

Wine tourism in Argentina and Spain-a neoliberal perspective

Declaration

Submitted by Peter Newey to the University of Exeter as a thesis for the degree of Doctor of Philosophy in Geography, April 2012.

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Abstract

The wine industries of Argentina and Spain have undergone significant structural change over the last thirty years that has coincided with a period of trade liberalisation and as part of neoliberal economic reforms. In addition new markets have emerged in North America, Europe and Australasia, domestic consumption has declined, competition has increased and there has been a shift in consumer tastes to better quality, fine wines. As a result the patterns of supply and demand have changed and there has been a transition from a protected productivist to a post-productivist regime. Wine tourism has provided the medium through which these post productive features of transition brought about by neoliberalism have been investigated.

The analysis uses and extends the work of Marsden (1995) and Wilson (2001) by emphasising the importance of locally assembled networks and clusters and the integration of the producers with their local communities. It also reworks Le Heron (2001; 2005) to argue that reconfigurations of the supply chain are indicative of the post productive transition.

The research specifically looks at the wine industries in Argentina and Spain from the point of view of the producer. It compares and contrasts wine tourism in these countries with wine tourism in the English speaking world and it looks at the rationale and benefits of wine tourism. Consequently, it broadens our knowledge of wine tourism and post productivism beyond the boundaries of the English speaking world where both have been adequately documented, to Spanish cultures in the Old and New Worlds, in Europe and Latin America.

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List of abbreviations

ABRA	Asociación Bodegas Rioja Alavesa
BdeA	Bodegas de Argentina
DO	Denominación del Origen
DOC La Rioja	Denominación del Origen Calificada de a Rioja
FDI	Foreign Direct Investment
FEV	Federacion Espanola del Vino
IDLA	International Development Bank of Latin America
INV	Instituto Nacional de Vitivinicultura
IMF	International Monetary Fund
MARM	Ministry of the Environment, Rural and Marine Affairs
MNC	Multi National Corporation
OIV	Organisation Internationale de la Vigne et du Vin
TNC	Trans National Corporation
WB	World Bank
WTO	World Trade Organisation

Introduction-Preface, Terminology and Aims

1.1 Preface - the background to the thesis

Charters and Carlsen in the conclusion of their book, “Global Wine Tourism” (2006), noted that there had been a number of wine conferences and at least two previous books (Getz, 2000; Hall et al, 1997) on wine tourism, but that there was an imbalance in the research. To quote them:

“There is a distinct focus on wine tourism within the “New World”, especially Australia, New Zealand and North America: to a lesser extent South Africa also. The distinctive nature of the wine industry in those countries and their Anglo-Saxon culture means that our understanding of how wine tourism operates, the demands placed on it by visitors and the factors necessary to implement it are effectively limited” (pp 263).

The purpose of this work is to try to answer this imbalance by looking at wine tourism in two wine areas, Mendoza in Argentina and La Rioja in Spain; one in the New and the other in the “Old” World. These areas have a common or at least similar Spanish culture, that is to say, non Anglo-Saxon. I will examine wine tourism from the point of view of the wine producers or the bodegas, rather than the tourist’s. It is not concerned with the demographics or psychographics of the wine tourist, but with the motivation, rationale or the perceived economic benefits of wine tourism to the producers.

It covers the period since 1980, a convenient date as the 1980s were a time when “New World” wines began to be available (Unwin, 1996; Vinas, Bodegas & Vinos, 2005) and when Argentina and Spain emerged from autocratic military regimes to become liberal democracies (Williamson, 1992; Carr, 2000; Royo, 2000; Lewis, 2002; Guerra, 2009). The 1980s were when neoliberal economic policies became widely accepted (Nef and Robles 2000) and the trade liberalisation policies together with joining Mercosur and the EU were major factors behind the development of the

wine industries in Argentina and Spain after a period of economic isolation and stagnation.

My initial interest was in the post colonial economic development of countries that had been part of the Spanish Empire in the Americas. It began whilst travelling Latin America in 2002. Argentina, as perhaps the most European of Latin American countries, seemed to have a number of parallels with other Anglo Saxon countries, such as the USA, Canada, Australia, New Zealand and South Africa, and Argentina has often been compared to these countries (Maclachlan, 2006). They have significant natural resources and agricultural sectors and grew into major economic powers at the end of the nineteenth century. Their growth was fuelled by European immigration and colonial commercial ties and investment. They supplied the industrialised nations of Europe and primarily Great Britain with raw materials and foodstuffs and in turn those nations invested to develop their industries and infrastructure. Argentina developed similarly (Luna, 2004) but there have been significant differences in their economic performances since the 1920s (Maclachlan, 2006).

Spain was included after the initial field work had been conducted in Mendoza (see Chapter 2). My original supervisors at Exeter University thought that it should be a comparative study. Spain was the obvious candidate given its historic and cultural ties with Argentina and its similar political and economic history referred to above. A more detailed explanation is given in Chapter 2.

The rest of this chapter explains how the wine industry and wine tourism were chosen for investigation, together with an explanation of certain terminology used in their wine industries, the aims of the study, issues and a summary of the following chapters.

1.2 Wine tourism and neoliberalism

My original intention was to investigate an aspect of the economic development of Argentina. I chose the wine industry in the province of Mendoza, after an initial visit to decide on a specific topic in 2004. Mendoza is to all intents and purposes the country's wine industry. It is the town's main commercial activity and accounted for

76% of Argentina's production in 2009. The Instituto Nacional de Vitivinicultura (INV), the government's regulatory authority is located there with the industry's main trade organisation, Bodegas de Argentina (BdeA). It therefore presented an opportunity to study an entire industry within a single area.

My original supervisors were keen to introduce tourism into the study. It provided a convenient way of researching recent developments in the industry after the country's return to democratic government in 1983, the introduction of neoliberal economic reform during Menem's presidencies in the 1990s and the recovery from the economic crisis of 2001/2 following its' debt default (Basualdo, 2000 and 2006; Vilas, 2007). The wine industry had also had to adjust to significant changes in the market. Wine tourism provided a way of studying the microeconomics of neoliberalism as tourism is considered here to be an expression of post productivism which in turn is a consequence of neoliberal macroeconomic policy (Ilbery and Bowler, 1998).

The industry had developed in Mendoza in two distinct periods coinciding with times when the government's embraced liberal economic policies, at the end of the nineteenth century and in the 1990s. Both of these periods were also after periods of military or authoritarian government. There is a comparison to be drawn here with Spain and La Rioja. Spain was included in the study partly because of its historic and cultural links and it was from the "Old" as opposed to the "New World", but also because La Rioja had been through two comparable periods of expansion in political and economic circumstances similar to Argentina's (Penin, 1996). The main differences were that La Rioja's wine industry was about a third the size of Mendoza's and produced only about 8% of Spain's output. It also had an established international reputation for fine wines and exported 25% of its output, whilst in the 1980s Mendoza produced mainly table wine and exported only 2% of its output (OIV; INV; FEV, 2009; DOC La Rioja, 2010).

Neoliberalism and "New World" wines have therefore changed the pattern of supply and demand and the structure of the wine industries in Mendoza and La Rioja. Deregulation in the form of the removal of barriers to trade and investment has played its part. There are, therefore, a number of themes, which run through this thesis.

They are that neoliberalism primarily in the form of trade liberalisation has contributed to the internationalisation or globalisation of the industry and the growth of the international market for wine. It has opened up markets and provided export opportunities for emerging producers. The growth in export markets has compensated for the decline in domestic consumption in Argentina and Spain.

This has involved a greater orientation to the consumer with the shift away from the mass production of table wines to better quality, fine wines. New production techniques have enabled a more consistent quality product to be produced in less favourable environments and producers have become more concerned with maximising profit margins rather than maximising sales at the lowest cost. Information technology has also made it easier to sell directly to the consumer.

These changes have been accompanied by the greater availability of capital which has “democratised” or “enfranchised” the industry with an increasing number of bodegas started by local entrepreneurs, vineyard owners and industry professionals taking advantage of the growth of opportunities from export markets for finer wines. This has created a more competitive, innovative environment. In addition in Mendoza, there has been a significant level of foreign direct investment (FDI).

Government’s involvement has been mixed and does not appear to have had a significant effect on the development of the industry. Subsidies have been removed in Argentina and replaced by export taxes, whilst in the EU and Spain they have been maintained but directed towards promoting wine to export markets outside the EU and away from supporting self sufficiency and solving the problems of over production and production surpluses.

At the industry level, regulation concerns the methods of growing the vines and producing the wine. The Denominacion de Origen (DO) has also played a key role in preserving and verifying the quality of wine in La Rioja and the reputation of the brand and a similar system may be adopted in Mendoza. Water resources are the main threat to the industry’s sustainability where government regulation may affect the industry.

The rest of this chapter tries to explain a number of terms and conventions used in this document before moving on to the aims of the study and an outline of the thesis. These explanations do not attempt to be definitive and are included only to help the reader understand their use here and to avoid misunderstandings. Occasionally, Spanish is used; this work is after all about wine tourism in two Spanish speaking countries. A number of cultural differences between the English speaking and Spanish worlds are included which are relevant to this study and are fundamental to understanding why wine tourism in Argentina and Spain is in some ways different.

1.3 “Old” versus “New World”

“New World” wine as a concept began in California during the last quarter of the 20th century; this was the introduction of varietal wine alongside the terroir based blends of the “Old World”. Australia, New Zealand, Chile and later South Africa, Uruguay and Argentina followed suit. They now all produce varietal wines with great fruit intensity and often with an abundance of oak flavour from the barrels, or from interstaves or oak chips - considered adulterous by “Old World” wine laws” (de America del Sur, 2005, pp 157).

The terms “Old” and “New World” need further clarification. In this thesis they do not refer to how long the countries have been producing wine, as some “New World” countries such as those in Latin America have been growing vines and producing wine for five hundred years, since the arrival of the Spanish in the sixteenth century. It could be argued that “New” and “Old World” refer to the use of new as opposed to traditional production techniques (Unwin, 1996). However, this also presents a confusing picture for whilst it can be argued that countries in the “New World” developed and adopted the new production technologies before countries in the “Old World”, this was partly due to the fact that they were building from new as opposed to refitting or refurbishing old plant. Also not all the established plants in the “New World” have converted, for instance in Argentina some bodegas such as Weinert or El Cerno in Mendoza and Lopez de Heredia in La Rioja, have continued making wine in the traditional way with relatively minor modifications. In addition some recently built bodegas have chosen hybrid or modified forms of production. Muga and RODA in La Rioja, which were built in the 1960’s before the advent of “New World” wines,

have combined aspects of modern technology with traditional methods. Modern technology with computer operated temperature controlled stainless steel fermentation vats produces a more consistent quality wine appealing to a wider market (Unwin, 1996), but some producers with modern technology such as Nieto Senetier in Mendoza choose to use their older bodega with epoxy lined concrete vats to produce their better wines. Modern technology has now been adopted in the “Old” as well as the “New World”.

“New” and “Old World” can also be used to define the type of wine. Wines made from a specific grape or varieties have often been seen as indicative of “New World” wine rather than the traditional blends (see above quotation from , 2005). However, French and European vines predominate in the “New World”. In Mendoza the most popular variety now is Malbec, perhaps the signature grape of Argentina but which was originally from Cahors in South West France and used in Bordeaux blends. Moreover, some bodegas, such as Ruca Malen in Mendoza not only have the standard varieties of Malbec, Merlot, Cabernet Sauvignon and Sauvignon Blanc in their range, they also produce blends to appeal to specific tastes. As Lapsley and Moulton (2001) has pointed out, both the “New” and “Old World” have moved on from varieties and denomination de origen wines to estate bottled or château/pago wines and blends, creating a homogeneous, global market.

Consumption patterns are also confusing. In Argentina per capita consumption has declined from over seventy litres thirty years ago to less than thirty. It has been the same in Spain, France and Italy, whilst in Australia, the USA and UK it has been going in the opposite direction so the overall levels of consumption and the trend from table wines to better quality wines are similar.

Mora (2006, pp 140) in his study of the Bordeaux wine industry mentioned a number of changes that had taken place in France since the 1980s: the decline in annual per capita consumption, the switch from table wines to appellations together with wines defined by their grape variety and whether they are best drunk right away rather than aged, the dominance of mass retailers and the decline of the merchants, the increasing number of female buyers in a market where the male bought the wine, diversification towards grape varieties and brands as consumers become less loyal to a favourite

appellation, a search for promotional offers from a situation where prices were stable depending on variations in production volumes, producers pursuing quality rather than an appellation certification and lastly the decline of French leadership and the emerging dominance of the “New World” in export markets.

All of these points are dealt with later; most of them reflect the increasing importance of the consumer and the switch from a supply led industry to one led by consumer demand (Carlsen, 2004; Mora, 2006).

The wine industries in some of the “New World” countries took shape in the nineteenth century at about the same time as some of the wine industries in the “Old World”. Vines may have been grown in favourable parts of Europe for thousands of years and areas such as Bordeaux and Malaga have long been major producers and exporters, however, they saw their industries all but destroyed by phylloxera and oidium in the second half of the nineteenth century. Although some like Bordeaux recovered, others like Malaga did not (Mabbett, 1997). The European vineyards were replanted with imported resistant root stock from the “New World”, primarily from the USA (Unwin, 1996). This was only possible because these varieties had previously been planted in the “New World”, encouraged by colonial powers such as Britain whose supply of continental wine had been interrupted by European blockades (Barke, 1997). If this had not happened the European vineyards might not have recovered and the “New World” dominance of the international wine trade might have been realised much sooner.

Whilst Malaga failed to recover from phylloxera, the disease helped to create La Rioja. Bordeaux merchants looking for alternative sources of supply came to La Rioja to buy wine. They opened warehouses, planted vineyards and eventually built bodegas producing Bordeaux style red wine for export; La Rioja had previously produced mainly white wines for local consumption. This coincided with the arrival of the railways and bodegas grew up around Haro’s station complex, the nearest town to the coastal ports of Northern Spain (Penin, 1996). At the same time the railways were also playing a key role in the development of Mendoza’s wine industry, opening up markets in Santiago de Chile as well as in Cordoba and Buenos Aires (, 2005). Immigration, primarily from Italy provided the necessary expertise (Gagiulo and Borzi, 2004; Richard-Jorba, 2006).

The railways, together with foreign expertise and finance from France and Italy, helped create and open up new markets for Mendoza and La Rioja at the end of the nineteenth century; a hundred years later the industries were reinvigorated by trade liberalisation policies and in the case of Mendoza, foreign investment. The railways connected the wine areas to their potential mass markets. The rail links to the east coast of the USA were just as important for California's wine industry, established by the Spanish in the sixteenth century, as they were for Mendoza's link to Cordoba and Buenos Aires and La Rioja's to Bilbao and Bordeaux. It could be argued that most of the wine areas we know today all originated in their current form at about the same time in the second half of the nineteenth century. The terms "New" and "Old World" therefore only really have a geographic significance though they are often used to a style of wine.

1. 4 The wine production process

Wine is made from grapes that have been grown in vineyards. After harvesting, the grapes are processed in a bodega. (In this paper, the Spanish term bodega is used to signify a winery unless a quoted source uses the word winery.) The first task in the bodega is to grade the fruit and remove it from the stalk. The grapes are then crushed to produce a juice or must. The must is then either fermented in the bodega or it can be transported elsewhere to be converted into wine; Argentina has been one of the world's major sources and exporters of must for processing by third parties. The must is fermented once or twice depending on whether white or red wine is being produced. During the fermentation the sugars (fructose and glucose) in the must are converted into alcohol (ethanol) and carbon dioxide. The presence of carbon dioxide in large quantities is why in the past the treading of grapes was potentially dangerous unless the area was well ventilated. If the grapes are harvested late then they can contain more sugar and either produce more alcohol or, if the fermentation process can be halted, sweeter wines. This is why in Argentina sweet or dessert wines are referred to as late wines- tardio, or spät in Germany.

The fermented wine is stored in stainless steel vats or oak barrels to mature before being bottled. During this storage period the wine continues to evolve, the various

acids and alcohol in the wine combining to form esters that contribute to the wine's eventual smell and taste. The stainless steel vats can be of any size, but the oak barrels, or barricas as they are known in Argentina and Spain, are usually 225 litres (Fielden, 2001; Bodegas y Vinos, Argentina, 2003; Guia Completa de los Vinos de La Rioja, 2004; Guia del Turismo del Vino en Espana, 2006; Penin, 2009)

Bodegas do not often grow all the grapes they need for their production, normally only about a third. They will normally source most of the grapes from a number of vineyards. Sometimes bodegas do not grow any of their own grapes or only a nominal amount, relying entirely on outside suppliers, who are usually contracted to produce certain quantities of varieties of grapes to an agreed specification. Grapes grown and processed into wine are classified by that area's, Denominacion de Origen or DO and this verifies the wine's provenance.

The vineyards supplying the bodegas may specialise in producing certain grapes as different types or varieties, like all fruit, grow better in different soils and climatic conditions. The bodegas are not always near either these or its own vineyards and must be attentive to ensure that all the grapes used in wine classified as coming from a particular area are indeed grown in that area. The wine made from grapes from the vineyards that surround the bodega is usually highly prized with the correct term in Spain to describe such a wine being *pago*. Sometimes these estate bottled wines are described as *château* or *Bordeaux* style wines- the most prestigious classification. The bodegas usually identify whether the wine has been stored in American or French oak barrels. These terms are essentially meaningless. There are in fact 300 varieties of oak, one of which is commercially grown in the Appalachians (*Quercus Alba*) and is used to make barrels in the USA; another is *Quercus Petraea* from two areas in France, Allier and Nevers (Martinez Garcia, 2006, pp 50). The grain, and in particular the interstices and chemical structure of these oaks are different. The oak grown in the USA is easier to machine and therefore the barrels are cheaper. The chemical composition of the oaks will affect the taste of the wine, giving the wine matured in "American" oak barrels an almond taste and wine matured in "French" oak barrels a sweeter, berry taste. The sizes of the interstices in the various oaks vary and this affects oxidation and chemical absorption rates and consequently the chemical structure of the wine (Martinez Garcia, 2006, pp 50-102).

The taste of the wine will also evolve and be enhanced whilst it is in the bottle, therefore the classification of wine in La Rioja and Mendoza depends on the amount of time the wine has spent maturing in its bottle as well as in oak barricas (typically the wine is transferred every six months to a new barrica). In parts of the “New World” oak flakes are introduced to the stainless steel storage vats to give the wine an “oaky” taste. This is forbidden in La Rioja and frowned on in Mendoza, where it is seen as manufacturing a taste as opposed to allowing it to develop naturally.

1.5 Regulating authorities and denominacion de origen

The Instituto Nacional de Vitivinicultura (INV) in Argentina was established in 1904 to oversee the production of wine, to verify its origin and ensure that the wine was not adulterated in any way. It was the government’s national regulatory authority for the wine industry. In Spain these responsibilities were undertaken by the DOs which were semi autonomous regional organisations reporting to the national government. They regulated how the grapes were grown and processed and, in La Rioja, the length of time it was matured to produce crianza, reserva or gran reserva wine. La Rioja was the first DO to be founded in Spain in 1926. It was also the only Denominacion de Origen Calificada (DOC), verifying the quality of the wine as well as its provenance (Fielden, 2001; Penin, 2009).

To a large extent the INV in Argentina fulfilled the same functions as the DOs in Spain. The main difference was that the INV was only concerned with the regulations that governed growing vines and processing wine. It was also a national organisation whereas there were over sixty regional DOs in Spain reporting into the government. There were DOs in Mendoza at Lujan de Cuyo, Maipu and San Raphael, but membership of these organisations was voluntary. They were not widely supported by the bodegas and in fact were opposed by some (Benegas, Escorihuela and Ruca Malen). It was felt that they could lead to the break up of the INV and restrict competition. The DOs in Argentina could verify the wine’s provenance, though it was not clear whether they could verify where the grapes were grown. This could be an important for the success of Argentina’s wines (Canada and Vazquez, 2005; Mora,

2006). The quality and provenance verification and has been claimed as a major factor behind the success of La Rioja (DOC La Rioja, 2010).

1.6 Cultural differences between the English and Spanish speaking worlds

There were a number of cultural differences relevant to this study. They can be hard to explain and even harder to justify. The first is perhaps the most difficult to explain. There is in Spanish culture a tradition of welcoming guests. Tourists were referred to as visitors and were treated as guests rather than customers. It was therefore normal to show them around the bodega and let them taste your wine. In Mendoza and La Rioja the visit always began with a tour of the bodega and finished with a wine tasting. In Mendoza no charge was made for either the tour or tasting the wine unless the visitor wanted to taste the better wines. It had been the same in La Rioja until recently according to Jesus Puelles the owner of one of the case studies in La Rioja. However, any charge was often waived if the visitor purchased any wine. In other countries however, but particularly in Australia, New Zealand, South Africa or the USA, a tour of the bodega does not always seem to be possible. In fact there was evidence from research conducted in Australia and South Africa that only a minority of bodegas gave tours (Hall et al, 1997; Bruwer, 2003). It would appear that it was the norm for the visitor to arrive at a visitor reception area and pay to taste the various wines. A tour might be available and a separate, additional charge then made. The approach to wine tourism in Mendoza and la Rioja was less commercial and more of an invitation by the bodegas to establish a personal relationship with their visitors and demonstrate their individuality. Unless this point was understood, the tourist might feel disappointed. For this reason there was a certain etiquette that needed to be observed and some Anglo-Saxon visitors were simply considered to be rude. At a bodega in Abalos in La Rioja, the owner asked visitors if they were Australian, in which case they were not allowed in, he felt they had no manners; Americans and the English were acceptable! The bodega belonged to him, it had been in the family for generations and it was his decision who he allowed in or invited there, it was not a commercial arrangement. That line was only crossed when the visitor bought significant quantities of wine, not the odd bottle as a memento of the visit.

There was also a different attitude to the outdoors, most Argentineans and Spaniards would dine inside, not *al fresco*, and travel to the bodega by car or coach. It would be most unlikely for them to want to walk around the vineyards. During the tour of the bodega some guides did try, with difficulty, to get visitors outside to show how the vines were cultivated and trained, the grapes harvested and the vineyards irrigated. Walking or bicycle tours of vineyards might be possible in Australia or South Africa, but this research did not identify any walking tours in Mendoza or La Rioja. Bikes could be hired in Mendoza, but normally they were hired by young foreign visitors, who had been on an adventure/activity holiday either walking, climbing or canoeing in the Andes and had decided to hire a bike to tour the nearby bodegas for a day or two at the end of their visit. There were bike tours in La Rioja, but they were organised by English companies who arranged holidays touring La Rioja to visit the sights including the bodegas and consequently some hotels had bikes that could be hired by the day.

This attitude was illustrated during a visit to one of Mendoza's largest and most successful bodegas, Zuccardi. Mendoza lies at the foothills of the Andes and a short distance from Aconcagua, the highest peak in both North and South America. It attracted foreign climbers, but very few Argentineans. The bodega's owner had climbed Aconcagua with his son, but they were the only Argentineans out of ten or twelve climbers, the others were American, Australian or European, and of the three guides only one was Argentinean; the others were Australian and Swiss. He had introduced bicycle rides around his vineyards and picnics which visitors could have outside in the gardens around the restaurant; however he said that neither was supported by Argentineans, only the odd foreign tourist. Similarly in Spain there were relatively few Spaniards walking El Camino de Santiago, which runs through La Rioja. Most were foreigners, though plenty of Spaniards go by car or coach to the monasteries of Yusuf and Susa, ancient religious establishments where the Castilian language was first written down. When I told a Spaniard from the Spanish cultural institute in London, Instituto de Cervantes that I was going to La Rioja on holiday, she asked why, there were only vineyards in La Rioja. The idea of being able to enjoy the countryside or the rural ambience is not widely appreciated in the Spanish world (Hogarth and Managua, 2001 A and B). Walking around a vineyard, sitting or picnicking in a bodega's garden, dining outside surrounded by the vineyards with

views of the Andes or Sierra Cantabria may sound idyllic to tourists from the English speaking world (Getz, 2000), but not necessarily to an Argentinean or Spaniard.

The bodega was more important than the rural location. The majority of the bodegas, large and small, were family owned. They were proud of their bodegas and wanted to show off how they made their wines and how they were different from their rivals. They wanted to express their individuality. Perhaps this is not surprising in a culture where wine has played such a dominant role, but where per capita consumption was falling; domestic demand was not growing as in the “New World” countries.

1.7 Aims, issues and key questions

It was mentioned in the preface that my main aim in this work was to widen the research into wine tourism as most of the work done to date has been on wine tourism in English speaking, “New World” countries with an Anglo-Saxon culture. The work was to look at wine tourism from the producers’ point of view, in terms of the motivation or rationale for the owners. It began by investigating wine tourism in Mendoza in Argentina, a “New World” country with a culture, based partly at least on its Spanish heritage and heavily influenced by Italian immigration (Gargoyle and Borzi, 2004; Richard-Jorba, 2006). It was extended to include La Rioja in Spain, a country with a similar culture in the “Old World”. There was therefore the opportunity to compare and contrast wine tourism in these countries with a similar Spanish culture with each other and with wine tourism in the English speaking “New World” as outlined by Dodd (1995), Hall et al (1997), Beverland (1998), Getz (2000), Bruwer (2003), Carlsen (2004), Charters and Carlsen (2006). The work also studied wine tourism to see how the introduction of neoliberal policies of deregulation and globalisation had affected the structure of these wine industries and the behaviour of the bodegas particularly with regard to their role in their local communities based on work done by Marsden (1995), Bowler (1996), Ilbery and Bowler (1998), Wilson (2001), Le Heron (2001 and 2005), Ewer (2003) and Penny (2005).

There were then two key questions that this study intended to answer;

“What were the microeconomic affects of neoliberalism on the wine industries of Mendoza and La Rioja?” and

“What were the similarities and differences in wine tourism between Mendoza, La Rioja and the “New World” English speaking countries?”

Although the initial interest was in wine tourism the main outcome of the work concerns its relevance in a neoliberal/post productive world and role in its local communities.

The work has moved on from the different approaches or rationale for wine tourism depending on bodega ownership or size or whether they were in “Old World” La Rioja, “New World” Mendoza or English speaking countries of the “New World” to changes in the industry’s structure or the bodegas’ behaviour and whether these could be attributed to neoliberal economic policies, globalisation and deregulation in general. The conclusions in Chapter 8 are less concerned with the details of any differences between the various wine areas and whether they exhibit the characteristics of post productivism; rather they concentrate on the nature of the industries and how might they develop in the future.

1.8 An outline of the thesis

The thesis is divided into eight chapters. This chapter provides background information relevant to the study. The next chapter explains the methodology. Then there is a chapter on neoliberalism and post productivism, which provide the theoretical framework for understanding developments in the wine industry in Mendoza and La Rioja. This is followed by a chapter, which outlines the characteristics of wine tourism referred to by Charters and Carlsen (2006). There are then three chapters that cover different aspects of the study’s field research. The final chapter summarizes the main conclusions and considers further work that could be done in the future.

The methodology of the study outlined in Chapter 2 was to conduct a number of face to face questionnaire interviews with a sample of fifty bodegas open to the public. The questionnaire was put together after reviewing the literature on wine tourism (see Chapter 5). The interviews were done at the bodegas, normally after the tour, in order to ensure that there were no misunderstandings, to be able to check or evaluate the answers and to explore in the ensuing conversations any additional points and issues. One of the main purposes was to select ten case studies for interviews in greater depth on subsequent visits.

Chapter 3 outlines neoliberal macro economic policy in general and specifically with regard to Argentina and Spain. It also looks at how globalisation has affected the wine industry since 1980. This includes the worldwide industry and the industries in Argentina and Spain, the changes in the methods and patterns of production, the trends in consumption and marketing such as branding and the move from table to fine wines, the emergence of “New World” wines and the change in emphasis from domestic to export markets. The analysis is based primarily on industry data from official international and national sources; OIV, INV, FEV and DOC La Rioja. It attempts to show what globalisation means in the context of the wine industry and how it has evolved in terms of work done on the effects of neoliberalism at the micro or industry level by Le Heron et al (2001), Barker et al (2001) and Ewert (2003) and on post productivism, the litmus paper for neoliberalism, by Marsden (1995), Ilbery and Bowler (1998) and Wilson (2001); including comments made by Evans et al (2002) and Mather et al (2006).

Chapter 4 considers how a variety of components of neoliberalism have affected the wine industry, wine tourism and the local community, from trade liberalisation and foreign investment to the role of government, regulatory authorities and trade associations and subsidies either direct or indirect through the tax system, planning and development approvals or infrastructure. This chapter also includes the significant role that modern information technology has played; particularly in the way a bodega can conduct its business.

Chapter 5 reviews the published material on wine tourism and related topics in terms of the general and background trends and issues in the wine industry, the major

components of wine tourism and other external factors that influence wine tourism. The chapter separately reviews the material that has been published as a result of research conducted both in the Anglo-Saxon, or English speaking countries of the “New World” in the USA, Canada, Australia, New Zealand and South Africa and the relatively limited amount of material that has been published on other countries in the “Old World” such as France, Spain and Portugal and in Spanish speaking parts of the “New World”, Chile and Argentina.

The main topics raised in this review provided the basis or framework for the questionnaires used in the face to face and in-depth interviews and came under three main headings. These were dealt with in Chapters 6 and 7.

Chapter 6 considers how the bodegas can be characterised or segmented by size, age (when they were established) and ownership and management and examines if these factors have effects on their approach to, or rationale for wine tourism. It explains the structure of wine tourism in Mendoza and La Rioja and discusses the wine tourism “package”, specifically a tour of the bodega, wine tasting, direct sales and wine clubs. It analyses the bodegas’ rationale for wine tourism, that is, what the bodegas hope to achieve, whether it is to promote brands, sell wine, improve distribution, develop or test new products or understand the consumers’ preferences, choices and trade offs or develop a stand alone wine tourism business. It demonstrates the individuality of the bodegas

Chapter 7 examines wine tourism facilities and how the bodegas work with others in their local communities; festivals, wine routes, local cuisine, hotels and restaurants and other attractions, in particular the clusters, networks and partnerships established in the areas to promote wine tourism. It demonstrates some of the entrepreneurialism shown by the bodegas.

Chapter 8 is a summary of the main conclusions and considers how wine tourism and the wine industries of Mendoza and La Rioja could develop. It reviews aspects of this study and a number of key issues that could determine what work might be done in the future.



