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## **Barriers and driving forces in organic winemaking in Europe: case studies in France and Italy**

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### **Abstract**

*Purpose:* Despite the growing interest of consumers in natural wines over the last few years, organic winemakers face a number of barriers to further development. The European Union has difficulty in developing a credible regulatory environment for organic wine making with a common solution for the member states. There is confusion in existing definitions, regulations, implemented strategies and certification. This paper aims to shed light on the poorly researched area of natural winemaking in Europe.

*Methodology:* In this paper we distil information from existing literature and a number of original case studies with natural wine producers in France and Italy to explore organic wine consumer motivations, producer motivations, production approaches and market strategies.

*Findings:* We suggest that 1. The EU-adopted legislative umbrella term 'organic wines' obscures a heterogeneity of products, market motivations and strategies; 2. We need new tools for thinking about and analysing the organic wine sector in Europe, 3. A key element for the growth of organic winemaking is a Europe-wide valorisation of 'organic' as a mark of quality in wine.

**Key words:** Bio wines, organic winemaking, strategic marketing decisions, Italy, France.

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## 1. INTRODUCTION

There is little doubt that the modern wine trade is becoming increasingly globalised, as suggested by numerous studies (eg Anderson 2003, 2004). A new trend in the heterogeneous global wine market is the emergence of organic wines. Very little is known about this emerging market: statistical information is not comprehensive, and very little research on organic winemaking and organic wines exist, especially in the context of Old World production. This is in spite of the fact that over the last few years, natural - organic or bio – wines have developed a notable presence on the global wine scene. Marketing sustainability and promoting environmental issues have become a driving power on the world wine market (Brugarolas et al. 2005; Carbone and Moatti, 2008). The New World producers have led the organic trend, with New Zealand cultivating its "green" image (Hughey et al. 2005), Australia moving rapidly towards organic viticulture (Lockshin et al. 2008), and Chile passing a country-wide environmentally sustainable code of conduct (Gibb 2009). In Europe, 2.5% of all grape growing areas were dedicated to organic grapes in 2006 (Willer 2008).

Interestingly, the market response to organic wines is not uniformly positive, and there are puzzling contradictions in consumer attitudes to organic wines. For instance, studies show the existence of consumers who refuse to value 'bio' credentials (Lockshin et al; 2007). Furthermore, it has been shown that while 'bio' production methods have a positive impact on the price of the bottle (presumably due to higher quality of grapes), this effect lasts only as long as they remain undisclosed; the moment the bottle starts to carry a 'bio' label the price is dragged down (Delmas, Grant 2010). Studies suggest that 'green' labels do little to improve a wine's image if it is not perceived as quality regardless of the environmental certification (Loureiro 2003).

In this study, we aim to shed some light on the hitherto unexplored area of organic wine production in Europe. We particularly want to stress the heterogeneity of organic wine producer profiles, and to suggest that understanding organic wine as opposed to 'conventional' winemaking is simplistic. In Europe, 'organic wine' refers to wine made with organically grown grapes – the production process is only regulated to a limited extent by national certifying bodies. Semi-structured interviews conducted with French and Italian wine producers allowed us to uncover the diversity of production methods, sales strategies and motivations of producers clustered under the umbrella-term 'organic wine producer'. On the basis of our research and existing organic wine market research we want to suggest that a) the organic wine market is highly fragmented, and it is of strategic importance to individual producers that they continue to differentiate between different organic winemaking strategies, making the emergence of a unified 'European organic wine market' highly unlikely; b) that in order for a unified European organic wine brand to emerge, significant amount of EU-sponsored advertising would be needed to valorise organic as a sign of quality.

### 1.1. The Natural Wines sector in Italy

Italy is the biggest producer of organic agricultural produce in the EU-25, accounting for nearly 18% of total organic crops; and its organic crop coverage and number of organic produce operators is still growing (Llorens Abando, Rohnerthielen 2007). In Italy in 2008, there were 48,480 ha under organic viticulture, of which 39,819 were winemaking vines. There has been an increase of more than 29% in the amount of land covered by organically grown vines between 2004 and 2008 (SINAB 2010). Due to better climatic conditions, 50% of the organic vineyard surface is concentrated in the South of Italy, 34% in the Central regions and 16% in the North.

In Italy vineyards were managed with methods very close to organic techniques well before organic conversion (ORWINE 2007b). Among those interviewed for this study, personal health concerns figured strongly as a reason to turn to organic wine production; as a result, many companies were already producing organic wines in the early 80s, before this production method became legally recognised. There were no established sales channels for organic wines at that time, and hardly any consumer demand. Producers developed their sales networks by attending organic products trade fairs in Northern Europe, where the market continues to be much more developed than that in Italy.

