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The Quality Paradigm: Restructuring processes and social relationships in the viticulture sector of Mendoza, Argentina.

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Lucía Inés Goldfarb
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MEMBERS OF THE EXAMINING COMMITTEE

Dr Cristóbal Kay
Dr Murat Arsel

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Enquiries:

Postal Address:

Institute of Social Studies
P O Box 29776
2502 LT, The Hague
The Netherlands

Telephone:	31 70 426 05 41
Fax:	31 70 426 07 47
Email:	Voorvelt@iss.nl

Location:

Kortnaerkade 12
2518 AX, The Hague
The Netherlands

Acknowledgments

Guillermo Neiman
Georgina Mercedez Gomez
German Quaranta
Mariela Blanco
Elena Mingo
Elena Marengo
Daniel Pizzolato
Hernan

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Introduction

The viticulture activity in Mendoza, Argentina, has undergone important changes during the last decades. It has become a competitive and dynamic agro-industrial chain, with solid chances of gaining niches in the world market of fine wines related to new patterns of consumption among the middle- and high-income sectors in developed countries. In the context of adjustment policies and the opening-up of the economy to the international market during the eighties and nineties, as well as through some actors' interest in modifying a model of production already in crisis and creating new forms of profitability by producing high value-added wines, the wine agro-industry shifted towards production for a global market. The complexity of this restructuring process claims for a specific analysis about how a new *quality paradigm* is socially constructed, since the configuration of these changes includes new forms of resource mobilization, an innovative coordination of interests, and stirs up brand-new conflicts between heterogeneous actors.

Mendoza is the main viticulture centre in Latin America; and it is also the Argentinean region where the above-mentioned transformations show most clearly their characteristic traits. But the weak situation of those producers who remain in the sector, is then one of the most notorious and vulnerable sides of what can be named as a structural crisis of the viticulture. The reasons underlying this tendency are related to an important fall of internal wine consumption during the last 30 years, which is a exacerbated reflection of the overproduction of grapes and oversupply of wines at the international level. The alternative that the agro industry as a whole found was the orientation to exports, due to a new demand of quality wines. Nevertheless, in the last years it was made evident that the international prices of all types of wines have been falling and the adverse "economic consequences of this surplus have largely been borne by independent grape-growers who have either not been able to dispose of all of their grapes or have managed to do so only at a loss" (Browett: 1989). Structural adjustment policies left many grape producers out of the activity with the privatization of the state winery which used to guarantee the purchase of all their production at a subsidized price. Moreover, the deregulation of the economy and liberalization of the market attracted many foreign investors who bought land and wineries and began to produce with quality for exports. Lastly, the new orientation of the sector towards producing according to new quality requirements lead to a restructuring process characterized by the technological and organizational reconversion in both agricultural and industrial links. Nevertheless, the majority of producers could not innovate, as a very expensive investment was required and anyway, although it is losing relative weight, the domestic low quality market remains as the main destiny for their grapes.

These changes are strongly connected with the emergence of new actors in this sector and with the transformation of relationships between them and "traditional" sectors. In this sense, several factors make the analysis of the whole transformation process more difficult: the INV has discontinued its regulatory role; new geographic areas for high-quality grape production have been added; foreign investors have arrived at the province; extra-sector capitals have gained increasing control over commercial and distribution links; consumption patterns have changed and consumers' demands have increased their power. This situation raises an inescapable question: how to reconcile all the interests of the different actors in order to overcome the sector's structural crisis.

Beyond the comparative advantages provided by the natural environment of the Cuyean region, and beyond the wide range of knowledge acquired during the two-hundred-year history of the wine sector, the innovative capacity of some actors and their possibilities to gain more profitability through exports of high-quality wines do not solve *per se* the problem of integrating grape producers to the value chain. A solution tending to price-stability in the domestic market of grapes has not been found, neither falling tendency of internal consumption of wines has stopped. Moreover, the weakness of the institutional framework and of the agreements within the sector in relation to a definition of the characteristics of the new "quality-based" model still threatens the survival of the sector as a whole and, most particularly, the survival of grape producers.

The characteristics of this shift towards "quality" have been a growing concentration of capital in the hands of the sub-sector connected with external markets, and the direct participation of transnational corporations. These firms have increasing power over agricultural production processes, limiting the autonomy of local grape producers, who appear as the losers in the trade-offs for controlling the production process, a situation that threatens their survival. Consequently, the liberalization process and the penetration of transnational capitals has contributed to modify the structure of this sector and has made it more complex, deepening the processes of differentiation and leading to the disappearance of many local vineyard producers.

Chapter One: The Quality Paradigm

1.1. Food system and productive restructuring in agro industrial complexes

The context of this research paper resides in the problem around changes in social relations in the viticulture sector in Mendoza (Argentina), in the arena of global restructuring processes of agro-foods systems. Then this study has a background in a group of streams of thought about the "global restructuring of the food systems". This literature implied an important change in the theories and methods of rural political economy and sociology. This shift was based on the assumption of a growing integration of agrarian economies at the global level in the last decades, and on the need to question previous conceptions, of the traditional rural studies (Buttel: 1997).

In classic rural sociology studies, the relevance of international trade of agricultural products had been underestimated, while efforts were concentrated almost exclusively in analyzing the peasant family and dispossession of peasants. Nevertheless, some neo-Marxist studies introduced the question about the transformations in the agrarian space due to the new modes of integration to agro-food systems, mainly related to the viability of the peasant production in the capitalist mode of production (Bernstein: 1994). This vision reintroduces the idea of Lenin about the class character of the agrarian social structure, which was seen as the explanatory factor of the growing social differentiation and the capitalist development in the peasant world. The relevance of these approaches was the critical situation of peasantries due to increasing differentiation in social classes and their tendency to disappearance (Lenin: 1899/1982). In this way, the new rural sociology began to analyze how the extra agrarian capital produced new forms of penetration in agriculture, driving a restructuring process which follows the needs of expansion of capital.

Therefore, the idea of "international food regime", characterized by a new international division of labour, new institutional framework and power relations distribution, came out (Friedmann: 1990). In the case of small countries from semi periphery, the political economy has switched to a more export oriented phase since early eighties (Gwynne: 2006). Export oriented enterprises linked to agro-industry now operate within a globalized food regime, with a demand from consumers of core economies of North-Western societies, including the production of specific products for a particular segment in the global market (Gwynne: 2004). Then, the agro industrial firms gain enormous power through the introduction of new organizational forms and the consequent impact on the rural societies and the food security of the Third World (Teubal: 1995). Transnational corporations became crucial actors in the development of an increasing industrialization process of agriculture (Goodman, D. and Watts, M.: 1997), linking production and consumption within an increasingly flexible and global network of food supply and distribution, creating deeper dependence of farmers on transnational financial capital.

Then the analysis becomes more complex since new modalities of supply of primary goods are introduced, as well as new types of relationships between the agro industries and the agricultural producers (Bocco: 2003; Lara Flores: 1999). These processes have had a common outcome in different sectors that is related to the increasing control of the industrial link over the agricultural production, beginning with the weakening of the relation between agricultural products and food prices (Pimbert: 2001; Teubal: 1993). Food globalization transforms the local diversity in an integrated world system which lies on principles such as standardization, geographical division of labour, comparative advantages, flexibility of organization and a highly concentrated group of transnational corporations (Pimbert: 2001).

The reorganization of the world agro-food system in a "global" regime has then produced a wide variety of transformations on local agrarian livelihoods. Therefore, the analysis of these restructuring processes require a deep view centred on how "domestic and international forces converge creating the process of change"(Reynolds: 1997) and the development of specific regimes of accumulation. In developing countries, low costs attract investments, promoting uneven distribution of benefits, new forms of economic and social exploitation through the concentration of assets and market power, and also the privatization of public domain, setting patterns of accumulation that include big flows of capital from poor to rich countries and an increasing unequal distribution of power and wealth. Neo-liberal reforms presume the rise of a global free market, increasingly ruled by institutions, like the WTO, which play an important role in setting preferential access to markets, creating inequalities also between poorest countries.

In this context, agrarian economies in developing nations are getting more conducive to capital intensive agricultural methods, becoming increasingly dependent on imported technology, concentrating the production capacity in fewer hands, limiting the access to markets to small farmers and producing process of disappearance of peasant societies. This is possible since the growing power of transnational corporations is shifting costs to developing countries, with an increasing shift to the production of non traditional exports. Therefore, it is getting harder for traditional agrarian sectors to have a guaranteed market since international agreements and the WTO negotiations are continuously pushing towards the liberalization of agricultural markets and making them more dependent of international ones.

In this context, the creation of value in global agro-food systems is shifting form a "volume" to a "quality base production (Boyer: 2002), to a system based in small volumes, with a flexible specialization, selling to segmented market niches. The quality and differentiation of products become the new key elements to increase competitiveness. But what seems to be a simple shift in model of productions is in fact the result of a complex social construction, where new actors like consumers and retailers have an important role to play in how products are produced, processed and distributed (Fine: 1996).

Therefore, some local agricultural activities tend to diversify to produce a luxury commodity in compliance to quality standards and norms that are imposed in international markets, and that are added to production through a variety of technological and organizational changes that makes agriculture much more flexible, combining both massive and handcrafted systems (Lara Flores: 1999), where possibilities of new forms of competitiveness for the local producers may appear. But the strategies of the corporations of the core economies consist on the logic of cheap production costs seeking, beyond national boundaries, the mobility of capital.

This is possible with the growing fragmentation of the markets due to wide income inequalities within countries and the segmentation of the range of products due to diversification of rural activities. Within the national part of the value chain, these transformations produce tensions between “traditional” and new actors. The role of the state is also modified since most of its regulatory functions, especially in the distribution of income and access to resources, have been abandoned since structural adjustment policies were implemented in the region. Then, some new questions are becoming valid like: how food products are produced, commercialized and consumed; who benefits from these flows and how this benefit is legitimized (Goodman and Watts: 1997).

It is evident that "quality" has not always meant the same, even in the wine chain in Mendoza. Its meaning depends on historical times and on the actor who defines it. In the nineties, a large shift started, promoted by the so-called New World Countries (United States and Australia followed by Chile, and later by Argentina, New Zealand, and South-Africa). This shift consisted in the search for a new type of consumer, and the development of a strong trademark policy, as an alternative to traditional producing countries (the Old World). While the Old World model was based on tradition, rigid quality norms, and a supply focus, the New World model bases its strategy on the price/quality relationship and fashion. It is oriented towards demand and pays stronger attention to a new "international legitimate taste".

The conditions in which Argentinean wine sector is integrating to the global capitalism, is mediated through new types of relationships with the world agro-food system. The agro industrial complexes have also suffered important and quick changes in the last twenty five years in this country, related to the intensification of the influence of transnational capital, labour flexibility, diversification of rural and non-farm activities and an increasing subordinated integration of small producers to agro-food chains. Structural adjustment policies produced an increasing demand of agricultural and food products including a value-added process for exports, generating unbalances between productive areas unequal due to the inclusion of new geographical areas in the production of non traditional agro-industrial products for a global market, as well as the appearance of foreign direct investors as key players in the local arena.

“Quality” is increasingly influencing the possibilities to adapt to the new international demands since it affects who produces, and who fixes the conditions and quality standards (Bendini, and Steinberger: 2005). The case of the vine industry in Mendoza is one of the most affected by this kind of restructuring process. The main modernization stream is driven by the industrial sector which imposes its conditions to a large number of *minifundia* producers to get a quality product. Different tensions then appear when small producers cannot change their production system from the volume based model to the new quality requirements, leaving them in a very disadvantageous way of integration to the chain.

1.2. The "Quality-Paradigm"

The main visible aspect of the restructuring process in the wine sector in Mendoza is the new trend towards producing with quality. Resulting from a tacit consensus between the actors that "govern" the chain, the *quality paradigm* is based on the principle of producing fine-wines as a commercial strategy to obtain premium prices, and to procure a higher profitability derived from the increasing number and diversification of market segments. However, despite the embeddedness of the quality principle, its universality is still arguable as a strategic way to overcome the current structural crisis.

Then, a question immediately arises: whether wine-quality did not exist before this restructuring process. Most certainly, it did. The point is that the concept of quality changes with time and is socially constructed. The idea that phenomena which seem purely economic are socially constructed relates to the notion that institutions are not objective, or external realities, but they result from social creation" (Granoveter and Swedberg: 1992; Berger and Luckmann:1966). Despite the fact that quality-wines have always existed in the wine industry of Mendoza, nowadays the concept of quality is much more wide spread, and is the result of a complex process requiring the participation and coordination of a greater number of actors of various types.