Plate 2 Argentina showing the location of Mendoza

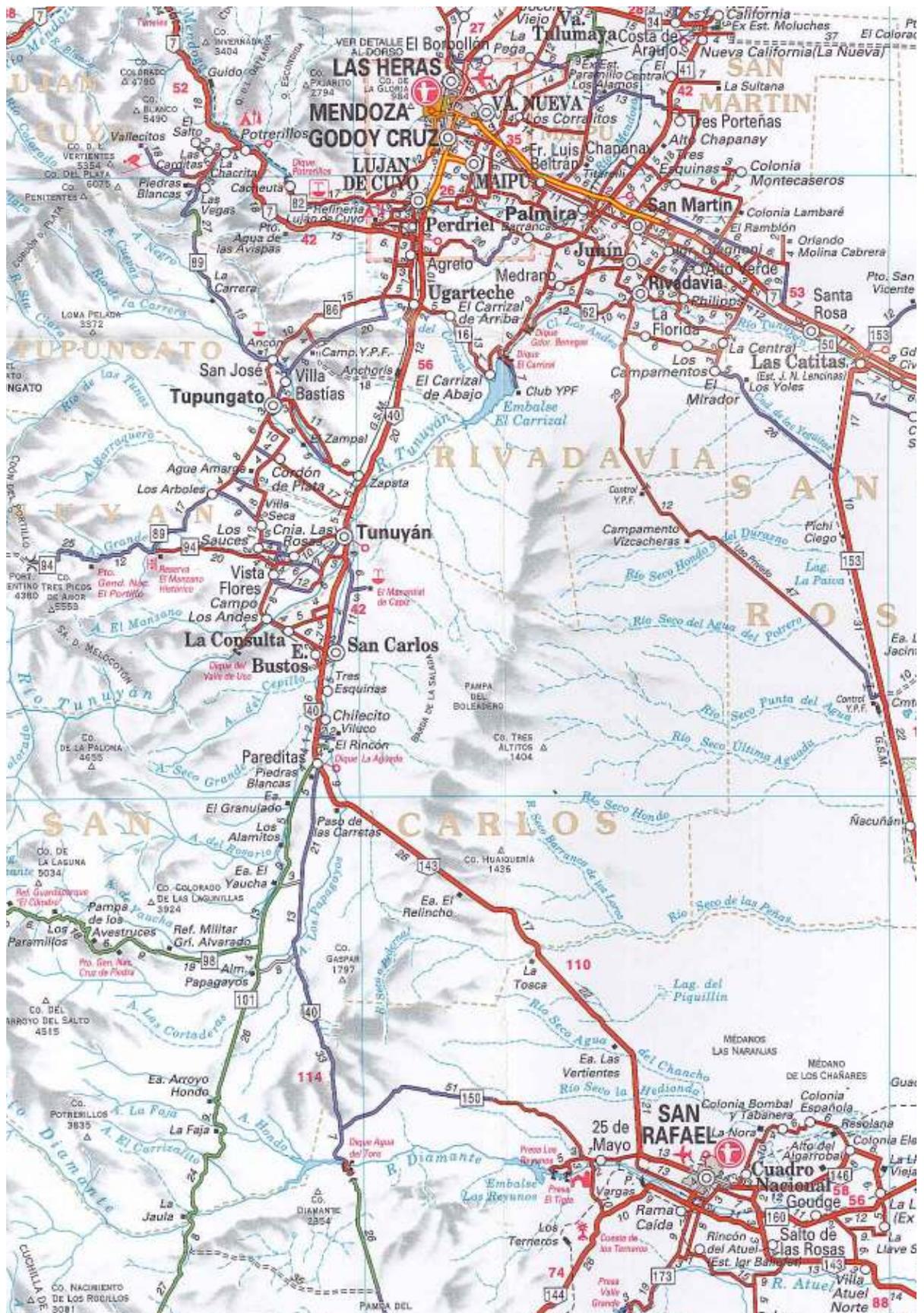


Plate 3 The wine centres of Mendoza

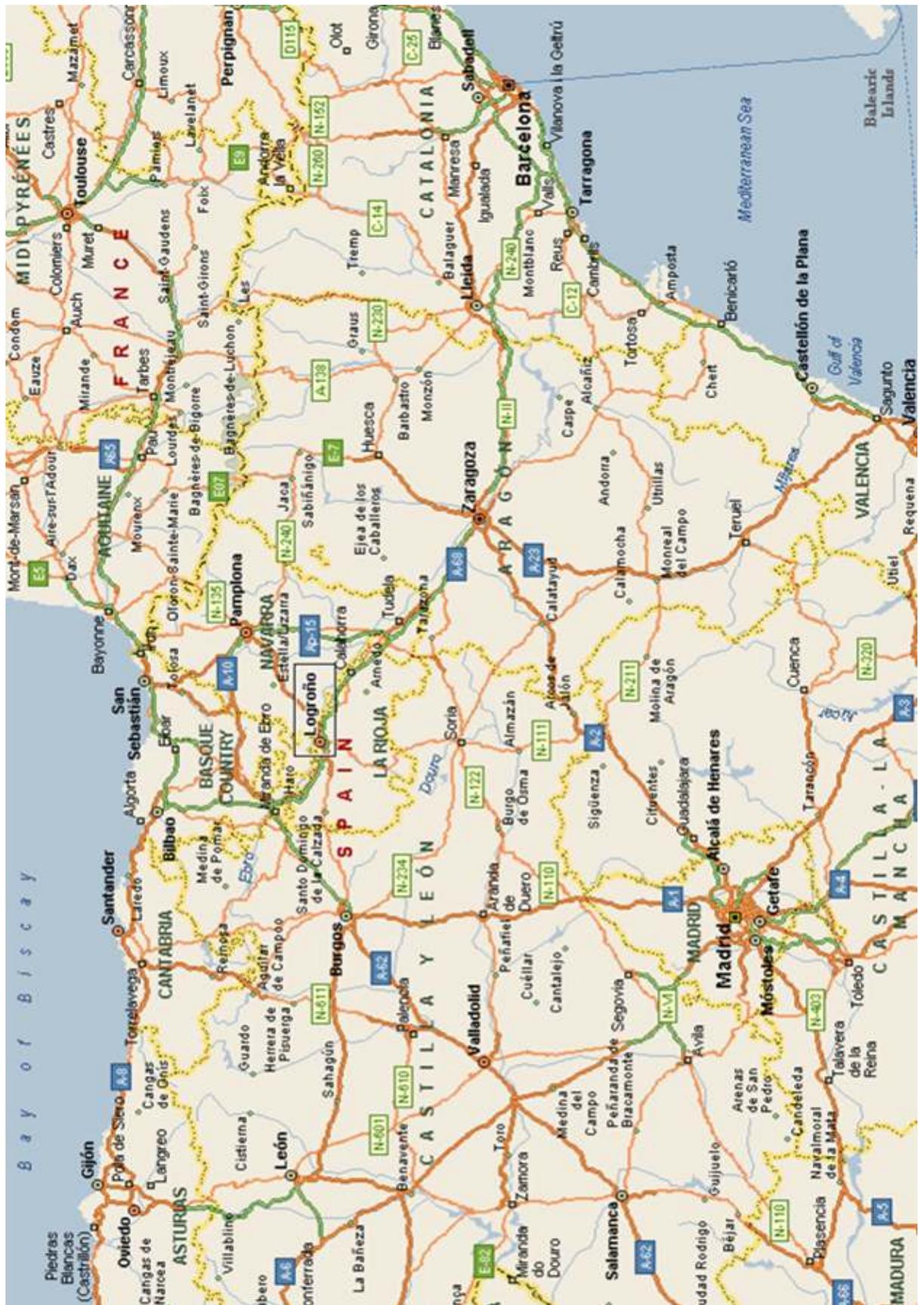


Plate 4 Spain showing Logroño, provincial capital of La Rioja

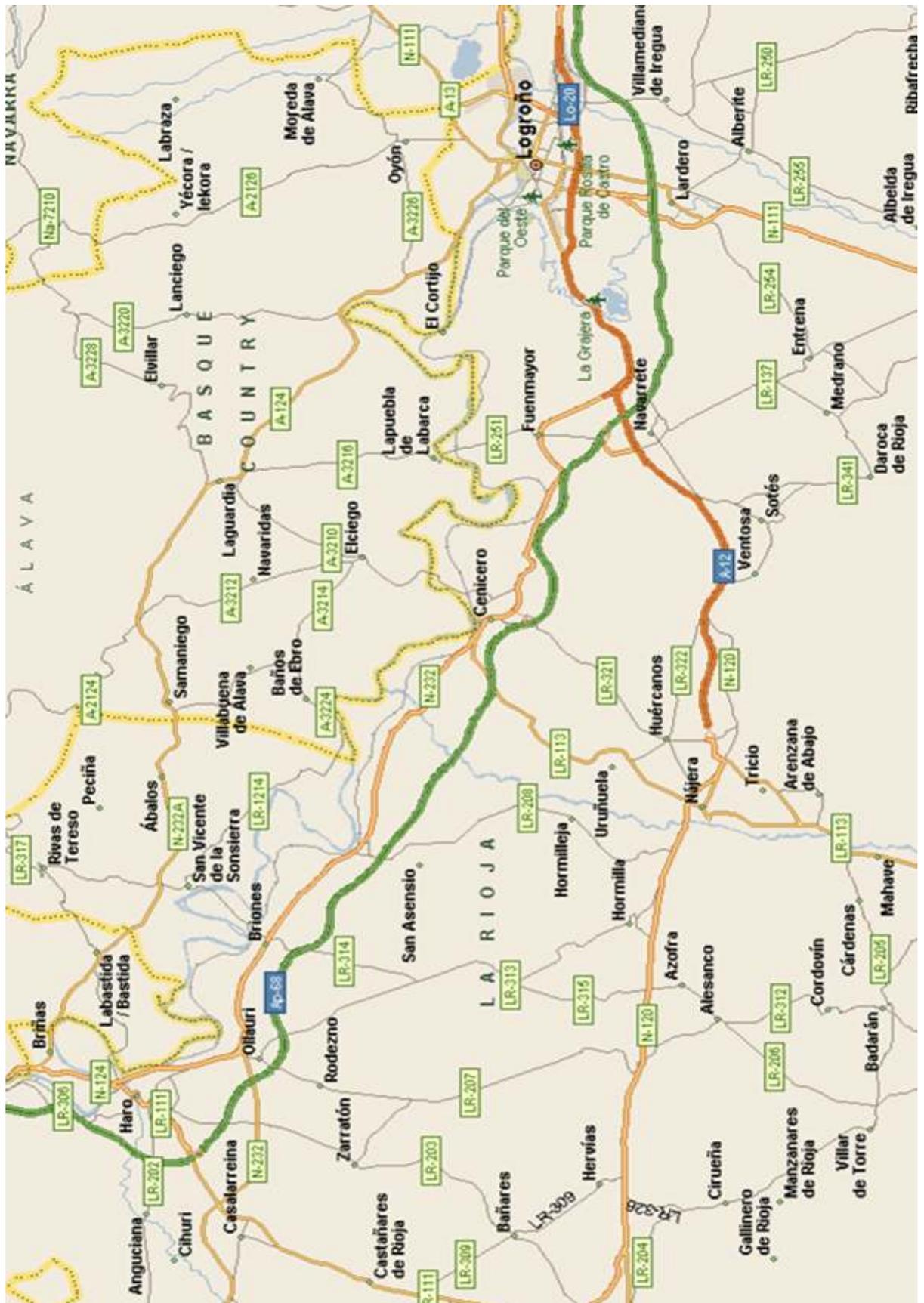


Plate 5 The wine centres of Rioja Alta and Rioja Alavesa

Chapter 2

Methodology

2.1 Introduction

Perhaps this chapter should begin on a personal note. My bachelor's degree was in molecular sciences from Sussex University and my master's degree was in business studies from Warwick University, after working in marketing services at Alcan. I then worked in corporate strategy for AT Kearney, the management consultancy, before joining the corporate finance department of Lazard Brothers, where I was an Executive Director of the merchant bank. I was then the Chairman and Chief Executive of two quoted companies until I retired in 2001. My background as a scientist and my training as a management consultant led to a research based approach in which conclusions and recommendation were based on a thorough review of the findings. Because of this emphasis on the importance of the findings, some sections end with a summary of the findings and the conclusions for greater clarity. I was also trained to condense material, often to only one or two pages of A4, and writing in a bullet point format with supporting data. Therefore I have been used to using as few words as possible, adopting a telegram style of English. Writing a thesis of this length has therefore not been an easy task. I would recommend any reader, as I would any client in the past, to read Chapter 8 on the key findings and conclusions first, to get an overview of the thesis before getting in to the detail.

The previous chapter has outlined the initial interest in the economic development of Argentina, the aims of the study and the fact that wine tourism represented an opportunity to look into the microeconomics of the wine industry which was undergoing radical change as a result of globalisation and deregulation with the removal of trade barriers and subsidies in the case of Argentina. In summary, the study was conducted in three phases each of which can be further subdivided into three parts.

The first phase was conducted in 2004 after an initial visit which decided to concentrate on the wine industry. It defined the scope of the research and covered the

preparation and organisation for the field work in Mendoza. This included a review of the literature on wine tourism and wine industry data. A questionnaire was then produced for the bodegas. The bodegas were selected for interview and the questionnaire tested.

The second phase was the initial field research which included formal face to face interviews with the selected bodegas and meetings with trade organisations, government institutions and others involved in the industry. The field work was done in Mendoza in March 2005. It was then decided to include La Rioja. The field work was done there in March 2006.

The last phase was to group the bodegas into five categories, reflecting their type of ownership and size. This was started after analysing the results of the field work done in Mendoza in March 2005 and confirmed after the field work in La Rioja in March 2006. This segmentation was a necessary preliminary to identifying individual case studies. Meetings were then organised with the bodegas to discuss a range of topics and issues that came from the field work and to allow them to raise and concentrate any points which concerned them to achieve a better understanding of the main trends and issues and to allow the bodegas to discuss what was important to them. The case study interviews were done in La Rioja in October 2006 and in Mendoza in January 2007.

2.2 Stage 1 ~ Preparation and organisation, 2004

2.2.1 Overall method of approach in Mendoza.

The initial visit in 2004 to Argentina had been primarily to identify a specific research area; however what also emerged was that the devaluation of the peso in 2001/2 following the financial crisis had given a boost to wine exports and domestic as well as foreign tourism. The wine industry and wine tourism were therefore chosen not only because it was a growing sector of Argentina's agricultural economy and it was concentrated in Mendoza with the regulatory and trade organisations, but because at the time it was attracting a lot of interest in Argentina. When this research project began nothing had been published on wine tourism in Argentina. There was also no

government or tourist office information available on wine tourism in Mendoza nor was there any information available from the INV on the composition of the industry. There were a number of wine tourism web sites and reference books, but it was not possible to select a representative sample of bodegas involved in wine tourism. The only remaining option was to select a number of bodegas from the available information sources that could provide an illustration of wine tourism in Mendoza. The best of these information sources was WineMap's web site that in 2004 provided links to the bodegas. They also provided a comprehensive set of maps that were available in the bookshops in Mendoza. The only other guide to wine tourism in Argentina was Caviar Bleu's, "Bodegas & Vinos" (2003). (There was also a general reference book on the wine industry that commented on wine tourism, Austral's "Vinas, Bodegas y Vinos de America del Sur" (2005) that was used during the visit to brief myself before the interviews. These were the main data sources. There were also some unaccredited web sites, but these proved to be unreliable.

The first priority was therefore to determine the extent of wine tourism in Mendoza. By cross checking these data sources a total of seventy two bodegas were identified that were credited with being involved in wine tourism, sixty one identified by WineMap. The INV only gave information on the number of bodegas in Argentina; 834 inscriptas and 601 elaboradas. If one assumes three quarters were in Mendoza then between ten and fifteen percent were open to the public. The only practical way to find out if wine tourism in Mendoza was similar to elsewhere was to go on a fact finding visit. It would have been possible just to have visited the bodegas, but it seemed logical that a better understanding would be achieved if the bodegas could be interviewed at the same time (Hoggart et al, 2002). The intention was to conduct a general survey involving a relatively large number of face to face interviews to be followed up later by a few in depth interviews with representative case studies. These case studies could then be monitored over a period of time. The face to face interviews would avoid any misunderstandings and ensure that all questions were answered consistently and that any points that needed clarification could be explained and answers cross check if necessary. There turned out to be a number of instances to justify this approach (Cloke, 2004).

Firstly in Argentina and subsequently in Spain all bodega visits started with a tour of the bodega (there was one exception in Spain, Dinastia Vivanco, where the visitor could choose if they toured the bodega or not, but the tour was available if they did). Only by being there could one realise the importance to the bodega as well as the visitor of being able to look inside and to appreciate the difference with other countries where it was not the norm. Wine tastings were invariably part of the tour, not separate, and although wine could be bought the emphasis was not on direct or cellar door sales. The significance of these points might have been missed if the questionnaire had been emailed or posted.

Secondly the questionnaire asked who owned the bodega, but sometimes they were owned by a number of families and the fact that they were family owned, it did not mean that the family managed the bodega, even though they might live on site, this was sometimes left to professional managers. This became an important distinction, so the question who owned the bodega was followed up with who ran the bodega.

Lastly most bodegas said that they kept a record of their visitors; however there was no evidence that this was being done. I was only asked to fill in my details on two occasions out of the twenty four visits in Argentina and neither followed this up with an email or newsletter. When I returned two years later to do the in depth interviews another bodega and a wine bar took my details and subsequently sent emails. It was interesting to note that both were targeting the export market and both had foreign investors; the bodega was partly owned by Italians and the wine bar by Americans.

My original supervisor was keen that a thousand plus bodegas should be emailed with a questionnaire. However, as there were not even a thousand bodegas in Argentina and only seventy two claimed to be involved in wine tourism, these were emailed or posted with a questionnaire with a covering letter from the university. The questionnaire and letter were translated into Spanish by a professional translator. Unfortunately there were only two responses and only one completed questionnaire, both incidentally from bodegas that were not open to the public. A meeting was organised at a wine fair in London with the bodega that had not completed the questionnaire and the bodega that emailed the completed questionnaire was contacted by telephone. Fortunately these conversations were able to verify that the

questionnaire raised the appropriate relevant points in a logical sequence which the interviewee could easily follow, even if the method of emailing or posting the questionnaire was flawed. The only alternative was to revert to the original plan of face to face interviews with bodegas that were open to the public. This was done during a visit to Argentina in March 2005.

2.2.3 The design and structure of the questionnaire for face to face interviews

After reviewing the literature on wine tourism a questionnaire was prepared that addressed the topics raised in the literature. (These are dealt with in Chapter 5, which looks at wine tourism from a number of perspectives, the macroeconomic, the local environment of the wine industry and the wine producers and bodegas.) These topics were the primary sources for the questionnaire to be used in the face to face interviews. Topics or issues raised during these interviews could to be discussed in the in depth interviews. The questionnaire is in Appendix 1. It was compiled so that the interviewee was taken logically through a series of questions. Only those points which concerned the bodegas approach to wine tourism were included in the questionnaire. Other topics raised in Chapter 5, such the demographics or psychographics of visitors, were subjects that were outside the scope of this study, and obviously not included in the questionnaire (Oppenheim, 1992; Cloke, 2004).

The respondents in this phase of interviews were typically the bodega's guides, who in the case of the smaller bodegas could be the owner and or the wine maker.

Although the interviews were conducted in English, this did not present a problem as the guides were normally fluent in English. If they preferred they could fill in a questionnaire written in Spanish, however, this did not prove necessary, although the questionnaire occasionally proved useful to translate or explain specific points. In a few instances the interviewees kept a copy of the questionnaire and returned it either by post or email. In these cases as the interviewee had had more time to consider or check their answers the final completed questionnaire was recorded.

The questionnaire began with information the interviewee would be familiar with, that is background information on the bodega, which part of the wine area the bodega was situated, who owned the bodega, that is whether it was either family owned, privately

owned by a group of investors or part of an Argentinean or foreign owned group and when it was originally founded. This last point often needed clarification because in a number of instances, mainly in Argentina, an old bodega built say at the turn of the nineteenth century may have fallen into disuse and subsequently been reopened. In some instances the bodega had changed hands. In both cases, either the date when the bodega resumed production or the latest change in ownership was recorded as well as when the bodega was originally founded. The amount of land owned by the bodega and cultivated with vines were often different in Argentina. This was for two main reasons, either the bodega did not have sufficient water rights to irrigate all of the land it owned or because it also grew other products, usually orchards of other types of soft fruit, walnuts or olives.

Occasionally there was more than one bodega on the site and sometimes a newer bodega had been built. In these instances the different bodegas would concentrate on producing different wines. If the bodega was part of a group then the number of bodegas and vineyards with the total area cultivated with vines in either Mendoza or La Rioja was taken. Obviously activities outside these wine areas or indeed non wine activities were noted, but the extent of these operations was not pursued.

The next set of questions dealt with the visitors to the bodega, how many visited in a year, what time of the year they came and whether they had access to the vineyards and all of the bodegas, if there was more than one. Very few bodegas had accurate information on the numbers of visitors they received or they were unwilling to give the information. If they did not have the accurate information to hand or were unwilling to give it or they were not prepared to make an estimate, they could choose from specific ranges. Unfortunately the chosen ranges were proved to be too large to provide meaningful information. The respondents would also typically estimate the percentage of visitors they received in the four quarters of the year. This section was the one section that provided the least reliable information. The respondents were very knowledgeable on the details relating to the bodega (its vineyards and its history and ownership), but information on the number of visitors was generally poor, probably because no proper records were kept. However, the trade association in Argentina had conducted a survey the previous year and made their results available.

It verified the estimates. The pattern of the estimates proofed to be similar in Mendoza and La Rioja.

All of the questions so far provided background on the bodega. The next question dealt specifically with the range of facilities it had or planned to have for its visitors. This indicated the bodega's approach to its visitors and whether it was trying to do something unique to make the visit experience memorable. The respondents were given a set of options. These included information centres, tasting rooms, bodega tours, the opportunity to meet the wine maker, gardens, picnic areas, restaurants and cafes, shops for wines and other mementos, accommodation either at the bodega or elsewhere, local events, guided walks, sport and other outdoor activities. The existence and nature of these facilities were always checked.

The next group of questions dealt with how they worked with other bodegas and other interested parties. The first question specifically asked if they were part of a wine route and if they worked with the local and national tourist offices, travel agents and local hotels and restaurants and hotels, trade associations or other government or semi government bodies and if they had a web site which could give information to potential visitors on their facilities and products. They were then asked if they worked in formal or informal groups to promote the bodega and their vineyards, the area in general area, the local cuisine and the local cultural activities. They were also asked in this section if they kept a database of their visitors for future reference. The accuracy of the answers to these questions was by its very nature hard to verify.

Lastly there were a set of questions on the benefits of having visitors to the bodegas. The respondents were asked if there was a charge either for a tour of the bodega or for tasting its wines and if so how much. In this regard there was a slight complication because in Argentina although there was normally no charge for either the tour or the wine, the wine that was offered at the wine tasting was usually referred to by the bodega as its most popular wine that is to say its cheapest. If the visitor wanted to taste the bodega's better wines then a separate charge would be made. The respondents were then asked to evaluate on a Lickert scale of 1 to 3 the importance or relevance of eight possible benefits, the last one of which was direct or cellar door sales. Finally they were asked the approximate value of direct sales to the bodega and

the percentage of its total sales. Although the respondents would happily give the charges for tours and wine tasting and discussed in great depth the relative importance of the criteria for being open to the public, they had little or no information on the value or percentage of direct sales. Typically if the respondent had the information on direct sales they would also know the exact number of visitors, showing that as a company its wine tourism was being measured and assessed.

2.3 Stage 2 ~ The interview process, 2005/6

2.3.1 Selection of bodegas for interview, Mendoza March 2005

WineMap and Bodegas & Vinos (2003) were used to identify the bodegas that were open to the public and provide background information. WineMap's web site also provided links to the bodegas websites (unfortunately these links were subsequently discontinued). WineMap divided the wine area into five sections, each with its own road map giving the locations of the bodegas with their facilities, contact details and opening times. Details of restaurants and accommodation were also given. The map packs were available at the bodegas and book shops in Mendoza. The superior quality of WineMap when cross referenced with other data sources meant that it was used as main the data base for wine tourism in Mendoza supplemented by Bodegas & Vinos (2003) and Vinas, Bodegas y Vinos (2005). WineMap identified sixty one bodegas open to the public in the Mendoza wine area and was used to identify interview candidates and the two reference books used to draw up a short list of the most interesting bodegas. These were not contacted before arrival in Mendoza. The process of selecting which ones to visit and interview was evolutionary as the interviewees would often suggest other bodegas. There were in fact small localised groups of bodegas or clusters. A meeting with Bodegas de Argentina, the main trade organisation towards the end of the interview process revealed that most of the main bodegas had been interviewed and they provided introductions to the others. Bodegas de Argentina was encouraging its members to open their doors to tourists and had conducted a survey of their members the previous year and supplied the number of visitors to their members' bodegas in 2004. This showed that the bodegas interviewed accounted for 97% of the visitors identified in their survey. Bodegas de Argentina had identified forty eight bodegas involved in wine tourism and when half of these had

been visited accounting for most of the visitors; it was felt that the interview programme was complete.

Interviews and meetings with the regulatory authorities such as the INV provided publications and reports on production, consumption, sales and export data. ProMendoza, which tries to develop the area by putting producers in touch with distributors, and Wines of Argentina, which markets the wines worldwide, could provide background material on the wine industry, but were unable to provide any information on wine tourism. At the end of this exercise there was satisfaction that sufficient bodegas had been visited and interviewed to get a comprehensive view of wine tourism in Mendoza. A wide range of opinion had been sought and as many sources as possible used (Hoggart et al, 2002) to get a mix of qualitative and quantitative information (Cloke, 2004).

Eventually twenty four questionnaires were completed. The bodegas were spread across the main producing areas in the province of Mendoza from the city of Mendoza in the north to wine towns of Lujan de Cuyo and Maipu just south of the city to the Valle de Uco. Lujan de Cuyo and Maipu were developed as wine centres originally in the nineteenth century. Some vines were still grown in these areas, but the bodegas in Lujan de Cuyo and Maipu had increasingly become dependent on grapes grown in other areas such as the Valle de Uco, where in turn new bodegas have been built. These towns were in Mendoza's northern oasis. There were also bodegas further south in the southern oasis of Saint Raphael some three hundred kilometres from the city of Mendoza, fed by the Diamante and Atuel rivers.

Ten of the bodegas interviewed were in Lujan de Cuyo, ten in Maipu, one in Valle de Uco and three in Saint Raphael. It was felt that this sample fairly represented the various wine producing areas in the province although there was no data available on the proportion of wine produced in each of these areas. WineMap identified twenty one bodegas open to the public in Lujan de Cuyo, twenty in Maipu, thirteen in Valle de Uco and seven in Saint Raphael, so approximately half of the bodegas open to the public in these areas were visited with the exception of Valle de Uco. The Valle de Uco was underrepresented primarily because the bodegas were dispersed over a large area and because of poor road signs were difficult to find. This area was just

beginning to emerge as an area for wine production as opposed to its traditional role of providing grapes to the other bodegas in Lujan de Cuyo and Maipu.

2.3.2 Decision to include another country and the selection of La Rioja

After conducting the questionnaire interviews in Mendoza, my original supervisors at Exeter University decided that the work should be a comparative study rather than concentrate on Mendoza and see how evolved over time. It was therefore necessary to identify another country and wine area where a similar exercise could be conducted. La Rioja in Spain was chosen.

Although a great deal of work and analysis was done to decide which area should be compared with Mendoza in Argentina, the decision was relatively straight forward. Mendoza had recently become one of the ten “Wine Capitals of the World” and it therefore made sense to choose an area that was also a member of this small group and equally prestigious. The main criterion was whether the area, which was to be compared with Mendoza, should be in the Old or New World. A wine area in a country in the New World would of course provide the contrast between the Anglo-Saxon and the Spanish cultures, but would loose the contrast of the Old and New World.

The reasons behind the choice of La Rioja were three fold. Firstly there were the obvious historical and cultural associations. In terms of the wine industry, Argentina represented the New World and Spain the Old World, so though similar there may be some cross cultural differences (Skelton, 2001). In addition the majority of the literature was about wine tourism in English speaking countries of the New World wine culture so any further field research in any of these countries would have little to contribute which could not be taken from the literature. Lastly both countries had had a similar political and economic background. In recent times they had both been closed societies, autarchies, and both had emerged from this political and economic gloom during the nineteen seventies and eighties with the end of their military dictatorships.

In the case of Argentina the military rule ended in 1982 and the subsequent democratic elections, led a to a new neo-liberal age of economic freedom during Menem presidencies of the 1990's (Economist, 2010 D) and the founding of Mercosur in 1995, whilst in the case of Spain, the death of Franco in 1976, the democratic elections in 1982 and joining the Common Market in 1986 brought into power a socialist government which implemented neo-liberal economic policies (Royo, 2000; Guerra, 2009), so both emerged at roughly the same time from a period of inward looking, protectionist economic policies to a new neo-liberal future at the same time that New World wines were making an impact in the world's export markets.

2.3.3 Selection of bodegas for interview, La Rioja March 2006

After the decision had been taken to include La Rioja in the study it was decided to organise a visit, similar to the one to Mendoza the previous year. As in the case of Mendoza, wine tourism in La Rioja was at an embryonic stage in its development. In Mendoza the Bodegas de Argentina had encouraged wine tourism, but only just started to measure the number of visitors in 2004. There were no official wine routes (Vinas, Bodegas y Vinos, 2005). In La Rioja, it transpired, the provincial president had just tried to encourage more bodegas to open their doors to tourists. Wine routes were after all established in other parts of Spain, such as Penedes and Ribera del Duero; La Rioja's had an official established wine route in Rioja Alavesa, but not in Rioja Alta. The embryonic state of La Rioja's wine tourism was also demonstrated by the fact that in 2006 the provincial government had commissioned consultants to report on how they should develop their wine tourism. Therefore the process of identifying suitable bodegas for the questionnaire interviews was going to be similar to Mendoza. There was no established data base or reference documents from which to work. The bodegas would have to be identified during the visit.

In fact the task was more arduous than in Mendoza. This was mainly because the wine area of La Rioja was spread over three provinces; La Rioja, Alava (one of the three provinces of the Pais Vasco) and Navarre. The wine area was divided into Rioja Alta and Rioja Baja; part of Rioja Alta was in the province La Rioja and part in Alava and part of Rioja Baja was in the province of La Rioja and Navarre. To confuse matters

that part of Rioja Alta in the province of La Rioja was also called Rioja Alta. (To add to the confusion there was a famous bodega in Haro also called Rioja Alta.) Rioja Alta in Alava was called Rioja Alavesa. Land to the north of the Rio Ebro, which flowed through the wine area, was mainly, but entirely in Rioja Alavesa and to the south in Rioja Alta or the province of La Rioja. The dividing line between Rioja Alta and Baja ran through Logrono the provincial capital of the province of La Rioja. Rioja Alta accounts for 60% of La Rioja's wine production and Rioja Baja 40%. La Rioja produced mainly red wine, but 7% was either rose or white and these were produced in Rioja Baja.