International organic trade fairs such as BioFach in Nuremberg and Millesime Bio in France continue to be some of the most important events on the organic wine calendar, allowing for the development of new market relationships both for producers and retailers.

### **1.2. The Natural wines sector in France**

The French National Agency BIO for the Development and Promotion of Biological Agriculture report (2008) indicates that in twelve years, from 1995 to 2007, the surface under bio vineyards in France has grown more than four and a half times, from 4 854 hectares to 22 510 ha. Since 2006 the conversion of vineyards to organic or bio vineyards has been accelerating in France, and the annual rate of conversion varies between 20-25% per year, attaining 38% in 2009 on average. This growth is even more striking in the light of the shrinking total surface of vineyards in France.

Regardless of the recent growth, organic grapes still represent only about 6% on average of all French vineyards. Three major regions in France which are particularly involved in this process are the Mediterranean regions - Languedoc-Roussillon and Provence-Alpes-Côte d'Azur followed by Aquitaine (respectively 12 661, 8981 and 5465 bio wine producers and those under the conversion process- see Figure 1.).

Many small vineyards in France, and in Bordeaux in particular, are managed with methods similar to organic techniques following local traditions and minimising the use of chemicals. Since 1990 the term " viticulture raisonnée" or reasonable vine growing, has been used more and more widely to stress vine cultivation with minimum chemical input, and only in extreme situations. The major importers of French natural wines are the USA, the Scandinavian countries and Japan.

## **2. RESEARCH METHODOLOGY**

To grasp the difficulties which natural vine growers and wine makers in Italy and France are faced with, we adopted the approach of interpretive case studies in several wineries in these two countries. The interpretive case study methodology (e.g. Eisenhardt, 1989; Pettigrew et al. 2001) refers to ethnographic research methods and focuses on investigating phenomena in their real-life context. Seventeen Italian producers, and fifteen French producers were interviewed. For the purpose of this short paper, we draw some general conclusions from this rather large sample, without focusing on individual cases. These are tentative conclusions which we aim to develop further. Our interview questions focused on the companies' production methods, market situation, distribution networks, and supply chains. In the context of Italy, the interviews were part of a larger ethnography.

## **3. FRANCE AND ITALY: BREIF COMPARISON**

Drawing on the interview material, we individuated three motivational and market profiles of organic wine producers in France and Italy. For each of these producers a differentiation from the other profiles is key for the maintenance of their market niche: the 'naturalness' producers critique the 'market' and 'wines' producers for not being true to the 'spirit of organic'; the

'market' and 'wines' producers critique the 'naturalness' producers for being unrealistic. The groups have no motivation to work together, and in the current legislative and market context they have no reason to pursue a common strategy. This diversity of motivations lies at the root of the failure of the recent EU-wide organic wine policy initiative.

#### Profile 1: motivated by naturalness

Both in Italy and in France we encountered winemakers who produced wines using minimal amounts of technology and chemicals (in the case of the French winemakers, bad weather conditions resulted in occasional vineyard spraying). Their wines could be described as 'natural wines'; the lack of SO<sub>2</sub> made them very unstable and very unusual, hardly corresponding to the characteristics of other wines produced in the region. These producers depended on word of mouth and trusted distribution channels based on face-to-face relationships for the sales of their wines. For these winemakers, an utmost respect for natural processes occurring in wine was more important than enlarging their sales network; they were selling a certain vision of what winemaking out to be like. These winemakers would describe themselves as organic or biodynamic producers, but would not seek certification or any other official quality recognition.

#### Profile 2: motivated by wines

All of our interviewees depended on foreign markets, especially Northern Europe and Japan, for the sales of their wines; in some cases, this dependence was more pronounced than in others. The winemakers with a strong connection to North European countries tended to use more 'conventional' production methods, in that they did not always use indigenous yeast, they controlled fermentation temperatures, and they used low levels of SO<sub>2</sub> to stabilise the wines (one producer used very advanced methods of dried-ice temperature control). These producers would typically carry organic certification. These producers were motivated to make wines which would be the best expression of their *terroir*, and saw organic production as a method to achieve this quality. Their market interest was generally very poor, and dependent on the knowledge of wine merchants in the case of France, and trusted wine sellers in the case of Italy.

