CAI 2015]
Źródło: opracowanie włsane na podstawie [CAI 2015]

wine, in 2014 there were about 850 wine growers, who in preliminary estimates harvested 227,000 tonnes. On the whole, the vineyards span 50 000 acres within the framework of the organization [CAI 2015]. Table 3 sums up the advantages and disadvantages of the cluster.

Piedmont Wine Cluster

The formation of vineyards in this area goes back to antiquity, around the fifth century. Italy, as Europe in general, is characterized by diversification. Small farms and huge, industrial-size farms coexist here. More than 74% of wine grape vineyards are less than 2 ha in size. 81% of wineries produce less than 100 hectolitres a year. However, only 0.2% of wine producers have vineyards over 10 ha, and annual wine production accounts for more than 500 hl (producing 40.3% of total Italian wine production). These wineries have to compete with e.g. Australian ones who have vineyards larger than 10 thousand ha with annual wine production accounting for over 0.5 million hl. In 2008, the number of Italian wine companies was 164,554, from which Piedmont was represented together with two other provinces. Approx. 20,452 vine-growing companies are within the cluster [Spinoglio 2013]. Table 4 sums up the advantages and disadvantages of the cluster.

Table 4. Advantages and disadvantages of the Cluster
Tabela 4. Zalety i wady klastera piemonckiego

Advantages/*Zalety*	Drawbacks, threats/*Wady, zagrożenia*
Unique – terroir nature (symbolic value)/*Unikalny mikroklimat (wartość symboliczna)*	70% of the vine growing companies are smaller than two ha (no economies of scale)/*70% winnic ma poniżej 2 ha (brak korzyści skali)*
All members has a comparative advantage, who is in corporations (joint action)/*Wszyscy członkowie, którzy są w korporacjach mają przewagę względną (działanie wspólne)*	rising producer costs/ *rosnące koszty produkcji*
Very good basis and steadily growing public financing in the field of research, development and innovation/ *Dobre podstawy i rosnące wsparcie finansowe państwa w obrębie badań, rozwoju i innowacji*	growing number of competitors with lower costs/*coraz więcej jest konkurentów oferujących niższe ceny*
Possibility of technical consultation/*Możliwość konsultacji technicznych*	lack of long-term strategy and management approach/*brak długofalowej strategii i zarządzania*
Professional wine producers (very good training)/ *Zawodowi producenci wina (bardzo dobre przygotowanie merytoryczne)*	-

Source: own study based on [Spinoglio 2013]
Źródło: opracowanie włsane na podstawie [Spinoglio 2013]

‘Vines de Sables’ Cooperative

The origins of vine culture in this area of France, like Italy, date back to ancient times. Development can still be observed as late as the 1970s and 1980s with the Chirac plan. Within the cooperative, there is a cooperative of winegrowers, a cooperative of wine producers and individual wine growers. Consequently, the model of the dual cooperative exists here. The cooperative constitutes a 3000 ha vineyard area, 146 wine growers and 12 wineries. Table 5 sums up the advantages and disadvantages of the cluster.

Table 5. Advantages and disadvantages of the Vines de Sables' Cooperative
Tabela 5. Zalety i wady spółdzielni Vines de Sables'

Advantages/*Zalety*	Disadvantages, threats/ *Wady, zagrożenia*
Medium term contractual systems/*System umów średnioterminowych*	significant dependency/*duża wzajemna zależność*
Well established index formula for definition of grape price/ *Ustanowiona formuła indeksacji dla cen winogron*	require continuous cooperation/ *wymaga ciągłej współpracy*
Mutual confidence/*Wzajemne zaufanie*	usually the plus result is generated in the long run/*dodatnie wyniki osiągane zazwyczaj w długim okresie*
Information-sharing is typical/*Dzielenie się wiedzą*	-
Brand building and contribution to promotion/*Świadome budowanie marki i wkład w promocję*	-
Effective in both low-quality and high-quality products/*Efektywny zarówno na polu produktów niskiej, jak i wysokiej jakości*	-
Sharing investment costs/*Dzielenie się wydatkami na inwestycje*	-

Source: own study
Źródło: opracowanie własne

Conclusions

Basing on the experiences of the examined cooperating organizations and literature background, it can be stated that the grape and wine industry requires much cooperation: on the one hand it is necessary to increase the response rate to global challenges and bargaining power, and on the other hand, to maintain flexibility typical for small and medium enterprises, which aids adaptation to changing market needs. For that, the development of mutual confidence forms a strong basis, which is missing in Hungary. In new world countries, cooperation generally works in the form of clusters, while old world wine producers typically form cooperatives. Integration can be advantageous in both forms in the long term; however, more and more attention should be paid to the management approach and complex way of thinking. Information and knowledge sharing has become more widespread, as have services providing support, while cooperating organisations have become stronger. Currently, it is vital to have a coherent strategy and share it with members. Huge benefits can be gained from administrative assistance, the activities of governmental measures supporting the sector, such as the availability of various research and development funds and the development of associated infrastructure. Oversupply, climate change and dynamic change in consumer demands are global challenges for both the old world and new world countries. Establishing appropriate size meets with difficulties on many occasions at the expense of capacity utilisation. In our country, actual collaboration is minimal, so a lot of work is needed to be done if this sector is to remain intact and prosper.

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Streszczenie

Światowy rynek winogron i wina przeszedł poważne zmiany w ciągu ostatnich 15 lat. Nowa era nastała, gdy wina z Nowego Świata zaczęły zyskiwać uznanie konsumentów, a na rynek wkraczały kolejne kraje rozwijające się, produkcja wina zaś w krajach Starego Świata malała. Wpływ na to miały procesy globalizacyjne, które dały korzystną pozycję skoncentrowanym rynkom. Z tego powodu wzrasta znaczenie współpracy w zakresie uprawy winorośli i produkcji wina, zarówno w Nowym Świecie, jak i w Europie, która pozwala sprostać wyzwaniom wynikającym z rozwoju globalnego rynku wina. W krajach europejskich o wielowiekowej tradycji wytwarzania wina kwestia zrzeszania się w celu stabilnej działalności sektora została wcześniej rozwiązana, głównie przez tworzenie spółdzielni produkcyjnych. Na nowych obszarach integrację rozpoczęto później, lecz przeprowadzono ją w większym zakresie i przybrała ona w wielu przypadkach formę klastrów przemysłowych. Zbadano konieczność współpracy i zaprezentowano korzyści oraz problemy, które ona niesie ze sobą, a także porównano modele współpracy w krajach europejskich oraz na innych kontynentach. Celem badań było ustalenie, jakie są najistotniejsze atuty wiodące do sukcesu.

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