The better red wines were produced in Rioja Alta and Rioja Alavesa. Because of this complicated structure it was decided to concentrate the work around established wine centres and their surrounding towns and villages, such as Haro in Rioja Alta and Elciego and Laguardia in Rioja Alavesa rather than Logrono. During the interview programme it emerged that the provincial government of La Rioja was trying to promote Logrono as a wine tourism centre. It was well positioned near to all subregions of the wine area; Rioja Alta, Rioja Alavesa and Rioja Baja. The well known bodegas of Logrono such as, Murruta, were in Rioja Alta, whilst those such as Faustino in Oyón were in Rioja Alavesa.

In Mendoza the wine area was in two oases within the province and wine tourism was being promoted by the national trade organisation (Bodegas de Argentina) with a national regulatory body (INV) and national organisation to promote its wines (Wines of Argentina). In La Rioja the wine area was in three provinces, there were at least five local trade organisations and a local regulatory body which also promoted the area's wines (DOC La Rioja). There was no overall wine tourism guide for the wine area as the responsibility for tourism lay with the respective provinces not the DOC La Rioja. Alavesa was well organised, the tourist office in Laguardia had brochures giving contact details and opening times of the bodegas in its area organised by town or village, together with details of restaurants and accommodation.

Unfortunately La Rioja was not as well organised, for instance in Haro the tourist office only had a Xerox typed A4 sheet of the bodegas that were open, which proved to be inaccurate.

The intention was to interview a similar number of bodegas to Mendoza so that the two areas could be compared. Again the purpose was to get an accurate view of wine tourism in La Rioja, the trends and issues, rather than a statistically representative sample. Production or sales figures for Rioja Alta and Alavesa were not available, but at the time the vineyards of Rioja Alta covered some twenty thousand hectares and those of Rioja Alavesa twelve thousand hectares. Eventually twenty six bodegas were interviewed; seventeen in Rioja Alta and nine in Alavesa roughly in proportion to their relative sizes. In Rioja Alta twelve of the seventeen were in Haro or in the nearby towns of Abalos, Brinas and Briones. In Rioja Alavesa six of the nine were in Laguardia and Elciego.

Unfortunately there were not the independent sources that there were in Mendoza to give the assurance that wine tourism in La Rioja had been as adequately covered as it had in Mendoza. Background material was available from the bodegas' shops and trade publications provided by the interviewees. One bodega, Dinastia Vivanco, made its library archive of over 7000 publications on the wine industry, freely available. Reference documents, such as "Guia Completa de los Vinos de La Rioja" (2004) only covered the province of La Rioja and material supplied by ALBA, the bodega association for Alavesa only covered 120 of the 160 bodegas in Alavesa; the major, well known bodegas, such as Marques de Riscal in Elciego were members of other trade associations. Therefore there was no way of cross checking whether all the major bodegas open to the tourists had been included in these areas.

2.3.4 Method of conducting and recording the interviews

During the questionnaire interviews the interviewees were handed a copy of the questionnaire and their replies were recorded on the printed forms so that they could comment on any of the points if they so wished. The questions were set out, so that the interviewee could select a particular option and if necessary space was available for any additional comments. In some cases the interviewee chose to take the questionnaire away for further consideration and returned the completed form later, however, in most cases the forms were completed by the interviewer as the interviewee answered the questions.

The questionnaire invariably led on to a general discussion of wine tourism in the area and this provided one of the sources for the topics to be discussed further in the in depth, case study interviews.

The in depth interviews with the ten case studies were conducted differently. These took the form of an informal discussion rather than formally completing a printed questionnaire. A number of discussion topics had been chosen as a result of the questionnaire interviews and more general interviews with other interested parties; trade associations, government and industry regulatory bodies, journalists, hotel owners and restaurateurs and travel agents and organisations (see 2.3.5). These topics were not raised in any particular order, but as opportunities arose during the discussion. However, the discussions did follow a certain pattern (see Appendix 3, Discussion topics for the in depth interviews with case studies). The main intention was to get the interviewees to raise and discuss the issues that were of greatest importance to them. The interviews were sometimes straightforward face to face interviews, but often the interviewee would like to have someone else there, either because they valued their opinion or more often than not because although they spoke English they wanted to make sure there were no misunderstandings. Only one interview was conducted in Spanish when I had a translator present. Therefore although some of these interviews were recorded, notes were taken and there were few direct quotations as the interviewees were speaking in a foreign language or through an intermediary who was reporting what the interviewee said, translating and clarifying the point being discussed or the nuance the interviewee wanted to give to an answer and some points took some time to clarify and involved the interviewee discussing the reply with his colleague. It would there have been inappropriate to record a verbatim reply, so the replies were given as a report rather than a quotation. Their comments could therefore only be taken down verbatim when they spoke English fluently.

Most of these interviews lasted two hours, but often they would be followed up with subsequent meetings when the interviewee took the advantage of trying to emphasis a particular point he had made. For instance after the interview at Zuccardi, Jose Zuccardi took me around the visitor centre and tasting rooms and introduced me to his

daughter who was responsible for the tourist operations twice and arranged two subsequent visits when I cycled around the vineyards with his senior guide and had a special picnic lunch in the grounds of the bodega. At Ruca Malen as well as interviewing the Chief Executive and Sales Director, I returned to meet the guides and production manager and at La Encima I subsequently had lunch with the Director General. I met the Director General of Escorihuela at Bodegas de Argentina a few days after our interview and after the interview with Pedro Leon at Finca Valpiedra he took me the following to their other bodegas in Oyon, including their restored, original bodega, which was not open to the public. After the interview with the Director General of Dinastia Vivanco, he took me on a tour of the underground production facilities which were not open to the public for security reasons and because the restaurant manager had been the translator I was given the opportunity to dine in their restaurant a few days later when they provided a selection of local dishes. I was even invited to attend a wine tasting course normally only available to major customers and given complete access to their 7,000 volume, library of rare books on wine, which I visited a number of times and had useful historical and cultural information. However, the most extensive interview was with Jesus Puelles. He had just opened his six room hotel and I stayed there for three days. Each day we discussed the wine industry and tourism for a few hours after breakfast or in the evening discussing the future and the economics of wine tourism. It was these meetings were we developed the model or economic rationale for wine tourism referred to elsewhere in this document (see section 6.5). These case study interviews led on to other meetings and interviews which enabled me to develop a better understanding of the bodegas, the industry and wine tourism. It was not just a series of face to face interviews. Although I had already visited the trade associations and government agencies, these interviewees also provided new introductions and in some cases access to confidential reports on the industry and wine tourism prepared by these organisations.

2.3.5 Interviews with related parties

As well as the questionnaire interviews and the in depth case study interviews there were a significant number of interviews with other interested parties; institutions, organisations and individuals associated with the wine industry. These ranged from

the trade associations and government bodies representing and regulating the industry to the trade and local press and others involved directly and indirectly in the wine industry, such as wine retail outlets, hotels, restaurants, travel companies and even taxi drivers. This last group was invaluable in finding out what was actually going on.

As mentioned earlier in sections 2.3.1 and 2.3.3, these interviews played a key part in deciding which bodegas to interview with the questionnaire. These interviews not only identified the most important bodegas with regard to wine tourism, but also provided some guidance as to the relative importance of the different types of bodegas. They basically fell into two categories, those which had an official role in the wine industry and could be said to operate at the core and those that had an unofficial role on the periphery.

For instance the trade association in Mendoza which was conducting its own review of wine tourism reviewed the questionnaire and provided a list of all the bodegas in Mendoza involved in wine tourism with their visitor numbers for the previous year. and also provided introductions to a number of key individuals at the bodegas, such as Ricardo Villanueva at Escorihuela which became one of the case studies. They also provided background information on the bodegas. ProMendoza and Wines of Argentina explained how they found overseas distributors for the bodegas and helped them promote their wines in the overseas markets. INV, the state regulator provided statistical information on the industry, but no specific information on individual bodegas. However, this data, as with data provided from the DOC La Rioja was essential to show how the industry had evolved over recent years in terms of the number of bodegas, their size and the amount of land under cultivation, but perhaps more importantly how the industry had moved from producing table wine to better quality fine wines. The librarian at the INV provided CDs of official information which could not have been obtained if he had not been visited and interviewed.

WineMap and wine guides available from the bus company Andesmar were initially invaluable sources of information as to which bodegas were open, the facilities available and their locations so that routes could be planned. They also provided information on where to stay and eat. In fact the range of information they provided described the clusters the played such an important role, particularly between the

hotels and bodegas. The Hyatt and Club Tapiz were focal points for wine tourism in Mendoza. The manager at Club Tapiz had in fact previously worked at the Hyatt and was able not only to provide details on which bodegas to visit and the key issues in the industry; background information that could be tested during the questionnaire interviews and form the basis of the discussion topics for the case study interviews.

These interviews were critical because the official tourist office and the general travel agents had almost no knowledge or information on wine tourism. One or two travel firms did specialise in wine tourism and they were useful at the end of the questionnaire interview process to cross check the findings. Even the taxi drivers played a role. One driver who worked for one of the specialist tour firms, took me to his house and showed me his copy of *Vinas, Bodegas y Vinos* and marked certain bodegas to visit. This directory became a major source of information. Other taxi drivers explained what they knew about the bodegas. Most were unaware that the bodegas were open to the public and were fascinated to visit them and surprised that they could buy wine direct. They invariably bought a bottle to take home to their wives.

The bodegas themselves usually provided the introductions to the regulatory authorities and trade associations. Two of them were interviewed because they had established their own trade associations (Zuccardi in Mendoza and Puelles in La Rioja). They also provided access to newspapers and trade journals which had done articles on wine tourism and their bodegas. This mix of official and unofficial interviews provided essential background to understand what was happening in the industry and provided another dimension to the findings from the questionnaire and case study interviews.

2.4 Stage 3 ~ Case studies and the economic environment, 2006/7

2.4.1 Segmentation of bodega ownership and selection of case studies, 2006.

One of the intentions of the questionnaire interviews in establishing a data base was to determine the mix of ownership, management and size of operations in Mendoza and La Rioja, to see how they differed and whether these differences affected in any way

the approach of the bodegas and their managements to wine tourism. It was also the basis on which the case studies would be chosen, one from each segment or category for Mendoza and La Rioja. Topics, issues and trends in wine tourism and the wine industry raised from the questionnaire interviews could then be dealt with in the indepth interviews, so that views from all types of bodegas would be obtained. This would enable a picture or illustration of the industry and wine tourism to be drawn. What this picture might lack could be a degree of perspective as the relative weightings of the individual segments were not known.

Table 2.1 Bodegas selected as case studies in Mendoza and La Rioja

	Established	Mendoza	La Rioja
Family			
-Large	1920-1980	Zuccardi	Dinastia Vivanco
-Small	since1980	Benegas	Puelles
Family owned with corporate management.	since 1980	Tapiz	Finca Valpiedra
Corporate			
-Large	before 1920	Escorihuela	Bilbainas
-Small	since 1980	Ruca Malen	La Encima

This segmentation or categorisation of the bodegas is discussed more fully in Chapter 6 where the ownership/management matrix in Table 6.5 tries to illustrate the relationships between the age of a bodega or when it was established, whether it was family or corporately owned, its type of management and finally its size; a million bottles a year was taken as the dividing line between large and small (Carlsen, 2004).

There were six main segments were identified in Table 6.5 out of the possible twenty four combinations, but case studies could only be found for five. Unfortunately no foreign owned bodegas were prepared to cooperate, however, as they were

corporately managed for foreign owners, their responses to the questionnaire had been similar to the larger domestically owned businesses that were corporately managed.

The five were large or small, family or corporate owned and managed bodegas and family owned, but corporately managed bodegas. Family ownership dominated in Mendoza and La Rioja, but some were run by professional management teams rather than members of the family. The table above, reproduced from Table 6.6, identifies the bodegas selected as case studies and shows the variety of family or corporate ownership and management, when they were established and their size in Mendoza and La Rioja.

The main criteria for choosing a bodega as a case study were whether the bodega was representative of its segment and whether a relationship had been established with the owner/general manager or some one senior enough in the organisation to affect its policy or speak on behalf of the bodega.

2.4.2 Profiles of the case studies

The period before 1920 was when the wine industries were established. Between 1920 and 1980 relatively few bodegas were established. It was after 1980 with the introduction of New World wines and neoliberal economics that the industry saw a revival; half of the bodegas in the survey had been established since 1980. They were typically small and started by people involved in the industry either vine growers or wine makers run either as family businesses or corporate entities when they were funded by a group of investors (Ruca Malen and La Encima). The majority of those established before 1920 were large and ownership had changed hands (Escorihuela and Bilbainas) from the founding families. Those established between 1920 and 1980 tended to be large and still owned and operated by the founding families (Zuccardi and Dinastia Vivanco). There was therefore a mix of family and corporate ownership and management, even to the extent that in some family owned bodegas management control had been passed on to professional management teams so that they were family owned, but corporately managed (Tapiz and Finca Valpiedra).

The smallest bodegas produced 150- 200,000 bottles a year with limited management resources (Puelles and La Encima), although those producing 6-700,000 bottles typically had a more recognisable management structure (Benegas, Ruca Malen, and Finca Valpiedra). The largest single operation, Zuccardi, produced 20 million bottles, although others were part of groups which probably in total produced more (Escorihuela, Dinastia Vivanco and Bilbainas).

All the bodegas produced fine wine matured in oak barrels and, with the exception of Benegas, they used modern production techniques using computer controlled fermentation vats. Benegas was the only bodega to only retain its epoxy lined concrete vats. These were in the main being phased out, but some like Escorihuela retained some epoxy lined vats as well as introducing modern equipment. Some winemakers argued that this produced a better fine wine, even though the production process was less easy to control.

2.4.2.1 Zuccardi in Mendoza and Dinastia Vivanco in La Rioja-Large family owned and managed bodegas, established 1920-1980-Interviewees Jose Zuccardi (Chief Executive) and Arturo Angulo (General Manager, Dinastia Vivanco)

Zuccardi had been established in the 1960s and Dinastia Vivanco in the 1940s. Both were run by the second and third generations, which divided the key business responsibilities between themselves, although Dinastia Vivanco also had a General Manager. Zuccardi, which produced sixteen million bottles a year, had grown organically around two large adjacent vineyards, which total six hundred and twenty hectares, and moved into winemaking in a single new bodega using the latest production technology. Dinastia Vivanco had begun as wine merchants that had bought vineyards and bodegas in the Haro area. When interviewed, it had acquired five bodegas and built two new ones within the four hectares of vineyards that it owned at Briones. This site also included its visitor centre. The bodegas it had bought included some of the oldest and best known bodegas in Haro. Whilst these may have used various forms of production, at Briones there was a single integrated underground production unit beneath the two bodegas using the latest technology. The other acquired bodegas were gradually being refurbished to a similar standard.

This investment and expansion had been possible because in Zuccardi's case it had concentrated since the 1980s on varietal wines and had developed brands for the domestic and export markets in North America and Europe. Dinastia Vivanco had profited from Spain joining the EU in 1986 and access to its lucrative markets for its DOC La Rioja fine wines as well as subsidies for planting and maintaining vineyards. Both firms had also invested in wine tourism for different, but similar reasons. Zuccardi wanted to project its image to its customers and establish a direct relationship with them. The founder had introduced an innovative form of irrigation and his son, Jose Zuccardi the current President of the company, wanted to continue this innovative tradition by using modern technology, extending its range of varietal wines and introducing other products such as flavoured olive oils. However, Jose Zuccardi wanted to give his visitors an experience they would not forget. There were a range of visitor activities in addition to a tour of the bodega. Visitors could lunch in a restaurant built within the vineyards away from the bodega. The visitor centre had an extensive shop and tasting areas where all Zuccardi's wines could be sampled. Picnics could be arranged in the gardens, there were cycle tours around the vineyards and visitors could even take part in the harvest. Dinastia Vivanco had recently completed a new visitor centre in 2007. It had previously had one in the older of the two bodegas at Briones, but had decided to build a new one when the second bodega was being built. The President, Pedro Vivanco, wanted somewhere to house his collection of art and wine related artefacts. In fact they established a foundation in a five storey building, incorporating his collection, a wine museum, restaurants, cafes, wine tasting school, library of rare books on wine, conference and lecture facilities.

The facilities at Zuccardi and Dinastia Vivanco far exceeded the norm. Both provided facilities to demonstrate their individuality as well as promote their wines. Both also recognised the commercial benefits. Although neither provided accommodation both had thought of building a hotel and appreciated that wine tourism could provide an alternative income stream; Dinastia Vivanco was considering establishing a separate tourism business.

2.4.2.2 Benegas in Mendoza and Puelles in La Rioja-Small family owned and managed bodegas, established since 1980-Interviewees Carmen Benegas (Sales and Marketing Director) and Jesus Puelles (joint owner)

Both families had been involved in the wine industry for generations, but came from different ends of the social spectrum. Benegas was founded in the 1990s when Federico Benegas bought the bodega his mother had been brought up in and which had been built in 1916 by her father, the founder of Norton Bodegas. He also reunited the bodega with its original thirty nine hectare vineyard. On his fathers side he was descended from Turbicio Benegas the founder of the iconic Trapiche Bodega. Both sides of his family had played key roles in establishing the wine industry in Mendoza and the bodega reflected this heritage.

Jesus Puelles' family had owned the same nineteen hectare vineyard for generations. He decided to make wine with his brother in the 1980s and installed wine making equipment in an old mill on the site, but had since moved to a new building with modern equipment and produced two hundred thousand bottles a year. Though the origins were very different, these bodegas were representative of how bodegas have been established since 1980; by those involved in the industry, either as winemakers or vine growers.

Benegas had renovated and refurbished his bodega, but kept the epoxy lined concrete production vats. He had not installed modern stainless steel equipment. He produced fine wines with this traditional equipment, from established vines in the bodega's vineyard, some of which are sixty to eighty years old; maintaining the bodega's heritage. He had been assisted in his winemaking by Michel Rolland, an internationally renowned wine expert and his wines have been targeted for the export markets. His wife, Carmen Benegas, who was also the Sales and Marketing Director, wanted to give visitors a unique experience that they would remember and tell their friends about, just like Jose Zuccardi. She concentrated on the family connection; the wines were named after members of the family (Majestic Wine at the time of writing this thesis sold one of their wines "Turbicio Benegas"). The bodega also housed the family's poncho collection, one of the largest in Argentina. Emphasising the family connection and personalising the bodega.

Jesus Puelles had started to make wine because it was more profitable than growing vines; the added value paid for the investment. Jesus Puelles realised that selling

direct to the public increased the added value further. He claimed to be one of the first bodegas, with Muga in Haro, to give tours. This led to him finding distributors for his wine in Switzerland, which took 15% of his output. He also persuaded wine enthusiasts to join his wine club and invest in barrels of wine, effectively providing his working capital. All together these various forms of direct sales he claimed accounted for 80% of his output. Wine tourism had provided him with a means of finance as well as distribution for his product. It also added increased his sales margin, which had enabled him to open a small hotel with café and tasting area. Wine was the theme around which he was developing his tourism.

Whereas Benegas catered for organised groups, it had no permanent restaurant or café and no accommodation, though it was considering whether to build some self catering units. It was developing its wine tourism with others in local clusters, primarily local boutique hotels catering to international tourists. Wine tourism was a way selling wine to international markets for Benegas, while it was a way of achieving greater profitability for Puelles and an integral part of the total business.

2.4.2.3 Tapiz in Mendoza and Finca Valpiedra in La Rioja-Family owned but corporately managed bodegas, established since 1980-Interviewees Carolina Fuller (Institutional Relations, Tapiz) and Pedro Leon (Commercial Director, Martinez Bujanda)

The stories behind these bodegas could hardly be more different. Tapiz was bought in the 1990s by the US wine group Kendall Jackson that turned the old bodega, built at the turn of the nineteenth century, into a museum and converted the house and offices into a restaurant and small hotel. Production was moved to a new modern purpose built bodega on a new site where a hundred and fifty hectares of vines were planted to produce fine wines for the US market. Kendall Jackson sold out as consequence of the economic crisis in Argentina in 2001/2. The business was bought by a family from Buenos Aires with no apparent knowledge or experience of the wine industry. Consequently it was left to the professional management team to run the bodega.

Finca Valpiedra was built by Martinez Bujanda. This company owned a number of bodegas in La Rioja in the industrial town of Oyon, that supplied mainly the domestic

market. Finca Valpiedra was built to produce wine specifically for the export market. It was built in an eighty hectare vineyard Martinez Bujanda owned on the banks of the Ebro and produced six hundred thousand bottles a year. The site was chosen because of it was an attractive rural location compared to the industrial units the group operated in Oyon. Finca Valpiedra was a pago using grapes only from its vineyard to produce its wines; normally bodegas buy in the majority of their grapes from outside suppliers. The bodega embodied the concept of a high quality pago wine produced in a rural location destined for the export market. Although Martinez Bujanda was family owned, no members of the family were actively involved in running any parts of the business. Like Tapiz it was run by a professional management team.

The tourist facilities at Tapiz were more developed than any other bodega in Mendoza at the time of the research in 2005-7, though other bodegas had restaurants and begun to provide accommodation. Kendall Jackson's experience in California had resulted in the old bodega being transformed into a tourist venue. It was operated separately to the new bodega by the new owners. The same was the case at Finca Valpiedra. Its position had been chosen to appeal to tourists. It was the only one of the number of bodegas they owned in La Rioja that was open to the public.

2.4.2.4 Escorihuela in Mendoza and Bilbainas in La Rioja-Large corporately owned and managed bodegas, established before 1920-Interviewees Ricardo Villanueva (Director General, Escorhuela) and Mabel Oyono Fernandez (Public Relations, Bilbainas)

Both bodegas had been established at the turn of the nineteenth century and recently acquired. Escorhuela was acquired by a consortium led by Catena which also owned or controlled La Rural and Esmeralda as well as Catena Zapata in Mendoza and Bilbainas had been acquired by a group of investors led by Cordoniu which owned bodegas throughout Spain as well as California and Mendoza. Both bodegas had undergone extensive refurbishment with epoxy lined concrete and steel fermentation vessels being replaced by computer controlled stainless steel vats. Some traditional features had retained at Escorihuela including wooden vats (see front cover) and epoxy lined concrete. Also at Escorihuela, Catena had set up his joint venture with

Rothschilds, CARO. In both cases, the new owners' investment programmes were directed to fine wines and the international market.

Catena appeared to give his bodegas a free hand with wine tourism. Escorihuela had a very focused approach working with the four and five star hotels in Mendoza, whilst La Rural had perhaps the most comprehensive wine museum in Mendoza and Zapata Catena limited itself to tours and wine tastings. In keeping with its up market approach, Escorihuela was home to Malman 1884, Mendoza's most famous restaurant.

Cordoniu appeared to have a formula for wine tourism. Its bodegas gave tours and wine tastings and tried to be more involved with the local community by hosting events and promoting themselves as venues for social events, in particular weddings.

2.4.2.5 Ruca Malen in Mendoza and La Encima La Rioja-Small corporately owned and managed bodegas, established since 1980-Interviewees Jean Pierre Thibald and Mariela Espinola (Chief Executive and Sales Director, Ruca Malen) and Ricardo Casado (Director General, La Encima)

Both Ruca Malen and La Encima were established by industry professionals funded with a number of coinvestors. They were therefore corporately owned and managed. They had both built new bodegas with modern equipment within small vineyards; Ruca Malen's was twenty hectares and La Encima's was ten hectares. Their bodegas' production capacities were also originally of a similar size approximately three hundred thousand bottles, but whereas Ruca Malen's had since doubled its production capacity, La Encima was operating at only two thirds its original capacity.

One of the reasons may have been that Ruca Malen had developed its wine tourism to a greater extent than La Encima primarily because Jean Pierre Thibald before founding Ruca Malen had been Chairman of Chandon in Argentina. He introduced tours and lunches, converting the ground floor offices into a restaurant and using the boardroom for wine tastings and eventually building kitchens and an additional outside restaurant. Ruca Malen worked with the local boutique hotels and other bodegas providing lunches primarily for international visitors, so that its' direct sales

were minimal. However, as they became known locally, there developed a demand for dinners and direct sales increased to 11% of total sales. It was the intention of Ruca Malen for their wine tourism to at least cover its costs, whilst at the same time promoting its wines to an international audience and local direct sales.

La Encima gave tours, but only catered for organised groups and because of its dramatic location was trying to become a venue for weddings and birthdays. Its interest in wine tourism was driven by the difficulties in achieving distribution through the established channels. Typical of small bodegas, like Puelles, wine tourism was associated with direct sales as a form of distribution. This compared to Ruca Malen and also Benegas in Mendoza, which as Ruca Malen had shown could achieve significant direct sales, but where the main objective was to promote their wines, primarily to international visitors. However, there was little opportunity for direct sales to international visitors and the geography of Argentina meant that the producers in Mendoza needed distributors in Buenos Aires and the other main towns. The potential for direct sales was therefore limited to the local market in Mendoza, whereas it was greater in La Rioja given its vicinity to conurbations and Spanish tourist/retirement industry. This is explained more fully in Chapter 5.

2.4.3 Case study interviews in La Rioja, 2006 and Mendoza, 2007.

The in depth interviews were carried out in La Rioja in October 2006 and in Mendoza in March 2007. There was a set of prepared questions or rather discussion topics for the in depth interviews (see Appendix 2). The interviews were with the owners and/or general managers of the bodegas. They were handled informally, so that they, the interviewees, had the opportunity to express their views and opinions on the topics which concerned them, rather than a rigid attempt to get them to answer a set of questions in a particular order. Specific topics, issues or trends raised by others were only raised if they had not been mentioned in the course of the conversation. The topics, issues and trends were raised during the field interviews and in the main came from conversations with the staff at the bodegas and observations made whilst visiting the bodegas or in meetings with regulatory institutions, trade associations, travel companies, hotels and restaurants even taxi drivers. Collectively these interviews could be viewed as a focus group (Bedford and Burgess, 2001).

The in depth interviews started with a general discussion on why they had chosen to open the doors of their bodega to the public, what special facilities they had put in place for the visitors and if they had plans to revise these arrangements and if so how. They were also asked why they thought other bodegas had chosen not to allow visitors to their bodegas. The attempt was to find out if they had done any market research as well as the extent to which they had cooperated or discussed alternatives or specific plans with others to determine what facilities and special arrangements they should make for visitors.

The discussion then turned to the problems that the bodegas may have had whether they had sufficient financial resources or space for the refurbishment or construction of the appropriate facilities and whether they needed specially trained staff, particularly staff that could speak English. If there were staff specially employed for the visitors and if they comprised a separate group, it was interesting to know how they were managed and whether wine tourism fitted in neatly with wine making or whether there were any problems or conflicts between the two. It was interesting to know if the staff for the wine tourism operations would typically be hired from outside and if so from where and if there was any impact on the company or on the local area. In fact the availability of suitably trained English speaking staff was a concern to most bodegas.

From the field interviews it was known that attempts had been made by some outside bodies for the bodegas to visit other parts of the world, such as California or Bordeaux to see how they had developed their wine tourism (Skelton, 2001). The specific topic was raised as to how knowledge of wine tourism had been transferred into the company, whether they had done it through recruitment or whether they had researched in to how wine tourism was done elsewhere or whether they had adopted a trial and error approach and what advice was available from trade associations or the government or whether there was some form of conventional wisdom on wine tourism.

Wine routes were one of the topics that came out of the field interviews and the need for the bodegas to work with each other the local and national governments, trade

associations, hotels and restaurants and perhaps other tourist destinations to get them established and properly sign posted. The difficulty seemed to be in getting all the parties to work together, especially local and national government. It was particularly interesting to see how committed the bodegas were to working together and others to promote the local culture and cuisine, in fact the whole area in general, with all its various attractions and places of interest. The relevance of other places of interest either cultural or historical to the bodega were discussed together with the need for generic facilities, such as a wine museum and information centre with brochures on the wine routes and the role that trade associations and local and national government could play in order to enable them.

The general economic situation and the role of government were finally discussed to assess their assistance or interference and the significance of direct or indirect subsidies. This raised a number of issues including the need for an adequate transportation and water infrastructure, taxation which would not harm the industry, measures to enable it to take advantage of business opportunities and financial assistance to build or modernise bodegas or replant vineyards.

Time was allowed at the end of the interview to sum up the main points that had been have been overlooked or not sufficiently well covered.

2.4.5 Neoliberalism and post productivism, 2007.

The economic background to Argentina and Spain in the previous chapter outlines the influence of neoliberalism on their economies. This study provided the opportunity to see the extent to which neoliberalism had affected the wine industry in the two countries. It was at this time that my supervisors changed. It was the new supervisors who suggested linking wine tourism with neoliberalism and post productivism.

Neoliberalism in the UK has been associated in the agricultural sector with the end of subsidies and the transition from maximising output; productivism. This has led to a change in the behaviour of producers; a trend to extensification, higher quality/margin products, a closer relationship with the consumer and concerns about the environment and sustainability and alternative sources of income (Ilbery and Bowler, 1998; Evans,

2000; Wilson, 2001; Mather et al, 2006). Deregulation has led to the globalisation of agriculture and in some cases the reintroduction of regulation (Le Heron, 1999).

However, doubt has been cast as to whether neoliberal economic policies have had much affect on the behaviour of producers in the agricultural sector outside the UK (Mather, 2006). In fact in Spain such policies seem to have had little affect on behaviour other than reduce the amount of chemicals used (Hoggart and Paniagua, 2001 A and B). Tourism has been seen as an alternative source of income in this post productive world, particularly in the UK (Ilbery and Bowler, 1998), and wine tourism has been a major source of interest within the English speaking countries New World (Hall et al, 1997; Getz et al, 1999). It is the purpose of this work to see if wine tourism has fulfilled the same function in Argentina and Spain.

2.5 Critical review of the methodology

There are a number of critical comments that can be made on the methodology. They relate to the breadth of the study, the difficulty in building up a data base to do research in an area where no similar work has been done before and the problems of doing work in a foreign country. There is a rule in business that you can try and sell a new product in to an existing market or an existing product in to a new market, but the risks and problems are considerably increased if you try and sell a new product in to a new market. Attempting to do work on wine tourism in countries where it was not accepted practise and no previous work had been done was compounded by attempting to do the work in an unfamiliar foreign country where they do not speak English, particularly one as far away as Argentina. These problems were considerable enough as it was; it became even more of a challenge when the work had to be extended to another similar country where the same preparatory work had also to be done.

