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Thesis Prospectus: “Green on the Vine: Can Italian Organic Viticulture Compete in Domestic and Global Markets?”

Research Question

The objective of my thesis is to analyze the ability of Italian organic viticulture to compete in domestic and global markets. Organic viticulture is a small sector of the much larger “green movement” away from conventional practices of industrial agriculture. While industrial agriculture has made it possible to feed the world’s growing population, it has also created numerous social, environmental and economic problems. Two of the most grievous offences have been biodiversity losses and increasing chemical pollution, namely nitrogen and phosphorus. Organic agriculture seeks to reduce the impact of farming on the natural world while preserving the historical diversity of plant species. In fact the organic movement is not so much a development of new principles and technologies, but a decision to return to pre-industrial methods of production. Organic farmers use the natural inputs and processes to grow natural products. They cultivate what grows best on their land, that often being local plant varieties. They avoid the use of manufactured chemicals. As the organic movement has grown in the last century, it has become interwoven with all sectors of society. Political institutions such as the

European Commission provide subsidies and regulations to develop organic practices. Many organic products offer a link to a cultural past by preserving local gastronomic heritage. A growing demand has created a market for organic products where none existed before. In Italy alone the amount of organically farmed crop area has risen from 418,000 hectares in 1999 to 822,000 hectares in 2010 (Eurostat 2011). The case of Italian organic viticulture is particularly interesting because of the inextricable link between wine and Italian culture. The varieties of Italian wine are more numerous than the regions which produce them. My interest in this topic is to analyze if a sustainable system such as organic culture can also be a profitable one. In other words, is there a place for Italian organic viticulture within the Italian and global economy?

Literature Review

Much of the current literature on the organic movement covers the reasons that consumers purchase organic products. Crescimanno, Ficani and Guccione (2002) studied Sicilian organic wine and stated that in the case of wine, the quality of taste was one of the most important factors and that consumers of organic wine were generally already consumers of other organic products. Crescimanno et al. (2002) profiled the average organic consumer in Italy as young, upper middle class, and living in a large Northern city. Whereas most wine in Italy is bought in supermarkets,¹ most of the organic wine made in Sicily is sold in restaurants and wine shops. They identify being knowledgeable about organic products as a motivator to purchase.

A study by Gracia and de Magistris (2008) also found that knowledgeable consumers were more likely to buy organic products. The Southern Italians profiled in the study were also more likely to buy organic if the perceived health benefits were greater and if the consumer had a

¹ Datamonitor 2010

higher income. Consumers were more likely to buy organic products on a regular basis if they believed the products to be of higher quality and better for the environment. Increased prices negatively affected the decision to buy organic products. In the cases of both the occasional consumer and regular consumer, knowledge about organic products was a significant factor in the decision to buy.

Crescimanno, Ficani and Guccione (2002) studied Sicilian organic wine and stated that in the case of wine, the quality of taste was one of the most important factors and that consumers of organic wine were generally already consumers of other organic products. This will be an important factor in my research for determining the potential success of the organic wine industry. Crescimanno et al. (2002) profiled the average organic consumer in Italy as young, upper middle class, and living in a large Northern city. Whereas most wine in Italy is bought in supermarkets,² most of the organic wine made in Sicily is sold in restaurants and wine shops. Like Gracia and de Magistris, they identify being knowledgeable about organic products as a motivator to purchase.

Reviewing data about the current state of the wine industry will be essential in assessing the profitability of the organic wine sector. Datamonitor (2010) reported that the wine market in Italy had the largest revenue in Europe in 2009 at \$41.9 billion and also had a greater compound annual rate of change (CARC) at 1.1% over a four year period than the next two most profitable markets, France and Germany.³ The report shows that the rate of growth is expected to continue increasing at a slow pace while the actual volume of wine sold will decrease. It also states that threats from substitutes of other alcoholic beverages and a slow growth rate create a competitive market for the wine industry. The report segments the market on basis of still wine, sparkling

² Datamonitor 2010

³ France and Germany had total revenues of \$37.7 billion and \$26.6 billion, respectively. The CARC for France was 0.9%; for Germany it was -0.3%.

wine, fortified wine, and champagne, but does not discuss the organic market as a separate entity.

Methodology

In my analysis of the competitive potential of the organic wine sector, I will begin by establishing why organic farming in general is both pertinent and permanent with a brief history of the organic movement and its growth into a recognizable part of the food and beverage sector. I will look specifically at what constitutes an organic vineyard and in what ways organic wines differ from conventionally produced wines. In the next step I will look at the markets for organic goods and for wine separately, both within Italy and on a global scale by identifying who makes up these markets and why they buy. One challenge I expect to face is finding data specifically on the organic wine market and if I cannot, proposing a way to combine data from the organic food and wine markets to form reasonable conclusions. Istat and Eurostat have economic surveys and statistics which will be helpful. I will consider the political and social factors influencing the industry such as EU subsidies and promotion by organizations such as Slow Food, since numerous studies have found that increased awareness of the benefits of buying organic products significantly affects consumption. After spending three months in the summer of 2011 working on Italian organic vineyards, I have made several contacts and plan to utilize their personal knowledge of the business. One particular winemaker I worked with belonged to an organization that opposed the industrial production of low-quality wine for supermarkets which drove down prices for other winemakers. He sold only to hotels and restaurants, which is one

example of the competitive potential of an organic wine producer. I will conclude my thesis by offering a prediction for the future of the organic wine sector, both in Italy and abroad.