Therefore, throughout this study, the concept of ***quality paradigm*** will be used as tool to understand the changes in the wine sector in the last decades. A paradigm reflects a set of rules of the game that constitute a framework for interpreting and transforming reality. The notion of *quality paradigm* derives, from Kuhn's idea of paradigm, which foregrounds the fact that a certain worldview determines which are "the" legitimate questions to be asked, defining what may be expected and also excluding other worldviews. Besides, this concept brings up another problem, that of the struggle for defining the limits and rules of the wine sector, and enables to interpret actors' perceptions and actions within it. The *quality paradigm,* therefore, implies certain force relationships, actors' relative positions, and of the rules enabling and conditioning their actions. Therefore, the expression *quality paradigm* stands for a complete redefinition of the relationships between actors in the chain and also of the way they work, produce, process, innovate, distribute, and consume wines.

The notion of *quality paradigm* may be broken down into the following concepts in order to facilitate its empirical analysis:

- The concept of "**restructuring process**" includes the economic liberalization, integration to the world food-system, and new consumption parameters, as well as actions designed to meet new legal requirements and new rules in international trade. All these processes create the necessary conditions for the emergence of a new "productive and institutional paradigm".

- The next concept is embodied in the way in which the grape producers and the industrial link are articulated. **Integration** is often equated with economic coordination of the wine sector's agents. However, the coordination should be conceived not only as the result of deliberate individual decisions but also as a common framework of thought and action that gives coherence to the chain or sets the rules that support the coordination of activities.

- The reference to the "**legitimation processes**" involves analyzing the ability of certain groups and the state to establish their own worldviews as the prevailing ones" (Beltrán: 2003). The "legitimation processes" refers to the political sphere, to the struggles for imposing and legitimating a certain worldview or regulations to action and for defining the new parameters for action.

Therefore, the general objective of this research paper is to comprehend these three elements that constitute the *quality paradigm* and how they are supported and reproduced. Each of them will be further explored in Chapters 3 to 6. In our case, to understand how the "quality" of the wines of Mendoza is defined and constructed. Such a construction results from different types of actions and discourses tending to legitimate particular interests that shape the rules of the game in the wine chain. The purpose of this paper may be summarized in two specific objectives that correspond to the comprehension of the main sources of these actions and discourses of legitimation:

1. The definition of the *legitimate quality* in the relationships between wineries and grape producers (control of the industry over the agricultural link).
2. The definition of quality through politics: the regulations and norms, the role of the State, the power of international organizations, and business associations in the struggle for defining the criteria for the *quality paradigm* (coordination).

The transformation process in the viticulture sector of Mendoza lead us to ask the following research question: As regards the restructuring process and the new forms of integration between producers and wineries, are they leading to viable solutions for the grape-producer crisis in the wine sector?

This general question leads to some other specific ones, such as:

- Which actors have a key role in setting the rules of the new *quality paradigm*?
- How is the new, this paradigm legitimated?
- Which are the institutional forms of the paradigm?
- Which are the consequences for small independent producers in terms of impact, squeezes and possibilities of subsistence?

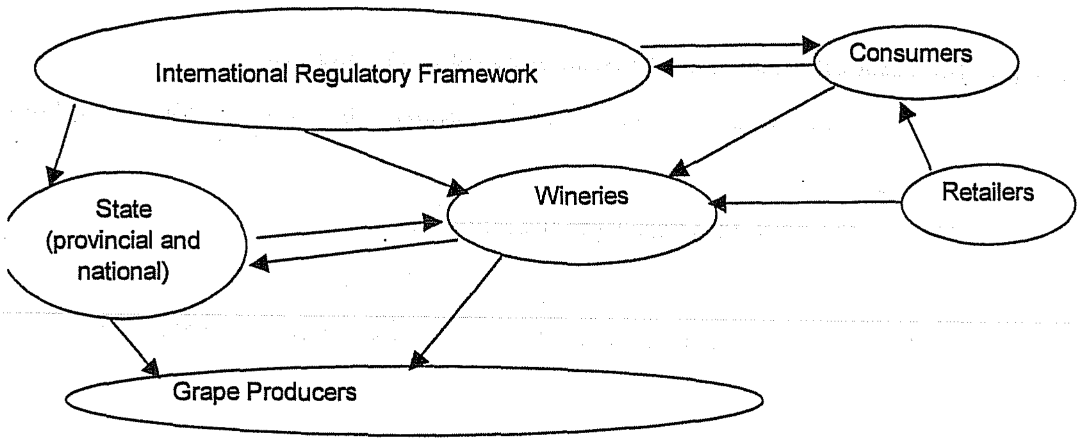
Some working hypothesis will lead us to answer these questions:

- Quality standards are not only imposed, but are also the product of negotiations and struggles between local actors.
- Achieving quality is the most valuable capital that actors are forced to acquire in the wine chain in order to maintain them within the sector.

- The structural crisis of the wine sector has not already been solved, since the *quality paradigm* is still incomplete and un-concluded, and there is still a need for stronger institutional capacity and a more inclusive alternative model.

It is important to make it quite clear that the agency of consumers is relevant for the analysis of any restructuring process in an agro-industrial chain since food production is closely related to the market that demands it, especially in the case of processes that create a "legitimate taste" (Bourdieu: 2000). Nevertheless, I will make only a limited reference to some political implications of consumer's perceptions and retailers actions; and exclude rural workers from the analysis, due to limited time and space. Therefore, this paper is mainly focused on the analysis of the actions, discourses, and relations of grape producers, local wineries, and the State. The first figure shows, how the coordination of quality standards becomes increasingly complex, since diverse actors are increasingly inter-dependent and influencing each other. Nevertheless, at the national level, wineries become the nodes of coordination and control of construction and application of the quality paradigm.

Figure 1.1 Map of actors included in the Quality Paradigm analysis



Chapter Two: Analytical Framework and Methodology

2.1 Analytical Framework

The restructuring process that has affected Mendoza's viticulture in recent years has been described by many of the actors involved as an important social and institutional change that occurred after several over-production crises. Some bolder opinions maintain that the crisis, instead, is being experienced now, while restructuring is on the go, and they also suggest that the various strategies followed by the actors involved are, in fact, a response to the crisis. Anyway, the research questions refer to the way in which this change occurs and how social life is being structured in Mendoza's viticulture sector.

This research paper is an attempt to understand a transformation process. The changes involved in obtaining a higher quality have been repeatedly justified by adducing that a solution is urgently needed for the structural crisis of the viticulture sector. This crisis consists in the overproduction of grapes and a falling consumption of table wine. However, the crisis does not explain *per se* the current turn towards a productive and institutional paradigm based on quality. Besides, the new forms of articulation around quality cannot be accounted for by the penetration of structural forces, since the process involved is not a mechanical adaptation to an increasingly globalized space: the new paradigm was also made possible by the actions of the actors themselves.

Even though social processes are recognized as resulting from "structural" tendencies, they are simultaneously seen as the "translation" of these trends according to the actors involved. Therefore, they can modify or reproduce the conditions of social production. In this sense, this study has to a great extent an exploratory nature, since the aim of analyzing these processes as a social construction assumes relativism derived from multiple social realities, an outlook that leads to an interpretative understanding of subjective meanings. Therefore, we may ask which is the interaction between the given socio-historic structures, which possibilities and limitations they impose on social actors and which is the potential of these actors to change those structures (Baranger: 2004; Bourdieu: 1995; Giddens: 1998).

Restructuring process analysis of the wine sector in Mendoza, one should be aware that the globalization process is not the only independent variable influencing or determining the local performance of the chain. Conversely, this type of social analysis recognizes the construction of social reality as determined by structural processes but also shaped and reproduced by human action and they are central in the differentiation of local rural realities (Fine: 1998; Giddens: 1998; Long: 1992; Marsden: 1997).

One of the predominant forms of action we may find in the dynamics of food systems is the economic action. As regards this type of action, institutionalist authors have a particular interpretation about how coordination between actors is possible, paying attention to mechanisms that regulate the allocation of resources, which is not attributable exclusively to the market (Ankarloo: 2004). Therefore, this school of thought views economic processes from a social perspective, and understands economic behaviour as "embedded" in social relationships translated into a complex network of economic and political institutions (Granovetter and Swedberg: 1992; Polanyi: 1957). Consequently, preferences and technologies are endogenous to economic systems, and then the (individual, rational, goal-oriented) *homo-economicus* of neoclassical economics is given up. From this perspective, social agreement and norms, as well as the State have a role in regulation through social control, the maintenance of consensus, and legitimating policies (Buttel: 1997; Marsden: 1997). Moreover, the market is also considered as an institution which provides a framework for actors to coordinate (Bourdieu: 2001; Granovetter: 1992; Hart: 1997). All these ideas underscore the importance of including an institutional framework for the analysis of economic action in the restructuring of agro-food systems.

Some Marxist analytical tools can be well combined with an institutionalist framework, since, through different forms of class struggle, changes in the forces of production and technological change generate tensions between the existing structure of property rights and the productive potential of the economy. This tension can be historically solved through the emergence of a new institution. Therefore, a Marxist outlook produces a shift of focus from the efficiency aspects of an institution to distributive aspects, and thus confronts us with the question of power relations and political processes (Bardhan: 1989).

Therefore, I will try to analyze the changes in the Argentinean viticulture considering a limited number of actors (only producers, the State, and wineries will be fully considered). I will see that "quality" defined as a specific type of capital (Bourdieu: 2001), is increasingly determining the relative position of each actor in the sector. The power to influence the definition and legitimation of quality standards has become the predominant form of capital that has different empirical components:

- the forms of commercial and social integration between grape producers and industry;
- the social capital and the access to specific "quality" knowledge;
- the economic ability to introduce quality-control systems;
- the institutions to regulate the new model;
- the links with the State and other collective actors of the chain, like producers and organizations of wineries, and
- the changes in the land market.

Participant social actors must agree on a definition of quality that results from a social process that intermingles different rationales and there the comprehension of the process of change becomes a socio-political problem.

2.2 Research Methods

The methodology and the construction of the empirical evidence for this paper should be apt for the main objective of the research: to understand a process of change in the socio-economic structures of the viticulture chain, but also in the actions towards the political definition and legitimation of a new set of rules of the game. In first place, structural determinants are related to the economic and political contexts under which the actors conceive their agency, but also these structures are interpreted and justified by them. In a qualitative research, the construction of empirical evidence should consist in an understanding of the interactions between social agents, and how these interactions produce certain meanings. In order to grasp these interactions, an analysis will be made of the different types of economic relationships (markets, contracts, vertical integration, cooperation) established between grape producers and wineries so as to fulfill the quality standards required and adapt them. I will also try to capture the views of wineries, cooperatives and State representatives. I will explore and triangulate the following information sources:

The sources of primary information are in-dept interviews with key informants of the sector (representatives of winery and producer organizations); in-dept interviews with key informants of the State (representatives of the National Viticulture Institute and the National Institute for Agriculture and Livestock Technology) and also the review of publications from various sector entities and provincial newspapers, as well as documentary information from legislation about the sector. Secondary information will be obtained by reviewing the production, exports, consumption, and agrarian structure series, and by reviewing statistics published by different actors of this sector.

Chapter Three: The viticulture sector in Mendoza

This chapter describes the impact of structural transformations on Mendoza's viticulture sector and it suggests an analysis of the social processes that have characterized the historical evolution and dynamics of the sector. Social relationships were considerably transformed with the application of recent productive standards based on the "quality" of the wines. The new productive model discourse and practice has affected all the actors, including those who still produce wine and grapes according to the former model based on productivity and volume standards.

The recent structural transformations in the wine sector of Mendoza are included in the "restructuring process", one of the three components of the quality paradigm. Nevertheless, similar processes are taking place in a great number of agro-food systems at the national and regional level. The restructuring in the wine chain includes a shift in the policies form a State economy to a deregulated market economy during the nineties. Besides, the new model is affected by changes in consumption patterns in national and international markets, the arrival of transnational capitals to the local industrial and agricultural links, technological innovations in grape cultivation and processing, in the commercialization and distribution of wine, which also constitute a new pattern of accumulation (Roffman: 2005).