The original intention was only to study wine tourism in Argentina and to see how this developed. It was to be a longitudinal study. Earlier visits had prepared the ground in terms of identifying associations and government agencies which could be helpful and because the country's industry was so concentrated in Mendoza it made

the work in a foreign country that much easier. By adding another country, the work took on a different perspective. It now became a cross-sectional study over a limited period. The purpose of doing a longitudinal study was to see how wine tourism, which was only just beginning would change as it became more established, for instance the attitude to visitors could become more commercial with greater attention being paid to direct sales at the expense of providing a tour of the bodega. This was sacrificed to include another country which multiplied the problems of doing the work and made it more difficult to investigate more deeply in to wine tourism.

On reflection La Rioja was not a good choice. It would have been easier to have chosen a wine area in an English speaking, Anglo-Saxon country, such as Australia or New Zealand on which there is a body of published material. A comparative study between Argentina and, say New Zealand would then have had the relatively easy task of verifying the findings from the field interviews with the published research in New Zealand. Instead another data base had to be created on an area, in another foreign country on which no directly relevant work had been published.

Although La Rioja is a member of the select group of “Wine Capitols of the World” like Mendoza, its wine industry is a third the size, it only produces a sixth of Spain’s wine (INV; DOC, La Rioja, 2010). The industry in Spain is not as concentrated as the industry in Argentina. The Cava area outside Barcelona and the Ribera del Duero area east of Valladolid in Castilla y Leon are a similar size or slightly larger, together they account for nearly half of Spain output as well as its best and most famous wines. These areas are near urban populations and less isolated than La Rioja. On subsequent visits in October 2006 and 2007, it was obvious that whereas wine tourism was only just starting in La Rioja it was well developed in these areas. The Cava bodegas are conveniently located only a few kilometres from the motorway to Barcelona, which is only fifty kilometres away, making a day trip or even a half day trip possible. The bodegas have established and well organised tourist facilities with large reception and exhibition areas, shops and even mechanised transport to tour round the bodegas and their cellars. In Ribera del Duero there is a wine museum in Penafiel’s medieval castle and a number of bodegas not only have public restaurants, but also hotel accommodation to a very high standard, including features such as wine spas. The

results from either of these areas would have given a very different impression of wine tourism in Spain.

Language was not a problem as far as the field interviews in Argentina were concerned. All the guides spoke fluent English and the owners or managers spoke some English even if they were not fluent. In La Rioja, although the guides spoke English a number of the managers did not. This was not an issue with the field interviews, but on a number of occasions with the in depth interviews the owners or general managers would be accompanied by a colleague who could translate for them when necessary and in a few instances in La Rioja I employed a translator to avoid any misunderstandings. The main problem came when researching government policy and legislation. In Argentina and Spain the main problem concerned subsidies. After being endlessly passed from one body to another I employed a Spanish colleague to do the research for me, who made some progress in Spain. However Argentina proved more problematical. He was only able to report that over time there had been all forms of subsidy in the past, but that they had been discontinued.

The questionnaire proved to be robust; it was even used by the Bodegas de Argentina to do their survey. It was also the right decision to face to face interviews. In two instances in La Rioja, Lopez de Heredia and Marques de Riscal, the bodegas had refused to give an interview, the guides were able to answer all the questions whilst they took me on a tour of the bodega. It has been mentioned that with the help of WineMap, an independent venture, it was possible to identify the bodegas that were open to the public in Mendoza and by carefully selecting those to visit, Bodegas de Argentina were able to confirm that the bodegas that were visited accounted for 97% of visitors when the field interviews were done in 2005. It was not possible to achieve such a comprehensive sample in La Rioja, because of the lack of information and the split responsibility between the provinces of La Rioja and Pais Vasco. Most of the interviews were done in the summer period before the autumn harvest. This was a popular time to visit bodegas, so the maximum number of bodegas should have been open.

2.6 Conceptual outline

It was possible, after reviewing the literature on wine tourism in the New World wine producing countries of the Anglo-Saxon world and the initial explorative visit to Argentina when a number of bodegas were visited in the provinces of La Salta and Mendoza, to speculate on the outcome of the study and to propose a conceptual outline. These can be seen as a set of proposals which can be tested or at least assessed by the results of the field and in depth interviews (Oppenheim, 1992; Cloke 2004).

Family ownership is more significant as a form of ownership in Argentina, and presumably Spain, than would be expected in the English speaking world and these family owned or family controlled bodegas include both large, influential bodegas as well as smaller ones.

A consequence of the above, is that the production is more fragmented in Argentina and Spain and that there is less of a tendency for market share to be concentrated in the hands of a few international drinks conglomerates, as it is in California, Australia and New Zealand. These larger drinks groups are therefore less influential in the local wine producing areas than the established family owned or controlled bodegas

The larger bodegas would have a longer term perspective of the advantages of wine tourism to build brand loyalty. Although they might have a shop in which they would sell wine and other products, the wine sales from the shop would be a small part of their total wine sales than would be the case with the smaller bodegas.

In addition to a shop, the larger bodegas would be expected to have other visitor facilities perhaps extending to catering and accommodation. They would also be expected to make greater use of the wine tasting and electronic technology to test market and formulate new products, analyse the demographics, psychographics and buying characteristics of the visitors and maintain contact with their visitors after the visit to enhance future sales.

The established family owned bodegas in the rural communities of Mendoza or La Rioja might be expected, as a social obligation, to open their doors to the local population and so by consequence to wine tourists, meaning that there might not be the same commercial motive either long or short term as in the Anglo Saxon countries, so being open to the public might be primarily a public relations exercise.

Family owned bodegas, perhaps run by members of the second or third generation might not in general have the same flexibility to innovate as an owner/manager might, but that does not mean it will always be the case and because of the family ownership of some of the larger, more established bodegas may, with their greater resources, prove even more innovative.

The smaller bodegas would not be expected to have visitor facilities beyond the minimum of a reception area, providing a bodega tour and shop for wine sales or tasting area. However, as owner/manager operations, they might have a more innovative, commercial approach to wine tourism.

As their distribution might be limited to the local market, the smaller bodegas might be expected to place a greater importance on direct sales which might be a significant proportion of their total sales, perhaps even the largest proportion or the majority of their sales if they were to reflect the level of cellar door sales of the smaller bodegas in the English speaking, wine producing countries of the New World.

Differences in approach or motivation between wine tourism in the Spanish speaking countries and the English speaking ones might become apparent in the type of facilities offered by the bodegas to the visitors and how the visitors are charged, the networks or clusters formed by the bodegas both with each other and other non wine businesses in the area and the role or the involvement of the local authorities and tourist offices or trade associations.

The influence of neo-liberal economic policies would normally be seen as including the removal of trade restrictions and subsidies and increasing the flow of capital. Removing trade restrictions would lead to increased competition from foreign

producers either through direct imports or by them establishing their own operations or acquiring local bodegas.

The removal of subsidies could lead to either greater diversification as producers look for other sources of income or the acquisition of operations unable to survive in the un-subsidised market, possibly by foreign investors.

Finance and the flow of capital both inward and from outside the domestic economy should increase. This would fuel acquisitions and the establishment of new operations and could lead to a disproportionate increase in the number of privately owned bodegas compared to any growth in the market.

The end result of all these policies would in fact be a change in the structure of the market caused indirectly by the government adopting neo-liberal economic policies. This could be referred to as a market led industry restructuring rather than one organised or sponsored by the local, provincial or national government.

Post productivism is generally seen as a consequence of the adoption of neo-liberal economic policies. It has been characterised by a number of features but primarily by two; 1.the switch to producing higher quality, differentiated products in smaller quantities rather than a standard product in bulk requiring a less intensive form of production and 2.diversification to find other ways of using the producer's assets to provide alternative sources of income; this has often been some form of tourism. The problem with the wine industry is whether either of these is really evidence for post productivism.

The switch from quantity to quality in the wine industry has nothing to do with neo-liberalism (Mora, 2006). It is a function of the market place, of consumers' tastes. Similarly extensive as opposed to intensive forms of cultivating vines can be a function of vitivinicultura (del America del Sur, 2005) rather than post productivism and the fact that some bodegas have become involved in to wine tourism is also misleading, because this is not necessarily diversification to find an alternative source of income, but an attempt by the bodegas to promote and sell their wine through an alternative form of distribution (Getz et al, 1999).

Wine tourism may be seen by the bodegas as part of their marketing mix, not a separate business activity, but it is questionable whether it is compatible with wine making (Fraser and Alonso, 2006) and although wine tourism may be seen by some as a way of rejuvenating a rural economy (Hall et al, 1997; Hall, 2004) the overall benefits to the bodega may be questionable (Beverland, 1999).

Neo-liberalism has nothing to do with the dramatic decline in per capita consumption in established wine drinking countries, nor has it anything to do with the increase in consumption in countries elsewhere. It is the New World countries who have marketed their products in an innovative way to compete against the established producers in the Old World, who with surplus capacity as a result of declining domestic demand, have been forced to change from a supply led to market approach (Carlsen, 2004) and to do so have had to adopt new production methods (Mora, 2006). Neo-liberal economic policies may have helped that process, by releasing latent international demand and entrepreneurialism (Barker et al, 2001).

If a change in an industry's structure can be indicative of neo-liberalism, then with its increase in the number of smaller bodegas, increased competition and a greater variety of differentiated products and using modern electronic technology and methods of distribution to find alternative ways to the market, there is no shortage of evidence either in the New and Old Worlds (Dodd, 1995; Hall et al, 1997; Beverland, 1999; Getz, 1999; Barker et al, 2001; Mora, 2006) as well as in Mendoza and in La Rioja.

In summary, it could be said that in Argentina and Spain one would expect to find the wine producing industry dominated by a number of family companies, both large and small, and that the independent international drink groups would play a lesser role than in the wine producing countries of the English speaking world. These family companies would have a long term view of the benefits to be gained from wine tourism and may even feel that they have an obligation to the local community to open their doors to the public.

The bodegas that are open to the public in Mendoza and La Rioja would also probably have a different range of facilities to those in the New World and because of cultural differences would put less emphasis on the local ambiance and the surrounding countryside. The high proportion of family ownership does not mean that they might be less innovative in their wine tourism.

Neo-liberalism is expected to have affected the structure of the industry, it may have caused changes, but it could be misleading to assume that the trend to quality and presence of wine tourism are evidence of post productivism. The main contribution of neo-liberalism is to have made it possible for the wine industries of Mendoza and La Rioja to react more quickly and efficiently to the changes in the international market place, driven and exploited by the English speaking, Anglo-Saxon, wine producing countries of the New World. In that sense it has acted as a catalyst.

Chapter 3

Neoliberalism and post productivism in the wine industries of Mendoza and La Rioja since 1980.

3.1 Introduction

Since 1980 the wine industries of Mendoza and La Rioja have been affected by a number of factors and have undergone a significant amount of change. They have seen the emergence of New World wines (Unwin, 1996), experienced declining domestic consumption and been affected by their governments' adoption of neoliberal economic policies. This chapter investigates how these factors have shaped these wine industries. It begins with a brief overview of the economic history of Argentina and Spain in the 1980s. It then analyses neoliberalism in these two countries and the affect that it has had on their wine industries. There is then a review of the changes in the pattern of supply and demand in the world's wine industry and how Mendoza and La Rioja have responded. The form of this response has demonstrated some of the features of post productivism and the chapter ends with an analysis of post productivism in these two wine areas.

This chapter investigates the link between neoliberalism and post productivism. At a superficial level, one of the components of neoliberalism, the removal of state subsidies (Williamson, 2003 B), is one of the key features of post productivism (Ilbery and Bowler, 1998), but the connection goes further. In particular, neoliberalism also stands for trade liberalisation, the removal of barriers on international trade and the movement of capital for investment (see Table 3.1). These have been the key economic and political features since the 1980s. At the same time, the development of New World wines, in terms of both production and marketing, in places such as Australia and California, has become the norm worldwide, replacing the Old World wine culture of places such as Italy and France which have lost their once dominant market position (see Table 3.5). This shift in the balance of power has been accompanied by a shift in demand, from mass produced table wine to locally branded, better quality fine wines (Mora, 2006). These factors have created a post productive wine industry, typified by greater emphasis on the consumer and a switch

to better quality, which has been accompanied by an increase in the number of smaller producers of locally branded produce. These are all features or characteristics of post productivism (see Table 3.8). Within this mix, wine tourism has played a key role in bringing the consumer closer to the bodegas, promoting their products and brands and providing an alternative channel of distribution.

The rapid development of information technology over the same period has assisted the trend to New World production techniques, but more importantly for this study, it has also enabled producers to communicate with and sell directly to the consumer. It is argued here that this change in the pattern of production and distribution or what is often referred to as the supply chain, is itself evidence of a post productive wine industry. Wine tourism is the focal point of this communication, direct sales matrix in addition to being a post productive form of pluri-activity. Therefore, in summary, the wine industries in Mendoza and La Rioja liberated from trade restrictions, influenced by the New World wine culture and assisted by information technology has become post productive of which wine tourism is a key element, or in other words wine tourism is the manifestation of a post productive wine industry.

3.2 An overview of the economic history of Argentina and Spain

Argentina's golden age was at the turn of the twentieth century when it had become the world's ten largest economy and the largest in South America accounting for half its GDP. It had grown rapidly in the laissez faire economic atmosphere of the last decades of the nineteenth century. Growth was fuelled by immigration and foreign investment, to provide Europe with grain and meat products; immigration particularly from Italy had developed Mendoza's wine industry. The protectionism following the depression of the 1930s and the drive for self sufficiency in foodstuffs in Europe after the Second World War damaged its agricultural economy. In the 1950s Peron used the nation's reserves to nationalise the foreign owned utilities and introduce social reforms. The country embarked on an industrialisation programme to make it less dependant on foreign imports and technology, which its flagging agricultural economy could ill afford. Its non aligned foreign policy caused problems in its relations with the USA and social tensions led to periods of military government, the last, el proceso, ended in 1983 when the country returned to democratic government.

The country was beset with economic problems. It did not have the funds either to invest in its public sector which included extensive manufacturing interests or pay for its social programmes. Budget deficits were bridged by foreign debt, which was becoming unsustainable. Printing money only led to hyper inflation. In the fifteen years before 1990 inflation had never been below 80% and only below twice below 100%. When Menem came to power in 1990 inflation stood at 1344% (Maclachlan, 2006; Vilas, 2007).

Menem has been described as Argentina's "ultra neoliberal" (Gaudin, 2006). His first attempts to curb inflation with a floating exchange rate and tight monetary policy failed. He then fixed the exchange rate to the US\$ to control inflation, balanced the government's budgets and privatised its assets to repay its debts. Inflation collapsed to 3.9% in 1994 and 1.6% in 1995. The programme effectively devalued the peso and exports rose and imports fell. Inflation had been controlled, but at a cost. Real wages had fallen by 40% and social programmes had been cut. The privatisation programme was seen as chaotic, incompetent and corrupt. Unfortunately as the economy recovered and spending eased, the US\$ strengthened and the peso became overvalued. The situation was made worse by the Asian and Latin American debt crises and in particular when the Brazilian economy, Argentina's largest trading partner, defaulted and devalued in 1999. As a consequence exports faltered and capital began to leave the country to the point that in 2001 that restrictions had to be imposed. The government had difficulty meeting its debt obligations and it was bailed out twice by the IMF in 2001. The IMF wanted Argentina to float the peso and discontinued its support when it refused, causing the country to eventually default in early 2002. It was the largest ever debt default at 155 billion US\$. The currency had to be floated; it fell to a third its earlier value. As in 1990, the devaluation led to another drop in living standards, unemployment rose from 8 to 21% and the number of people living below the poverty doubled to over half of the population, but exports revived again with a more competitive exchange rate. This produced a significant trade surplus and substantially strengthened the country's foreign reserves, as the revival in exports coincided with a commodity price boom. To raise much needed funds, export taxes were introduced on agricultural commodities as a temporary measure. In 2003 Kirchner became President. He adopted a defiant approach to the IMF and the international bondholders, refusing to meet their terms because of the social costs;

though the government eventually repaid its' IMF loans, it is still in dispute with some of the bondholders and has effectively cut Argentina off from the international capital markets (Maclachlan, 2006; Vilas, 2007; Economist, 2009, 2010 A and C).

Many of Menem's neoliberal reforms are still in place. The currency markets determine the peso's exchange rate and Argentina has supported trade liberalisation. It has benefited as markets have been opened up to its agricultural products. There has been no wholesale renationalisation of privatised assets, apart from the worst performers. Apart from anything else the government doesn't have the funds. The pension funds have been renationalised and used together with the currency reserves to finance government programmes and repay debt, primarily because of its lack of access to capital markets. Export taxes, originally introduced as a short term measure, have been extended rather than discontinued, with counterproductive results (Economist, 2008 C).

Argentina began liberalising its trade in the 1980s in preparation to forming ABC, a customs free zone with Brazil and Chile, which was superseded by Mercosur (Mercado Commun del Sur), which it joined in 1995; most South America countries are now associate members. As a result, Argentina's trade with its Mercosur partners, particularly Brazil, doubled in the 1990s to 30% and Mercosur has been the vehicle through which Argentina and its partners has liberalised trade with the EU and others (WTO, 2000).

In summary, Argentina is essentially a market based economy, which has been prepared to stand up to the international financial institutions when it has been concerned about its national interests. Unfortunately, during the 1990s it demonstrated some of the worst aspects of neoliberal reform, in the way state assets were privatised and the social hardship that was caused by an abrupt change in the government's economic policy. However, with inflation at such extreme levels at the end of the 1980s it may have had no other option. The way in the policies were implemented was the real issue. The economic and social impact of the default in 2001/2 was subsequently softened by the defiance shown by the Kirchner government. The neoliberal policies of the 1990s had one significant benefit for the wine industry; they attracted foreign investment that generated wine exports.

Finally there is one last point that ought to be made. At the end of the nineteenth century Argentina's leaders such as Alberdi and Sarmiento were influenced by what they saw in Great Britain and the USA (Luna, 2004). British capital funded the country's expansion which often compared its performance with the US and other Anglo Saxon economies such as Canada and Australia (Maclachlan, 2006). Argentina, however, became isolated by the protectionist policies that stemmed from the depression and the desire for self sufficiency after the Second World War. Politically it adopted a policy of non-alignment and became alienated from the US and saw its importance as a regional economic power decline. Menem restored relations with the US, but they have since deteriorated again. Argentina is apathetic towards the US and Anglo Saxon economic policy. Kirchner's government has aligned itself with Castro's Cuba, Chavez' Venezuela and Morales' Bolivia. It is a completely different attitude to the one that prevailed a hundred years ago when it was one of the world's economic power houses.

After forty years of military rule Spain had to adjust to the new world it found itself in after Franco's death. During "la transicion" up to the general elections in 1982 Spain introduced a system known as "la concertacion" (Guerra, 2009). It attempted to forge a consensus between regional groups, political parties and even between the employers and trade unions to limit wage demands and control prices (Royo, 2000). The socialist government of Gonzalez continued with the neoliberal policies introduced during Franco's rule, but significantly increased spending on health, education and social welfare. Under Franco unemployment, inflation and wage levels had all been low, but now there was significant pressure on wages, threatening inflation and employment. Inflation was controlled, but unemployment grew. Joining the EU in 1986 provided development funds for Spanish infrastructure and employment with the EU providing the funds for 40% of Spain's roads. The transition from military rule to democratic government had been achieved with little political or social disruption. The economy grew, but unemployment remained a problem (Royo, 2000; Economist, 2010 B).

Spain's wine industry has benefited enormously by membership of the EU; membership has given Spain's wine industry greater access to its markets and

subsidies (Economist, 2007). The vineyards of Castilla La Mancha, the largest single vine area in Europe were developed with EU funds. This one area has received three quarters of Spain's wine subsidy (FEV, 2009). Although La Rioja was not a great recipient of EU subsidies its industry flourished (see section 3.8). Spain and La Rioja have had the advantage of being a lower cost producer than neighbouring France or Italy and although consumption was declining in France, Spain has still managed to export significant volumes of wine to the country (OIV).

3.3 Background to neoliberalism

The 1950s and 1960s were a period when Keynesianism became the established economic doctrine. Formulated after Versailles and reinforced by the depression of the 1930s (Keynes, 1919), it was based on the state intervening to create demand in order to generate economic growth and employment, typically by investing in infrastructure projects, which added to the nation's wealth. The alternative of a market led recovery put forward by Hayek was generally rejected (Nef and Robles, 2000). After the Second World War this state intervention in the economy took two forms; the nationalisation of key strategic assets such as the utilities and direction of specific sectors such as agriculture through the use of taxation, grants and subsidies. This model in which the state micromanaged the economy and determined demand came under pressure, to quote Touraine, "This model has been inexorably weakened...partly because it produced an administered economy that is becoming less and less efficient, and partly because of the globalisation of the economy and the speed of technological innovation" (2001, pp 111). In other words the state run components of the economy were becoming uncompetitive in the face of market pressures.

Neoliberalism began to replace Keynesian economics in Europe and Latin America in the 1950s and the 1960s. Its origins can be traced back to the policies put forward by Hayek in the depression of the 1930s (Nef and Robles, 2000) when demand, employment and investment were all falling and failing to recover. It became established in the 1980s by Reagan and Thatcher and the dominant economic philosophy in the 1990s with the collapse of the Soviet Union and the switch from

planned to market economies in Russia and China (Basualdo, 1989; Nef and Robles, 2000; Royo, 2000; Harvey, 2005).

The early economic policies of Reagan and Thatcher were more a function of economic necessity as ideology. In the UK the government simply did not have the funds to continue to invest in the utilities' infrastructure and support inefficient industries. It had to divest itself of these financial liabilities and take steps to balance its budget after the intervention of the IMF. It did not have the financial resources to defend the currency and it had to control inflation by limiting the money supply; printing money to meet financial obligations it could not afford was no longer an option, it created inflation which reduced the real value of wages and investments (Thatcher, 1993). These measures were summarised by Williamson as the Washington Consensus (1990 B). Although it was not the original intention the consensus has become a definition of neoliberalism.

Table 3.1 Neoliberalism-The Washington Consensus

1. Reduce budget deficits
 2. Direct public expenditure to areas with high economic returns
 3. Broaden the tax base and cut marginal rates
 4. Liberalise financial markets with interest rates set by the market
 5. Encourage non traditional exports with competitive exchange rates
 6. Remove trade restrictions and reduce tariffs
 7. Remove barriers to foreign direct investment
 8. Privatisate state owned enterprises
 9. Remove barriers to entry to new firms and restrictions on competition
 10. Ensure property rights
-

Source: Derived from Williamson (2003 B, pp 324)

The main priorities in Thatcher's Britain, Menem's Argentina or Gonzalez's Spain and of economic liberalisation in general were to reduce inflation and restore growth.. What became known as neoliberalism was a package of measures to ensure economic recovery or stabilisation that were adopted by the IMF and the World Bank.

Stabilisation is a rather euphemistic term as it involves austerity measures, deemed necessary to achieve a healthy economy, but which can be counter productive (Stiglitz, 2002).

3.4 Neoliberalism: a multidimensional concept

Neoliberalism can be difficult to define. The starting point taken here is the set of policies summarised in the Washington Consensus, the main elements are contained in Table 3.1, but neoliberalism is not as one dimensional as the original consensus has been thought to imply. Even its author, Williamson, has argued that it should be interpreted flexibly and objects to criticism of its rigid application by other economists (Williamson, 2003 A). Williamson states that he did not intend the consensus to be taken as a “one size fits all” solution, but rather as a set of principles or guidelines. When applied to a particular situation, some aspects of policy could be modified and others given a higher priority (Williamson, 2003 A and B). Williamson did not see the Washington Consensus as a definition of neoliberalism, he associated neoliberalism with the theories put forward by Hayek and Friedmann on monetary policy, though he acknowledged that others such as Stiglitz had used as such (Williamson, 2003 B).

Williamson thought that neoliberalism, rarely, if ever, existed in a pure state. Its policies were always compromised in some way or other by specific circumstances and therefore there are often inherent contradictions (Harvey, 2005), so that some aspects of macro-economic policy may be seen as being neoliberal, but not others, the two existing in a sort of economic co-existence.

Argentina is an appropriate example its’ convergence policy when it fixed its exchange rate to the US\$ was a case in point. Although the policy was successful, it was against the basic principle that exchange rates should be set by the market or at least competitive enough to encourage exports. It is ironical that this policy, having been so successful in controlling inflation as part of a wide ranging set of neoliberal policies that reformed the Argentine economy, should contribute to the economic crisis less than ten years later (Vilas, 2007).

Once inflation had been brought under control in 1995, Argentina then ought to have followed the consensus' guidelines and let the market determine its exchange rate. It could have avoided the subsequent default. Williamson wrote that "Argentina undertook many good reforms, but it made two fatal errors... [that led to an uncompetitive exchange rate]... Both run counter to the policies recommended in what I meant by the Washington Consensus so it is unambiguously wrong to blame the latter for Argentina's tragedy" (Williamson, 2003 B, pp 327).

The policies had other unintended consequences. The removal of barriers to trade and competition increased the level of foreign direct investment, which enabled the wine industry to respond to changing market conditions (see the following section 3.7), but the default although it led to a more competitive exchange rate that gave exports a fresh boost, also discouraged some foreign investors, such as Kendall Jackson that sold its Mendozean operation. The period since the default has seen a lower level of foreign direct investment compared to the mid 1990s (see Table 4.4, section 4.6; Azpiazu and Basualdo, 2003)

Table 3.2 Augmented Washington Consensus

The original list in Table 3.1 plus

1. Legal and political reform
2. Regulatory institutions
3. Anticorruption
4. Labour market flexibility
5. WTO agreements
6. Financial codes and standards
7. "Prudent" capital account opening
8. Nonintermediate exchange rate regimes
9. Social safety nets
10. Poverty reduction

Source: Attributed to Rodrik (2002) in Navia and Velasco (2003, pp 238).

Depending on individual circumstances elements of neoliberalism may remain the same, the extent or manner in which they are employed locally can depend on individual economic, political and social circumstances (Williamson, 2003 A and B; Peck and Tickell, 2002). For instance, Williamson has argued that provided budgets are balanced, in the medium term, there is no reason why, in the short term, some form of Keynesian demand should not be used to avoid the risk of recession. He also argues that whilst government expenditure should be reduced and subsidies removed particularly when they are not essential and politically motivated, expenditure on education, health and infrastructure should be maintained as they represent an “investment as well as consumption” and “tend to help the disadvantaged” (Williamson, 1990 B, pp 11). In his opinion, trade should be free of quotas and tariffs, but they can be useful to protect an embryonic sector and although privatisation can raise funds and reduce future liabilities and transfer a business to experienced owners there may be instances when it is better for them to remain in public ownership. In fact, he states that trade liberalisation and privatisation, are only justifiable if they increase competition, suppress prices and improve the return on capital.

Neoliberalism is therefore more a moveable feast, than a set of absolutes. The original consensus has been augmented by Rodrik (2002), whose suggestions are given in Table 3.2, taken from Navia and Velasco’s “The Politics of Second-Generation Reforms” in Williamson’s “After the Washington Consensus” (2003). It illustrates the structural or regulatory reforms that are necessary to make the implementation of neoliberal policies more sensitive to the social conditions of a country.

Finally, although neoliberalism, in the form of the Washington Consensus is concerned with a country’s macroeconomic policy, there are aspects that are microeconomic, that can directly affect specific industries, such as privatisation, trade liberalisation and lifting restrictions on foreign investment and competition. In that sense, although essentially concerned with macroeconomic policy and economic stabilisation, it can operate at lower industry and local levels within an economy. In addition there are supranational organisations, such as the G8/20, the IMF, World Bank or WTO or regional trading zones such as NAFTA, Mercosur or the EU which can influence national economic policies and are often seen as agents of neoliberalism (Van Waeyenberge, 2006; Lockie and Higgins, 2007; Toke and Lauber, 2007).

3.5 Globalisation

Neoliberalism and globalization are mutually associated (Klak, 1998; Nef and Robles, 2000). Globalisation is a “process of international integration... Its policy affiliate neoliberalism [or] neoliberal policy represents a country’s ticket or passport to the globalizing economy” (Klak, 1998, pp3). Whereas neoliberalism is a moveable feast, a mix of policies which can or ought to be adjusted to the particular circumstances of individual countries, the issue with globalization is whether it really exists or is merely short hand for describing recent, but not unique events, it has its sceptics (Jessop, 1999; Martell, 2007).

Personally in my business life I have refused to use the term. It has seemed to me be popular jargon. I saw nothing wrong with the word international, which is the key word in Klak’s definition above. I worked in corporate strategy for an international management consultancy and in corporate finance for a merchant bank (I prefer to use the term merchant rather than investment bank, as they are not primarily involved in investment, but act as financial intermediaries). In both capacities I was involved in international acquisitions and mergers for US companies investing in Europe and European companies investing in the UK. In addition as Chairman and Chief Executive, I moved all manufacturing of a UK company to a strategic partner in China. These were international transactions, the companies concerned did not become “global” as a result, they merely increased the scope or nature of their international operations.

Trade liberalisation since the 1980’s has given a boost to international trade, but this is not a new phenomenon (O’Rourke and Williamson, 1999; Osterhammel and Peterson, 2005). In fact there have been times when trade has been more international in the past than it is today; the period of 1870-1914 is an example (Hay and Marsh, 2000). It can not be a coincidence that this was also the time of Argentina’s golden age; an earlier period of expanding international trade and liberal economics and when the wine industries of Mendoza and La Rioja were established. Increased levels of international trade are therefore not unprecedented; they have been done achieved before within the existing structures. However, this international trade, and also foreign direct investment, is not even global, it is concentrated within the triad of

North America, Europe and Japan, so globalisation or globalomny is neither new nor global (Hay and Marsh, 2000; Economist, 2011 A). In addition, the role of transnational corporations (TNC's), supposedly the main beneficiaries of globalization, has been overstated, they are invariably national companies with international operations, that are domiciled somewhere and can be monitored and regulated by their national authorities (Hirst and Thompson, 1996). The term globalization, of course, can be interpreted more widely, it can have a political or cultural dimension (Rodrik, 2011), but again this is not new, there have been similar consequences as a result of colonialism, neocolonialism and post colonialism (McEwan, 2009).

Globalisation is therefore taken to refer only to the increase in international trade brought about by trade liberalization and other forms of neoliberal deregulation. The concerns about globalization are the same as the concerns with neoliberalism, which are dealt with in the next section; the consequences of globalization on the wine industry are dealt with in section 3.7. Therefore to avoid confusion the term globalization is not used in any other context in this thesis.

