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Abstract Submission

Quality Incentives in Wine Cooperatives: A Quantitative Case Study

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Multiple problems of the cooperative model have been investigated in the literature. They include agent and incentive problems (Hakelius and Hansson, 2016, Valette et al., 2018), difficulties to scale up (Tortia et al., 2013), and to adjust towards new market conditions (Nilsson, 1997). Often, low-quality standards are attributed to wine cooperatives, resulting from opportunistic behavior by members (Garrido, 2022) and a poor reputation of products from cooperatives (Schamel, 2015). However, a growing number of papers has highlighted the strengths and advantages of the cooperative organizational model (Fahlbeck, 2007; Figueredo and Franco, 2018; Valentinov, 2007) explaining their continued existence.

The present paper analyzes data on grape deliveries from members of a wine cooperative in Alto Adige, Northern Italy, and information on their incentive and quality control scheme obtained through direct collaboration and qualitative interviews with members and their management. The main goal of this paper is to find out how incentive and quality control schemes influence grape quality and the resulting payment a grower receives.

Using a detailed data set for all grape deliveries from individual members of a cooperative over the vintages 2016-19 and the existing grape quality incentives, we are able to explain why growers received a price premium or discount per kg of grapes delivered. In this respect, we highlight the importance of the continuous evaluation process in the vineyard, the quality grading of the grapes delivered and the wine growers' dedication, enabling the cooperative to address the low quality and incentive problems mentioned in the literature. Moreover, we confirm the hypothesis that the relative size of a winegrower operation has a significant impact on grape quality delivered and an inverse impact on the payment farmers receive for their grapes. Vintage conditions have a moderating effect on these results.