Form the 1970s to the present, the consumption of table wines has been decreasing, and the consumption of fines wines has relatively increased both in the national and international markets. These tendencies have transformed the wine business, which shifted towards a diversification of products in relation to new quality parameters. The arrival of new investments lead to new lines of production of "varietal wines" and a commercial and productive strategy based on the continuous search for and adaptation to new market niches[1]. Currently, the wine business is conformed by three main sub-sectors: table wines, fine wines and grape juice (Azpiazu and Basualdo: 2003; Bocco: 2005; Roffman: 2005). Therefore, the process of liberalization has affected the wine production model, which has been historically based on the

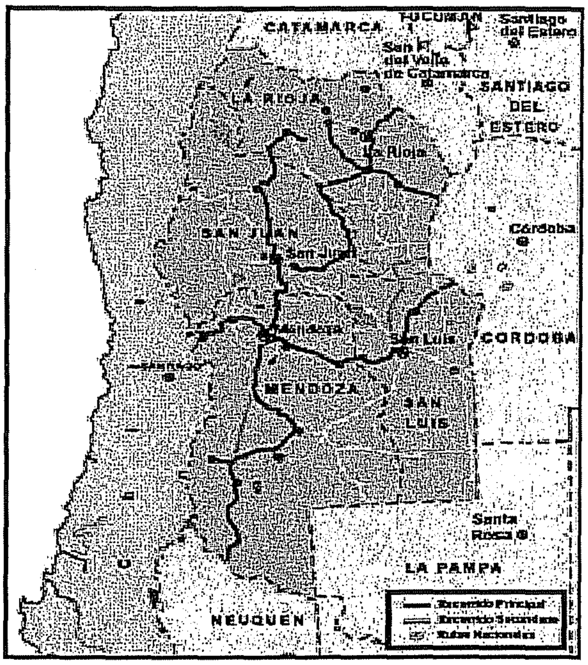
1 Mainly in developed countries of the North, MERCOSUR and Asian countries.

production of high volumes of grapes and wine. The general trend leads towards a more flexible production based on quality standards related to a new type of demand and the need to reduce costs (Neiman and Bocco: 2001).

But the restructuring process is not only related to the technological modernization of systems of quality control but also implies a change in the forms in which actors in the chain are integrated and coordinated. In many cases, this means a tighter integration between the agricultural sector with the industrial and commercial ones, as well as changes in the nature and number of the links between firms. The new forms of firm-coordination are based on processes of concentration and unequal distribution of capitals, both of which consolidate new hegemonic actors in the chain (Gago: 2001) resulting in the exclusion, subordination, and disappearance of the weaker ones.

Viticulture activities in Mendoza started by the end of the 18th century and were introduced from the north-western region of the country by the Jesuits, who produced wine for self-consumption (Gómez: 2001). By the end of the 18th century, a rudimentary "wine industry" already existed in the Cuyean region (Map 3.1 and ANNEX A) (Martínez: 1961, quoted by Gómez: 2001) represented by individuals who produced wine with traditional methods. The expansion of vine and wine production was possible thanks to the so-called "Campaign to the Desert" which entailed the expulsion of the indigenous peoples from their territories by the army and the appropriation of their lands. Almost immediately, the English railway companies arrived to the Argentinean territory. This "modernization" at the national level, was also reflected on the technological change of the wine industry and the vineyards, consolidating the province of Mendoza as the main agro-industrial centre for wine production (Gómez: 2001; Sawers: 1996). Moreover, there was a steady political will to promote and create the necessary infrastructure for this activity. These measures were accompanied by tax-reduction policies to promote local bottling, the expansion of productive land in arid regions, and tariff reductions for imported machinery. The national government also created the regulatory framework for the industry, defining the corresponding property rights in relation to water resources and irrigation, and the extension of the artificial irrigation network (Mateu: 2006; Sawers: 1996).

Map 3.1. The region of "Cuyo", including the province of Mendoza.



By 1880 vine growing in Mendoza already had comparative advantages and a century of history. Together with the agro-export model, the domestic market began to consolidate due to the population growth caused by the inflow of European immigrants, wine consumers by tradition. The new agro-industrial sector reflected the insertion of the local economy in the international arena, and accompanied the reduction of livestock rents. Therefore, the vineyard became a viable alternative to overcome the crisis in international prices (Richard: 2001). The social structure was also completely modified, since immigrants managed first to accumulate, to invest in land, and finally devoted themselves to industry. Thus, a new agrarian bourgeoisie emerged from a mixture between the traditional agrarian elite and the new immigrant sectors.

In the early twentieth century, the sector suffered its first big crisis of over-production. The great depression of the thirties caused the stagnation of the internal market which was the main target for wines produced in Mendoza. However, one of the immediate consequences of the crisis was the creation of the Board for Wine Regulation. This institution has been considered as the pioneer of the reconversion[2] process initiated in the nineties (Mateu: 2005) because it was created in order to modify some structural problems of the production model based on quantities or big volumes per hectare. The crisis was due to thirty years of sustained, though unplanned, growth. The losses caused by the crisis were transferred to the weakest sectors of the chain: rural workers and small producers. Therefore, the expansion of the sector was based on the production of big quantities of grapes per hectare in small farms, and the final product was a table wine elaborated in small and middle wineries, most of them familiar enterprises (Touza: 1998). Naturally, the logic and rules of production were based on quantities and not on quality, with an enormous expansion of the number of vineyards, and no attention paid to the differentiation of grape varieties (Neiman and Bocco: 2001).

With the consolidation of the Import Substitution Model, between 1945 and 1976, the domestic consumption of table wine continued its sustained increase, due to the improvement of the purchasing power of the working class (Pizzolato: 2005; Touza; 1998). Only the surplus of agricultural production exceeding domestic consumption had access to the international market and, therefore, the price system did not depend on international prices but on the local consumption dynamics and the intervention of the State (Roffman: 2005).

The peculiar nature of the sector was further characterized by the creation in 1954 of "Bodegas y Viñedos GIOL" in order to regulate the markets of grapes and wines, to

2 As Kay (1997) mentions " in a broad sense reconversion measures aim at enabling and improving peasant agriculture's ability to adapt to (...) increasing exposure to global competition and to enter into the more dynamic world market". But reconversion can assume various characters like changing the land use patter, raising yields and improve economic efficiency (Kay: 1997). In the case of Mendoza's wines sector, the reconversion would mean a shift to quality, which, as we may see in this paper, is does not always imply the same thing (it could be lowering the productivity per hectare, adopting new varieties, adopting whether mechanized modern techniques, or traditional techniques, etc.)

ensure the purchase of grape at certain pre-established prices for an important number of producers, and also to create referential prices for the sector. The construction of this State-owned winery started the diversification of grape uses and resulted in the installation of derived industries and services linked to the wine industry in the province, providing processing facilities for producers who had been previously outsiders in an oligopolic market where prices were controlled by a few firms (Goldfarb and Mingo: 2005; Olguín: 2005; Sawers: 1996; Touza: 1998).

Between 1976 and 1984, the structural crisis of over-production gradually acquired a new character due to an additional and new negative factor: the decreasing consumption of table wine per capita. Moreover, in 1988, the State enterprise GIOL was privatized after a debt crisis, leaving a great number of producers without guaranteed purchasers for their production. Added to the lack of credit policies, this fact resulted in a massive abandonment of vineyards and obsolete technology in the wineries. Between 1991 and 1997, the number of wineries decreased form 1,232 to 558 in Mendoza (Touza: 1998). The only firms that could survive were the biggest ones or those having tight links with the financial sector.

In the case of Argentina, the decrease in table wine consumption has been characterized by its intensity and persistence in time (Table 3.1). The reasons for this are already to be fully explored, but they have a tight relationship with the decreasing purchasing power of popular classes during the 80s and 90s and a big pressure of substitute beverages. The income polarization also favoured the growth of the production of fine and premium wines. Moreover, changes in life styles as well as longer working days in urban centres have contributed to this phenomenon. Nevertheless, in Argentina, as in most producer countries, the domestic market is still the main target for wines, although it cannot yet absorb the total production.

Table 3.1. Consumption of table wine, domestic market

Year	Litres per capita
1980	76.3
1990	54.1
1997	41
2001	36.3
2004	30

(Source: Basualdo and Aspiazu; 2003, based on INV)

3. 1 Restructuring Process and Agrarian Structure

In the eighties, the crisis reached its peak, since the sector went on producing under a model of high levels of productivity, without paying attention to the enologic characteristics of the grapes. The market was perceived by the firms exclusively from the supply side because wineries were used to consumers that passively accepted the wines being offered to them (Bocco: 2005). Therefore, the combination of overproduction and decreasing consumption lead to an inescapable and final crisis in 1991. This was the state of affairs when the restructuring process started under a neo-liberal scheme (Cernadas and Forcinito: 2004) that established new forms of articulation between the wine sector and the national and international economies. The application of structural adjustment programmes, especially the liberalization of the economy, also introduced a new need for accessing the international markets and offering another kind of wines: those produced with "quality" (Gago: 2001; Touza: 1998). Among the institutionalization processes of the new *quality paradigm*, the creation of ProMendoza Foundation[3] to promote the commercialization of Mendoza's wines in the international market must be mentioned.

The main element underlying restructuring processes in agroindustries is the shift from a volume-based productive organization to a quality-based organization. In the wine-chain case, two factors were crucial for these changes: first, the adhesion to a new production rationale encouraged by big wineries, which are linked to

[3] ProMendoza is a public-private entity that promotes the international insertion of small- and medium-size enterprises under the slogan of producing with high quality and differentiation.

international markets and try to adapt themselves to new types of demands, and, second, the inflow of new foreign capitals, (Roffman: 2005)[4]. If, until 1990, the State had regulated the wine market, now the big wineries became the nodes governing the chain (Azpiazu and Basualdo: 2003; Bocco: 2005; Cernadas and Forcinito: 2004).

This transformation involved new forms of organizing production, associated with investments in technology in both the agricultural and the industrial links. The new hegemonic actors in the chain were able to apply soft" and "hard" technologies, responding to new demands of fine wines and "varietals". The explicit objective of this reconversion in vineyards was to diversify production (Goldfarb: 2001; Neiman and Bocco: 2001). The agricultural sector began to perceive a more conditioned environment with respect to quality production parameters. A "correct use" of vineyards has been imposed consisting in the use of certain varieties, geographic areas, conduction systems, productivity, plague controls, and labour force in order to minimize later interventions in raw-material processing (Catania and Avagnina, 1992 quoted by Bocco: 2005).

Currently, in Mendoza, one half of the cultivated area corresponds to vine. In 2000, almost the whole area was dedicated to vine production or had wine processing as its final target. Every 6 out of 10 farms have less than 10 hectares, but these smallholdings are not significant with respect to the total cultivated area. In the other extreme of large estates, only 5% of the farms have more than 100 hectares[5]. This atomized structure has always characterized the sector and one of the factors that contributed to its proliferation of was the type of ownership rights. Access to land was possible only through inheritance or purchase. Nevertheless, in the last year the consolidation of a more capital-intensive pattern may be noticed, since investments on land and the right to irrigation include an increasingly larger portion of capital per hectare (Quaranta and Goldfarb: 2005). The increasing process of land-

4 In late 1980s, the trasnationalization process started when the exports of wines from France and Italy were threatened by an increasing demand for cheaper wines as well as by the emergence of new producer countries in the Pacific Coast which were producing wines comparable to those of the traditional countries.

5 Source Barsky (2005), based on Censo Nacional Agropecuario 2002 (Annex B).

concentration by modernized wineries threatens the survival of the small grape producer, who has also less bargaining power and incomes to cope with the reconversion process (Roffman: 2005).

The purpose of the new investments was to reconvert vineyards in order to modify the technological model towards quality production, in some cases with imported seeds. Moreover, in the industrial link there was an important land-concentration process due to an increasing tendency in wineries towards vertical integration for the self-provision of grapes. Besides, the falling of wine consumption in both national and international markets exerts pressure on the "common grape" price and therefore, on the producers' profitability. For this reason, many producers chose to replace vine growth with other agricultural activities during the crisis of the late eighties. This resulted in an approximate 50% reduction in the number of vineyards between 1991 and 2003[6]. Such a decrease in a relatively stable context of the cultivated area, resulted in land-concentration and a higher average-size of vineyards. The vineyards in process of disappearing are those covering less than 25 hectares, whereas the number of larger-scale vineyards is increasing. In 2002, the fine wines represented 35% of the total production, in relation to a mass of grapes already unclassified (Table 3.2/ Annex B). According to data from the 2002 Agrarian National Census, between the farms with fine grapes, 70% have less than 25 hectares and 43.5% less than 10 hectares, showing that *minifundia* are also characteristic of reconverted vineyards (Pizzolato: 2005, Sawers: 1996, Gómez: 2001).