3.6 Concerns about neoliberalism

Neoliberalism has been criticised, when stabilisation measures, introduced to reduce debt, balance budgets and control inflation, have increased unemployment or reduced real wage levels and living standards, either in the short term or when the expected growth has failed to deliver improvements (Harris and Seid, 2000). This has often been the case in Latin America (Casanova, 1999; Barkin, 2000; Harris, 2000; Weeks, 2000; Gaudin, 2000; Tomic, Trumper and Dattwyler, 2006; Arbona, 2007; Vilas, 2007) and consequently neoliberalism is not particularly popular in certain circles in Latin America as a review of book titles illustrates; “Dispatches from Latin America- On the Frontlines Against Neoliberalism” (Prashad and Ballve, 2006), “Imperialism, Neoliberalism and Social Struggles in Latin America” (Dello Buono and Bell Lara, 2007) and “La Trama del Neoliberalismo-Mercado, Crisis y Exclusion Social” (Anderson et al, 1999). The titles reveal the main problem; the conflict between the implementation of neoliberal policies to stabilize an economy and generate growth

and the affect of these policies on society; real wage levels, job security and employment, education, health and social welfare.

There have also been concern over the ability of neoliberal policies to generate growth in the long term as well as the short term, particularly in developing as opposed to developed economies (Stiglitz and Charlton, 2005; Fine, 2006) as well as concerns about some of some the policies themselves, particularly corrupt privatisation programmes (Rodrik, 2002; Stiglitz, 2002; Vilas, 2007) and the consequences of foreign investment (Basualdo, 2006). Finally there is the issue of the role of the state and who is best suited to look after the environment and conserve valuable resources.

Neoliberalism association with the austerity packages that follow the refinancing of a nation's economy, usually with the involvement of the IMF, creates the problem. Introduced to solve a country's debt problem by reducing government spending to balance budgets or move them into surplus, so that its loans can be repaid, they are blamed for poor growth and deteriorating social welfare and putting the interests of the nation's creditors before its' people. This was something the Argentinean government refused to accept after the debt default of 2001/2 and its' finance minister, managed to persuade the IMF that it was not in their interests either. He managed to negotiate a lower reduction in government expenditure than the IMF initially wanted, so that the economy had a better chance to grow and achieve a current account surplus to repay its loans. Argentina was fortunate that an agricultural commodity boom came to its assistance. Its lower exchange rate and export boom made as significant a contribution its recovery than any policies suggested to it by the IMF. Although there were some other policies which raised the IMF's eyebrows, from holding down utility price increases to renationalizing the pension system and confiscating the central banks reserves to pay off debts (Vilas, 2007; Economist, 2010 A).

However, not all governments have had the self confidence to adopt such a robust stance and have gone along with the policies that have been suggested to them and as a consequence, the "workers in Latin America have not shared in the benefits of growth either in terms of reduced unemployment or rising real wages...their basic

rights as workers have been progressively eroded” (Weeks, 2000, pp 107). In fact it is claimed that governments have reduced wages and devalued currencies to make exports more competitive, orientated their economies to exports to earn foreign exchange to service foreign debts, reduced expenditure on health, education and welfare to control inflation, removed trade restrictions to buy more imports from transnational companies harming local industries, privatized state enterprises and public utilities so that foreign and local capitalists can invest in and/or control them and deregulated to free exporters, importers and foreign investors from controls that protect labour, domestic industries, the environment and natural resources (Harris and Seid, 2000, pp 9). The main beneficiaries are seen to be international finance and transnational companies at the expense of the local community and the environment. These claims may or may not be a reasonable interpretation of events; however the fact remains that the measures taken to stabilize an economy can have unfortunate and unseen consequences. In Bolivia social unrest brought the government down in 2003 and an end to twenty years of neoliberal policies (Arbona, 2007).

This inflexibility, Stiglitz has argued, has been the general approach of the IMF, World Bank and WTO. They have been ideological; imposing rules and conditions because they were part of a received wisdom rather than appropriate (2002); a point of view Williamson would agree with (1990 B: 2003 A and B); Williamson acknowledges that a broader interpretation of economic stability has to have a social dimension. However, as a result of this inflexibility the programmers of the IMF, World Bank and WTO have been counterproductive, not benefiting the countries they were intended to (Stiglitz and Chapman, 2005; Fine, 2006). The issue is one of implementation; presumably neither Stiglitz nor Williamson would criticize any neoliberal programme if it were sympathetically implemented. This sensitivity to local issues when tempered with a number of initiatives to mitigate against the social consequences of neoliberalism and reduce social inequality produces a new form of neoliberalism, one with a more “human face” (Kay and Gywnne, 2000). The Argentinean government took this more structuralist approach after the 2001/2 crisis; it contrasts with the country’s first experience of neoliberal economic policies in the 1990s, which may have been a necessary prelude, “neoliberalism comes onto the scene once the dirty work has been done by neoliberals” (Harris, 2000, pp 154, quote attributed to Chilean economist, Fernando Leiva). This neoliberalist approach can

be seen as a step towards an alternative form of neoliberalism that will improve social welfare, reduce inequality and preserve precious resources (Harris, 2000).

Neoliberalism and neostructuralism are not mutually exclusive. It is possible for them to coexist together in the same economic space, “neostructuralism’s historical opportunity appears once it is necessary to consolidate and legitimise the new regime of accumulation originally put in place by neoliberal policies. Neoliberalism and neostructuralism, therefore, are not antagonistic strategies, but rather, due to their differences, play complimentary roles ensuring the continuity and consolidation of the restructuring process” (Kay and Gwynne, 2000, pp 61 quoting Leiva, 1998, pp 35). Reconciling the necessary economic measures with their social consequences has also led to a new form of development economics (Fine, 2006, Deraniyagala and Fine, 2006)

Antipathy to neoliberalism in Latin America is also partly due to the fact that it was often seen as being introduced by repressive military regimes with the aim of restructuring society (Taylor, 2006; Tomic, Trumper and Dattwyler, 2006). However, this was not always the case. In Argentina, neoliberalism was introduced in the 1990s, after the military had been replaced by a democratic government. The military in fact had tried to reengineer the state during its seven years between 1976 and 1983. It had taken a structuralist approach to the economy and was replaced because it failed (Luna, 2004; Basualdo, 2006; Vilas, 2007).

In Spain, although neoliberal policies were first introduced during Franco’s rule the socialist government elected in 1982 decided to continue with them. The government was concerned to unite all elements of the country and although it was thought to have compromised some of its social democratic principals (Royo, 2000). The improved living standards together with the increased spending on health, education and social welfare compensated for the high levels of unemployment (Royo, 2000). As in Chile after Pinochet, the government’s policy represented “otro sendero” (De Soto, 1986) or a “Third Way” (Touraine, 2001), “between neoliberalism and social democracy by retaining the neoliberal emphasis on market-driven economic dynamism” (Taylor, 2006, pp 99). The Latin American experience probably shows that neoliberalism works best when there is a strong private sector (Williamson, 1990 B; Taylor, 2006).

Neoliberal policy is often adopted because of supranational organisations either as conditions of their assistance (IMF, World Bank) or as conditions of their membership (EU, Mercosur). At the same time neoliberalism can lead to greater localism. The wine industry is a prime example. In Mendoza and La Rioja they are competing in an international market place, but promoting their local identity through the DOs, which in Spain are also the industry's regulatory authorities. The state is being "hollowed out". Its' role is not necessarily being diminished, but it is changing (Peck, 2001 and 2004). This raises the issues of governance and regulation (Jessop, 2002). The key issue is who can best guarantee the environment and strategic resources (Tickell and Peck, 1995; Harris, 2000). In both Mendoza and La Rioja, it is the provincial government in association with the national government because the industry's strategic resource is water, for which the industry competes with the developing urban neighbourhoods.

3.7 The changing patterns of supply and demand in the wine industry since 1980.

This section on the changing patterns of supply and demand is based on statistical data by the international trade body for the wine industry Organisation Internationale de la Vigne et du Vin (OIV). Rather than repeatedly quoting the relevant OIV report, it can be assumed that any analysis is based primarily on the (1999, 2001, 2005, 2006, 2007, 2009 and 2011) statistical reports, unless otherwise stated. The Instituto Nacional de Vitivinicultura (INV) data for 2005, 2010 and 2011 has been used for the section on the Argentine wine industry. Both the OIV and the INV cover all aspects of vine cultivation including table grapes, raisons, grape juice and must as well as wine. In the case of Spain, information has been used from the Federacion Espanola del Vino (FEV) 2009 report on the industry and the Denominacion de Origen Calificada de La Rioja (DOC La Rioja) Annual Reports for 2006, 2008 and 2010. The INV and the DOC La Rioja regulate the industries in Mendoza and La Rioja. The OIV and the FEV collect and disseminate data.

There have been three major trends in the wine industry over the last three decades, which have changed the structure of the industry and created a global market. These trends have been concurrent so the picture can be confusing. In order to explain them

as clearly as possible they have been dealt with individually. They can be summarized as follows:

Declining domestic consumption in the established, major European wine producing countries (France, Italy and Spain) for table wine within the context of static overall demand worldwide, which has meant that these producers have had to find new markets for their products or face the consequences of over production and surpluses (Mora, 2006).

This decline has been offset by increasing demand in the international export market for fine wines from countries where wine consumption has historically been low. This has meant that producers have had to be more aware of consumers' tastes (Carlsen, 2004). It has been an iterative process between production and marketing, which has led to "international integration" (Klak, 1998) and product homogenization (Lapsley and Moulton, 2001).

The appearance of wine in the international market from countries with a relatively limited wine making tradition whose growing domestic markets have provided a platform for export growth with a new approach to the production and marketing of their wines has created a dilemma for the established wine producers (Unwin, 1996).

Table 3.3 The dilemma of established, major wine producing countries

Consumption (millions hectolitres)	1986-90	1991-95	1996- 2000	2001-05	2010E
France	41.7	37.3	35.3	33.9	29.4
Italy	36.6	35.1	32.0	28.5	24.5
Spain	17.4	15.4	14.4	13.9	10.9
Argentina	20.1	17.8	15.7	12.9	11.7

Source: OIV. Five year annual averages, 1986-2005. Estimate, 2010

The problem facing the world's major producers with historically high levels of consumption, France, Italy, Spain and Argentina has been declining domestic demand, as shown in Table 3.3. The figures are given as five year averages for the period from 1986 to 2005 to smooth any annual fluctuations. As there are obvious problems collating information from so many sources the latest data available from the OIV is an estimate for 2010. This has been used instead of computing an estimate average annual figure for 2006-10.

Over the last twenty five years, consumption in these three countries has declined dramatically by over a third and by 40% in Argentina and Spain. It has been typical of all countries where wine has been part of the local culture. The dilemma has been where to replace these "lost" sales.

Worldwide demand started to grow after the Second World War and consumption peaked in the second half of the 1970s, but during the eighties and nineties there has been a slow, gradual decline though there has been something of a recovery since 2000 with demand stabilising. Recent fluctuations hide two trends; the decline in personal consumption in countries where it had historically been relatively high as in Table 3.3 and the emergence of new markets in countries where personal consumption had historically been low where wine was not part of the local culture. Some of these emerging markets are also producers, but with different attitudes to wine. In these emerging markets wine was consumed more frequently on social occasions rather than being drunk with everyday meals and it was seen as a luxury rather than as a commodity. There was, consequently, a switch from table wines to better quality, fine wines (Unwin, 1996).

The decline in consumption in the countries in Table 3.3, was in fact a decline in the demand for table wines. The increased demand in the emerging markets was for fine wines. This shift in demand towards fine wines has meant that the established producers, such as Argentina and Spain, had to close down the production of table wines and invest in fine wine production.

The extent of this shift in demand is shown in Table 3.4. Although demand by 2010 was similar to the average for 1986-90, the importance of the international trade had

doubled accounting for 40% of consumption. Overproduction had also reduced. (The difference between wine production and consumption can be partly explained by wine being used to make brandy or vermouth or being distilled to make ethanol-industrial alcohol.)

Table 3.4 Worldwide production, consumption and international trade, 1986-2010 (millions hectolitres)

	1986-90	1991-95	1996-2000	2001-05	2010E
Production	304.0	262.3	272.6	272.7	263.9
Consumption	239.9	223.1	224.2	235.3	238.0
Exports	43.6	51.7	60.9	72.2	93.5

Source: OIV. Five year annual averages, 1986-2005. Estimate, 2010.

In spite of the changing patterns of supply and demand the EU continued to play a pivotal role, even though its share of worldwide production had fallen from 80 to 58% between 1986-90 and 2001-05 and its exports from 82 to 68%. However, the EU, with the exception of Spain, had failed to use its surplus capacity to supply the growing international market with the wines they wanted and creating a market opportunity for others that did.

Table 3.5 illustrates how the composition of the international market has changed and it is interesting to note that Spain as well as the USA, Chile, South Africa, Australia and Argentina has taken advantage of the growth in the international market. In this respect Spain has behaved more like an “Old World” rather than a “New World” producer, with countries like Italy and France losing market share. Spain has been able to do this because of the established reputation of some of its brands, such as La Rioja, but also because of the proximity of the export market in Europe and its low cost structure. Argentina has been slower to respond to the market opportunity created by the liberalised market place for a similar set of reasons. As table 3.5 shows in the early 1980’s its exports were very small. It took time for its wines to gain an international reputation. This was largely due to wine journalists in North America

publicising its Malbec wines. However, since the momentum was achieved in the 1990's, its exports have steadily improved, due to a significant amount of investment and in particular foreign investment since 2000 (Azpiazu and Basualdo, 2003). As Table 4.4 illustrates there has been as much investment in acquisitions and new starts in the two years after 2000 as in the eight previous years. However, that came to abrupt halt after the financial crisis and the arrival of the Kirchner presidencies, which have replaced neoliberal economic policy making with greater government involvement and a more populist, protectionist stance (Economist, 2011 B).

Table 3.5 The growing importance of emerging producers in the international wine market

Exports (millions hectolitres)	1986-90	1991-95	1996- 2000	2001-05	2010E
Emerging producers*	1.0	3.6	7.8	15.1	23.1
Argentina	0.2	0.6	1.0	1.5	2.7
Spain	4.6	7.4	8.8	12.1	17.1
France and Italy	25.4	26.6	30.1	29.8	34.1
World Total	43.6	51.7	60.9	72.2	93.5

Source: OIV. Five year annual averages, 1986-2005. Estimate, 2010.

*Emerging producers are the USA, Chile, South Africa and Australia.

The change from the Old to the New World producers dominating the market and dictating trends is clearly demonstrated if the data for 1991-95 is compared with 2001-05. In this period world production increased by 10.0 million hectolitres, but it fell in France and Italy by 14.8 million hectolitres. This gap of 24.8 million hectolitres was made up by increased production in Spain of 10.9 million, Australia of 7.7 million, Chile of 3.1 million and the USA of 2.8 million hectolitres. Over the same period international trade increased by 20.5 million hectolitres, but France and Italy only accounted for 3.2 million, whilst Spain accounted for 4.7 million, Australia 4.6 million, Chile 3 million, South Africa 2 million, USA 1.9 million and Argentina 0.9 million hectolitres. Clearly the liberalised market place was more to the benefit of some countries more than others.

The failure to replace domestic demand with exports has led to overproduction and wine surpluses. The EU tried to solve the problem by introducing programmes to grub out vines and replace them with more popular varieties for the international market. This has been worth up to 15,000 euros per hectare and subsidies to distil surpluses into ethanol (The Wine Spectator, 2007; Independent, 2010). Unfortunately these measures did not overcome the problems. It was estimated that the area under vine cultivation in France had to be reduced by at least an eighth and in 2005, there was even an initiative to reduce Bordeaux's 124,000 hectares by 17,000 hectares or 14% (Wyatt, 2006; Sanderson 2007; The Wine Spectator, 2007). This contrasts with La Rioja where up until 2010 there had been no reduction in the area under vine cultivation. The DOC considered that its quality reputation protected its sales to economic pressures (Fotherington, 2010; DOC La Rioja, 2010).

In 2007 the EU started to redirect its subsidies away from distillation and replanting (sometimes referred to as reconstruction); policies which had benefited Spain (FEV, 2009). It announced a plan to switch expenditure to promoting wine outside the EU, spending 120 million euros a year promoting wine outside the EU and 3 million within the EU. The industry wanted a greater proportion spent in the EU, because demand was shifting to emerging northern European markets, such as the UK, which were increasingly consuming "New World" wine (Smith, 2007). Although the EU's share of production and exports had fallen sharply it still accounted for 55% of world consumption and 62% of imports.

Spain has therefore aimed its 2009-13 subsidy programme at promotion and reconstruction rather than one off payments or distillation (FEV, 2009), but it is doubtful how long these subsidies may last, to quote the Federacion Espanola del Vino: "A medio plaza, esta claro que no se puede contar en las subvenciones, pero a corto hay que aprovecharlas" or "In the medium term it is clear that one can not count on subsidies, but in the short term its necessary to take advantage of them" (FEV, 2009, pp 2). The future is hard to predict. La Rioja is putting its faith in the USA, Mexico and Switzerland providing its future growth, but some think that Spain's better wines are proving too expensive for the domestic market and the less expensive wines are finding it difficult to compete against competitively priced imported

Australian and American wines. Certainly the international and tourist markets are proving less price sensitive (Fotherington, 2010), putting a greater emphasis on exports and wine tourism.

Subsidies had been removed in Argentina in the 1990s and any reduction in demand meant that vineyards had to be grubbed out. At the same time unpopular vines used mainly for table wines were replaced by more popular varieties for the international export markets (OIV; Bodegas & Vinos, 2003; Vinas, Bodegas y Vinos, 2005).

“1990....la integracion a un mercado globalizado promueve la busqueda de excelencia y la reafirmacion de la identidad local....the integration into a global market promotes the search for excellence and the strengthening of a local identity” (Exposion de Bodegas de Salentein, March, 2007). This quotation reflects the association of globalisation with the export of quality of wines with a local identity. It also describes the iterative process of declining domestic consumption of table wines leading to the planting of varieties to produce fine wines for the export market which are increasingly consumed in the home market. In the period from 1995 to 2010 in both Mendoza and La Rioja the number of bodegas producing quality wines and the domestic sales of fine wines accompanied the increase in exports. Production was moving closer to the consumer and adopting the production and marketing techniques developed in the “New World” (Carlsen, 2004). Those who did not, for instance in France and Italy, suffered the consequences (Mora, 2006)

3.8 The wine industries of Argentina and Spain since 1980

Argentina.

During the 1980's Argentina was the fourth largest wine producer, after Italy, France and Spain and just ahead of the USA. However, by the end of the decade the USA had overtaken Argentina. Prior to 1990, Argentina had produced mainly table wine for the domestic market; its exports and imports were negligible (see Table 3.6). It was effectively a closed market. Until the 1990's, when the government began to introduce neoliberal policies and open up the market, its exports at 0.2 million hectolitres a year were 1% of production. It was heavily dependant on its domestic

market its output was declining in line with domestic consumption. If it were to find a market for its wines it had to effectively create an export market and start to produce the fine, varietal wines that the international market required. Trade liberalisation provided the opportunity and direct foreign investment provided the impetus. The international interest in the Argentine wine industry grew during the 1990s. Encouraged by the government's neoliberal economic policies, Chilean, North American and European interests began to invest (Azpiazu and Basualdo, 2001 and 2003; Rolland and Chrabolowsky, 2005). Although the foreign investment was initially in the form of acquisitions and numerous cross shareholdings, later new construction after 2000 became more significant (Azpiazu and Basualdo, 2003)). Foreign direct investment encouraged domestic investment by producers to upgrade their plant and by industry professionals and equity investors investing in new operations keen to take advantage of the market opportunity (see section 2.4.2). There is a direct causal link between the renaissance of the wine industry in Argentina, the export of fine wines and direct foreign and domestic investment. This would not have been possible if Argentina had remained a closed market and not adopted neoliberal economic policies in the 1990s. If the wine market had not been liberalised and foreign investment encouraged then Argentina's wine industry would have gone into terminal decline, as the figures show in Table 3.6.

Table 3.6 Trends in Argentina's wine industry since 1980 (millions hectolitres).

	1981-85	1986-90	1991-95	1996-2000	2001-05	2010E
Production	20.5	19.9	15.6	13.5	14.5	16.3
Consumption	20.1	17.8	15.7	12.9	11.7	10.0
Exports	Na	0.2	0.6	1.0	1.5	2.7

Source: OIV. Five year averages, 1981-2005. Estimate, 2010.

The revival of the industry was therefore directly due to the neoliberal reforms during the 1990s, which lifted restrictions on trade and foreign investment. However, there have been a number of other factors that have aided the industry's recovery. The currency was pegged to the US\$ throughout the 1990s which made it increasingly

difficult to export as the US\$ appreciated in value. The pesos became overvalued, but the devaluation after the financial crisis of 2001/2 made Mendozaean wine very competitive (Azpiazu et al 2005; Basualdo, 2000 and 2006 A and B; Maclachlan, 2006; Vilas, 2007).

Consequently, the investment in the industry to convert it from table wine production for the domestic market to fine wines for export only began to have a real impact on the decline in domestic consumption after 2000. From an average of over 20 million hectolitres a year in the early 1980s, production fell to a low point of 12.5 million in 2000, but with the growth in exports of fine wines it managed to recover to 16.3 million by 2010. The area under vine cultivation followed a similar pattern (from 259 thousand hectares in [1990] to 188 in 2000 to 213 in 2010), but what was more important was the growth in exports and in particular their value, because although the volume was less in 2010 than in the period before 1990 the value was far greater.

Exports grew from 0.2 million hectolitres worth 20 million US\$ in 1992, to a million hectolitres worth 125 million US\$ by 2000 and 4.1 million hectolitres by 2008 worth 622 million US\$. Although the volume of sales fell in 2009, due to the worldwide recession, the value increased to 631 million US\$ demonstrating the relative price insensitivity of export sales of fine wine for a low cost producer such as Argentina.. As a result, primarily because of domestic investment rather than foreign investment which had been discouraged by the financial crisis, the number of bodegas producing these fine wines increased from 824 in 2001 to 984 bodegas in 2010 (INV).

In 1995, 19% of sales by volume were fine wines the majority of which was being exported, by 2009 this had increased to 50%, half of which was exported, but perhaps more importantly half was consumed domestically. An increase not only in the export of fine wines, but also in the amount of fine wine consumed locally. The varietal wines produced for the export market were now being sold locally as the local market, primarily the younger segment, began to adopt these wines. It was an iterative process; production switched to varietal fine wines for export because of declining demand for table wines, bought mainly by older consumers, which became popular with younger local consumers that began to influence the wines on offer to the export markets. It could be argued that consumerism had produced a global homogeneous market (Carlsen, 2004; Mora, 2006).

Spain.

Although similar, there are a number of distinct differences between the situation in Spain and Argentina in terms of its political economy and the structure of its wine industry, however, neoliberal economic policies have also played a key role in its recent success. Its wine industry and in particular La Rioja's was well established in the international market before the 1980s. In this respect it had a head start on Argentina, it did not have to establish its brands on the international stage before taking advantage of the market opportunities, primarily in Europe that were close to hand and easily accessible, after Spain joined the EU in 1986. By comparison, Argentina had the problem of logistics as well as establishing its reputation.

Spain also saw a decline in production, but as in Argentina this did not appear to happen to any significant extent until the early 1990s (see Table 3.7). More importantly Spain was the only country in the EU whose output in the 1990s increased as its domestic market shrank. This was due to the removal of trade barriers when joined the EU and its competitive cost structure; Spain unit cost of production have consistently been two thirds that of its great rivals Italy and France. Exports began to dominate Spanish wine production as they had Argentina's, but perhaps to an even greater extent. In 2004/5, for the first time, its industry's exported more than it sold at home; 14.3 compared to 13.8 million hectolitres (FEV, 2009) and by 2010 accounted for 60% of production (OIV). Although this achievement parallels Australia's, it also made Spain vulnerable to a down turn in the export market, which in recent years has led to stockpiling (see section 4.5). However, it has meant that Spain's international sales were now rivalling those of its' main European competitors, France and Italy (OIV).

As in Mendoza, La Rioja tended to export its better Gran Reserva and Reserva wines. The number of bodegas de crianza, that is to say bodegas that produce only matured fine wines, grew in line with exports from 103 in 1990 to 375 in 2010 (see section 4.3; DOC La Rioja, 2010). This correlation is interesting because it links the expansion of the industry to the production of fine wines and their export. This is the same finding as in Argentina and points to the benefits of trade liberalisation in both

countries; in Argentina because of the introduction of neoliberal economic policies in the 1990s and in Spain to its joining the EU in 1986. The main difference between Mendoza's wines and La Rioja's was that Mendoza had to replant its vineyards to produce the internationally popular varieties whereas La Rioja continued to produce its classic blends based on its seven local grape varieties, but essentially Tempanillo and to some extent Granacha. This traditional approach was enforced by the regulatory authorities, the DOC La Rioja, but it demonstrates that success depends more on quality than fashion and that fashion itself can go full circle, when a traditional approach replaced by New World wines can in time become fashionable again, as has happened with blends and varieties and estate bottled wines or pagos (Lapsley and Moulton, 2001)

Table 3.7 Trends in Spain's wine industry since 1980 (millions hectolitres).

	1981-85	1986-90	1991-95	1996-2000	2001-05	2010E
Production	34.0	33.5	26.4	34.2	37.3	36.1
Consumption	19.6	17.4	15.4	14.4	13.9	10.9
Exports	na	4.6	7.4	8.8	12.1	17.1

Source: OIV. Five year annual averages, 1981-2005. Estimate, 2010.

Another concern with a significant increase in international trade is that it plays into the hands of international companies giving them excessive market power. These transnational corporations (TNCs) are then in a position to manipulate the market and exploit vulnerable producers (Klak, 1998; Nef and Robles, 2000), because there are no similar transnational authorities to regulate their behaviour, previously the role of the state, but whose effectiveness has been reduced or "hollowed out" (Tickell and Peck, 1995). This might be the case in Australia where three firms account for 70% of the country's wine exports (Australian Bureau of Statistics, 2010). There is a similar situation in New Zealand where the industry is perhaps even more vulnerable because it is more concentrated, geographically and in terms of its product. In 2009, 81% of New Zealand's exports were Sauvignon Blanc, 91% from the Marlborough area, so that one grape variety from one area accounted for 75% of exports. Superficially this

might seem similar to Mendoza, which accounts for a similar proportion of Argentinean production and exports, but it is not so reliant on a single grape variety producing a diverse variety of wines for export (INV).

In fact there is no evidence to suggest that either TNCs or multi-nationals dominated either the industry or exports in either Mendoza or La Rioja. The industry in these two areas is more fragmented and the majority of the larger bodegas were independent, family owned and managed operations (see section 6.2, Table 6.2) not part of large conglomerates developed over the last few decades. The position of family owned bodegas reluctant to be acquired is itself a barrier to the level of industry concentration seen in countries such as Australia. In addition, there were an increasing number of smaller independent producers, who were not necessarily at a competitive disadvantage because of their size. These smaller producers can be more innovative, not only in the way they made wine, but in the way that they sold and distributed their product, using direct selling methods and the internet, not only in the domestic market but internationally (see section 6.10), for instance, the wines of one of the case studies in Mendoza, Benegas, although a small bodega, were available at Majestic Wines.

However, the situation could change, for instance there were a number of bodega groups in La Rioja quoted on the Madrid exchange, Baron de Ley, Bodegas Riojanas and CVNE. There were also a number of family owned groups, some of which were included in the survey, which had expanded through acquisitions; Catena in Mendoza and Dinastia Vivanco, Martinez Bujanda and Cordoniu in La Rioja. These were in a position to take advantage of any fall out in the industry, Catena for example had acquired Escorihuela and La Rural in Mendoza and Dinastia Vivanco had acquired at least four other bodegas in La Rioja, whilst Cordoniu had built a network of bodegas across Spain, including its acquisition of Bilbainas in La Rioja. So it was possible that in the future, there might be further consolidation. But the most active acquirors have been domestic companies, foreign investors even in Mendoza have played a relatively minor role and the industries have remained fragmented.

3.9 Productivism and post productivism in Mendoza and La Rioja

The last section described what has happened in the wine industries of Mendoza and La Rioja since 1980. It could be summarised as a trend away from the volume production of table wines to better quality fine wines, an increase in the number of the varieties grown in Mendoza and an increase in the number of smaller bodegas de crianza in both areas together with a closer relationship with the consumer and an increased emphasis on exports with trade liberalisation as the international market for wine has grown and become more competitive. In the UK these features which would be considered typical of the transition from a productivist to a post-productivist regime (Ilbery and Bowler, 1998).

The analogy is perhaps more appropriate to Mendoza where the situation seems more familiar with the UK's. The Argentinean wine industry was protected; it received production subsidies and produced mainly table wines for the domestic market. Argentina was self sufficient in wine with negligible exports and imports. The removal of production subsidies exposed the industry to the commercial pressures of declining domestic consumption it did not make its domestic market more competitive, because the trade liberalisation policies of the 1990s associated with joining Mercosur in 1995, removed barriers to trade and foreign investment, opened up export opportunities. There was no threat from within Mercosur, Brazil and Uruguay are small producers and Chile had chosen not to join. To exploit these opportunities the industry had to invest to produce the varietal wines required by the export markets in North America and Northern Europe. The producers also had to get closer to the consumer, and in particular the foreign consumer, in order to understand what they wanted and to promote their wines (see section 6.7). Wine tourism had a role to play in this process.

The situation was more complex in La Rioja because the area was an established producer of quality wines when it joined the EU in 1986. Easier access to the EU's markets particularly in Germany and the UK meant that exports grew. However, this export growth was not replacing declining domestic demand. Domestic sales of its fine wines were also growing, if at a slower rate. Because of its emphasis on quality La Rioja was less affected by the decline in domestic consumption of table wines. The industry in La Rioja was therefore less exposed than in Mendoza. It continued with its established strategy, there was no need to change direction. In Mendoza exports grew

from almost nothing to 20-25% of total sales in the twenty years up to 2010, whilst in La Rioja they grew from 25% to 30% of total sales; while total sales had fallen in Mendoza they had significantly increased in La Rioja and therefore exports had less of an impact. Therefore, there was not the same transition from a productivist to a post productivist regime in La Rioja as there was in Mendoza. However, both demonstrate the same characteristics associated with post productivism (see Chapters 4, 6 and 7).

3.10 The unsustainability of the productivist model

In the UK productivism was a protectionist policy that used state subsidies in conjunction with trade restrictions. The protectionist policies were introduced during the Depression of the 1930s, but continued after the Second World War. Subsidies were introduced “to secure national self-sufficiency for agricultural commodities” (Wilson, 2001, pp 77). Its objective was to maximise output. It led to regional specialisation, the concentration of farming into larger holdings through the amalgamation of smaller units and the production of agricultural surpluses (Ilbery and Bowler, 1998). Machinery and chemicals were increasingly used to maximise output (Fordism) with the result that agriculture became a treadmill in the drive for further efficiency and greater output (Ward, 1993). The drive for this greater efficiency and output eventually began to harm the environment (Potter, 1998). Consequently, as neoliberal economic policies became established, “By the mid-1980’s.... states [were] no longer prepared to underwrite capital accumulation in the agro-food system” and “the state lost interest in maintaining the technology/policy model... established in the 1940’s, leaving the global food system, and the production practises of the farm sector in particular, exposed to a crisis of legitimacy” (Ward, 1993, pp 357).

