Extremadura is one of the main Spanish wine regions, with 88,000 hectares of vineyards and an average production of around 3 million hectoliters. The Extremaduran wine sector has undergone vast changes over the past 30 years, from being a producer of bulk wines intended primarily for the production of alcohol, to producing quality wines that are exported to many countries. Producers have adapted varieties towards those most in demand by the market, and wineries have introduced technological improvements that have enabled them to achieve high levels of quality with very competitive prices.

However, even though the sector enjoys advantages in climate, soil, and the price of grapes, these have not been translated into a fully competitive wine sector. This paper analyses these factors that have affected, either positively or negatively, the development of the wine sector, such as the lack of ties between the industries, the poor role of the Spanish and Extremaduran government without a clear policy to promote business integrations, or an incomplete policy for promotion of social enterprises.

This paper is based on a 2010 study of 30 wineries in Extremadura (Spain), which was carried out to analyze the potential role of public and collective support institutions to promote competitiveness.

We have determined that one of the main factors affecting the competitiveness of the Extremaduran wineries is the pricing policy, which has been key to the maintenance and development of the companies. The region, as a result of its soil and climatic features, has excellent conditions for grape production, even taking into account the scarcity of rainfall between harvests, which greatly affects production. The result is a raw material of good quality at a price well below that of other Spanish or European regions producing wines of similar quality. This has provided an element of competitiveness to the wineries of Extremadura, although at the expense of the grape producers who have spent several years in crisis.

The other key element is the strong tendency for export, caused by the limited domestic market and facilitated greatly by the integration of Spain into the European Union. The wide European market and the development of logistics networks, have led companies to turn to foreign markets, where competitive prices allowed them to enter the markets.

However, the lack of business ties between companies and with the various advisory and administrative bodies leads to the excessive spending of resources, both human and material. The development and empowerment of the brands, attracting distributors, and market research, in many instances, does not receive the adequate funding considering the amount of resources invested in export. In this sense, an organized structure with management capacity would optimize investments in foreign markets, thus complementing the benefits of price advantages and generating large competitive advantages.

Another aspect that stands out in the sector is the lack of innovation, and more pointedly, the lack of interest in innovation, which may also be explained by the "individuality" in the sector. Most companies, because of their family-based characteristics, cannot afford an R & D department. Large companies, such as cooperatives, that could afford it, often focus on the production of bulk wines, where they find it is more important to reduce costs than to innovate.