Table 3.2. Wine Production

	Table Wine	Fine Wine
1990	81%	19%
2002	65%	35%

(Source: Basualdo and Azpiazu; 2003, based on data form INV)

The restructuring process has also had a differential impact on the five production areas of the province, depending on different comparative advantages. One of these areas –the so-called called "First Zone", including Luján de Cuyo, Maipú,

[6] Source: Instituto Nacional de Vitivinicultura, Registro de viñedos, 2003.

Guaymallén, and Las Heras, is particularly specialized in fine varieties. The Uco Valley has also been a privileged space for this new productive orientation, since the area cultivated with grape has increased there during the nineties. Although they have a history of their own in "quality" production, the eastern and southern regions of the province have also suffered and important reconversion process in their vineyards (Pizzolato: 2005). The interviews that will be analysed in this research paper refer mainly to wineries and producers established in the First Zone and the Uco Valley.

Chapter Four. The turn towards quality. A vision from the wineries

The concept of *"quality"* is a socially constructed concept. Then multiple definitions of "quality" are available, in the wine sector, the struggle for delimiting this definition is closely related to the emergence of new actors and the disappearance or transformation of others. The acquisition of "quality" as a capital is used in the struggle for power distribution, since actors need it to persist the wine sector. Insofar wineries are the fundamental actors in defining product qualification through their relations with producers and the state.

From an historical perspective, the first conceptions about quality in the Argentinean viticulture were related to the process of "Europeanization" of the wine sector (Lacoste: 2003); a process pioneered by French, Italian, and Spanish immigrants, who arrived in the region mainly in the second half of the 19th century, and supported by some European institutions. These immigrants became the main winery owners in Mendoza during the early modern viticulture, and they were strongly influenced by French production techniques. At the same time, they had an active role in business corporations and, therefore, capacity to influence the local government. The passage from native to European viticulture had been accomplished due to deliberate policies that promoted this change. In these circumstances, there arose a strong demand from winery owners for the introduction of specialized professionals and the creation of academic and scientific assistance and other human resources with the purpose of improving product quality (Lacoste: 2003). Another landmark in the history of quality in Mendoza's wine chain was the early arrival of Chandon to Luján de Cuyo in 1959. Efforts tending to obtain quality were circumscribed to processing stages until that time, whereas Chandon was a pioneer in introducing controls and new tasks in the vineyards themselves.

In Luján de Cuyo and Uco Valley's wineries have diverse ways to understand the empirical forms of this turn towards quality:

1. Achieving quality can be thought as a process of innovation, including organizational and technological innovations, with the aim of preserving the intrinsic or "natural" quality of the grapes. It is relevant in this case the discussion about where or when quality is generated, i.e., who is really adding value to the product in the chain, and who is receiving the benefits. This conception of quality has further consequences with respect to the subordination of agriculture to industry, since wineries are increasingly imposing a "correct use" of the vineyards to obtain fine grapes (Bocco, Martín and Neiman: 2001). In this sense, it is very clear why one of the mainstays of the *quality paradigm* is vineyard reconversion. In some regions of Mendoza, many new land lots have been incorporated to the activity thanks to new technical possibilities of trickle irrigation (such is the case of the Uco Valley, for example). In the industrial link, it is possible to observe many innovations oriented to quality as well, related to technical processes aimed at maintaining the quality of grapes. Hence, the adoption of imported technology, cold systems, bottling machines, information and communication technologies, transport bands, has been crucial.

> "The traceability is carried on by the enologists, who assess the grapes when it arrives, and it is very possible that, after the tests, the quality may fall and the elaboration process cannot make it better. So that we need the best grapes, and the control of vineyard process is basic, and on that basis we define the price to the producers" (Nieto-Senetiner Winery).

2. A vision that may be complementary of the previous is that which posits that there exist as many qualities as market-niches. The shift towards quality can correspond to the adoption of norms and services to make a different product with a broad symbolic charge related to the territories of origin, the genuine use of traditional methods, etc. Therefore, the concept of "quality" might involve much more than a group of criteria or "correct" procedures to be carried out by the producer. The concept entails the capacity to respond to explicit and implicit demands from the consumer. This system

requires a management of guaranteed quality entrusted to a third party, a situation that explains the emergence and power of new actors: the quality organizers, between them the agronomic engineers and enologists are gaining an important role.

> "The restrictions to productivity per hectare, and the technical control of producers are made by the engineers and enologists. They select, the place of the vineyard, the variety, the productivity, the price criteria" (extensionist, INTA-Luján de Cuyo).

Certainly, the previous conceptions show that "quality" is not always a synonym of superiority. More precisely, "quality" in these definitions includes diversity and flexibility. Through control and coordination from the side of the winery, the technological level of the producer does not necessarily represent a certain level of quality, since the wineries are constantly re-defining quality criteria to remain competitive.

> "It is necessary to distinguish quality from range. The luxury range does not only include quality of the grape, but it is also formed by the consumer's perceptions. There are also changes to improve quality within different ranges. Each winery can produce in different range level or have a portfolio of products with different qualities" (Peñaflor Winery)

3. Quality could be also a productive strategy to gain wider profitability margins based on a "reliable" product. Benefits are derived from the perfection of the product and the high-level income of the clients. Higher prices are tokens of distinction and exclusiveness, beyond a material justification of value (Boyer: 2002). Quality has to be gained to justify high prices. In the case of the wine industry, the strategy is based on unit prices and small volumes, rather than high productivity per hectare (Bocco: 2005). What from a neoclassical point of view could be thought as an obstacle to the market emerges as the source of benefits, efficiency and reduction of competition. Obtaining quality standards and fulfilling them includes some other forms of coordination, involving procedures external to the market since prices in this scheme are not always directly related to scarcity.

"The concept is not to sell a lot, but to prestige a lot (...) it does not mind if the price is accessible but the opposite "(Luigi Bosca Winery)

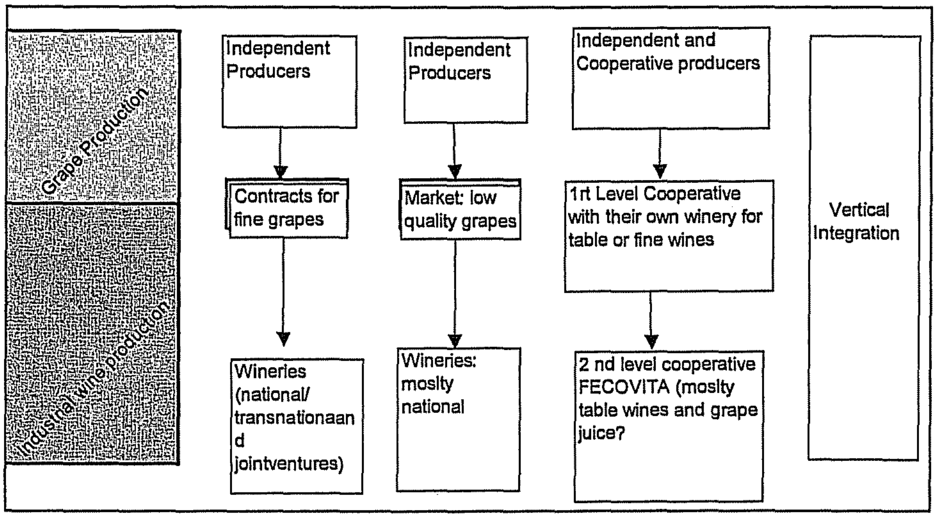
"The quality is determined by the market, by the guy who is prepared to buy, in relation to a price" (Norton Winery).

Consumers, as agents creating a certain concept of quality, have relevance. The market strongly depends on the cultural perception of consumers. The niches that make quality possible are constructed according to such perceptions that determine the consumption of certain food products rather than others. Feeding is also a socially constructed practice and implies social identification and differentiation processes which are the stuff lifestyles are made of. Wineries take advantage of this socio-cultural definition of objective differences, and are permanently decodifying it and re-defining quality processes.

Chapter Five. The quality of the integration of small producers to the wine chain

The productive restructuring in Mendoza's viticulture has strongly transformed the relations between the wine industry and the vine producers. This chapter analyzes different forms of integration of small producers, to the wine chain, in relation to the new quality requirements. Contracts with industries, integration through the cooperative system, vertical integration (or the expansion of the cultivated land owned by the wineries), and the market, will be analyzed (Figure 5.1).

Figure 5.1. Forms of integration between the agricultural and industrial links in the wine chain



It is important to consider that the category "small producer" is not easily defined since it may include either impoverished producers, or small commercial farms highly capitalized and profitable. Therefore, I will consider only those producers with predominance of familiar labour force and limited access to capital, to modern technology and to strategic information, mainly due to a process of impoverishment. The difficulties to maintain an autonomous accumulation process and a commercial integration reproduce their character as "small producers" (Gutman: 2005).

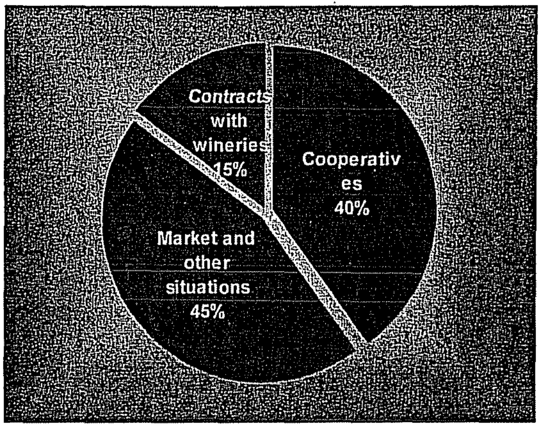
Historically, Argentinean viticulture was linked to intensive cultivation in small scale plots due to water and irrigation restrictions in the arid Cuyean region, but a large number of small grape producers of Mendoza is tending to disappearance. In the last fifteen years almost 8.000 small grape producers have given up their activities in this province (Bocco: 2003; Roffman: 2005). In addition, the decline in the number of vineyard is mostly significant within the group with less than 25 hectares, and especially between those with less than 10 hectares. Nevertheless the figure of the small producer is still predominant, though seriously threatened. Even in 2002, 96% of the 18.315 existing vineyards in Mendoza had less than 25 hectares and belonged to around 12.000 producers, 81% of the vineyards had less than 10 hectares, and 63%, less than 5[7].

As regards of the type of coordination of small producers to the wine chain, the cooperative system (mainly cooperatives linked to FECOVITA) has a considerable weight, while most of the producers that are integrated to the fine wine sub-chain have some type of contracts with one or more wineries. Nevertheless, many common grape producers are also included in the latter group. The rest of the producers take part of a heterogeneous group where coordination through market and the "traslado"[8] system are predominant (Figure 5.2).

Figure 5.2. Forms of integration of grape prodcers

[7] Bocco (2005) calculated the number of producers over the INV`s Register of Vineyards. Due to the fact that one producer may have more than one vineyard; she applied the coefficient 1, 25.

[8] The system of "traslado" is traditional and persists in sector. The producer rents the right to elaborate wine in a big winery. The cost of this service is paid with the wine produced, therefore the winery finances the raw material but the costs are paid by the producer.



Source: Bocco (2005)

The traditional specialization of small grape producers for the table-wine market left many of them out of the activity in the late 1980s when the crisis of decreasing prices was dramatically combined with the privatization of Giol. In the 1990s the only alternative seemed to be the reconversion of vineyards to high quality varieties and production systems, but most of the producers cannot reconvert. This chapter will show how the quality paradigm created a dual structure of producers within the wine sector: one oriented to fine wine production (contracts and vertical integration) and the other oriented to table wine and concentrated grape juice (cooperatives and the rest of the independent producers) (Basualdo and Azpiazu: 2003). This dual structure reproduces impoverished producers exclusion.

After the opening-up of the economy and the application of the convertibility policy in 1991, small grape producers noticed that the rules of the game were changing, and found difficulties to reach the new market niches to which only a few wineries had access. In this new playing field the table wine grape producers became the most vulnerable actors. On the other hand, some few independent producers had managed to integrate themselves successfully to the export oriented wineries due to their capability to reconvert or on the basis of some comparative advantage, related to the age of the vineyard, the variety produced or the geographical location; but they were a minority.