Under this neoliberal regime the cost of sustaining this Fordist-Keynesian system became unjustifiable politically as well as economically. There were other demands being made on the state, which were given priority in the light of budget constraints and alternative cheaper sources of supply (Thatcher, 1993). The policy change from self sufficiency, meant that trade barriers were lowered or removed, markets opened to international competition and subsidies withdrawn or redirected.

Rather than concentrating on maximising output, the new objective was to take land out of production and encourage more extensive forms of agriculture that would conserve or protect the environment. There was “enhanced concern about, and attempts to restrict, environmental damage resulting from agricultural production” (Tovey, 2001, pp 112). The production subsidies were redirected as incentives to take land out of production (set aside) and payments for environmental conservation (stewardship). These schemes were aimed at protecting the environment and making agriculture sustainable, mainly by using smaller amounts of chemicals. “The post-productivist transition has, at its core the concept of sustainable agriculture” because of “the damaging environmental consequences of productivist agriculture” (Ilbery and Bowler, 1998, pp 78).

3.11 The transition from productivism to post productivism

The shift away from productivism has normally been associated in the UK with the removal of production subsidies following the McSharry proposals in 1992. The extent to which subsidies were reduced is doubtful but the new role of subsidies was to create a sustainable form of agriculture by encouraging diversification into other agricultural products and other activities rather than as incentives to maximise agricultural output through intensive forms of specialisation (Mather et al, 2006).

An appropriate example is the position of the wine industry in the mid 1980s in the Languedoc-Roussillon region of France (Jones, 1986). The issue in the Languedoc-Roussillon was how to “despecialise” away from growing grapes to produce table wines, particularly in the Herault department where over 60% of the land was under vines and 85% of their produce was going to make table wines (Jones, 1986).

Attempts by various agencies failed to persuade the growers to diversify to other fruit and vegetables, the only other option was to use CAP funds to get the growers to grub out their vines and replant with vines that could produce better quality wines. This example illustrates the extent to which specialisation was leading to overproduction aggravated by the declining domestic consumption of table wines in France. It had limited success. The region was geared to cultivating vines and producing wine. The only feasible alternative was to grow vines for which there was a market and because

there was a better margin compensating for any fall in volume, allowing less intensive methods to be used.

In the UK the transition was based on the removal of production subsidies and tariff barriers, which led to a reduction in farm output as state subsidies were withdrawn and the food that was produced had to compete in an increasingly competitive market. The effect on producers of these policies who had lost their income from production subsidies was for them to produce higher value, higher margin products and to diversify to find other sources of income (Ilbery and Bowler, 1998; Evans et al, 2002).

The move away from intensive farm practises was supported by subsidies for set aside and environmental stewardship schemes intended to take land out of production and conserve natural habitats. These subsidies in part compensated for the lost production subsidies, but changed the way the land was used. Farms also needed to differentiate their products in some way from the foreign competition, typically by emphasising the locality where it was made, adding value by improving the food's quality or by integration along the supply chain. This led to a more dispersed form of production. See Table 3.8.

3.12 The characteristics of post productivism

The restructuring of agriculture from a post war era of Fordist-Keynesian productivism in which the state played a key role in setting the level of demand to a post-productivist consumer/market orientated era has been commented on by Ward (1993), Marsden et al (1993), Ilbery and Bowler (1998), Wilson (2001), Evans et al (2002) and Mather et al (2006). Much of the material is orientated to the UK (Mather, 2006), but Marsden (1993) looked at a number of areas across Europe and Wilson (2001) took a broader view, including the extent of economic development.

There are two major future trends associated with post productivism; pluri-activity and sustainability within the context of global climate change (Bowler, 1996). All the characteristics of post productivism flow from them. Pluri-activity was not a new phenomenon, small farmers have always sought additional part time employment,

their wives have sold produce at the farm gate and provided bed and breakfast and younger sons have either had to move to other farms or diversify into farm related businesses, potentially using the assets of the farm. However, this search for other sources of income became more widespread as most farms looked at ways in which they could diversify, reversing the trend to specialisation as the example of Languedoc-Roussillon showed (Jones, 1986). There were two basic forms of diversification, agricultural and structural (Ilbery and Bowler, 1998).

Table 3.8 The characteristics of post productivism

Ilbery and Bowler (1998)

“Known characteristics”

- ~ Reduction of farm output
- ~ Withdrawal of state subsidies
- ~ Production of food within an increasingly competitive international market
- ~ Growing environmental regulation of agriculture

“Three bipolar dimensions of change”: antithesis with productivism

- ~ From intensification to extensification
- ~ From concentration to dispersion
- ~ From specialisation to diversification

Evans et al (2002)

- ~ Shift from quantity to quality in food production
 - ~ Growth of on-farm diversification and off-farm employment (pluri-activity)
 - ~ Extensification and the promotion of sustainable farming through agricultural policy
 - ~ Dispersion of production patterns
 - ~ Environmental regulation and restructuring of government support for agriculture
-

Source: Reproduced from Mather et al, 2006, pp 443.

The Languedoc-Roussillon is an example of agricultural diversification where the vineyard owners were encouraged to grow more popular varieties or other forms of

soft fruit, whereas structural diversification involves either some form of integration in the supply chain through the packaging, processing or marketing of their product or using their resources in a different non agricultural way such as tourism (Jones 1986). A vineyard building its own bodega or selling direct to the consumer, perhaps through their own shop or tourism are forms of structural diversification relevant to this study. Agricultural and structural diversification implies a shift to quality products with a known provenance and leads to a more dispersed pattern of production (Ilbery and Bowler, 1998). These different aspects of post productivism are listed in Table 3.8.

3.13 Models of post productivism

The classic model of post productivism can be attributed to Ilbery and Bowler (1998). Its evolution has been described in 3.8 and the key elements are shown above in Table 3.8. The model can be summarised as: environmentally sustainable agriculture through lower capital and chemical inputs to reduce output with a reduction in subsidies and tariffs that creates an extensive form of agriculture, within a competitive environment where production is more dispersed and the producers supplement their income through pluri-activity (1998).

Criticisms of post productivism have been based on the fact that it proved to be attractive, easily understood concept that was too readily and uncritically adopted, (Robinson, 2004; Mather et al, 2006). “The debate on post productivism bears many of the critical characteristics of an academic debate. A new concept was introduced; it was stretched to unrealistic extents, and then the call went up for its abandonment. Typically, uncritical acceptance was followed by (arguably) premature rejection. Perhaps a more measured conclusion on its utility would be appropriate, that points neither to uncritical acceptance nor to dismissal” (Mather et al, 2006, pp 454).

The seductive attractiveness of this concept is one of my concerns with regard to this study. Post-productionism is a convenient theory for explaining the restructuring of the wine industry. However, does the restructured industry provide evidence of post productivism or are we too quick to jump to conclusions and can there be other explanations such as the market conditions? After all Mendoza and La Rioja exhibit similar post-productivist characteristics, even though their circumstances were

different. Mendoza had to cope with the removal of production subsidies and declining domestic consumption and had to replant its vineyards and switch its production from table to modern fine varietal wines for the distant North American and European export markets. Declining domestic consumption did not affect La Rioja and the industry still has subsidies admittedly redirected to promoting wines outside the EU, but preferable to the taxes imposed on Argentinean wine exports. La Rioja continued to produce its traditional blend, for which there was a ready market in neighbouring countries since it joined the EU, rather than modern varietals.

Pluri-activity and sustainability were the major component of Ilbery and Bowler's model (1998). Pluri-activity in the form of agricultural and structural diversification was a function of the government's change in attitudes and priorities and its drive for sustainability. However, it was felt to be too UK centric (Evans et al, 2002; Mather et al, 2006). Marsden (1995) investigated agricultural systems across Europe. Pluri-activity was also a major element in his model of agrarian transition (1995). This looked at the degree of pluri-activity in terms of agricultural concentration and production intensity, where these are low there is a high level of pluri-activity, but this declines as the industry becomes more concentrated, production intensifies and the level of capital intensity increases, but begins to decline as the assets become mobile and agriculture reintegrates with non agrarian structures: "endogenous development processes interact with exogenous forces of change; each shapes the other" (Marsden, 1995, pp 294). Marsden is describing an iterative process driving agriculture from a capital intensive, concentrated form of production to one that is more integrated with the local community.

Wilson was conscious of cultural differences across Europe and was credited with introducing a new dualistic dimension to post productivism, whilst correcting some of the exaggerated empirical claims and retaining its broad characterisation (Evans et al, 2002). In Wilson's model the association of agriculture with the capitalist system has been weakened in the transition from productivism to post productivism, but it becomes more integrated with their local rural communities (Wilson, 2001). This study found that the bodegas that opened their doors to wine tourists were more involved with others in their local communities through networks and clusters (see section 7.18). They had more contact with their customers through direct sales and

wine clubs, which in a few cases became a stand alone, separate business, so that involvement, participation or integration with the local rural communities becomes an indicator of post productivism.

However, in using the concept of post productivism to explain the changes that have taken place, it has to be remembered that in this study the bodegas involved were those that concentrated on producing fine wines for export, so that they would therefore by definition display post productive characteristics. However in general this is not the case, in both areas there are plenty of bodegas producing volumes of table wines which they continue to sell in the conventional way. This applies to La Rioja as well as Mendoza. France is one of its major export markets for table wine. The two regimes co-exist side by side just as Fordism and post Fordism did in a state of structural cohesion rather than being forced into any particular category (Clope and Goodwin, 1992).

Overall, although the individual criteria have mixed results, there is overwhelming evidence to justify the use of post productivism. The main benefit is that it helps to understand the processes of what is going on and the changes in land use for recreational activities as well as traditional agriculture and what the future consequences may be (Evans et al, 2002; Mather et al 2006).

Bringing the various models of post productivism together so that they can be applied to Mendoza and La Rioja and not be accused of being UK centric, its characteristics can be summarised as:

An emphasis on quality, differentiated products with a known provenance connected with the local area, within a more competition environment and less concentrated production

A tendency to find other sources of income through either producing a wider range of agricultural products or by using the assets to diversify into other activities (pluri-activity) that integrates the producer into the local community (direct sales and tourism)

A move to a more sustainable form of production that can be less intensive and/or less specialised in order to protect the environment and conserve resources for the wider community.

3.14 Post productivism in the wine industries of Mendoza and La Rioja

Post productivism is the result of neoliberal economic policies mainly in the form of some sort of deregulation. Typically in the UK deregulation has been interpreted as the removal or redirection of subsidies, but as far as the wine industries of Mendoza and La Rioja are concerned it is the removal of barriers to trade, competition and foreign investment. These factors have increased export market accessibility; they have not increased the level of foreign competition in their domestic markets.

Wine subsidies have continued in the EU, though La Rioja has not been a very significant beneficiary in the past although the redirection of these subsidies will be to La Rioja's advantage (FEV, 2009; Boletín de La Rioja, 2000). Spain and La Rioja have, however, received significant amount of EU funds to improve their transport infrastructure (Economist, 2010 B). Together with its main export markets being in the EU (Germany and the UK), La Rioja has benefited more from membership of the EU than Mendoza has from membership of Mercosur. Mercosur does not have development funds for its members and Mendoza's main export markets are outside Mercosur in the USA and UK. Finally, as opposed to funds to promote exports, Argentina has imposed an export tax on wine. However, in spite of these differences the wine industries of Mendoza and La Rioja have behaved in a remarkably similar way, in terms of how their industries have restructured and the behaviour of the bodegas.

Looking at each of the main characteristics of post productivism in turn, that were mentioned at the end of the previous section; the emphasis on quality, differentiated products with a known provenance, more competition and dispersed production, diversification and pluri-activity leading to greater integration with the local community and a move to a more sustainable form of production with government support to protect the environment and conserve resources. The following comments are based on section 3.7, but also rely on the findings in Chapters 6 and 7.

Quality products with a known provenance are axiomatic for fine wines, whether they are blends or varietals they are inextricably linked to where they are produced, aged and bottled and by whom. The location, the name or brand and the varietal or blend differentiates the product from the competition. The switch from table to fine wine production therefore means a shift to quality, differentiated product with a known provenance.

Competition has been increased by the number of local or domestic entrepreneurs (vineyard owners and industry professionals) that have been attracted by the increased demand. Trade liberalisation has not significantly increased imports and foreign investment has been geared to exports. Domestic and foreign investment has increased the number of bodegas, particularly bodegas that age fine wines, which has dispersed the local production.

Evidence for diversification and pluri-activity is less obvious. The most obvious examples of post productivism are the vineyards that have built their own bodegas. The bodegas in the study were involved in wine tourism, had their own shops and sold directly to the consumer, but these activities were done mainly to promote their products they were not alternative sources of income (see section 6.6). However, wine tourism had led to greater integration with the local community through the creation of local networks and clusters (see section 7.18).

Apart from these examples of structural diversification there was a mixed picture with regard to agricultural diversification. The bodegas in Mendoza had begun to grow a wider range of grape varieties for fine wines and there were a few instances of bodegas that produced other soft fruit or olive oil. However, in La Rioja the traditional grapes were still grown, it could be argued that there was no need for them to change as they had always produced fine wines.

Water was the key issue affecting the sustainability of the wine industries in Mendoza and La Rioja. Both areas were concerned with their provincial and national governments on how water should be conserved. There were no government support programmes in either area; other environmental issues and regulation were

determined by a government agency in Mendoza, the INV, and by a semi-autonomous local regulatory authority in La Rioja, the DOC.

On balance Mendoza and La Rioja seem to exhibit the characteristics of post productive agricultural regimes. They pass all of the above gateways and in particular the shift to quality with known provenance, increased competition and dispersed production, diversification, pluri-activity and integration with the local community. There is, however, a lack of government programmes to support sustainability and conserve the environment, but this is perhaps not surprising in these agricultural areas (Hoggart and Paniagua, 2001 B; Paniagua, 2001 B) However, there are some points which need further clarification. They are agricultural restructuring as an aspect of post productivism, direct sales and wine tourism as forms of pluri-activity and the role of wine tourism in rural development.

3.15 Agricultural restructuring

The extent of agricultural restructuring has been questioned and the work done on post productivism has been thought to be too UK centric (Hoggart and Paniagua, 2001 A and B; McNally, 2001; Wilson 2001; Evans et al 2002). The general view is that there is less rural restructuring than is often thought to be the case. In Spain, for example “lethargy is a more appropriate adjective than restructuring” (Hoggart and Paniagua, 2001B, Abstract), where agriculture and its related industries and services dominated rural areas and there was little, if any, economic diversity and there is little concern about environmental issues and the implementation of EU agric-environmental policies have been poor (Paniagua, 2001).

The transition from productivism to post productivism has meant that agricultural sectors, such as the wine industry in Mendoza and La Rioja, have been restructured. The restructuring is itself a sign of the transition. It has mainly been brought about as a result of diversification and dispersed production. In the wine industry the diversification has been primarily the cultivation of grape varieties for fine wines, direct sales and wine tourism and the increased number of bodegas has meant that production has been dispersed. As a result the traditional channels of distribution have changed and consequently the role of the producers and other intermediaries.

Examples are the declining importance of negotiates in France, merchants who buy in wine, blend and bottle it and then sell it under their own label and wholesale distributors supplying hotels and restaurants and the growing importance of supermarkets and direct sales assisted by parcel services and the internet (Mora, 2006). These are often referred to as changes in the supply chain (Le Heron, 2001 and 2005). These changes can be seen as a threat to the increasing number of small producers, but also as an opportunity to those who want to sell direct to the consumer to get distribution for their product as well as increase their margins. The characteristics of these changes in the structure of the wine industry are the same characteristics of post productivism, so that the fact that the structure of the industry has changed is therefore itself evidence of post productivism.

The neoliberal policies behind the transition to post productivism that dismantled the Fordist-Keynesian system led to concerns about the role of the state and meant that the state has surrendered some of its powers, “contrary to the central role of the nation-state under Fordism it has been suggested that the post-Fordist era will be characterised by a “hollowed out” nation-state, eroded from both above and below as supranational and sub national state structures come to play an increasingly important part” (Tickell and Peck, 1995, pp 359). In the wine industry those supranational state structures are the WTO, EU and Mercosur and the sub national structures are the local DOs which have a particularly important role to play in La Rioja. The redirection of EU wine subsidies has not only shown how the supranational and sub national structures can work together independently of the state, but also how the states’ role in determining the level of demand has been replaced, however, state’s role has changed rather than diminished (Peck and Tickell, 2002). It still has an important role to play with regard to environment policy and regulation and ensuring the sustainability of the industry within the wider community. There is a difference between governance and regulation (Jessop, 2002). “The role back of the state rhetoric that trumpeted the neoliberal cause ...is being reassembled a new in order to enable... A new generation of food governance issues is emerging in the context of...neoliberal state building and reregulation” (Le Heron, 2003, pp 112).

3.16 Direct sales and wine tourism

Work done on the direct sales of farms in France, found that in parts direct sales were well established, particularly amongst the smaller farms, but in common with farms that did not sell direct they were not involved in any form of tourism (Battershill and Gilg, 1998). The farms that sold direct also used fewer chemicals and seemed to be more aware of environmental concerns. This may have been due to their greater contact with consumers and awareness of their concerns. The farms also tended to produce better quality products than would generally be available in the area; a finding that was also supported by a study of farmers' markets in the UK (Kirwan, 2006). Finally, different skills were necessary to sell direct. The farmers in France which sold direct were more sociable (Battershill and Gilg, 1998) and the farmers at farmers markets enjoyed selling to people; it made them feel they were doing something worthwhile (Kirwan, 2006, pp 309).

These two studies on post productivism in France and the UK raise a number of issues that are relevant to this study. They share the common tendency for smaller producers to sell direct as an alternative source of income (Dodd, 1995). However, in France the farms selling direct did not mean they were involved in tourism, a different conclusion to the wine industry (Hall et al, 1997; Bruwer, 2003). This raises the question of what constitutes wine tourism, a point that is investigated further in Chapter 4. Both studies stressed the personality of the individuals; they had the appropriate skills, an important factor in the wine industry together with the necessary facilities (O'Neill and Charters, 2000). The use of chemicals, which was a key aspect of Battershill and Gilg's study, is less significant in the wine industry where the use of chemicals is stringently regulated by the INV and DOC. However, organic wines were produced and promoted in both areas.

Because wine and tourism both involve a sense of place (Cresswell, 2004) it has been argued that they are a natural fit (Hall et al 1997). Wine tourism can have cultural and historical dimensions (Winchester and Rofe, 2005) and the commodification of it's' location (Mitchell C, 1998) makes it more accessible to tourists. Wine tourism and direct sales lead to a greater involvement with the local rural and urban communities; what has been referred to as horizontal integration. The interaction of these various

elements has been a feature of how the rural economy can be restructured (Marsden, 1998) and the role tourism can play in developing wine producing areas (Hall et al, 1997; Marzo-Navarro and Pedraja-Iglesias, 2009).

3.17 Rural development

Agricultural restructuring has not only changed the nature of the relationship between the industry and the state it has also changed the relationship with its local community. The transition to post productivism has meant that the industry has become more integrated in to the local community (Marsden, 1995; Wilson, 2001). In the wine industry wine tourism has been part of that process bringing together the bodegas with other local businesses and the community in general (see section 7.18). As a result wine tourism has been seen as a vehicle to promote rural development.

The President of La Rioja initiated a programme in 2006 to develop the areas wine tourism, encouraging the bodegas to open their doors to tourists and establishing wine routes, the back bone of wine tourism. These have been encouraged by the tourism ministry (Escolar and Morueco, 2011) and wine tourism is seen as a way to develop rural economies (Marzo-Navarro and Pedraja-Iglesias, 2009), although this commodification of the countryside can have mixed blessings (Mitchell C, 1998).

Rural development based on tourism depends on the location and its sense of place (Agnew, 1987; Cresswell, 2004) and wine tourism can incorporate cultural heritage with the “rural idyll” (Winchester and Rolfe, 2005). In order to be successful the whole community has to agree that it wants to diversify beyond cultivating vines and producing wine and has the entrepreneurship to exploit the amenity value of the locality. However, this commodification can have mixed blessings as the features that were initially commodified to attract tourists became obscured or destroyed by the commercial development (Mitchell C, 1998)

3.18 Summary of neoliberalism and post productivism

In summary, neoliberalism has been a major factor in the success of these wine industries. The form or shape of neoliberalism may vary with the emphasis that is put

on certain components of the Washington Consensus (Peck, 2001). In addition, the relative importance of these components can change over time (Nef and Robles, 2000; Giroux, 2008) and the social impact of any these measures in a stabilisation programme or austerity package can be taken into account softening the impact by for instance maintaining investment or retaining some strategic businesses under public ownership or privatising in a controlled manner that maximises the benefits to the state and reduces the risk of corruption (Rodrik, 2002; Stiglitz, 2002; Williamson, 2003 A). This modified approach is essential for developing economies (Stiglitz and Chapman, 2005; Fine, 2006). Neoliberal policies are often required by supranational organisations as conditions for their assistance (IMF, World Bank, WTO) or as conditions of membership (NAFTA, EU, Mercosur), but they can also operate at lower levels within the economy affecting the development and structure of industries. In this context, though macro economic policy was different in Argentina and Spain they could both be said to be neoliberal, with Spain's interpretation of neoliberalism being a much softer version.

The relevance of neoliberalism to this study is two fold. Firstly, at the macro economic level in terms of trade liberalisation, it has played a part in reshaping the world's wine industry and has contributed to the restructuring of the industry at the micro level. The shift in the pattern of demand and supply in the international markets has also contributed to the change in the structure of the local wine industries and the behaviour of individual firms; the extent of its contribution is hard to judge, because the shift in the pattern of supply and demand is also due to a change in consumers' attitudes to wine, however, this shift could not have occurred without trade liberalisation and easier access to finance capital. Therefore it has been argued in this chapter that the wine industries of Mendoza and La Rioja have prospered as a result of the introduction of neoliberal policies (Economist, 2007 B and C).

The changes brought about or contributed to by neoliberalism has given rise to a number of features in the wine industries of Mendoza and La Rioja that can be said to be post productive. Certainly the theory or concept of post productivism has some resonance with the empirical work done in Mendoza and La Rioja at the micro or industry level. It helps to understand the processes that have brought about significant change in the industry's structure: the trend to quality fine wines and varieties

branded by the bodega, the increased level of competition and the number of bodegas aging wine, the tendency for the smaller bodegas to sell direct and avoid the established channels of distribution, the development of wine tourism and integration with the local community and the concerns to conserve the water supply to sustain the industry. Conceptually then, there is a sequence from neoliberalism to post productivism to wine tourism and wine tourism provides a cross sectional analysis of wine tourism in the wine industries of Mendoza and La Rioja.

The following Chapters 4 and 5 look at the relationship between neoliberalism and post productivism primarily in terms of the removal of barriers to international trade and the improved access to capital, including foreign direct investment, to develop the wine industries of Mendoza and La Rioja. Other aspects of neoliberal economic policy such as subsidies, regulation and taxation are also considered, but as mentioned earlier they do not necessarily follow the expected pattern and can often seem to contradict neoliberal convention. The chapters also view post productivism in these wine industries through the prism of wine tourism, providing a cross sectional analysis of what post productivism is within these wine industries. Chapter 4 is concerned with the wine industries of Mendoza and La Rioja, so that the cross sectional analysis of post productivism is directly related to the neoliberal economic policies of Argentina and Spain. Chapter 5 looks more broadly at the wine industries of the English speaking New World producers and others as reported in the published literature to investigate the links between wine tourism and post productivism in those countries.

Chapter 4

The affect of neoliberalism on the bodegas and their local communities

4.1 Introduction

This chapter reflects the views and the concerns of the owners and managers of the bodegas in the case studies in terms of neoliberalism and post productivism. In general, macroeconomic policies were not specifically discussed, except in the interviews with Jean-Pierre Thibald at Ruca Malen (who had been previously been President of Chandon and involved with the Argentinean Ministry of Finance) and Jose Zuccardi.

These comments fall under two basic headings which relate to the market or to government. Market factors include trade liberalisation, product quality, diversification, sustainability, foreign investment and information technology which determine how the industry develops, whilst factors that concern government include subsidies, infrastructure, planning, taxation, regulations, personnel and training.

We should not forget that in the 1980s both Argentina and Spain emerged from the protected worlds of military dictatorships into a more competitive commercial environment. Both became members of custom free zones, Mercosur and the EU, and both adopted neoliberal economic policies (see Chapter 3). However, that is perhaps where the similarities end. Spain adopted a more moderate form of neoliberalism, along the lines of West Germany's post war social market development (Royo, 2000) balancing economic liberalism with social welfare in a stable political and economic environment within the EU, whereas Argentina fully embraced the strictest form of neoliberalism since 1980, to control inflation and reduce its foreign debt, with two economic crises at the end of the 1980s and 1990s, mainly because it's economy had previously been more volatile, with periods of austerity and inflation fuelled growth.

The earlier chapter on neoliberalism and post productivism raised a number of issues relevant to the wine industry and wine tourism. These included deregulation and the

removal of restrictions on trade and subsidies, foreign investment, the structure or composition of the industry, industry consolidation/fragmentation and the market power of major firms vs small producers, sustainability and the role of government, particularly when there are significant levels of exports and foreign investment. However, a number of major themes in neoliberal thought have had a secondary or indirect influence on the wine industry. These include a need for balance between neoliberal orthodoxy and local concerns regarding social welfare including education, privatisation, regulation and governance in what is an international industry involving multi-national corporations.

Chapter 3 identified facets of post productivism that derive from neoliberalism that have emerged during this study as being relevant to the recent development of the wine industry in Mendoza and La Rioja; an emphasis on quality products with a known provenance, an increasingly competitive international market, dispersed production, a tendency to diversify in order to secure other sources of income and a move to a more sustainable form of production to conserve the environment and the means of production. In addition there are other relevant external factors, namely consumer demand and tastes and the role played by advances in information technology.

To the owners and managers of the bodegas, neoliberalism simply meant the lifting of trade restrictions and the opportunity to sell their product in the world's market. Within this internationalised market production methods were standardised and products formulated to meet consumers' tastes. This created the need to differentiate their product in the face of international competition. Within this neoliberal/international economy there was a redefined role for government and how it should be involved in the trend to quality, the importance of a product's provenance, the need to innovate and diversify, move closer to the consumer, find new ways to sell and distribute products, achieve higher margins, discover other sources of income and conserve resources to sustain the industry.

4.2 The effect of trade liberalisation on the wine industry

Trade liberalisation has certainly saved the wine industries of Argentina and Spain (see Chapter 3). Faced with falling domestic demand and dramatic declines in per capita consumption, their industries would have been devastated since the 1980s, were it not for exports (see Table 4.1). Spanish wine exports more than compensated for the decline in domestic consumption. They have been more important than the domestic market since 2007, when for the first time they accounted for over half of the volume of total sales (FEV, 2009). The trend has continued so that in 2010 they accounted for 69% of total sales. In La Rioja output has increased at a greater rate than the national average and because of its emphasis on quality it has easier to ride the storm of declining domestic demand, in fact it has also increased its domestic market share. As a result although its' exports have paralleled output they have only marginally increased to 30% of sales (DOC, Annual Report, 2010).

Argentinean exports have until recently had less of an impact on the industry, but the situation is now changing with exports doubling in the last five years, 2005-10. They averaged 3.4 million hectolitres in 2006-09, approximately 30% of production and a greater proportion in terms of value. Exports represent the only growing segment. Since 1990 exports have risen from almost nothing to 28% of production in 2010, that is from 20-25 million US\$ in the early 1990s to 630 million US\$ in 2010 (INV, Annual Reports, 2009 and 2011). This means that by volume, Argentina's exports (of which Mendoza accounts for approximately 70%) had caught up with La Rioja which exported 2.7 million hectolitres in 2010, although by value it still lagged far behind Spain whose exports were worth 1.9 billion euros or 1.5 billion US\$ in 2010 (DOC, Annual Report, 2010).

Table 4.1 shows the growing importance of exports to both countries. In 1986-90, exports as a percentage of consumption were 1% in Argentina and 26% in Spain. By 2000-05 they had grown to 13% and 87% respectively. This increasing dependency on exports was a function of declining domestic demand as well as growing export volumes. However, it meant that concerns about self sufficiency and competitiveness had switched to concerns about exports and product quality. This move from a productive to a post productive world led to a change in attitude about subsidies.

Spain redirected its subsidies from production to promotion, whereas Argentina's government, which has rejected neoliberal policies since 2003 has perversely introduced taxes on export.

Table 4.1 Argentinean and Spanish domestic consumption and exports, 1980-2005* (millions hectolitres)

	1981-85	1986-90	1991-95	1996-2000	2001-05
Consumption					
~Argentina	20.1	17.8	15.7	12.9	11.7
~Spain	19.6	17.4	15.4	14.4	13.9
Exports					
~Argentina	-	0.2	0.6	1.0	1.5
~Spain	-	4.6	7.4	8.8	12.1

Source: Compiled from OIV Annual Statistical Reports.

* Five year annual averages.

The importance of exports sales was explained by Pedro Leon who said that although Martinez Bujanda's exports only accounted for about 30% of the group's sales by volume, they accounted for 55% of total turnover. Arturo Angulo said that membership of the EU had not only opened up new markets for Spanish wine, but it had also increased the industry's profitability as these markets preferred the better quality wines. By concentrating on these markets, he added, Dinastia Vivanco had been able to earn the funds to finance development and expansion. Therefore exports had not only averted a disaster for the industry they had also provided an opportunity and helped it develop. A number of the case studies (Benegas, Zuccardi, Puelles, Finca Valpiedra, Dinastia Vivanco), pointed out that wines were now being formulated for the export markets, whereas in the past only surplus domestic production was exported. Martinez Bujanda group had decided to build Finca Valpiedra to produce estate bottled wines specifically for export to international markets, primarily the USA, UK and Germany. Carmen Benegas summarised the situation in Argentina where she said that domestic consumption was falling because only the older generation drank table wine. Younger people had switched to other

drinks, so in order to survive the bodegas had had to produce wine for the export markets. Although the young were now beginning to drink these better quality wines, she thought that it would take time for them to get established. This situation meant that the export markets were determining the future direction of the industry and highlighted the importance of wine tourism in promoting and formulating Argentinean wines and in educating young Argentines to appreciate fine wines. It was an iterative process, falling domestic sales leading to wines being formulated for the export markets which then become accepted in the domestic market.

