Collective Action in the Wine Value Chain: A Case Study of Australia

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We identify and classify types of collective action in the Australian wine industry, and assess their usefulness and implications for different stakeholders. The industry continues to be adversely affected by the oversupply on global markets, resulting in marginal diminution in wine output from the peak year of 2005. This decline has been spread very unevenly across different geographic zones and stakeholders. Sheales et al. (2006, p. 3) recognised the looming magnitude of the problem of global wine oversupply and identified six strategies to improve competitiveness. These strategies can be summarised as:

1. increasing the average size of grower operations (partly through smaller operators leaving the industry) so as to realise scale efficiencies;
2. adjusting business models through more contracting, leasing, share-farming and cooperative arrangements designed to achieve better financial performance for growers and the industry as a whole;
3. maintaining or increasing investment in research and development (R&D) aimed at developing and adopting new technologies to increase on- and off-farm productivity;
4. developing improved relationships between wineries and grape growers to ensure that information flows will better equip industry participants to respond to new and emerging market trends;
5. maintaining an appreciation of global and domestic supply chain dynamics to allow growers and wineries to better position their businesses and products; and
6. developing value-adding opportunities that satisfy changing consumer demands.

The collective nature of all activities is immediately apparent. Recommendation 2 explicitly recommends an investigation of different types of collective action at different points in production. Recommendations 3, 5 and 6 involve the development of collective, or pooled, knowledge bases (one with respect to R&D examining both on-farm and off-farm activity; one with respect to global market trends; and one with developing opportunities for value-adding, an activity that is readily conceived as taking place involving a number of participants in the wine industry writ large). Recommendation 4 explicitly directs greater vertical cooperation between grape-growers and winemakers. Only recommendation 1 (consolidation) can be reasonably considered to fall within the ambit of particular producers. The question thus arises of how best to conceive of these types of collective arrangements.

Several conceptual and theoretical approaches can be identified to examine collective action in the Australian wine industry. The most salient of these is the cluster modelling approach. Recent examples have included a study of export linkages in the Australian wine industry by Aylward (2006, p. 424) who emphasised the distinction between clusters as ‘spontaneous groupings of firms’ and ‘constructed clusters’, such as industrial parks, that are engendered with a specific goal in mind. He used a similar approach to examine innovation support among New World wine producers. More recent work has focussed on particular geographically defined wine clusters. See, for example, Wickramasekara and Bamberry’s (2009) study of Stanthorpe in Queensland’s South East, the investigation by Henderson et al. (2009) of the Hunter Valley wine region conceived in cluster terms, and the analysis by Sellitto and Burgess (2005) of ‘virtual’ clusters in the form of government-sponsored internet portals for regional wine groupings.
Nevertheless, arguably a lack of conceptual and theoretical rigour is characteristic of this work. For example, Enright and Roberts (2001) pointed out that if a definition of cluster types includes government-sponsored attempts at developing regional economic development centred on particular industries, it is clear that federal government policy has been directed to this policy goal since at least the mid-1990s. Kelly, Dollery and Grant (2009) identified what they referred to as three generations of federal government policy in this regard in the post-WW2 era. Further, the lack of conceptual and theoretical rigour found in this work renders it as descriptively sociological in nature, rather than investigating the types of collective and collaborative arrangements from a political economy perspective (for an exception, see Marsh and Shaw 2000).

We draw on the public economics literature, namely the work of Oakerson (1999), to provide a more taxonomically refined and economics-based account of collective action. Oakerson (1999, p. 7) distinguished between service ‘provision’ and service ‘production’ and demonstrated that different criteria apply to these conceptually different functions. The provision of services involves determining whether to provide a particular service, the regulation of activities, revenue-raising, the quantity and quality of services provided, and how these services should be produced. Alternatively, the production of services involves the creation of a product or the rendering of a service rather than its financial provision.

The conceptual separation of provision from production allows for choice between different vehicles for producing services. Oakerson (1999, pp. 17-18) identified several generic possibilities for linking provision with production. However, of these only ‘coordinated production’, ‘joint production’ and ‘intergovernmental contracting’ constitute shared services. By contrast, ‘private contracting’, ‘franchising’ and ‘vouchering’ do not meet the definition of shared services since they involve contractual, for-profit arrangements. It is on this basis, using the traditional distinction between horizontal and vertical types of cooperation, that we identify and classify types of collective action in the Australian wine industry.

References

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