The weakness and vulnerability of many of those who were able to maintain their activities leads us to another question: the persistence of the structural crisis in the sector. As previously mentioned, the alternative that the sector found to the crisis of over-production and decreasing consumption was the diversification towards export of fine wines, taking advantage of the new consumption patterns in middle and high-class sectors of the international markets. However, a great number of both wineries and producers were highly indebted in the early 1990s and, in many cases, had to sell their properties to new investors or shift to other agricultural activities.

In recent years, while the international prices of wines of all colors and types have followed the declining tendency of other emergent viticultures, Mendoza's grape producers suffered the biggest economic cost, since many of the contracts were not honored and wineries started a speculative game by stocking wine for better seasons (Browett: 1989). Some independent grape producers were left out of the activity in a more direct way since the state winery was privatized. The orientation of the sector towards new quality parameters required a type of technological and organizational restructuring that most producers couldn't catch up with, since the need of a big investment would have not been compensated with the abandonment of the traditional destiny of grapes: the domestic market for table wine.

5. 1 Contracts involving grape purchases.

The concept of "contract" refers to an ample variety of relationships between agricultural producers and industrial or retailing firms. A wide definition would include arrangements between growers and firms (exporters, processors, retail outlets) in which non transferable contracts specify one or more conditions for marketing and production (Little and Watts: 1994).

Integration through contracts has been one of the alternatives for small impoverished producers with different outcomes along the regional economic history of Argentina. The success and failure of these experiences are linked to the national and international competitive and regulatory contexts, as well as the structural character of the agro industrial complexes (Gutman: 2005). Although the majority of the foreign firms try to supply themselves with grapes, the climatic problems and a demand of diversified grapes by variety, quality and territory of origin has also produced a segmented grape market, creating the need of providing also form local growers. Thus contracts are a type of form in which, the expansion of global food markets and national market deregulation pushed agricultural producers into global commodity markets where middle and poor peasants found it hard to compete producing a drive for income diversification.

From a class based approach the question about contracts between agriculture and industry is related with the viability or prospects of peasant production within the global capitalist mode of production. Then it is relevant to analyze how these transformations are taking place in specific contexts in the developing countries. Farmers in contract relations have decreasing power over labor process, only benefiting some types of middle peasants who can afford improved input packages, and sustain the property over land in climatically favorable regions.

In Mendoza, those producers that have a "stable" relationship with one or more wineries, are increasingly subjected to standards and procedures that are unilaterally defined and arbitrarily re-defined by industry, re-enforcing the instability and vulnerability in the negotiations for access to productive resources, terms and conditions of production and amount of production risk (Bryceson: 2000). Therefore fine grape small producers are increasingly dependent on transnational corporation's quality polices (Vellema: 2002) as regards the exportation of wine with a high added value. Interpreting contract relationships in the wine chain as a type of "class subordination" to corporate capital can be translated in questions of compliance to the rules and criteria that regulate the quality control, between other elements. This is particularly visible in the processes for defining "quality" of the grapes: here the flexibility embedded in the contract is the cause why the industry never loses: it lays down the rules and changes them halfway, creating a situation of non-transparency (Peppelenbos: 2005) in the mutual obligations involved in quality control discounts. Thus, quality control becomes an instrument of manipulation.

The objective of disciplining the producer is achieved through a series of mechanisms related with "flexibility" of time and conditions of contract. First, there are no written contracts, and although at the local level personal relations could be a tool to facilitate the integration they can also increase the fine grape producer vulnerability because demands from the winery, including the quality criteria applied to approve or reject grapes, remain uncertain.

> "... our harvest system is based on a prize/ punishment" system for the quality of the raw material" (representative of Chandon)

Although the rules are finally "learnt" by loyal producers, shifting demands and the emergence of a new market segment to supply, may leave these producers out by continuously changing quality criteria. In such cases, big wineries can always find temporary suppliers.

Anyway, in most cases, independent producers are subjected to the varying quantities purchased and the number of suppliers needed by the industrial firms in relation to their sales requirements. This uncertainty is further increased in some cases, where contracts are not done before the harvest. On the contrary, wineries wait to see the grapes and have the right to reject them or close the agreement setting lower prices.

> "Once the quality control is done, we work on the price" (representative of Finca La Celia)

But a class struggle view of the capitalist development of agriculture can be complemented with an institutional point of view since the agro-industrial relationships can also be seen as taking part of the modernization of agricultural processes. Form this view, contracts, as particular forms of institutions, reduce transaction costs for economic actors and regulate relationships of farmers with land, determining the mode of working the land, reducing economic uncertainties and producing standardized value added products and their access to markets.

Supporting heterogeneity in globalization processes, N. Long (1992) remarks the importance of local or regional knowledge and organization power as forms of peasant's agency. Contracts would constitute specific negotiations and therefore, also appear as coordination tools. Form the point of view of institutional theories contracts are created to reach a non-market but efficient allocation of resources. This perspective implies that non-market mechanisms may lead to a more efficient modernization of agricultural production.

Furthermore, the discussion focuses also on whether contracts appear for farmers as a choice or as a necessity and then, whether contract farming preserves the autonomy of the farmer, since it provides access to technological managerial and marketing assistance and new sources of income. The institutional assumption of bounded rationality explains part of the heterogeneity of conditions and types of contracts. In the case of viticulture contracts, the action of producers is limited because the choices are not freely taken. In markets with no perfect information, contracts can reduce the unpredictability of prices and the costs of missing information about the quality requirements for grape production, by reallocating financial risks and rewards (Peppelenbos: 2005). In theory, if the quality control is realized by the firm, regulated by standard procedures, it could be executed with great flexibility only due to the confidence and closeness between the parts. On the other hand, in the downward direction of quality control, flexibility enables the company to steer the behaviour of growers, enabling the company to reward loyal farmers for good behaviour, and to keep unfortunate grower out of network. It is true that in some cases contracts could increase the economic "autonomy" and the quality "learning" to produce under a new productive paradigm.

There is a huge heterogeneity of situations, due to the local idiosyncrasy of the sector, which in many cases, "forces" wineries to integrate local producers. Contracts allow industries to integrate a very particular type of vineyard producers to the quality scheme. The reason for this has relation to climatic variations such as hail, the need of varietal specialization or the age of the vineyards (sometimes old vineyards with the right variety are highly appreciated). Contracts not always reflect domination, since the aspect of personalized relations with firm technicians allows producers to subvert some terms of the contract in their favour, and gain grades of control, and these kind of "details" in the contractual relationships can sometimes make a real difference between losses and profits (Peppelenbos: 2005). In the wine sector of Mendoza the flexibility of contracts gives certain degrees of freedom in relation to the way that quality standards are complied.

These relationships always include tensions related to the implementation of new quality production tasks and methods. Both winery and producer keep on accommodating their practices in relation to the new quality requirements. The case of the Uco Valley region is an example of this type of relation, since is a region that kept their fine varieties over time, since the main activity used to be growing fruits, and was recently rediscovered by foreign wineries. Agronomic engineers and enologists came to play a key role in building these relationships, contributing to the "appropriate" link between producer's practices and demands form consumers. The supervision of reconversion practices are mainly aimed to gain more flexibility of vineyard hard and soft technologies, for a quick adaptation to new demands.

The mayor difficulty for wineries at this level of integration is the difference in the actor's "cultural" level. According to the interviews, many representatives of the wineries in the Uco Valley found it difficult to apply "quality management" in vineyards of independent producers. This is not the case in the winery itself, where the implementation of quality norms is much more straightforward.

> " (in the vineyards) you have a disperse situation, many variables, at least much more than in the industrial sector" (...) lots of different people, many different tasks and the cultural levels are complicated, specially the less educated persons: the rural worker ..." (representative of Finca La Celia)

In fact, the problem is not strictly related to educational levels, but it is evident that when technicians form the wineries and producers talk about "quality" they do not refer to the same thing.

> " There are frequently limiting elements; suddenly we are forced to stop irrigation and you have to command: "– stop irrigating "; and you have to explain that he will not lose and convince him" "[...]" ... even if producers do like you, they may do something different, they say they won't irrigate and later you find they have, and sometimes disputes arise. This is the case of producers with old vineyards that repeat what their fathers did (agronomist of O'Fournier).

But this is only the case of a few privileged producers whose advantage derives in general, from the age of the vineyard or the geographical region. The lack of formality in contracts is an indicator of the instability of the integration of these "high quality" grape producers. Although these producers are more prosperous than those producing for table wines, integration mechanisms are almost exclusively based on the trust they place in certain technicians and professionals (most of them young local middle-class professionals). Wineries try to have the minimum number of captive producers, and this increases pressures on them at the moment of fulfilling quality parameters under an apparent "process of learning" based on an ideology of autonomy. Therefore, wineries search model producers that can guarantee the characteristics of the grapes demanded and also absorb the financial risk and the low productivity requirements per hectare imposed by wineries.

5. 2 Integration through the cooperative system

Since the state winery GIOL was privatized in 1989, the situation has not been easy for many grape producers, due to the fact that wineries are used to pay in instalments and they also lose bargaining power because of the perishable character of grapes. For many of them, the only way out of this situation has been the integration to the cooperative system. In Mendoza there are between 3.000 and 3.200 associated producers and over 1.800 that supply the cooperatives as third parts[9]. The producers integrated to cooperatives represent over the 30% and 40% of the total of producers. A new cooperativization process begun with the privatization of the state winery, after which a twelve cooperative federation was created (FECOVITA). Currently the federation is formed by 32 cooperatives and over 2.500 producers distributed in all the provincial departments. An 80% of the producers in the Federation have less than 10 hectares and the rest has between 10 and 30 hectares. The consideration of the cooperative system is relevant since it seems to be the only way in which producers have participation and control over the industrial link in the wine chain, which is fundamental in the case of coordinating fine wine production.

The quality paradigm also affected the formation of the cooperatives since they

9 http://www.acovi.com.ar/inicio.htm. 31-8-06 . 17.07 pm

emerged in direct relation to the restructuring process. In particular, the cooperatives that already existed before GIOL's crisis were those which could incorporate the new rules of the game of the sector in a quicker and independent way.

The older cooperatives, then, were the only ones which could undertake a partial reconversion process, while those created with the exclusive purpose of coping with the crisis remain in the common grape sub-sector. But the turn to quality of these cooperatives generated some tension within the cooperative system, especially at the Federation level. Their demands were related to the opening-up of commercialization and export channels for their high value lines, since the exporting strategy is not available for them without the Federation's support. Two main views emerge as regards the model the federation should follow to adopt the quality paradigm.

For some leaders the cooperative system should remain in the track of the domestic market and the exportation of low and medium quality wines

> ""FECOVITA ensures a market for our total production. They show us the guidelines of the markets they can guarantee" (…) "The viticulture of high value wines represents 5% of the sector; 95% of the total production and sales is cheap wine; high-scale viticulture is snob and beautiful, but producers do not make a living from it" (Leader of V.F. Cooperative, Uco Valley)

The dilemma relates to the profitability and the cost of reconversion for small producers (Basualdo and Azpiazu: 2003). Therefore, when the Federation is a guaranteed buyer, producers obtain higher profits by producing big quantities per hectare, than by reconverting to high-quality systems.

Nevertheless, other actors argue that there are some indications that the *quality paradigm* is also being adopted in the cooperative system.

> " ... the Federation sends economic messages oriented to improve quality, like differential prices for alcohol concentration and colour" (president of

S.C.S. Cooperative, Uco Valley)

Such tensions are evident in a region like Uco Valley, which has been recently rediscovered as a high-quality grape production zone. Many of these producers are involved in a paradoxical situation: they have always produced the same grapes that now are demanded by premium wineries. Nevertheless, relationships and practices between cooperatives, producers, and the Federation are characterized by the orientation to table wines among the cooperatives created in the nineties. But, in fact, they sell high quality grapes at the price of common grapes. A question arises: why these producers do not reconvert their vineyards? In theory, this seems to be achievable since they do not have to wait to plant the high quality varieties they already have[10]. The answer is that the producer organizes itself in relation to the market in which he participates. In the case, of the new cooperatives, by being associated to a cooperative which produces basic wines and pays fair prices for the grapes, there is no benefit for him in reconversion and risking his business in the search for potential clients would not be worthwhile (Bocco: 2005).

On the contrary, older cooperatives (those which pre-existed the restructuring process) have a different view about this process and the course of cooperativism in relation to the *quality paradigm*. These older cooperatives claim that, since the Federation is strong in the table wines market, they do not have an immediate urge to open new commercialization channels for their associates targeting fine wine markets. Therefore, the strategy of the Federation is limiting the possibilities of some members to develop quality related strategies.