This shift has had a number of consequences. The means of production and product formulation have had to change to meet the needs of the export markets whose volume, margin and value have become more important than the domestic market and consequently have started to determine the wines available in the domestic market. A standardised approach has therefore evolved to the production and aging of the wines and the types of wine available, hence the emergence of varietal wines and subsequently prestige estate bottled wines or pagos (Mora, 2006). In addition this resultant trend to produce better quality wine has encouraged the emergence of small producers, often with industry experience and knowledge of wine making. This in turn has changed the composition of the industry into a more fragmented, dispersed system of production, changing its structure and in particular the channels of distribution.

4.3 From quantity to quality products with a known provenance

The consensus of opinion amongst the case studies in Mendoza and La Rioja was of a close association of the trends to better quality wine and exports. Although it is possible to measure the exports, it is more difficult to objectively measure the trend towards quality. In La Rioja table wine is referred to as young or joven wine which has not been aged in oak casks or the bottle. Fine wines on the other hand have been selected for aging and for the time they spend maturing in oak casks/barricas or the bottle. These are classified as Crianza, Reserva or Gran Reserva. Consequently the best indicator of quality is the number of bodegas that age wine: bodegas de crianza.

Table 4.2 is perhaps the most significant table in this document. It not only demonstrates the trend towards quality, it also links this trend with exports and as importantly the dispersion of production amongst an increasing number of smaller producers. It therefore illustrates three criteria for a post productive agri-environment; a trend to quality, international competition and production dispersal (Ilbery and Bowler, 1998)

Table 4.2 The growth of bodegas de crianza* in La Rioja, 1990-2010

	1990	2000	2010	1990-2010
Vineyards (000's hectares)	43.1	52.0	62.0	+44%
Sales (millions of hectolitres)	1.04	1.60	2.67	+157%
Exports (000's of hectolitres)	260.3	398.6	858.6	+230%
All bodegas	310	443	572	+85%
Bodegas de crianza*	103	222	375	+264%
Barricas (000's)	547	939	1292	+136%

Source: DOC La Rioja, Annual Report, 2010.

*Bodegas de crianza are the bodegas that age wine to produce the better quality Crianza, Reserva and Gran Reserva grades of Riojan wine.

Table 4.2 shows that in 1990 there were 103 bodegas de crianza and 207 other bodegas. (The latter included companies that bought in wine, bottled it and sold it under their own label). By 2010 there were 375 bodegas de crianza and 197 other bodegas, so the net increase in the number of bodegas had been entirely accounted for by the growth in bodegas de crianza. Their proportion had increased from a third to two thirds of the total, an increase correlating closely with the increase in exports. There was also an increase in the number of barricas, but this correlated more with the increase in sales. As the new bodegas had fewer barricas it indicates that the bodegas de crianza established since 1990 were smaller.

The data available from the INV in Argentina is less comprehensive, but shows a similar picture. From 2001-2005, the total number of bodegas increased from 824 to

900, of which the number “elaborating” wine increased from 577 to 682. As in La Rioja, the increase in the number of bodegas elaborating wine was greater than the total. However, as these are different terminologies, the figures need to be treated carefully. Another method is to compare the sales of bottled wine (fine wines) with those of wine in some form of bulk such as tetrabriks. In Argentina between 1991 and 2009, the proportion of bottled wine sales increased from 16% to 50% of the total. As exports increased from less than 2% of total sales to 27% and is primarily bottled wine, it illustrates that bottled or fine wine sales have increased over this period in Argentina and that the decline in table wine sales has been greater than that indicated by the consumption figures. Therefore these figures reflect the increase both in the domestic consumption of fine wines and their exports.

There is further evidence to link fine wines with exports from Spain. In La Rioja in 2010, the aged wines accounted for a higher proportion of exports to domestic sales, 61% compared to 56%. 2010 also saw the largest sales increases in the USA (+30%), the UK (+24%) and Mexico (+38%) and sales of reserva and gran reserva grew faster as a higher proportion of these wines was exported. However, it would be wrong to assume that all exports were of the better quality wines. France, Italy, Portugal and, to some extent, Germany, import substantial quantities of table wine from La Rioja, as do the countries neighbouring Argentina.

At the same time, the better quality Riojan wines are also drunk in Spain. Their consumption has grown at a slower rate than exports and it tends to be crianza rather than reserva or gran reserva, but all the same its share of the Spanish market for DO or fine wine reached a record 39% in 2010; the next area, Ribera del Duero, had only a 9% share (DOC La Rioja, Annual Report, 2010; INV; OIV)

Although exports are important, approximately 30% of Mendoza’s and La Rioja’s sales, there is a need for a strong domestic market and wine areas can become over-dependent on export markets just as small wine producers can become dependent on direct sales (Dodd, 1995). Exports now account for such a high proportion of Spain’s total sales that the President of the Control Board for La Rioja has expressed “alarm” at “the drop in wine consumption in a country like Spain where it is part of the local culture and traditions” (DOC La Rioja, 2010 Annual Report, pp 4). He credited La

Rioja's success, with its policy of concentrating on producing better quality wines and exports enabling them to avoid the problems that have beset the wine industry during the current economic recession and on the strength of the brand: "In short the Rioja brand has shown great strength and the Rioja wine sector has proven to have solid yet flexible structures and to be well prepared to face the financial crisis. Rioja wine has indeed become a safe value for consumers: the quality and reputation of the brand" (DOC La Rioja, 2010 Annual Report, pp 64).

Wine exports tend to be concentrated on certain destinations. The USA and the UK account for half of Mendoza's exports and the UK and Germany account for half of La Rioja's exports (DOC La Rioja, Annual Report, 2010; INV). Some of these export markets, such as the UK, can be highly competitive and producers need to select their channels of distribution with care if they wish to preserve the quality image for their brand. Jose Zuccardi said that he had stopped supplying Tesco because of unauthorised discounting of his premium Q range. The provenance of the wine is important. The producer is responsible for the quality of his wine. In La Rioja, with its bar coding system, the contents of a bottle of wine can be traced back to the specific vineyards where the grapes were grown. This is the wine's terroir/terrano (Grade, 204; van Leeuwin and Seguin 2006).

4.4 Diversification, pluri-activity and channels of distribution

Product diversification in terms of the bodegas planting and growing vines to produce the more popular quality wines and pluri-activity in terms of direct sales, wine clubs and tourism are perhaps the most obvious forms of post productivism (Ilbery and Bowler, 1998). Product diversification was more evident in Mendoza where varieties such as Bonarda used to produce table wine has been replaced by Malbec, the signature grape of Mendoza that has come to epitomise the area's quality wines, whereas in La Rioja the growers and bodegas were restricted as to which grapes they could use, although this did not prevent diversifying away from the traditional blend to produce varieties based on the approved grapes, such as Tempranillo and Granacha..

Direct sales and wine clubs are more evident primarily in La Rioja probably because of the area's greater accessibility to an established tourist market and industrial conurbations, whereas tourism is equally important in both areas. However, coupled with the dispersal of production with the increase in the number of mainly small bodegas producing fine wines these aspects of post productivism have brought about a change in the pattern of distribution. This change in the channels of distribution, sometimes referred to as the supply chain, is suggested here to be a composite indicator of post productivism, made up from a combination of production dispersal, direct sales and tourism.

The shift towards producing quality wines and to a dependency on exports can perhaps be seen as a form of agricultural if not structural diversification as defined by Ilbery and Bowler (1998) as the vineyards at least in Mendoza have planted with the more popular grape varieties (OIV: Vinas, Bodegas y Vinos, 2005). This does not apply to la Rioja as the grape varieties to be used in its' wine is specified by the DOC (Guia Completa de los Vinos de La Rioja, 2004). As Table 4.3 shows this investment has been driven by consumer tastes in the export market which represent greater growth and profit opportunities. This can be seen as a classic form of product/market diversification.

Table 4.3 Wine/market matrix

	Domestic market	Export markets
Table wine	Older generation Declining demand Low prices and margins	Surplus production Lower prices and margins
Fine wine	Younger generation Growing demand Medium priced	New types of wine-varietals New investment High growth and margins

Source: Case study interviews

The trend to producing better quality wines has been a response to market demand. Neoliberalism has not directly caused a change in consumer tastes, but has opened up markets, whose consumers have had different tastes and attitudes to wine. In order to sell to these consumers, the fine wine producers have had to invest in new production equipment and reformulate their wines (Mora, 2006). In turn these new wine varieties, have become available in the domestic market, leading to a certain degree of homogeneity or standardisation in the product, a merging of tastes and attitudes, the creation of a consensus. Traditionally made blends, such as La Rioja, have still been sold. They have reemerged, so that blends and concepts such as estate bottled wines have replaced the trend to varieties (Lapsley and Moulton 2005 quoted in Mora, 2006).

To illustrate this point Weinert in Mendoza bought their wooden vats and fermentation barrels from other bodegas beginning to invest in modern stainless steel equipment. It specialises in making wine the traditional way, using only wood, yet it still manages to export as well as sell its wines in the domestic market. Nieto Senetier has moved most of its production to a new bodega with modern stainless steel equipment, but produces its better wines in the older bodega in epoxy lined concrete vats, as do other premium wine producers such as Archaval Ferrer, Benegas and Escorihuela. Muga and Lopez de Heredia use traditional wooden equipment in La Rioja and some like RODA have combined new technology with traditional methods. There is a mix of new, old and hybrid equipment for making wine. They all represent an investment to consciously produce quality wines using traditional, modern or modified technology.

In the survey there were a significant number of bodegas established since 1980 (see Table 6.3) producing better quality wines. They were mainly small bodegas often started by vineyard owners diversifying downstream (structural diversification), or by industry professionals who bought a vineyard on which to build a bodega. In this sense the trend towards quality and the increase in the number of mainly small bodegas producing better quality wine was not only illustrates post productive structural diversification (Ilbery and Bowler, 1998) but also dispersed production and an increasingly competitive environment.

The survey revealed that even the smaller bodegas' interest in wine tourism was concerned more about promoting their brand and products than with direct sales and therefore wine tourism was only partly seen as pluri-activity with direct sales providing a marginal income. However, some of the bodegas diversified further into tourism, catering and accommodation. Some may have, initially at least, only wanted to cover their marginal or direct variable costs, but others (Club Tapiz, Puelles, Dinastia Vivanco and Marques de Riscal) eventually saw wine tourism as a separate business and a significant source of income. Zuccardi and Benegas were models of diversification at a stage in the process which might lead to pluri-activity.

Agricultural diversification involves the production of different agricultural products as well as different varieties of grapes. In terms of the wine industry some bodegas in Mendoza and La Rioja produced olives, nuts and fruit, but mainly for historic reasons (vines being traditionally grown on olive trees or next to orchards) rather than as an alternative source of income. In Mendoza for instance, Salentein and Vinas del Golf commercially produced soft fruit and nuts as well as wine. In both cases the fruit and nuts were separately established businesses, neither were a form of diversification. Zuccardi in Mendoza and RODA in La Rioja produced olive oil, which they sold as a complimentary product to their wine. It could be argued that this was a form of pluri-activity, but overall there was not very much evidence of agricultural diversification in either country.

However, as already mentioned there was evidence for structural diversification if post productivism can be defined as when the original agricultural activity becomes subsidiary to a new activity, such as vineyard owners building their own bodegas. Puelles was an instance of structural diversification first from vineyard owner into winemaking and then tourism. The increase in the number of small bodegas also included those started by industry professionals, not originally owning a vineyard but investing in one such as at Ruca Malen and La Encima, in order to build a bodega. This was a form of enfranchisement or democratisation of the industry, as vineyard owners who once had little option but to supply the larger bodegas, could forge their own independent future. The vineyard owners like Puelles wanted to move along the added value chain and produce their own wine and industry professionals like Jean-Pierre Thibald or Ricardo Casado were entrepreneurs who wanted to take advantage

of a market opportunity. Both benefited from the availability of capital in the form of bank loans and/or equity investors. In this way neoliberalism was fragmenting the industry structure (Le Heron, 1999, 2001 and 2005) and this process was itself indicative of post productivism.

In summary, the declining market for table wine, the established producers had to make a choice. To survive they had to invest and produce fine wines, but the market then became more competitive, with a substantial increase in the number of smaller rivals. As the established firms controlled the traditional channels of distribution, the smaller companies used direct sales. Rather than leading to the emergence of national champions or multi-national corporations, the market became more fragmented, offering a wider choice to the consumer.

Direct sales in both Mendoza and La Rioja were part of the service offered to visitors by the bodegas, and in that sense were part of the tourist package, following a tour of the bodega and tasting its wine. However, the value of sales was only significant to the smaller bodegas or those who sold directly to their visitors and consumers through clubs, mail order or the internet, providing an alternative channel of distribution. This independence from the traditional, wholesale distribution supply chain of buying groups and supermarkets avoided the need to be listed and the risk of being delisted and provided returns with higher gross and net margins.

Overall, wine tourism, direct sales and wine clubs, as forms of pluri-activity provide an alternative source of income, but also illustrate other aspects of post productivism; increased competition and dispersed production through the increase in the number of smaller bodegas, the enfranchisement or democratisation of the industry through the increased availability of capital and the change in the change in the structure of the market, not only in the mix of suppliers, but also through their supply chains or channels of distribution. The wine industry in Mendoza and La Rioja also provide examples of Ilbery and Bowler's (1998) agricultural and structural diversification. Replacing the traditional varieties grown for the domestic market with the more popular varieties grown for the better quality wines for the export market in Mendoza provides an interesting example of agricultural product diversification combined with market diversification. The increased number of smaller producers of fine wine who

were previously vine growers or industry professionals are good examples of structural diversification assisted by the improved availability of finance capital which combined with other post productive features such as direct sales, wine clubs and tourism has transformed the structure of the industry, its' channels of distribution and its' supply chain.

4.5 De-regulation and subsidies

De-regulation in the form of lifting restrictions on trade and foreign investment has been the most important aspect of neoliberal policy in this study and has been of significant benefit to the wine industries of Mendoza and La Rioja. The privatisation programmes in Argentina and Spain have had no direct impact on their wine industries, but the way in which state assets were privatised in Argentina in the 1990s has been a source of general criticism of neoliberal economic policy (MacLachlan 2006; Vilas, 2007). Despite the continuation of agricultural subsidies and price support mechanisms in the EU, the Spanish privatisation programme has been less extensive than in Argentina. Subsidies have been of limited significance to this study. Firstly, the subsidies have in the past been concerned with the cultivation of vines and the growing of grapes, not the production or sale of wine. The grapes are sold as table grapes, raisins, grape juice and must, as well as to make wine. Secondly, on average, the bodegas produce only a third of the grapes they use, buying the balance from contracted suppliers; some bodegas have no vineyards. Thirdly the bodegas in this study produced fine wines and subsidies would have benefited mainly the marginal producers whose output would be used to produce table wine. Lastly the interviewees represented the commercial or sales activities of the bodegas. Their concerns with government related issues were not about the level or nature of subsidies, but with restrictions on trade, the infrastructure, taxation, the availability of suitable staff and government funded training programmes. None of the case studies referred to subsidies, but they all held strong views on the other points. In La Rioja, although subsidies have had only an indirect influence on the wine industry, their affect is about to be more direct.

Spain has benefited from the subsidies available for the wine industry since joining the EU in 1986. Although the EU has changed its position on subsidies since the

McSharry proposals of 1992, it would appear that the various interest groups within the EU have managed to maintain the wine industry subsidies. The area to have benefited the most has been Castilla La Mancha which has received three quarters of the subsidies, helping to create the largest grape growing area in Europe (FEV, 2009). In 2000 the provincial government of La Rioja approved the payment of subsidies to grub out and replant vineyards (Boletín Oficial de La Rioja, 2000). These payments could total fifteen thousand euros per hectare (Boletín Oficial de La Rioja, 2000 and Mora, 2006) and would appear to have been used mainly to replant the vineyards with new vines and plant new vineyards as the amount of land under vine cultivation in La Rioja has increased annually from 2000, from fifty two thousand to sixty two thousand hectares in 2010. This consistent growth has been achieved at a time of wine surpluses when other major wine producing areas, including prestigious areas like Bordeaux, have tried to reduce the size of their vineyards. Bordeaux has attempted to reduce the area under vine cultivation by 17,000 hectares (14%), (The Wine Spectator, 2007), whilst France has been trying to reduce its total area by an eighth (BBC, 2006).

The attempts to persuade European growers to take land out of production was followed by a programme to distil more wine into industrial alcohol (Economist, 2007 C; FEV, 2009; Fotherington 2010) but in 2007 a new policy emerged. Rather than try and manage the amount of land under vine cultivation or attempt to reduce the surplus by distillation, the EU decided to try to encourage producers to promote their wines in the world's growing international markets and compete more effectively with the "New World" producers: Australia, USA, Chile and Argentina, a somewhat belated conclusion, given the events of the previous twenty years. The penny had eventually dropped and the EU had finally recognised that the problem with the European wine industry was an inability to realise where the market was and what the customer wanted, rather than production. The wrong subsidies had simply aggravated the industry's problems.

The new subsidy system would co-fund the wine makers' promotional expenditure, but only expenditure in countries outside the EU. This new direction for subsidies caused some consternation because of the shift from subsidising the vineyards to the bodegas' sales and, amongst the bodegas, because the competition was affecting their

traditional markets within the EU more than other international markets. However, to a large extent this did not affect La Rioja. Having already conquered the UK and German markets, it was ready to move on to the Americas, where Argentina had had so much success, and to Latin American countries, such as Mexico. It had continued to increase its sales and exports and market share throughout this whole period, despite the vicissitudes of the market.

Accordingly, in 2010, the DOC La Rioja chose to concentrate its promotional budgets on the USA, Mexico and Switzerland. These countries had shown significant growth (DOC La Rioja, Annual Report, 2010). The new subsidy was also aimed at establishing wine routes and setting up wine museums, effectively a subsidy for wine tourism. This new policy of subsidising promotional expenditure and wine tourism, whilst phasing out one off payments and distillation, directly benefited the wine makers and not the vine growers. (FEV, 2009; DOC La Rioja, Annual Report, 2010). The purpose of the subsidy had changed from one attempting to control the level of production or output to one trying to influence the level of demand for EU products. This was a sales rather than production subsidy, benefiting the bodegas rather than the vineyards, and aimed at the international market outside the EU. No comment has been made by the DOC on how these promotional subsidies comply with the WTO, but the whole confusing picture is probably the best argument against subsidies.

The influence of indirect subsidies in La Rioja was frequently referred to by the interviewees in La Rioja, but hard to quantify. They were incentives or grants, paid by the Pais Vasco to bodegas to move into its area within Rioja Alavesa. An example given by a number of people was CVNE which had a bodega in Haro near the station complex. One of the first bodegas established in the area in the nineteenth century (Penin, 1996), it had decided to move and in 2006 was about to open just outside Logrono, not in Rioja Alta where it had been for over a hundred years but in Rioja Alavesa. A state of the art bodega, built in a very prominent position on the top of a hill on the main road to Logrono, it was in the shape of a wine barrel standing on one end with underground production and storage and constituted a very bold statement of a new revitalised CVNE.

Deregulation in the wine industries of Mendoza and La Rioja in terms of the removal of barriers to trade or foreign investment are fairly straightforward and equally important to both areas, however, the issue of subsidies is less clear. Ilbery and Bowler (1998) saw the removal of subsidies as an indicator of post-productivism if not a pre-requisite; the removal of subsidies is also a basic requirement of free trade and therefore of neoliberalism. Although subsidies had been removed in Argentina to be replaced ironically with export taxes in Spain and in La Rioja subsidies had remained. However, the nature of subsidies in Spain was changing and in a way which benefitted different parts of the wine industry. From subsidies benefitting the vineyard owners to enable them to plant more fashionable varieties or restock their vineyards, subsidies were increasingly benefitting the processor or wine maker, taking surplus wine out of circulation through distillation into industrial alcohol or more constructively by supporting promotional programmes to export the bodegas wines. In this last regard the subsidies were recognising the reality of the market place, which was being typified by surplus production in an increasingly competitive international market. The need was not to subsidise the cost of the product, which would have been the case in a productivist environment, but to promote a quality product, so that even subsidies that typify a productivist environment were taking on post-productive features.

4.6 Foreign direct investment

There was far more evidence of foreign investment in Mendoza than in La Rioja (Azpiazu and Basualdo, 2003). Foreign investment began in earnest in Mendoza when Menem's presidency started to deregulate the Argentinean economy in the 1990s. Though foreign direct investment peaked in the early 1990s, the economic crisis of 2001/2 does not appear to have had much of an impact (see Table 4.4). In fact it could be argued that the ensuing devaluation made the industry both more attractive and competitive. Deregulation and foreign investment coincided with an increase in the level of exports, primarily because these bodegas were built to produce wine specifically for the export market, for instance Septima and Salentein exported 70-80% of their output. The impact of foreign investment on exports has become apparent over the fifteen years since 1995. In the early 1990s, Argentinean exports were at about their historic average of 0.2 million hectolitres a year, but by the end of

the decade they had reached a million hectolitres a year and in the next five years they had doubled and they doubled again in the next five years, peaking at over four million hectolitres in 2008.

Moet and Chandon were one of the first foreign firms to invest in Argentina in recent times. They built Chandon in 1960s and Terrazas de los Andes in the early 1990s. Norton was acquired by private Austrian interests (Swarovski) in 1989. There followed further acquisitions by a number of international drinks groups; Allied Lyons, Diageo, Pernod Ricard and Seagrams. The Argentinean group Penaflo also began making acquisitions. Balbi in San Raphael was acquired by Allied Domecq, the Spanish wine group owned by Allied Lyons, in 1992 and Etchardt was acquired by Pernod Ricard in 1996. (Pernod Ricard bought Allied Domecq in 2005/6). Diageo acquired Navarro Correas in 1997 and among the bodegas in the sample; Flichman was acquired by Sogrape the Portuguese group in 1998. However, most winemaking firms tended to build new bodegas rather than make acquisitions like the more diversified drinks groups. The Chileans were led by Concha y Toro who started to build Trivento in 1996 and have since been followed by Santa Carolina, Vina Carmen, Vina San Pedro and Montes and Tarapaca. Kendall Jackson acquired Tapiz and began its investment and the development of its site in Agrelo in 1999. Cordoniu and Salentein bought land in Mendoza in the late 1990s and began constructing their bodegas in 2000. French investments have included Fabre Montmayou and Monteviejo, which opened in 2003. Spanish investments have included Enrique Foster and O' Fournier, which opened in 2005.

There has been a mix of equity transactions, acquisitions and new builds. Azpiazu and Basualdo analysed all transactions in the sector in the ten years between 1992 and 2002 (see Table 4.4). They are classified in the table below in three categories: acquisitions by foreign or domestic entities acquiring 100% of the company's shares, cross shareholdings, when foreign or domestic entities acquire less than 100% of the shares (with or without transfer of management control) and new starts when a company is established in Argentina and builds a bodega.

Foreign companies accounted for two thirds of the transactions, but half of these were the exchange of shares, not full acquisitions and some of these were counted twice

such as when Bianchi sold 15% of its equity to Diageo and subsequently bought it back. A number of these transactions were also related to distribution agreements. Full acquisitions were only a sixth of the total number of transactions.

Table 4.4 Financial transactions in the Argentinean wine industry, 1992-2002

	Acquisitions	Cross-holdings	New starts	Total
Domestic	2	14	8	24
Foreign	9	20	13	42
1992-2000	6	30	11	47
2001-2	5	4	10	19

Source: Azpiazu and Basualdo, *Industria Vitivinicola*, 2003, pp 51-57

More important was the number of new starts. Foreign companies accounted for two thirds. There was also a faster rate of transactions during the financial crisis of 2001/2 than in the preceding nine years. This would seem to have been a period when the industry was sorting itself out with fewer cross holdings and a greater concentration on either acquisitions or new builds. Consequently they tended to have taken place at the end of the 1990s and the beginning of the 2000s when they accounted for half of the transactions.

The level of investments in equity transactions, refurbishment and modernisation programmes and new builds varies. Estimates have been over a billion US\$ (Rolland and Chrabolowsky, 2005), but Azpiazu and Basualdo have opined that approximately 650 million US\$ were invested between 1990 and 2005, with over 60% invested by 1996 when the annual rate was nearly 60 million US\$; this declined to 40 million US\$ in the late 1990s and 20 million US\$ between 2000 and 2005 (2001, pp126). The early 1990s was a time when the major international drinks groups started to take positions, acquiring companies or taking strategic stakes. The slow down in the

Argentinean economy at the end of the 1990s and the economic crisis of 2001/2 seem to have caused a shake out in the industry when strategic positioning by drinks groups was replaced by direct investment by companies consolidating their positions or starting up new ventures. Foreign investors have tended to build their bodegas where land for expansion has been available further south, outside the established areas. Examples are Kendall Jackson and Cordoniu in Agrelo, Concha y Torres in Major Drummond, O' Fournier in La Consulta and Monteviejo and Salentein in Valle de Uco. Acquiring established businesses can limit any future development if land is not available.

Table 4.5 Foreign ownership of the vineyards and bodegas in Mendoza, 1895-1914

	1895	1914
Number of vineyards	1770	6160
Argentinean owned (%)	71%	48%
Foreign owned (%)	29%	52%
Number of bodegas	433	1398

Source: Richards-Jorba, *Transiciones economico-sociales: inmigracion y mundo del trabajo*, 2003, pp 83 and 84.

The future level of investment is questionable, because since 2007 and the first re-election of the current government, there has been increased state intervention and restrictions have been imposed on foreign investment. These included an export tax on wine and limits on the foreign ownership of land (Economist, 2011C). Foreign investment is not new in the wine industries of Mendoza or La Rioja. Both were effectively founded by foreign investment at the end of the nineteenth and beginning of the twentieth centuries, exemplified above in Table 4.5 for Mendoza. The number of vineyards and bodegas increased over the period 1895-1914, but foreign ownership

increased at a much faster rate. It was the same in the number of companies established to supply equipment to the bodegas. Of the twenty seven companies set up between 1885 and 1914, only two were Argentinean. Fourteen were Italian and the rest were Spanish, French, German and Russian (Perez Romagnoli, 2003). Italians also owned half of the foreign owned vineyards in Mendoza in 1914 and Italian investment played a dominant role generally in the establishment of the wine industry in Mendoza (Gargiulo and Borzi).

In La Rioja the situation was effectively the same, except that instead of mass Italian emigration developing the Argentinean industry to satisfy the demand it created, in La Rioja it was French traders who came to buy wine to ship to Bordeaux to supplement their own supplies, badly affected by oidium and phylloxera. The French not only helped to establish the industry, but also how the wine itself should be made. French merchants, Spaniards trained in Bordeaux's bodegas, Bilbao ship owners and even London bankers invested in the industry and created famous names such as CVNE, Lopez de Heredia, Marques de Murrieta and Marques de Riscal (Penin, 1996). La Rioja was not as dependent on domestic demand as Mendoza. It retained its export markets (DOC La Rioja, Annual Report, 2010), so that when it joined the EU it had a base on which to build. Consequently by comparison with Mendoza, there were only a few examples of recent foreign ownership and investment. Allied Domecq was the only foreign owned bodega (or group of bodegas) in the sample. Allied Lyons had established Allied Domecq in the 1960s, in a joint venture with Pedro Domecq and their first bodega was in Elciego. Allied Lyons eventually bought out Domecq and when they sold their wine business to Pernod Ricard in 2005/6, the transaction included their six bodegas in La Rioja as well as their wine interests including those in Mendoza. The rationale for investing in La Rioja by Allied Lyons and Pernod Ricard was twofold. Primarily it was to obtain a Riojan brand and production, but they were also apparently attracted by the lower production costs. The same was true in Mendoza. When Concha y Torres built their bodega in Mendoza, Trivento, it was because of the lower cost structure as well as to add a range of Argentinean wines including a Malbec varietal to their range (Rolland and Chrabolowsky, 2005).

The recent level of foreign investment in Mendoza has helped to rejuvenate an industry which had previously concentrated almost entirely on a declining domestic

market enabling it to redirect its attention to the growing exports markets. This was underlined by the fact that foreign new developments have exported a large proportion of their output. Now that the initial phases of foreign investment have been completed, the local industry is going through a process of reorientation. In La Rioja, foreign investors invested there primarily to add Riojan brands to their product range, a unique blend controlled by the DOC. Foreign investment has been generally more limited in La Rioja. The industry was already active in the export markets with fine wines and had not suffered from a downturn in demand and need the kick start that foreign investment provided in Mendoza..

Three of the Riojan bodegas are quoted on the Madrid and Bilbao stock exchanges. The rationale for the quotes may have been to raise capital for investment or to provide an exit route for family shareholders. However, it also gives the quoted companies the means to expand by acquisition as well as organically. Local bodegas could become targets of such acquisitions. Companies could acquire competitors for their brands and vineyards and rationalise production into fewer larger bodegas within the designated wine area. Shareholders would benefit through reduced costs of production, distribution and sales, realising the value of surplus production and property assets and reducing the combined working capital. It could lead to greater concentration in the sector, giving the acquirers greater market power. The same is true in Mendoza, there has already been some consolidation with Catena's acquisition of Escorihuela and La Rural and Azpiazu and Basualdo (2003) have shown foreign holdings have already begun to reorientate themselves.

Tables 4.4 and 4.5 show how important foreign investment was for Mendoza's wine industry both at the end of the nineteenth and beginning of the twentieth centuries when the industry was initially being developed then to supply a mainly domestic market and in the 1990 when the industry went through a renaissance and began to produce quality wines for the export market. It was a similar situation in La Rioja, though when its industry was being developed at the end of the nineteenth century and the beginning of the twentieth centuries it was primarily for exports. Essentially both areas went through similar periods of development at approximately the same and direct foreign investment played a key role, not only financially but as a market for the wines of Mendoza and La Rioja. There is therefore a clear link between foreign

direct investment and the export of quality wines; a link between the neoliberal policies of liberalising trade and investment and the post productive world of quality products, pluri-activity and dispersed production.

4.7 Sustainability and infrastructure

The term sustainability may mean different things to different people. It can be used to ask how an industry can be maintained and developed or how the environment and the interests of the local communities are protected. The two scenarios might not be compatible and one might ask who exactly is best suited to take charge of conserving precious resources.

Water was a major concern to most of the bodegas in Mendoza even though wine production and the area of vineyards had been declining. The wine industry was facing competition for water from a growing urban population and economic development putting pressure on the water supply. The long term problem was recognised by all of the case studies. Jose Zuccardi pointed out that only 3% of the land was cultivated, so there was plenty of scope for expansion, provided water was available for irrigation. The wine industry was concentrated in the northern and southern oases fed from the river systems flowing from the Andes. Now in short supply, its use by the wine industry was tightly regulated by the water authority with a system of canals and sluice gates. Vineyards were only allowed to open the irrigation gates at specific times. Access to these water rights might have been one of the reasons why the new operations had bought vineyards on which to build their bodegas. Caroline Fuller explained Kendall Jackson's position after its purchase of Tapiz. They had also acquired 900 hectares in Agrelo where they built a bodega and planned to plant vines. However, they were only able to plant on 150 hectares, because of the water restrictions. The new Argentinean owners, the Ortiz family who bought Tapiz from Kendall Jackson in 2003, had been able to negotiate additional rights by proposing certain water conservation measures.

