



Structure of the producing side of the wine industry: Firm typologies, networks of firms and clusters

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Abstract

The purpose of this article is to introduce what is traditionally known in France as the wine *filière*. The paper is divided into two parts. First, we will introduce the theoretical approaches and the main research questions relating to the ‘*filière* analysis’, by combining older references with the complementary approaches derived from more recent theoretical contributions. The *filière* analysis is based on three main historical theoretical streams and on four complementary and more recent approaches: the innovation chains, the global value chain (GVC), the theory of transaction costs and the marketing approach. In the second part of the paper, we will provide a general overview of the wine *filière* and conduct an analysis of the main actors, grape growers, co-operatives, wine brokers, wine merchants and clusters according to the research questions introduced previously.

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Keywords: Wine industry; *Filière*; Market chain; Theoretical references; Industrial organization

1. Introduction

The purpose of this article is to introduce what is traditionally known, in Southern European countries, as the wine *filière*. The concept is often reflected by the term ‘market chain’ in Anglo-American literature. The current presentation of this ‘chain’ involves depicting the actors in graphic form through linkages with arrows symbolizing the relationships operating between them. After a strong development of this tool during the 1960s–1970s, in particular as a result of a national industrial policy based on that approach,¹ economists gradually distanced themselves from that reference. This may be attributed to the opening of new research

avenues, criticism concerning the difficulties in defining the boundaries for these chains precisely and the lack of a theoretical frame work, or even to the absence of a research question justifying the representation.

It was therefore the agricultural and food sector which most frequently adopted the *filière* approach and this still applies today.

In order to show the utility and the richness of this approach, we have divided this work into two parts. In the first part, we start by looking at the ‘origins’ through a focus on the theoretical underpinnings of the ‘*filière*’ approach considered in two ways: first, by recalling the theoretical references historically dated and second, by showing how recent contributions, even if produced outside the literature on the wine industry, could provide a substantial contribution to understanding the economics of this industry. Although not designed to be exhaustive, the inclusion of this complementary literature adds to the founding works to enrich the meso-analysis literature. Therefore, in the first part we define the approach adopted to conduct the ‘*filière*’ analysis which we then apply in the second part. In short, this article intends to redefine a modern tool and to apply it to the upstream level of the wine chain.

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¹Current events in July 2012 highlighted in the French press: “A plan to assist the automobile *filière*”.

2. Theoretical foundations of the *filière* analysis

The *filière* analysis is based on three main historical theoretical streams and on four complementary and more recent approaches.

2.1. The historical references

2.1.1. The circuit: Technical and liberal productivist references

As previously pointed out by Lauret (1983), the flow of goods and their counterparts in kind or in currencies is as old as economics. The term *circuit* was first introduced by Bois-Guillebert around 1700. The landowner spends his rent buying his clothes made by the tailor. The ‘worker’ is at the origin of the ‘circuit’. A graphic representation was often used in *filière* studies and it was first introduced in the ‘input–output table’ as a means of providing a clear view of the accounts. Adam Smith, in his chapter about the division of labor, describes the *filière* that leads to this mechanism as simple as a pair of scissors: ‘the miner, the builder of the furnace to melt down the mineral, coal maker, the adjuster, the blacksmith, the cutler’.

This notion of ‘*circuit*’ is closely associated with engineering sciences and thus to the *technique* as the means of explaining how goods are manufactured. In agriculture, the term ‘technical itinerary’ is often used to describe the way the operations are interconnected.

2.1.2. The Marxist approach: Kautsky (1900)

The Marxist approach also considers the *circuit*, but it stresses the relationships between producers and the downstream industries. One striking example of this chain is based on the linkages established between Nestlé and cattle farmers: ‘180 Swiss towns lost their economic autonomy and became subjects of the House of Nestlé’. The question in terms of bargaining power among economic subjects is clearly shown. This approach guides researches with regard to market power, domination, the transfer of productivity gains, the share of value added and prices.

Also, it is possible to include in this stream the application to agriculture of the *filière* analysis (*Commodity Chain Analysis, CCA; Commodity System Analysis, CSA*) provided by William H. Friedland, Professor Emeritus in the Department of Sociology at the University of California at Santa Cruz, for his founding work on the mechanization of the harvesting of tomatoes and Iceberg lettuce, in 1984. He defines five components or subjects as part of the CSA: the production practices in modern agriculture, professional organizations, the supply of labor and implementation, scientific and technical research and marketing and distribution beyond the farm gate.

2.1.3. Systemic analysis and the general theory of the systems

The third reference to the *filière* analysis is found in the General Systems Theory (von Bertalanffy, 1950) and in the

systemic approach popularized in France by Yves Barel (1971) and later by Joël de Rosnay (1975). Systemic analysis defines *filières* as systems, a group of elements interacting and hierarchized in various levels. Systems analysis leads to an understanding of the diversity and complexity of the real world and to an awareness of the complementarities between the elements of the *filière*. As an outcome of other fields of implementation, this reference ignores, to some extent, the theoretical explanations and the identification of causalities in economics, facing a certain degree of ignorance and even rejection by the academic world.

In the General Systems Theory, Jean-Louis Lemoigne (1977) underlines the systemic paradigm and what he describes as a “new discourse on the method”. These are the new precepts which disconcert a lot of researchers as they introduce specific characteristics such as the local, the ‘ad hoc’ and the infinite. In short, it introduces a breakdown of reality according to the goals of the researcher and the basic research question, the positioning of the research object in relation to the whole, its interpretation according to its behavior and the impossible independence of the observer. Furthermore, the multiplication of the works in a field of research leads to a certain degree of convergence and the stability of the representations held, which will facilitate an initial synthesis for a given *filière*.

In our field of research, the reference to the work of Ray Goldberg (1957), who defined the ‘*Agribusiness concept*’, remains essential reading. This concept is of utmost importance to the major operators and the public authorities concerned by a product. On the one hand is the first desire to control the relationships with suppliers and customers while on the other hand we see the second desire to plan, control and intervene in the industrial sectors.

2.2. Renewal and improvements

Despite of the lack of interest by academic theoreticians, *filière* analysis benefited from some more recent works contributing to its improvement.² Without exploring them in too much detail, we will address four streams of research which remain quite independent: the innovation chains, the global value chain (GVC), the theory of transaction costs and the marketing approach.

2.2.1. Innovation chains

The concept of innovation chains is an application of the *filière* approach within the General Systems Theory at a second level of analysis. Basically, it involves connecting a product linked to a *filière* with a group of innovation chains that contribute (systemic vision) to both the technology and competition dynamics in the agricultural or industrial sector.

²Those theoretical contributions were generated outside and independently of the *filière* analysis. However, their dissemination across the wine *filière* by various authors made a strong contribution to the method.

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