The tension between the new productive and commercial strategies and the economy of scale logic of the cooperative will lead to a situation in which only those who have privileged productive and organizational structures will be able to enter the quality paradigm. In this sense, cooperative values are challenged by restructuring process concerning global agro-food systems, to maintain the association between

[10] As already mentioned, reconversion here includes not only fine varieties and technology but also low productivity levels and particular quality tasks in the vineyard.

producers Lattuada and Renold (2004). The main differences observed between "old" and "new" cooperatives lies in fact that those who integrated to the cooperative system in the moment of crisis became more dependent on the federation policies and would not risk another type of policy. Meanwhile those cooperatives with more than thirty years of experience are challenging the policies of the Federation in relation to the installation of the *quality paradigm*. Reality shows that, without association differentiation within producers would be even deeper. Therefore in some cases it seems preferable to stay together and sacrifice quality.

5.3 Vertical Integration

Between 30 and 35% of grapes demand is supplied through vertical integration: cooperatives (mostly common grapes) and premium wineries (high quality grapes). Wineries have increasing problems to satisfy very demanding consumers. The dispersion of factors intervening in quality control and the difficulty to comply with them is the main reason why most of high quality wineries express their hope to increase the proportion of grapes coming form their own vineyards.

Once they had gained a certain market niche, they must reduce the variability of product quality. Variations may arise from climate factors and, in this case, they use to make contracts with producers from different regions. More recently they began to buy plots of land in different geographical environments and quitted contracts. Although it involves very small volumes of grape, the production of premium wines demands homogeneity and the constant provision of grapes that satisfy the enologist's requirements.

The expansion of wineries' vineyards has affected old farms for reconversion and also the plantation in regions that had never been exploited for that purpose before; this was only possible with big investments in new irrigation systems and the application of new technologies that make the vineyard irrigation independent form traditional channels and natural slopes.

5.4 Market Integration

The construction of the grape market is highly influenced by the new rules established by the "Mendoza-San Juan Treaty", aimed at defining quotas to regulate the structural surplus tendencies of the grape market, and reach "market equilibrium". The importance of this market policy lies in the idea of an alternative for small grape producers in an over-production context. This agreement between the two provincial governments is oriented to fix volume quotas that should be compulsorily diversified towards another agro-industrial sub-product: concentrated grape juice without alcohol. The objective of the agreement is to maintain the prices in a relative equilibrium, strengthen the concentrated grape juice market, and temper the over-production crisis by diminishing the percentage of grape destined for table wine production. The unequal distribution of assets had brought about more uncertainty in prices. Consequently, the basic problem to be considered is to what extent the diversification policy is a way out of the structural crisis or reproduces it.

Producers are the actors most affected by international price fluctuations. This instability shows that the grape juice sub-sector is not yet a consolidated alternative for grape producers and those institutions and power relations at the local level also contribute to this. In the first place, the compulsory diversification established by the said "agreement" maintains a great number of producers in an activity oriented to a very low added-value product. Thus, growth in volumes derives in decreased prices. This low-quality grape producers, were already suffering the consequences of the big gap between the minority who supply wineries linked to international market and those who the have been supplying the domestic market and suffered a big purchasing power reduction. Besides, the grape juice industry is a very concentrated sector which has been able to grow precisely due to the "agreement" at the expense of grape growers. This situation clearly benefited export-oriented processing firms. This situation is further reinforced by an increasing tendency to the vertical integration of vineyards: big industrial firms are beginning to produce their own grapes, as in the case of high quality grapes. The weak institutional and collective organization of grape producers in general does not allow them to implement innovations and, therefore, they continue in a disadvantageous situation in relation to the industry (Etrategias & Mercados: 2005).

The *minifundia* structure still hinders the development of scale economies necessary for gaining new commercial channels. While cooperatives might be one of the alternatives for gaining scale, the traditional cooperative values predominate over a strict commercial logic, which exists in the case of FECOVITA though fully oriented to low quality markets. Thus, the question of why independent producers do not reconvert is related to a mix of factors, among which we may include the lack of qualifications and information to produce with quality. Therefore, independent producers cannot translate the demand of consumers into a new type of farming practices. They neither have alternative sources of income to make big investments in reconversion and cope with the lagging years. Moreover, the profitability dilemma keeps many producers in the low-quality grape sector because they obtain higher profits by producing big quantities per hectare, than by reconverting to high quality systems.

Chapter Six. The politics of quality

This chapter discuses the institutional and regulatory structure affecting the viticulture value chain. Sector policies will be analyzed in relation to the consolidation of the *quality paradigm,* including not only its economic and productive aspects of the quality paradigm, but also the institutional dimension of the process of its legitimation, and the role of the State. For this purpose, I will make reference to some policies that constituted turning points to establish and give support to the application of quality standards and in the creation of new rules in Mendoza's viticulture. I will analyze some aspects of the regulatory framework, the institutionalization of new norms of quality, the implementation of the Strategic Plan for Argentina Viticulture 2020 (PEVI), as well as the promising role of the "Corporacion Vitivinícola Argentina" (COVIAR), as the non-state public institution aimed to carry out the Plan.

Since the 80s, an important change in the State action is noticeable as a result of structural adjustment policies, the measures tending to implement a neo-liberal model during the 1976-1983 dictatorship that were fully implemented in the nineties, mainly through the deregulation of the economy and market liberalization. During the ISI model the regulation of the provincial government directly influenced the evolution patterns of the wine chain. Deregulation included the elimination of the direct price control and the de-linking of the state as a development agent (Manzanal: 2005). The liberalization of the market was a partial process. Anyway, restrictions to foreign investments were eliminated, and the duties of the regulatory institution (INV) were re-defined. Although the wine sector was the only which kept its regulatory institute during the nineties, the INV narrowed its functions to the control and monitoring of the wines authenticity. Consequently the implementation of the new production practices was made in a context of reduced state functions, and the end of the subsidies policy, with the privatization of GIOL. The role of the state before the crisis had consisted in central planning of the development policies, taking into account both economic and social aspects.

Antecedents of the recent quality policies may be found in measures against overproduction in the early eighties. In 1980 an entity called "Vinos Argentinos" was created, inspired in the 1959 "Viticulture Reconversion Law", which had contributed for the first time to the grape quality promotion trough higher prices and the diversification of grape uses. The institution was formed by a group of local wineries, with the purpose of exporting wines. Nevertheless, the wine these wineries were producing were rejected by foreign retailers, since they were not made with the adequate varieties, some of which had been pulled out in the 1970s, with the purpose of reducing the cultivated area during over-production crisis.

Later in 1996, another public-private entity appeared in the field. "Pro-Mendoza" had the aim of promoting Mendoza's wine sector in the international market. The structural context was much more favorable for this entity, since the opening of the economy, pushed many enterprises towards those markets, accepting the direct investments from foreign groups for the necessary reconversion process both in wineries and vineyards. The most immediate changes involved property concentration and the bankrupt of smaller wineries. Moreover, the property structure was also modified; many firms were transferred form national to foreign hands that could easily face the reconversion process.

6.1 The turn to quality

The above mentioned reactions to the situation of overproduction and the fall in prices was consolidated through certain discourses and actions. Headed by big wineries linked to the local financial sector and the foreign capitals, one group maintained that the crisis was structural, and therefore that that the productivity-based model should be abandoned. The diagnosis was mostly based on the idea that the restructuring process was irreversible,, as well as the necessity of adopting new technological and institutional patterns oriented to produce with quality at low costs and satisfy the demands of the new consumers (Neiman and Bocco: 2001). Moreover, the growth of the exports (Tables 6.3 and 6.4) of fine wines in the period 1994-1997 became one of the most transcendent phenomena for this diagnosis to occur, both in its material and its symbolic dimensions.

Table 6.3. Exports of Argentinean Wine.

1990	2,5%
1995	14,7%
2001	6%

(Source: Basualdo and Azpiazu; 2003, based on data form INV)

Table 6.4. Exports: relative weight fine wines

	Volume of Fine Wine	Value of fine wine
1990	12%	50%
2001	60%	80%

(Source: Basualdo and Azpiazu; 2003, based on data form INV)

The main policies guiding the quality paradigm were mostly implemented in 2004 and may summarize as follows:

A. The mentioned "Mendoza-San Juan Treaty" is the result of a legislation to regulate the grape and wine markets, and control prices and volumes. The agreement is one of the examples of the growing complexity of the sector in the new "quality paradigm". The market had almost disappeared during the state centered regulation, and now, is back in the scene. Thank to this agreement (1995), prices were stable in some periods due to a stock-control policy that provided more stability throughout the chain. But recently, the persisting fall in consumption levels created the need for complementary measures, such as provincial government purchases of grapes to prevent a fall in prices, credits to prevent grape sales at low prices and incentives to exports in order to diversify grape uses, between other State regulations so as to level the playing field. This policy has also made clear that the diversification towards grape juice has become a means to finance the fall in wine prices. The agreement has brought about many reasons for struggles and instability since the quota of diversification is negotiated year by year between the governments of the two provinces, just after the harvest. The grape juice industry is now competing for grapes with the wine industry since there are not specialized producers for this product.

B. A structural factor, directly influencing the political economy of the quality paradigm is the reformulation of the subsidized export policies for agricultural products of the EU or CAP[11], which establishes non-tariff barriers to protect the internal production form foreign competence and subsidizes the exports of primary goods. Some of the ruling criteria to establish those barriers have a direct link with quality standards and therefore introduce a quality policy with the aim of diversifying producers supply. (Azpiazu and Basualdo: 2003). A completely new normative framework appears in relation to the implementation of the "labelling processes" in the relation to the interest for acceding the European market and comply with its new rules. A process of adoption, adaptation and implementation of the new requirements to the national and local circumstances takes places with the convergence of a big number of institutions of the public and private sectors.

Two laws related to the idea of Origin Appellation, sanctioned in 2004[12], applied systems of "geographical origin indication", which include both Controlled Origin Appellation (COA) and Geographic Indication (GI). These laws define and regulate the quality and prestige in relation to the region of origin or the geographic environment in which the grapes and wines have been produced. The implementation of these laws is related to pressures caused by Trade Related Intellectual Property Rights Agreement or TRIPS within the WTO framework, where multilateral norms for geographical indication protection have been implemented. It is rather difficult to establish the real origin of the grapes. Moreover, the COA and GI systems introduce rigidities that are difficult to combine with the flexibility required by wineries. The fact is that these rules are supported or rejected depending on the hemisphere where the investments are done. Thus, while European investors protect their production establishing very rigid production criteria, they claim for more flexibility and the abolishment of protective laws in the Argentinean viticulture where they also have investments.

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[11] Common Agricultural Policy.

[12] "Ley de Denominaciones de Origen de vinos y bebidas esprituosas", 25.163/99 and "Ley the Indicaciones de Procedencia y Denominaciones de Origen de productos Agrícolas y Alimentarios", 25.839/00.

"You want to give more competitiveness to our industry, so ... be careful with your requirements" (said one of these investors to the ex-president of the INV).

Although the consequences of the application of these laws are still difficult to assess, and could result in a way of upgrading some geographical zones and their producers, they may not lead to the real democratization of the origin of grapes. Since the sector has always characterised by the migration of grapes form one region to the other within Mendoza, only big wineries will take commercial advantages form the Geographic Indications, as have the capacity to install the winery nearby their own vineyards. With the application of these laws, many small firms an producers may lose their autonomy to sell in extra-regional markets. In this sense also the Re-categorization Law in 2004 had the aim to eliminated disloyal competition. The disappearance of the terms "table wine" or "fine wine" from the labels has the aim of ensuring that the promotional differences between wines are based on proved technical data (prove that they have a specific relation between the grape weight and the litres of wine) and not in marketing strategies (Estrategias y Mercados: 2003).

C. The creation in 2004 of COVIAR (Argentinean Viticulture Corporation) was aimed at implementing the Viticulture Strategic Plan (PEVI). In formal terms, this public non-state institution may achieve the sustainability of the sector through consensus and collective aims, tending to organize and integrate the actors of the chain, and innovate processes in order to add value to wine products, thus consolidating the internal market and improving the external ones. But PEVI is also haunted by conflicts and different visions about what should be the model of production and integration to follow. Some voices, especially those from eastern Mendoza wine corporations, claim that the PEVI does only benefit forging capital wineries.