#### Profile 3: market motivated

In both countries we met with producers who entered the organic wine market motivated by the EU organic agriculture subsidies available at the beginning of the new millennium. Additionally, in Italy we interviewed a large producer who supplies organic wine to a UK supermarket chain. These deeply market-entangled producers operate at higher fiscal levels to the previous two profiles, and they are active in the EU-level debates about the future of organic winemaking in Europe. These winemakers depend heavily on the association between organic and quality which is now present in food sales, but is only emerging in the context of wine.

Following from our research, we would like to suggest that it is difficult to speak of a coherent natural wines sector in Europe. Not only have we found a wide diversity of producer profiles and motivations, but also a lack of interest or incentive to promote the natural wines sector as a whole.

While both France and Italy are traditional winemaking countries, the marketing and distribution solutions found differ significantly between countries. Although producers in both countries show major dependence on international sales, the sales relationships are achieved in different ways. In France small 'natural' wineries entrust the trade to one

importer, in practice giving the exporters the exclusive right to sell (e.g. Chabin 2008). Italian 'natural' wine producers, on the other hand, depend on multiple international sales relationships, and use a variety of importers. Additionally, 'natural' wines sales in Italy are more fragmented than in France, with producer associations being an exception rather than a rule. On the contrary in France the unions of bio wine producers are ready to put considerable effort into developing new distribution channels and are prepared to invest in the development of customer relationships.

An important similarity to be noted between the two countries is the ambivalent approach to organic certification. This would suggest that the risks associated with viticultural methods are not off-set by a positive market response to organic wines. Consumer distrust of organic wines on the one hand, and the lack of an internationally recognisable and universal quality certification for organic wines on the other, makes full organic conversion and certification problematic for some producers. 'Organic' becomes associated with value loss rather than value adding on the wine market.

## 5. SOME CONCLUSIONS

The great heterogeneity of products and approaches would suggest Italian and French natural wine producers are not well placed to pursue large-scale operations and global competition on the basis of organic production methods only. We see two possible scenarios for the future development of natural wine producers in Italy and France.

It is possible that maintaining and developing diversified sales networks may be the best, although labour-intensive, method for natural wine producers. However, a better understanding of "changing customer needs" could better help French and Italian natural wine companies reformulate their individual and collective goals, and redefine their individual and collective strategies to improve their position. A thorough, clear understanding of the client at the end of the distribution chain could become a core strength for small wineries; a conceptualisation of decision-making based on learning about the importer's side would facilitate and improve the distribution channels. This would require closer collaboration along the distribution chain.

A second scenario, which could unfold in parallel to the first one, is the survival of product-led, quality, 'boutique' production as a 'niche' in a globalised wine market. It has been suggested that in Europe the growth of the organic wine sector is connected with the overall 'quality turn' (Goodman 2003) in food production, and that the engine of growth in the 'quality' sector is small-scale, 'boutique' production (Preston 2008). The growth of 'quality foods' in food production would suggest that niche production stressing quality, locality and terroir has a future as an alternative to globalised chains of provision. However, for this scenario to unfold successfully for the natural wine market the key issue would be the creation of a more successful link between 'organic' and 'quality', which is lacking at the moment (Loureiro 2003). For natural wines to perform well in the predominantly retail environment, it would be necessary for the 'organic' stamp on wines to become a quality certification which can add value even in the absence of direct marketing.

## 4. PROSPECTS FOR FUTURE STUDIES

A lot needs to be learned about the organic wine market in Europe, both on the production, and the consumption side. We can see two key directions for future studies into the development of the natural wine market. Firstly, much more research is needed into consumer expectations in key markets for European natural wines – USA, Japan and the Nordic countries, as well as at a national level within the wine producing countries themselves.

Research into these areas would allow Old World wineries to become more market oriented, and enhance their competitiveness (Hussain et al. 2008).

Secondly, it is crucial that the EU acts further to establish a connection between natural wines and quality. Recent studies stress niche markets as the growth area in the wine industry, indicating that focus on quality and natural and traditional production are important competitive advantages in the fight for consumers (Aylward and Zanko 2008, Flint and Golicic 2009). Furthermore, we believe the market situation natural wine makers find themselves in is not dissimilar to that of small producers who follow conventional winemaking methods; this makes it even more urgent for these producers to forge a strong link between 'natural winemaking' and quality and thus differentiate their product positively from those of other small producers. We recognise that the interests of the European wine industry as a whole may work against a perceived favouring of one sector in this way.

Work on an EU-wide certification, internationally recognised and able to perform in the absence of direct marketing, is currently under way. However, in the light of the recent failure of EU-wide certification negotiations, underlying assumptions of this project, including the desirability of an EU-wide organic winemaking protocol, need to be reassessed, an area where the academia could provide invaluable help.

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