



How to grow better grapes and make more money: An Exploratory Member Survey of Wine Cooperatives

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Outline

- 1. Motivation**
- 2. Observations**
- 3. Literature**
- 4. Data & Model**
- 5. Results**

Motivation

In measurable and well-documented ways, social capital makes an enormous difference in our lives[...]. Social capital makes us smarter, healthier, safer, richer, and better [...].

Robert D. Putnam, 2001

Motivation

- **Extend my previous work studying wine cooperatives in Europe**
- **We observe that wine cooperatives are often struggling to get their members to produce higher quality grapes and in turn to receive better prices for their wines.**
 - Coop members in Austria have incentives to overproduce and to free ride on quality (Pennerstorfer & Weiss, 2013)
 - German wine coops don't gain premiums for crucial quality categories and varieties incl. Rieslings Schamel (2015) while wine coops in Northern Italy perform well (Schamel 2014).
 - Some coops produce great wines, but the majority does not: complementary institutional mechanisms to improve the performance of an indispensable organizational form (Frick 2017)

Observations

- **Price incentives for members that are tied to grape quality.**
- **Subjective winemaker assessment of grape quality upon delivery PLUS objective quality parameters (acidity, sugar, PH-value)**
- **Members are consulted on how to manage their vineyards**
- **Training activities for members**
- **Members are very proud to be part of their cooperative and to **share a common vision** (aiming to make exceptional wine)**
- **Does this relate to “cooperative” social capital?**

Literature

- Social capital is seen as a specific input for coop firms that is in decline (Nilsson et al. 2012)
- Coleman (1994) postulates that “social capital, like other forms of capital, is productive and facilitates the achievement of certain ends that would be impossible in its absence”.
- Putnam (2000) identifies social capital as “social networks (among individuals) and the norms of reciprocity and trustworthiness that arise from them.”
- We want to identify the factors of social capital that may contribute to the economic success of coops in the wine sector.

Research Question

What are structural, organizational and social factors that may contribute to the economic success of wine cooperatives?

Structural (S): e.g. vineyard size

Organizational (O): e.g. training, vineyard consulting, grape-quality assessment

Social Factors (SF): e.g. involvement in the coop, personal relations, member commitment to quality, trust, **Vision**

Data

- We survey 357 wine coop members to evaluate structural, organizational and social factors and their contribute to grape prices (pay-out).
- Average pay-out **2,23€/kg grapes** in 2015, with the leading coop paying over 6€/kg grapes
- **Pay-out** is ordinal and a relative price per kg of grapes, i.e. %-premium or %-discount relative to the average price for all grape delivered in 2015.
- **13 Coops** with **130 to 750 members** with a share of full-time growers between 5 and 90%
- Vineyard area of coop members: **0,5 – 3,5 ha**
- Annual production: 0,9 to 3,5 mill. bottles

Data

- Shared **Vision** depends on internal organization and social factors.
Thus, shared **Vision** would relate to promoting a common idea on
 - **grape-quality improvement** (e.g. vineyard consulting, training activity) and **assessment** (e.g. visual grading, acidity)
 - **supported by social factors** such as commitment, trust, and the strengths of personal relations.

Results

Shared Vision = f(Organization, Social factors)

Dependent Variable: VISION (OLS, 236 observations)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.699	0.393	1.780	0.076
Grape Acidity	0.251	0.115	2.187	0.030
Visual Grading	0.392	0.146	2.689	0.008
Vineyard Consulting	0.338	0.121	2.804	0.006
Training Activity	0.432	0.161	2.687	0.008
Winemaker Relation	0.232	0.053	4.388	0.000
Member Commitment	0.220	0.075	2.923	0.004
Member Trust	0.089	0.049	1.843	0.067
Gender	0.324	0.160	2.026	0.044
R-squared	0.3669	Mean dependent var.		3.712
Adj. R-squared	0.3446	S.D. dependent var.		1.020
F-stat.	16.446	Durbin-Watson stat.		1.994

Source: Own Calculation

Results

Pay-Out = f(Size, Shared Vision, Vineyard Management, Involvement)

Dependent Variable: PAY-OUT (ML-Ordered Probit, 231 obs.)

Variable	Coefficient	Std. Err.	z-Stat.	Prob.
Farm Size	0.201	0.051	3.922	0.000
Shared Vision	0.206	0.076	2.695	0.007
Vineyard Management	0.379	0.166	2.284	0.022
Involvement	0.238	0.070	3.383	0.001
Limit Points				
LIMIT_2:C (5)	1.304	0.355	3.675	0.000
LIMIT_3:C (6)	2.527	0.375	6.732	0.000
Pseudo R-squared	0.116	Akaike info criterion		1.953
Schwarz criterion	2.042	Log likelihood		-219.56
Hannan-Quinn	1.989	LR statistic		57.433

Source: Own Calculation

Summary

- Improving grape-quality (e.g. through vineyard consulting, training activity) PLUS quality assessment procedures (e.g. visual grading, acidity) AND
- Social factors (commitment, trust, and the strengths of personal relations) significantly determine a shared vision by coop members affecting their economic success in addition to farm size and member involvement in coop matters.



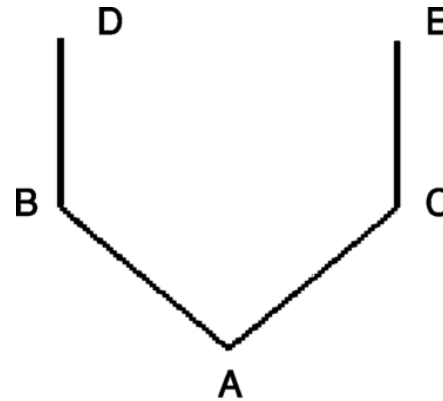
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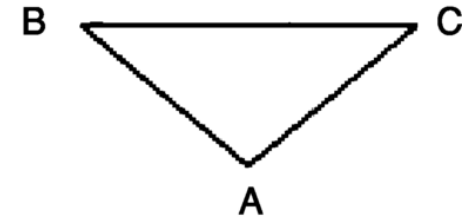


Literature

Internal View – Coleman



(a)



(b)

Main Factors:

- Networks
- Cultural norms
- Rewards
- Closeness, Stability & Ideology

Literature

External View – Putnam

Main factors:

Formal / Informal

Close / Distant

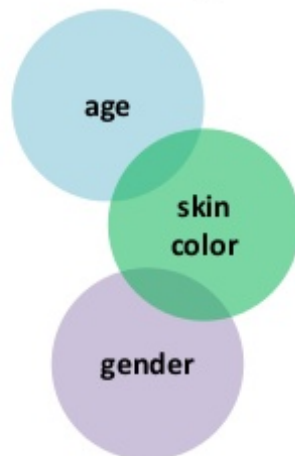
Inside / Outside

Bonding / Bridging

Social Capital

Bonding capital

ties to people who are *like* you in some important way



Bridging capital

ties to people who are *unlike* you in some important way).



(Putnam 2007)