The wine cooperatives in Gironde: What future prospects?

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A movement of reorganization in the world of wine cooperatives in Gironde

1998 = 54 Wine cooperatives in Gironde
2007 = 44 wine cooperatives
~ 40% of wine growing farms and 25% of the wine production

A reorganization in order to reduce the environmental uncertainty

- In 2006, we showed the link between the « wine crisis » and the mergers of wine cooperatives
  - Some wine cooperatives lived difficulties (loss of members, decrease in sales…) : they needed to find a partner with which to regroup = Mergers by absorption

  The first way to analyse these mergers is as a process of rationalization of the vineyards of wine cooperatives

  - The mergers are the strategic levers of a policy of reducing uncertainties.
    - They aim to reach a critical size to
      - Develop quality
      - Develop new activities
      - Increase the power of negotiation on the markets
      - Reach the greatest retailers
      - They aim to reduce the number of competitors.

- The question was in 2006:
  The reorganization of the wine cooperatives in Gironde, is it complete or not?

  - Our assumption = no
    - It remains a great number of small wine cooperatives which can not face the competition
    - a new movement has been done in the end of 2007: joint ventures on sales in bulk
    - The organization of wine cooperatives is not able to reduce uncertainty enough
The wine cooperatives of Gironde in 2007

2007-2008: a new movement: joint ventures on sales in bulk

- A great number of « small » wine cooperatives near great commercial poles

Today: 25 wine cooperatives (30% of wine production) remain alone without link with these poles

The question is:

The reorganization of the wine cooperatives in Gironde, is it complete or not?

Our assumption = no
- It remains a great number of small wine cooperatives which cannot face the competition
- A new movement has been done in the end of 2007: commercial regrouping
- The organization of wine cooperatives is not able to reduce uncertainty efficiently

Three great evolutions are possible:
1. The continuity of the rationalization process
2. The consolidation of the commercial poles
3. Towards a total commercial integration?
1- The continuity of the rationalization process

- A new study (survey) on 20 wine cooperatives which had not merged (on 41)
  - For 12 of them (11 small ones): no projects of merger or of commercial partnership with others wine cooperatives

<table>
<thead>
<tr>
<th>Number of wine cooperatives</th>
<th>why they have no projects of merger or of commercial partnerships</th>
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<tbody>
<tr>
<td>7</td>
<td>Useless</td>
</tr>
<tr>
<td>2</td>
<td>No contacts with others cooperatives</td>
</tr>
<tr>
<td>3</td>
<td>Cooperatives which have lived bad experiences</td>
</tr>
<tr>
<td></td>
<td>or which have failed to create a commercial partnership</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
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The survey shows that there are at least 2 types of small wine cooperatives which describe two different types of possible evolutions
- Those which can stay alone because of their situation (high renowned areas) or because of their strategy (upscale strategy, typical wine...)
- Those which can not stay alone

2- The consolidation of the commercial poles

There are two models of organization of the commercial poles in Gironde

Type 1: An « integrated model »: UNIVITIS
Type 2: A non « integrated model »: UVVBA, Côtes en Bordeaux

Differences:
1. Type 1: same director as the wine cooperatives
2. Type 1 = total contribution of members

Type 1 Commercial strategy easier to define
Reduction of the environmental uncertainty easier to reach

Possible evolutions
Transformation of types 2 to type 1

3- Towards a total commercial integration?

Several models of commercial organizations

Model 1: one union for selling bottled only (or for sales in bulk only)
Model 2: 2 unions, one for selling bottled, one for sales in bulk
3- Towards a total commercial integration?

Whatever the model

Problems to define a clear commercial strategy and to reduce the environmental uncertainty efficiently

Possible evolutions
With 3 possible phases

Possible evolutions

With 3 possible phases

Phase 1
Creation of public companies

Phase 2

Phase 3?

Conclusion

Whatever the scenario:

Others changes must take place in a few months or years

Doubts on the level of the concentration process (rationalization only or integration)

Now two questions:
The evolutions that I describe, will really happen?
What effects on territorial equilibrium and the territorial development?

The answers = Perhaps for enometrics 2009 and 2010???