There are two main conflicting views in the winery corporative sector: those who think that the overproduction crisis might be solved by prohibiting new plantations and protecting domestic market prices. Others argue that the way out of the crisis lies in the opening-up of new markets, especially at the international level. Moreover, there is an intermediate argument that demands quality policies for table wines, assuming that the quality paradigm is not restrictive to the production of fine wines and therefore trying to find new commercial possibilities for cheaper wines. These controversies show that the quality paradigm is no fully consolidated and is far form being institutionalized.

D. “Traceability systems" are groups of procedures and actions that facilitate the identification of the raw material use for producing food products. In the case of wines, the "traceability" may improve all the procedures in the vineyard, the winery and also in commercialization. Although these systems have formally been implemented for grape and wine production, the debate has been installed since the lauding of the Regulation 178 of the European Union in 2002. The aim of this regulation is to increase the consumer's confidence about food security. In its 18th article, the regulation establishes that, from January 2005, traceability systems should be applied to every food product that is introduced into the EU market.

Traceability evidences that quality policies at local level, articulate to policies at another level. After the EU's Common Agricultural Policy fell in crisis, the quality implementation institution and mechanisms are becoming tools to be used by different states to influence the agricultural policies. Quality policies are being applied at every level. First, the EUREPGAP norms will soon affect all the grape producers that sell their grapes to European buyers. There is an increasing difficulty for the integration of those who cannot import the expert knowledge and technologies. The economic and social capacity to be accountable as regards to the quality of the procedures has become an important requirement to be included in the *quality paradigm.*

The implementation of these policies in recent years shows that the wine sector in Mendoza is far form being unregulated. Different types of regulations are determining access conditions to markets and the coordination between actors. The question about who regulates and controls the sector has then a strong relationship with the character and form in which these regulations are implemented.

Conclusions

The restructuring process of the Argentine viticulture sector towards quality production in Mendoza's wine chain is still an ongoing process, since the macroeconomic context is being modified, as well as the relationships between the different agents involved. Although quality wines always existed, they have not been exactly the same product throughout time: hence, the main problem lies in the fact that the definition of quality varies, depending on historical circumstances and on the interests and outlook of those who define it.

The aim of this research was to understand the process of change in the socio-economic and institutional structures of Mendoza's viticulture sector. The idea of *quality paradigm* is useful for representing the new rules of the game and the actions tending to legitimate them in Mendoza's viticulture sector. For a full understanding about how this paradigm works in viticulture, it should also be considered as a political product, not merely a technical or economic process. Here the actions towards the privatization and institutionalization of quality standards may improve the competitiveness in the global market, but they also legitimize forms of socio-economic exclusion.

Then, the *quality paradigm* cannot be ignored. There is an all-pervading though variegated "quality awareness" in the sector, and new types of productive quality-based behaviours may be identified in most actors of the chain: the feeling that they should obtain the best possible raw material, and take care of it in the processing is deeply ingrained among them, as an objective principle. The changing behaviours and relations are legitimized by structural factors as well as by the agency and discourses of the involved actors. Thus, "quality" in this context is a manifold concept that assumes different meanings and is not merely a synonym of superiority; it also implies diversity, uniqueness, productive flexibility, and continuous adaptation to demand, specificity, marketing, and social distinction.

The concept of *quality paradigm* has further suggested the following notions which were used as guidelines in our research:

1. The *"restructuring process"* includes the structural changes affecting discourses and courses of action associated with a definition of the crisis in the sector and, above all, after the crisis, a disruption of the previous socio-productive and institutional model occurred. The idea of restructuring itself emerges in contrast with the idea of crisis. The "success" of liberal policies in connecting Mendoza's viticulture chain to the worldwide agrifood system is evidenced in increasing wine exports – especially, quality wines. In this context, the importance of foreign trade for producers and wineries has increased significantly. The European Union and USA are the main consumer markets of quality wines around the world and, consequently, the main destinations of Argentine exports in this sector. In this sense, it might be said that in recent years the whole sector has experienced a mutation, accompanied by weak policies tending to create the necessary conditions for an "**uneven restructuring**" through new legislation and corporate actions aimed at regulating and coordinating it.

This unevenness is mainly evidenced in a gap between actors associated with the export sector and everybody else. Even though the restructuring process is still ongoing, some actors hold that the most structural phase of reconversion is reaching a balance point due to the stability of supply and demand for fine grapes in the market. Anyway, this stability is still subject to uncertainty if the domestic consumption of common wines keeps decreasing and the oversupply of common grape maintains its current levels.

2. The concept of ***integration*** has been useful for reflecting about the relationships established between the actors. The integration of actors into the productive chain under the new paradigm is an increasingly complex process. At a first stage, when quality is adopted as their objective by wineries and products are distributed in ranges, a differentiation between captive producers occurs; they are selected according to their characteristics and others are left out. Third-party vineyards are closely related to the winery's commercial needs: therefore, the main restrictions involve productivity per hectare, zonification, and variety.

3. Finally, the relationship between the *quality paradigm* and **legitimation processes** is very important to fully understand how this paradigm is being

consolidated. Policies originated in a certain diagnosis of the crisis have disseminated and institutionalized a new discourse about quality, thus legitimating an outlook on the viticulture world. Therefore, quality standardization becomes a socio-political problem. Therefore, it is most relevant for analyzing the turn towards quality not only as a technological innovation or a quantitative improvement of knowledge on the art of wine-making, but also as a process that involves struggles for the legitimate definition of what may be considered quality and what may not. Here wineries, specially linked with foreign capitals, play a key role in the translation and implementation of market's requirements. The national and provincial State, although it plays some role in the re-regulation of quality standards, are far from determining the pace and character of the restructuring process and cannot yet guarantee the viability of grape producers and their integration to the chain.

Attempts to define quality from our sources are not coincident. Besides, the definition and/or construction of the new *quality paradigm* implies innovative forms of vertical and horizontal integration, as well as new forms of coordination and collective action, including actors such as wineries, grape producers, the State, and consumer's perceptions.

To a different extent, but always to a high degree, the underlying processes require various forms of **"control"** and **"coordination"**, evidenced in various forms of integration among grape producers, the diversification of productive sub-networks, the emergence of new economic agents, supply segmentation, a re-definition of the role of the State, technological and organizational innovative processes, the differentiation of strategies, the segmentation of consumer markets, and in new types of institutional articulations, like the PEVI. The new organizational forms respond to technological requirements, the control of yields, new industrial and agricultural tasks, and a novel way of managing knowledge At the same time, a new regulatory framework arises, which modifies the previous stance of the actors.

Then, principle of achieving the best possible quality is already established among actors as their fundamental aim. "Quality awareness" is now general and all-pervading among all actors in the chain, and not only in the enterprises traditionally linked with foreign trade. As we have previously stated, quality criteria start at the "fine wine" level, but they also drag "common wines", where quality-based criteria are being introduced, even for lower-price products.

Market relationships also involve a new set of rules based on reconversion processes tending to quality. The grape market becomes thus an extremely regulated field where actors are limited by the new paradigm but, in their turn, they produce and reproduce it. The paradox lies in the fact that the reconversion of viticulture implies, on the one hand, a change towards quality and, on the other, involves an excess of basic, fine, and varietal wines, even at the international market level. The lack of institutional arrangements has often derived into very low price exports and the creation of opportunity dealings involving the grape surplus, since the bulk business may become a commodity of low value added,

Many small producers that historically characterized the social composition of Mendoza's viticulture were unable to overcome the crisis of the 1980s and the privatization of GIOL. Those who survived have established connections with the restructured wineries because of their an exceptional geographic location and the age of the vineyard, or because they produced fine varieties. For this small group of producers, their contractual relationships with big wineries facilitated their access to credits, technological packages, and prices above those of the market, according to the quality of the grapes delivered. However, price formation is left in the hands of the big wineries and depends on what the winery considers a quality product. Thus, producers are stripped off their negotiation power. Many producers located in more peripheric zones have chosen other alternatives and lost their previous investments.

In terms of future performance, class-based approaches have presented a better interpretation of the different types of integration of the agricultural sector to the agro-industrial chain, than institutional approaches. Contracts and vertical integration only lead to further concentration of land and to oligopolic knowledge about quality standards and information about markets that serve to explode and exclude the majority impoverished grape producers. Conversely, institutional approaches may open false expectations about the possibilities of integrations and competitiveness of those producers, since the process of exclusion is being hidden under an ideology of autonomy and negotiability of quality contracts. In fact the institutional character of contracts is currently inexistent.

Two groups of grape growers have been left aside by the restructuring process. The first group includes producers who had no other income but the benefits of their vineyard: most probably they had always cultivated common grape, and the highly-praised alternative of reconversion meant no alternative for them, since it implied four years at least without any production. Besides, because of the small size of their production units, a partial reconversion of the vineyard would not be profitable for them either.

The second group includes people who own a vineyard but also have some other occupation. Generally, they belong to urban middle-class sectors attempting to commercialize their surplus and are better positioned for a reconversion towards quality production. Reconversion does not guarantee an improvement in market positions since the market is now saturated with fine grapes and, in addition, producers have to face the above-mentioned "profitability dilemma": once reconversion has occurred, the profitability of fine grape tends to that of the common grape (Basualdo and Azpiazu: 2003; Bocco: 2005).

In other words, for small producers, a slight difference in favour of fine grapes does not justify reconversion. Moreover, in general, technological levels of grape producers are not necessarily associated with a target market strictly characterized by quality. For example, there are some regions, such as those on the upper Mendoza river, where some old vineyards might be classified as having a low technological level though they produce grapes for high-quality wines (Pizzolato: 2005). Technological levels do not necessarily represent a certain quantity, quality or price of the grape: multiple combinations are possible and actually exist, depending on different forms of coordination and not only on technological innovation.

For impoverished small producers, the only way out of the current situation is to reduce costs by using increasingly less labour-intensive technologies. However, this way out is closed for many of them, deprived as they are of access to financing and credit. Nevertheless, the fact that not all the producers have joined these transformations cannot be attributed to a wilful decision but to structural socio-economic conditions that lie beyond them. All these subtle factors entail an increasingly differentiated division of labour between actors who produce for the market of common grapes and those who produce for the market of fine grapes. This increasing gap is not due exclusively to differences in capital and financing. Moreover, many such techniques are completely unknown for some producers, and this lack of knowledge may be ascribed to a poor development of the link-network or to a scarce cooperation between actors and knowledge producers. In other words, knowledge about quality is increasingly privatized and constantly re-defined by the industry.

Operating as the core of the productive weave, wineries capture through raw material prices most of the value added by the productive weave as a whole. This transference of value from the agricultural sector to the industrial one has an impact on productive competitiveness and on the sustainability of producers. Both from the economic perspective and that of decision-power, the agricultural sector is becoming more subordinated to industrial and commercial enterprises.

Cooperatives may partially neutralize the impact of this growing gap and the transference of value from the agricultural sector to the industrial one, especially in the case of small-scale viticulture enterprises. As an integration model, cooperatives have already started to include quality in their statutes and discussions with their members. Training, indispensable for quality production, is now a requirement for social stratification and its reproduction: actors that have an access to training and new technologies have greater possibilities of responding to market requirements, availing themselves of occasional opportunities, and obtaining profits. Nevertheless, norms and prizes for clean harvesting and transport, and prizes for alcoholic grade have been implemented in cooperatives to improve quality, but they have failed in many cases.

After considering how the new rules of the game are established and by whom; and the relative position and limited power of impoverished grape producers over this process, it is possible return to our main research question. We may say that the restructuring process towards as quality paradigm in Mendoza's wine sector is not solving the structural character of the sector's crises, neither the viability of impoverished grape producers. The research allowed us to arrive to the following conclusions:

First, current controversies derive from two different conceptions about which should be the political future of viticulture and suggest that the discourse about "quality" is not altogether hegemonic. The need for a short-term struggle against structural overproduction, combined with Argentine's late arrival to the group of countries that show an "emerging viticulture" encourages still the search for alternative uses of low-quality grapes and for political agreements aimed at sustaining the market. Nowadays, when an incipient saturation of supply in fine varieties may already be noticed, the financial cost of reconversion does not guarantee an improvement in market positions, especially for small producers. Grape overproduction at the world level is affecting all varieties, even those of the highest enological quality. Therefore, the sustainability of diversification policies should be further discussed in order to generate, in the case of grape juice, a solution with much less added value for the producer.

Secondly, the growing export trend of the mid-nineties was perceived by various actors of the sector as a sign showing that the only viable alternative to overcome the crisis was the orientation to foreign markets, and thus quality appeared to be the *sine qua non* condition for exporting. The urge to meet a much more segmented demand has introduced new consumption parameters where the demand for a higher and more guaranteed quality is the central component. However, the standardization of these new quality parameters does not have a unique definition unanimously legitimated in the international sphere and, still less in Argentina itself. The discourse of different actors, as well as the undeniable evidence that quality has not succeeded in overcoming the crisis of the sector as a whole, clearly demonstrates that the *quality paradigm*, though allegedly accepted by everybody, is not an hegemonic conception and is far from being an actual solution. The weakness of the institutional structure and coordination between actors claims for a collective definition of quality standards and practices in the sector, which the PEVI has possibilities to achieve.

In this paper I have analyzed the policies and relations that serve to legitimate the *quality paradigm*. But turning the question around, which actions and distribution of power is the quality *paradigm legitimizing*? The different chapters have shown that it can be considered an excluding model, since only a minority of the grape producers are able to undertake reconversion. The increasing concentration of capital and land in those sectors that are linked to multinational actors is further deepened vertical integration of grape supply and the growing control of the industrial link over the agricultural production, thus leading to the loss of autonomy of the independent producer. To comply with the international requirements, technological innovation in the vineyards is oriented towards greater homogeneity and strict quality controls that are better achieved through the self-supply of grapes, leaving many producers out of the quality grape market.

Moreover, the price formation for grape purchases is completely in the hands of the industrial firm and depends on what is considered or defined by these firms as a quality product. Therefore, the possibility that the grape growing activity may foster the development of small producers is far form being real. The re-regulation function on the state is not oriented towards the regulation of producers′ integration into quality paradigm, but it perpetuates their dependence on the limited table wine market. There development of cooperative system and other forms of association may have the potential to find alternatives for the development of grape producers, but this would be the topic of another interesting paper.

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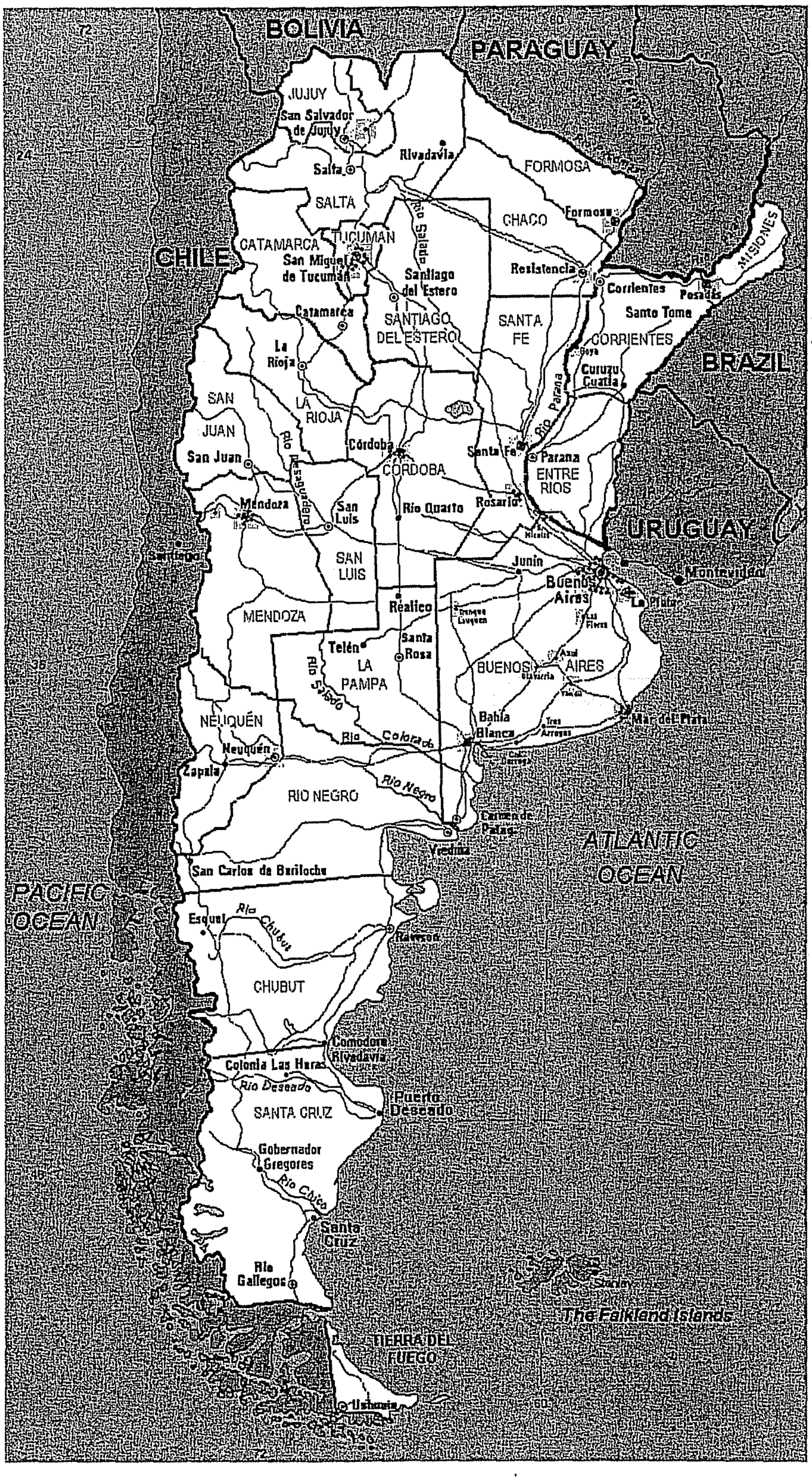
ANNEX A – Map of Argentina – Political division



ANNNEX B: Source Tables

Mendoza and San Juan. Cultivated area with vineyards by farm size (in hectares)

	Mendoza	San Juan
Hasta 5	7.063,4	2.156,2
5,1 - 10	12.321,5	2.798,1
10,1 - 25	28.096,7	6.426,1
25,1 - 50	25.509,7	6.428,4
50,1 - 100	22.909,2	8.179,8
100,1 - 200	17.931,9	7.272,5
200,1 - 500	12.532,3	6.453,4
500,1 - 1.000	3.886,4	510,2
1.000,1 - 2.500	2.910,1	1.818,2
2.500,1 - 5.000	141,6	-
5.000,1 - 10.000	516,7	-
10.000,1 – 20.000	23,7	-
Más de 20.000	46,7	-
Total	133.889,9	42.042,9

Source: Barsky (2005), based on INDEC, Censo Nacional Agropecuatrio, 2002.

Consumption of wines per person, by type of wine. 1980-2001

Year	Table Wine	Fine Wine	Others	Consumption per person

Años	Vinos de mesa	Vinos finos	Otros	Consumo por habitante
1980	70,2	5,5	0,6	76,3
....	....	....	....	....
1985	52,1	6,9	1,1	60,1
....	....	....	....	....
1990	46,0	7,6	0,6	54,2
1991	43,3	8,3	0,8	52,4
1992	40,2	8,7	0,6	49,5
1993	34,5	9,3	0,6	44,4
1994	33,4	9,2	0,6	43,2
1995	32,7	7,9	0,5	41,1
1996	31,5	9,0	0,6	41,1
1997	29,9	9,7	0,7	40,3
1998	28,1	10,0	0,8	38,8
1999	27,6	10,2	0,9	38,7
2000	26,9	10,2	0,7	37,8
2001	26,3	9,4	0,6	36,3
t.a.a. 80-90	-4,1%	3,3%	-0,9%	-3,4%
t.a.a. 90-00	-5,2%	3,0%	2,1%	-3,5%
t.a.a. 90-01	-5,0%	2,0%	0,3%	-3,6%

Source: Basualdo and Aspiazu (2003), based on information of the INV.

Wine industry, selected indicators, 1990-2001. (Hectolitres and percentages)

Years	Production	Sales to consumption	Exports	Imports	Expo+Impo/ Production (percentage)	Expo+Impo/ Sales (percentage)

Años	Produc-ción	Despachos al consumo	Exporta-ciones	Importa-ciones	Expo+Impo / Producción %	Expo+Impo / Despachos %
1990	14.036	17.714	445,5	0,2	3,2	2,5
1991	14.500	17.084	282,1	1,5	2,0	1,7
1992	14.351	16.195	227,4	2,8	1,6	1,4
1993	14.471	14.558	250,8	21,8	1,9	1,9
1994	18.173	14.180	226,3	28,3	1,4	1,8
1995	16.443	13.492	1.970,4	6,4	12,0	14,7
1996	12.681	13.542	1.119,9	5,1	8,9	8,3
1997	13.500	13.436	1.204,7	7,2	9,0	9,0
1998	12.673	12.928	1.089,0	10,0	8,7	8,5
1999	15.887	12.808	880,5	13,6	5,6	7,0
2000	12.536	12.491	843,0	7,8	6,9	6,9
2001	15.835	12.836	881,6	7,4	5,6	6,9
t.a.a. 90-01	1,1%	-2,9%	6,4%	38,9%	5,3%	9,6%

Source: Basualdo and Aspiazu (2003), based on information of the INV and INDEC

Evolution of wine sales in the country. By type 1980-2001 (thousand of hectolitres and percentages)

Año	Mesa	Fino *	Reserva	Regional	Especial	Espumoso **	Otros ***	TOTAL
1980	18.874	1.513	-	516	135	33	-	21.072
......	......	......	......	......	......	......	......	......
1985	15.623	2.131	-	459	274	64	-	18.552
......	......	......	......	......	......	......	......	......
1990	14.393	2.057	418	662	109	59	16	17.714
1991	13.414	2.276	442	165	90	84	612	17.084
1992	12.604	2.407	449	553	75	107	1	16.195
1993	10.699	2.602	438	616	91	113	0	14.558
1994	10.327	2.610	407	640	65	131	0	14.180
1995	10.126	2.325	261	611	46	120	3	13.492
1996	9.750	2.798	151	636	46	161	0	13.542
1997	9.327	3.100	122	649	45	192	0	13.436
1998	8.723	3.312	-	627	42	224	0	12.928
1999	8.599	3.385	-	539	39	240	5	12.808
2000	8.479	3.362	-	422	36	179	14	12.491
2001	8.330	3.120	-	394	33	144	4	12.836
t.a.a. 80-90	-2,7%	3,1%	-	2,5%	-2,1%	6,0%	-	-1,7%
t.a.a. 90-00	-5,2%	5,0%		-4,4%	-10,5%	11,7%	-1,3%	-3,4%
t.a.a 90-01	-4,9%	3,9%	-	-4,6%	-10,3%	8,4%	-11,8%	-2,9%

Source: Basualdo and Aspiazu (2003), based on information of the INV.

ANNEX C - List of informants,Legislation and documents consulted

Interview made by the author between 2004 and 2006

Giaquinta 2004
Finca La Celia 2006
Luigi Bosca Winery 2004
O'Fournier 2006
S.C.S.Cooperative, Uco Valley, Mendoza 2006
V.F. Cooperative, Uco Valley, Mendoza 2006
Carmen Perez: representative of FOndo Vittivinicola de Mendoza 2004
Daniel Pizzolato, INTA LA COnsulta, Valle de Uco, Mendoza 2006
Cattania, C INTA Lujan de Cuyo 2004
Pina, Bodegas de Argentina 2004
Marianetti, INV 2006
Thomas, INV 2004
VIne Producer 2006
Salentein 2004
Producer, and "cuadrillero", from UCO 2006
Chief of the Development and Transformation Department, Counsellor of San Carlos Municipality 2006

Inteviews that were made by another researcher in 2001

Nieto Senetiner Winery
extensionist form INTA, Luján de Cuyo
Peñaflor Winery
Norton Winery
Chandon Winery
FAPES Winery
El Cerno
Santa Pula
Viñas Argetninas
Viña Patagonia

Legislation and other documents consulted

- Manual de Buenas Prácticas Agrícolas Portillo (Good Agricultral Practices Guide) - "Salentein y El Portillo" Winery
- Good Manufacturing Practices in Winery – Application Guide – SAGPYA – INV – IRAM, January 2005.
- Ley de Denominaciones de Origen, October 1999, N° 29.248
- National Law N° 14878

INV Resolutions

- Res. Nº C 32/02
- Res. C 43/98
- Res. C 31/02
- Res. C 32/02
- Res. C 34/03
- Res. C 31/04

- Regulation 178 of the European Union in 2002.