This dilemma had probably faced other foreign investors. Salentein had only planted vines on 353 hectares of its 2000 hectare site, though a similar amount of land has been used to produce other soft fruit. This left 1200 hectares for future development,

put to one side by the bodega as a “nature reserve”. Caroline Fuller, who had also worked at Salentein, made frequent references to the urgent need for more dams and reservoirs. The water authority had a number of projects in hand, but each of the bodegas had also devised their own contingency plans. Zuccardi had pioneered a particular form of irrigation used in California with pumps to flood the vineyards from underground aquifers. In this way the water is recycled as it drains away before evaporating (Plate 15). Benegas had sunk wells to supplement their supply, but this was an expensive option as the wells had to be two hundred metres deep to avoid contamination caused by earlier oil exploration. Water was also an issue, if less acute, in La Rioja. Although there was plenty of water in the wine area there were additional requirements down river in the Ebro basin, primarily at Zaragoza. Consequently, the bodegas were restricted on the amount they could extract prior to the harvest (DOC La Rioja, Annual Report, 2010). This was part of a set of national measures introduced by the Madrid government and implemented by the local DOC to conserve water for economic development elsewhere and ensure that the industry was sustainable.

The poor transport infrastructure in Mendoza came in for a lot of criticism. Jose Zuccardi had complained about inadequate air transportation in Argentina, in particular the service between Mendoza and Buenos Aires. The problem was two fold. The main airline had been renationalised after privatisation and offered a poor service with frequent and lengthy delays. It also had a monopoly on most routes, all regional destinations being routed through Buenos Aires. Jose Zuccardi flew by Lachine from Santiago de Chile on all his international journeys. Ricardo Villanueva from Escorihuela perceived a need for better roads. I had used the bus service to get to Mendoza from La Salta, finding it quicker, more reliable and cheaper than a flight, and then when travelling south to San Raphael by bus, it had had to leave the road and make a detour in the desert because much of the road had been swept away in floods. Air and the national road network were the responsibility of the Argentinean government, but the provincial government could lobby the government to improve infrastructure and support an industry vitally important to the area and increasingly important to the country. There was a general need for investment in Mendoza’s infrastructure, whether it was water, road or air transport. The main responsibility lay with the national government though the provincial government could make a

contribution. The problem, even though it had repaid its IMF's loans promptly, was Argentina's dispute with its' international bond holders and the difficulty raising funds on the international capital markets. That was not the case in La Rioja. Spain and La Rioja had benefited from EU funds (Economist, 2010 B). A new airport was being built at Logrono and there was a more than adequate motorway system to Bilbao and the coast or Barcelona.

Land was not an issue in Mendoza, but water was a major constraint; in La Rioja, the availability of water was not an issue, but its extraction was. In addition there were limitations on the amount of land available for growing vines within the recognised areas. This is one of the reasons why some of the newer bodegas, for example David Moreno, had been built further south in Badaran where historically vines had been grown, but wine had not been produced.

Environmental issues in the wine industry are not straightforward. There was not the same scope for extensification. The industry is strictly regulated by the INV in Argentina and the DOC in La Rioja, which specified how the vines are to be grown and treated and what chemicals could be used. Vines can be planted close together to improve the quality of the crop, but this may reduce yields (Vinas, Bodegas y Vinos, 2005). However, in La Rioja, plantings are regulated by the DOC, which limits the quantity that can be produced each year in order to ensure the quality of the crop and the reputation of the area's wine and yields can be low in Argentina because of soil conditions and water supply. Hoggart and Paniagua (2001 A and B) have noted that a reduced use of chemicals is one of the few signs of post productive behaviour in Spain. Amongst the case studies a number produced organic wine, including Puelles and Zuccardi, who had designated a part of his vineyards for organic production; two of the bodegas closest the consumer and therefore most sensitive to environmental issues (Battershill and Gilg, 1998).

Ilbery and Bowler (1998) saw sustainability as a major issue for post productivism in the future. It had a role to play in the wine industries of Mendoza and La Rioja, but perhaps not as critical as that outlined by Ilbery and Bowler. Both wine areas in order to sustain their industries needed free access to the world's markets. Perhaps the most significant threat to their industries was the risk of trade restrictions. In terms of

environmental issues they both also had a concern about water resources which they had to share with an increasing industrialised society. In Mendoza this was partly due to the success of the wine industry attracting investment to the area for amongst other things, tourism. In La Rioja the competition for water resources came from downstream industrialisation of the Ebro Basin. They were also conscious of their consumers concerns and bodegas such as Zuccardi and Puelles were dedicating sections of their vineyards and production to organic wines. Therefore sustainability had a number of similar interpretations in both wine areas indicating that they are perhaps typical of such concerns in the wine industry in general.

4.8 Taxation and reregulation

There were no clear examples of reregulation in the study, but taxation is one way a government can influence an industry and it was of more concern to interviewees than subsidies. An explanation for their lack of interest in subsidies is given in section 4.5, but changes in corporate taxation can have an immediate impact on businesses and was perhaps also the most discrete and effective way that the government could support the industry.

Arturo Angulo explained that the cost of the Dinastia Vivanco foundation/museum could be written off against tax as brand development. This meant that income from its tourist activities had only to cover its direct variable or marginal costs and did not to make a contribution to the capital costs. This could represent a significant saving and be an incentive for other bodegas, particularly if staff costs, such as relocation and training, were included. The cost of providing facilities and employing staff specifically for tourists was always given as one of the major barriers to bodegas being involved in wine tourism.

Tax treatment of sales and stock was also extremely important in Mendoza and La Rioja. It also had a bearing in La Rioja for all of the case studies and most of the other bodegas open to the public, which operated wine or barrica clubs. Blake has pointed out that it is important to all the bodegas that produce fine wines (1998). The issue for the fine wines is the period over which the wines were aged before they were sold and the method used to value the stock; historic, current or replacement. There could

be a delay of two to five years, depending on the wine, between when the wine was made and sold. It would be to the advantage of the bodega to value the wine when it was sold by the current or replacement method, accounting for the time value of the stock investment. With sales to the barrica clubs, the tax situation depended on whether sales were made when the order was placed and a deposit paid, or when the order was shipped and the final invoice sent. Taking the later date, then the buyer would in effect be financing the bodega's working capital and possibly subsidising the capital costs of the operation. This was the case at Puelles, where the buyers purchased the barricas when the wine was ordered and these could be reused and not accounted for until the wine was delivered. These accounting methods allow for increases in the cost of making the wine and the cost of financing stock for up to five years to be set against tax, effectively lowering the rate of corporation tax (Blake et al, 1998). Accounting methods and taxation policy can therefore be used to encourage the bodegas to produce better quality, fine wines; in effective a tax subsidy.

In Argentina, taxation has also been used to "reregulate" the wine industry. Argentina had begun the process of deregulation in preparation for ABC, the forerunner of Mercosur in the 1980s (Basualdo, 2006). Quotas and import tariffs were removed along with subsidies and export taxes. It was not until the 2001/2 economic crisis that export taxes were reintroduced as a temporary measure to raise funds for the government. Initially, export taxes were only applied to the major agricultural commodities such as soya, grain and beef, but the boom in commodity prices meant they became a significant source of income for the government. At the time it was justified as a way of redistributing wealth from the landowners, though recently the government has said that the taxes would be used to industrialise the economy (Economist, 2008 C). As it was a relatively easy tax to collect and as commodity prices continued to rise, the government progressively increased its tax take, until it reached a point that provoked producer strikes (Economist, 2011 C). In 2007, Zuccardi was concerned by the consequences of such a tax being applied to the wine industry. He hoped that the wine industry was too small to gain the government's attention and that the provincial governor could persuade the government not to introduce any such export tax. However, the value of wine exports more than doubled from 302 million US\$ in 2005 to 630 million US\$ in 2009 and a 5% export tax was

introduced. At least the rate was not as high as that imposed on other agricultural commodities.

High export taxes have discouraged exports and led to domestic shortages of other agricultural products in Argentina (Economist, 2009 A). The weak demand and price sensitivity (Aspiazu and Basualdo, 2001 and 2003) in the domestic market and its preference for table wines means that the producers of fine wines destined for the export market cannot easily switch back to domestic sales. They have had no option but to continue to export. Fine wine is not a commodity like soya or wheat, the wine producers have spent some time and effort differentiating their product, establishing their brand and promoting their unique qualities. The government's export taxation policy treats wine as a commodity, not as an added value, quality product. The tax will therefore have to be absorbed by the industry and the producers, the competitive pressures in the market place cannot allow the tax cost to be passed on to the consumer. The larger more efficient bodegas would be more capable of bearing the additional cost and the less efficient of the smaller bodegas would risk either being acquired or forced out of business. Ironically, for a government that has tried to roll back neoliberalism, this policy could lead to further consolidation in the industry, favouring the multi-national drinks companies. The government has also sought to restrict foreign investment by limiting the amount of land new foreign investors can own (Economist, 2011 C). Foreign investment has played a key role over the last fifteen to twenty years, as it did at the turn of the twentieth century. It has benefited the industry, geared to exports, it has helped to bring about the changes necessary for the industry to adapt. The government was penalising exports and restricting foreign investment at a critical time when the international market was oversupplied and becoming increasingly competitive (Wyatt, 2006).

The conventional view is that deregulation has led to globalisation, which has played into the hands of the transnational corporations giving these companies excessive market power (Harris, 2000) and that in order to restore balance, the market needs to be reregulated to curb the influence and reduce the size of these companies which may be outside the jurisdiction of the local or national governments. The example of Argentina shows that measures can be counter productive. Deregulation and the shift to better quality products has led to greater competition and fragmentation rather than

consolidation in both Mendoza and La Rioja. Perhaps the best solution is to continue with these policies and use the tax system to support the industry rather than introduce new regulations which discourages exports and foreign investment. If government feels that it has to intervene directly with subsidies it is better that they are redirected to promote sales rather than subsidise unnecessary production. The current EU scheme combines funds for grubbing out/replanting vines with distillation and promotion, helping the industry to readjust to the changes in consumer tastes and demand patterns (FEV, 2009). Peck and Tickell describe the changing role of government in a neoliberal environment (2002), there needs to be a distinction between government and regulation (Jessop, 1995) without reregulation becoming protectionist.

In Spain, the reregulation was being handled by the DO's who were responsible for spending the promotional subsidies. The DOC La Rioja, which continued to report into the Ministry of the Environment and Rural and Marine Affairs (MARM), already represented the area's five trade associations for the bodegas and eight for the growers who sat on its various committees, so it was well placed to take on this new role, but it was changing from being an agent of the government to representing the industry and promoting the areas wines. However, responsibilities for tourism lay with the provincial government, but approval of wine route remained with the national government (Marco-Navarro and Pedraja-Inglesias, 2010).

In Argentina, pressure to reregulate was coming from within the industry. The scope of the DOC La Rioja's responsibilities was handled by a number of organisations; INV, Bodegas de Argentina and Wines of Argentina. Some were arguing that in order to reinforce its quality credentials in the international market, a system similar to the Denominacion de Origen (DO) should be introduced in Argentina (Schrock et al, 2001; Felzensztein, 2002; Mora, 2006). This was not a popular suggestion amongst the case study interviewees on a number of counts. Firstly it was not clear where this would leave the INV, the national regulatory body monitoring and inspecting the vineyards and bodegas. The formation of DOs might lead to the break up of the INV. Secondly, Escorihuela, Ruca Malen and Benegas were opposed to DOs on purely practical grounds. Their vineyards and bodegas being in different areas would be in different DOs. Benegas only used grapes from its own vineyard Finca Libertad in

Maipu, but the bodega was in Lujan de Cuyo some five kilometres away. The bodegas of Zuccardi and Tapiz were situated in their own vineyards and although largely self sufficient they might at some point want to source grapes from outside their designated DO. Escorihuela and Ruca Malen sourced the various grapes for their varietals and blends from areas throughout the province whose soils, altitudes and particular micro climates best suited the different varieties of grapes. They felt the quality of the grapes and wines would suffer if all areas started to produce all the different varieties of grapes necessary for their product range, so that the DO classification might guarantee a wine's provenance, but not its quality, which seemed to contradict itself.

The applications to the INV to set up DOs seemed to have more to do with localism, than product quality or the interests of the industry. Lujan de Cuyo was one of a few towns which had a DO scheme. It was established in 1985, but signatories to the scheme such as Catena and Wienert do not mention the DO on their labels on their wine sold in the UK. Argentina's wines are promoted internationally by Wines of Argentina, Mendoza is hardly mentioned, let alone Lujan de Cuyo, Maipu and San Raphael. DO's could actually weaken the strength of the Argentinean brand. The desire to establish more local DOs was less a concern about quality than an attempt by local communities to become more involved, but this aspect of localism did not meet with the approval of the bodegas most involved in getting closer to the consumer and was more likely to harm the industry.

4.9 Trade associations and the role of government

In Mendoza, despite the existence of a few breakaway groups, Bodegas de Argentina was the largest, most established and respected trade association, representing bodegas in all the wine producing areas of Argentina. Of its seventy two members in 2005, forty-nine were in the province of Mendoza and this split was proportionate to the size of the industry in Mendoza compared to the country as a whole. The association was funded mainly by the industry though it also carried out certain tasks on behalf of the government. In 2007, it was in the process of appointing consultants to research wine tourism in the province and prepare a strategic plan. The funds for

this had been provided by the Latin American Development Bank. The project was being managed by the Bodegas de Argentina.

The Bodegas de Argentina had taken the lead in trying to establish wine tourism in the country, asking its members to open their doors to the public. 2004 was the first year that visitor numbers had been audited. Its Director, Walter Pavon, was responsible for developing wine tourism and had set up a committee chaired initially by Carolina Fuller of Tapiz and then by Ricardo Villanueva of Escorihuela. He proved useful in arranging interviews for this study and in fact used my questionnaire to conduct his own survey on wine tourism. In 2005 he was most concerned with trying to get wine routes established and by 2007 had managed to get the agreement of all the transport authorities and provincial and local authorities for a colour coded road sign scheme; bodegas were to be in black, hotels in red and restaurants in green. This was to be the first fully approved, official wine route in Argentina.

The role of the association was to represent the interests of the producers and help them to agree a common position which the association could present to others, in particular the provincial and national government. Although apparently successful in establishing wine routes as a first step to developing the province's wine tourism, Walter Pavon said that Bodegas de Argentina was having some difficulty persuading the province to establish a wine museum in the centre of Mendoza. The association had also had mixed success with export taxation. Not all members were happy with the progress the association was making; Jose Zuccardi had left the association and set up his own.

ProMendoza played a complimentary role to the Bodegas de Argentina, finding foreign distributors for Mendoza's bodegas; in the survey it was the most frequently mentioned association after Bodegas de Argentina. It was also located in Mendoza and 80% funded by the provincial government. The bodegas also worked with Wines of Argentina, an organisation whose role was to promote Argentinean wines abroad, also located in Mendoza. In 2007 it had organised a tour of bodegas by leading international wine journalists including Clark, Johnson and Robinson. The bodegas had paid for their expenses and contributed to their advertising campaigns.

In La Rioja, the DOC acknowledged at least five trade associations: ABC, ARBOR, ABRA, BFR-Provir and ARAEX. ABC represented the bodegas over a hundred years old and Dinastia Vivanco through its ownership of Carlos Serres in Haro was a member. Arturo Angulo considered it to be the most prestigious. ABRA represented over a hundred and twenty bodegas of the one hundred and sixty bodegas in the Rioja Alavesa in the Pais Vasco. However, a number of the most famous names, including Marques de Riscal, were not included in its membership. ARBOR represented bodegas in the wine area from both La Rioja and the Pais Vasco. Provir represented about thirty bodegas including David Moreno.

The fact that there were so many representative organisations, individually they had little influence so that the initiative was with the DOC. However, it had failed to take the lead as the Bodegas de Argentina had done in Mendoza and consequently little progress was being made in coordinating wine tourism within the wine area.

In Mendoza the Bodegas de Argentina to take the lead with wine tourism and organised the wine routes and local clusters and entrepreneurs filled in the gaps; neither the provincial government nor the INV were directly involved, they only played a supporting role; a very neoliberal approach. By contrast, the provincial government took the lead in La Rioja, encouraging the bodegas to open their doors to the tourists, building a new wine museum in Logrono and refurbishing the museum in Haro, but the provincial government of Pais Vasco was ahead of that of La Rioja, by 2006 it had already organised wines routes and networks of bodegas, hotels and restaurants. Similarly, Navarra was well advanced with organised wine routes and networks and a wine museum in Olite. It would have been better however if the provinces had pooled or at least coordinated their efforts through a single authority such as the DOC La Rioja, but the fragmented nature of the industry with at least five associations representing the bodegas made it ineffective.

4.10 The shortages of trained personnel.

Training was an issue raised by all the bodegas in Mendoza and La Rioja as the major constraint on wine tourism. The shortage of trained staff knowledgeable about the wine industry and who could speak English meant that the small bodegas such as Benegas and Puelles could not expand beyond their limited capability. To cope with

the increased numbers for its lunches, Ruca Malen had had to recruit two additional guides from outside the area. These guides also needed to have their own transport because the bodega was some distance from the nearest towns and there was no public transport. The employment opportunities lost to local communities was stressed by Caroline Fuller at Tapiz and by Arturo Angulo at Dinastia Vivanco, which had had to hire their restaurant management and catering staff had been taken on from outside the area. Hiring staff from cities like Madrid was expensive, caused local resentment and had an inflationary effect on local property prices.

The local universities offered courses, but the bodegas needed experienced staff, but Jose Zuccardi while reiterating the need to employ trained, knowledgeable staff, stressed the need for employees to be sensitive to the levels of service expected by foreign visitors. Mabel Fernandez at Bilbainas pointed out that being prepared to work at weekends and during public holidays and festivals was an additional requirement, which many local people were not prepared to do. Zuccardi was prepared to take the long view and had introduced an internal training programme to overcome some of these problems and as the combination of skills necessary for the guides was particularly important because of the length of time they spent with the visitors during the tour of the bodega and the wine tasting and the critical role they played in converting the visitors into potential loyal customers.

4.11 Information technology

At the time of the field interviews all the bodegas except one had a web site. The one exception, RODA, said that theirs would soon be operational. The information on the web sites could be extensive, usually providing details of the history of the bodega and its ownership, the size, location and types of soil at its vineyards, the grapes grown as well as notes on its range of wines and details of opening times. Most in Spain would have details of their club membership, including their newsletter and wines that were available for home delivery.

The internet could also provide secure information for trade customers and a method of ordering. I witnessed this on a visit to a very small bodega Abel Mendoza, in San Vincente in La Rioja. During the morning his wife collated the telephone and the

internet orders that had come in the previous day and that morning. The orders would be made up during the morning and afternoon and be collected by DHL before lunch and later in the afternoon for delivery within mainland Spain within the next 24 to 48 hours. The service enabled the hotels, restaurants and vinotecnicas to keep a relatively small stock of the range of wines they offered. It was most appropriate for the smaller bodegas and those producing the better quality wines. Large, lower unit value shipments could be shipped by more conventional methods.

Although there was no evidence of details of wine routes being incorporated into SatNav systems the internet was a useful way of providing information on the routes and on which bodegas to visit (Quinton and Harridge-Marsh, 2003; Murphy, 2006; Hurburgh and Friend, 2006). Prior to the visit to Mendoza in 2005, WineMap provided its' maps of the various zones in the area, on-line, with direct links to the bodegas and other amenities mentioned. The prospective wine tourist could have a virtual visit before deciding exactly where to go. Unfortunately, by 2007 the maps were no longer available on-line and the links had been discontinued. Whatever the commercial reasons behind these decisions the pre 2005, WineMap had demonstrated what could be offered.

Information technology is often thought as being the Internet and the worldwide web, but it can also include the ways in which this technology can be used to improve production. For instance, La Encima had the latest computer controlled production system, whereby from a central control panel, fermentation in all the stainless steel vats could be monitored and controlled. Whether the vessels were made of wood, epoxy lined concrete or wood they would contain pipes with hot and cold water which were managed by computers to regulate the production process.

The use of information technology extended from providing details on wine routes and bodegas and local amenities to providing a medium for direct sales and newsletters. It could also manage the bodega's distribution and control its production and quality assurance.

4.12 Summary of findings and conclusions

The liberalisation of the international wine market has provided export opportunities for the wine industries of Mendoza and La Rioja and as a result they have been able to confront declining domestic demand by switching production to better quality wines and export markets. The higher margins have provided the funds for investment to re-orientate production to concentrate on these opportunities; exports, better quality wines and higher margins have become synonymous. There has been a close correlation of the increase in the number of bodegas de crianza with the number of casks of mature wine in La Rioja and Mendoza.

The increase in the number of bodegas de crianza has been better recorded in La Rioja, but the same has happened in Mendoza. This has enfranchised or democratised the industry; increasing the number of smaller bodegas founded either by families that had previously owned vineyards or industry professionals, funded by banks and private equity. This increase in the number of smaller bodegas has increased the level of domestic competition and reduced both the market power of the established larger producers and contributed to the restructuring of the industry.

The wine cultures of Argentina and Spain have historically been associated with the mass market for table wine. Wine tourism, which has only just started to become established in Mendoza and La Rioja, has become associated with the trend to better quality, fine wines and exports. Its role has been to convert domestic customers to quality wines and establish its brands and products with all visitors, domestic and foreign. This may be why they have adopted a more focussed approach to its wine tourism, concentrating on the wine enthusiast.

In Argentina the economy was deregulated later than in Spain and the decline in domestic demand meant that production fell in Mendoza before it began to be replaced by exports. Output fell to its lowest point in 2000. In La Rioja, exports offset any decline in domestic demand and the industry has seen consistent growth in sales since the 1980s, increasing market share in the domestic and international markets. The main reason for the greater impact of the fall in domestic demand on Mendoza's wine industry was that it produced over 70% of Argentina's wine and was

therefore more vulnerable to domestic market trends. In addition, Mendoza's exports were negligible until the mid 1990s. Its wines were not well known and appreciated, whilst La Rioja was already the country's leading producer of quality wine with an established reputation in international markets.

Foreign investment was more significant in Mendoza than in La Rioja. Initially encouraged by neoliberal policies in the 1990s, it has continued since the financial crisis of 2001/2. In the 1990s the transactions mainly involved cross shareholdings as competitors took their positions, but since 2000 these have been rationalised. There has been a tendency to build new, modern bodegas rather than acquiring established businesses in need of refurbishment and limited potential. The new, foreign owned bodegas primarily supply the export market. This investment by foreign wine producers has been to add a range of Argentinean wines to their portfolios and take advantage of lower production costs. This foreign investment has contributed to the export drive which has accelerated since these bodegas began to come on stream after 2000. Recent restrictions on foreign investment and the export tax on wine might dampen foreign interest to invest in Mendoza.

La Rioja has benefited from EU subsidies to replant its vineyards and recently to sell its wine in markets outside the EU. The EU wine subsidy has, over time evolved from a policy with an emphasis on planting or replanting vineyards and increasing production to disposing of surpluses and finally selling wine. It reflects a switch from subsidising production of an agricultural commodity (grapes) to subsidising the promotion of a processed added-value product (fine wine). Although subsidies are not normally considered to be part of neoliberal policy making, this policy switch has recognised the role of the market and the need to avoid protectionism, whereas the restrictions on foreign investment and the export tax on wine in Argentina could make it more difficult for Mendozean wines to compete in the international market and lead to further industry consolidation instead attempts to reregulate the industry should be aimed at supporting the industry through the tax system.

The wine industry was administered and regulated differently in each country. In Mendoza the Bodegas de Argentina, INV and Wines of Argentina had the separate roles of representing and regulating the industry and promoting its wines

internationally. In Rioja, all of these functions were handled directly or indirectly through the DOC. Although the DOC handled the promotion of Riojan wine when EU subsidies were involved, it had played no part in the establishment of wine tourism. This had been left to the three provincial governments, resulting in a fragmented uncoordinated approach, whereas the Bodegas de Argentina had taken the lead in Mendoza.

Pressure to establish local DOs in Mendoza were being resisted by some of the bodegas. The bodegas and vineyards were much larger than in La Rioja and integrated in their operations. Many bodegas sourced grapes from specific areas best suited to each grape, to produce a range of varietal wines. Therefore they could not join a DO where the grapes had to be grown and processed in a specific locality. It was feared that DOs would lead to a split in the INV, if they were to take over the responsibilities of the INV, regulating the cultivation of vines and the elaboration of wines. The DO could indicate where the grapes were grown or processed, but this would fragment marketing. The bodegas that had joined the DO in Lujan de Cuyo chose not to include this classification, but relied on the provenance of from Mendoza, Argentina. It was not such an issue in La Rioja where the DOC has been established since 1926 and the bodegas produced a standard blend from only specified grapes grown throughout the area.

Sustainability and constraints on the development of the industry and wine tourism were similar in Mendoza and La Rioja. They shared a common concern about water resources and investment in the necessary infrastructure, perhaps more so in Mendoza where improvements were also needed in road and air transportation. There were also concerns about the availability locally of suitably trained English speaking staff given the importance of export sales and the international markets. Finally information technology can play a key role in the successful restructuring of the industry by assisting the smaller bodegas supply the hospitality and consumer sectors and in information for wine tourism.

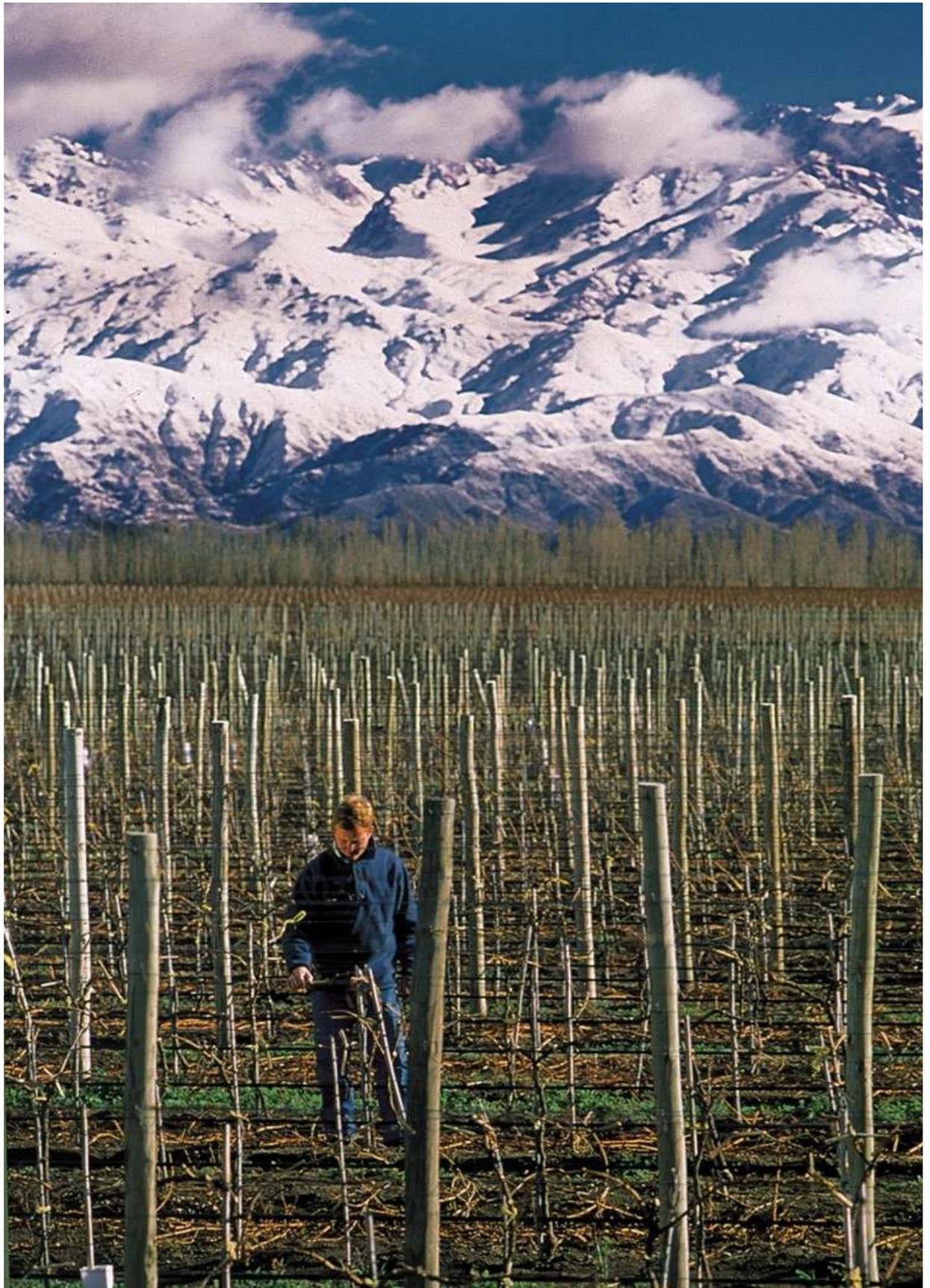


Plate 6 Vineyards at La Consulta, Mendoza with the Andes and Aconcagua in the distance. Wine is associated with specific locations.

Chapter 5

A review of wine tourism and related topics

5.1 Introduction

The previous chapter sought to explain the relationship between neoliberalism and post productivism and wine tourism as an expression of post productivism. This chapter looks more closely at the components of wine tourism identified from the published literature on the subject and considers how they can be interpreted as forms of post productivism in terms of the post productive theories of Marsden (1995), Ilbery and Bowler (1998), Wilson (2001) and Evans et al (2002) discussed in Chapter 3. There is a limited amount of work that had been done on the wine industry and post productivism and none that describes wine tourism as a form of post productivism; one of the factors that makes this work original. In terms of work that related elements of post productivism to the agri-industry that are relevant to this study, Jones (1986) looked at product diversification in the wine industry of the Languedoc Roussillon and in Battershill and Gilg (1998) looked at direct sales, an important aspect of wine tourism, and sustainability in low intensity farming in north western France.

This chapter identifies a number of post productive features in wine tourism; the trend to better quality fine wines and away from mass produced table wines, a more diversified product base which in Mendoza originally meant the development of varietal wines and subsequently meant a move to blends and in La Rioja has meant a move from regulated blends to experimental varietals, more dispersed production from a greater number of bodegas producing better quality product and direct sales, wine clubs and providing food and accommodation as forms of pluri-activity together with a greater integration into the local community which helps develop these mainly rural economies and preserves precious local resources. These factors have also combined to change the way the product is distributed, creating a new market structure, bringing the producer closer to the consumer, which in my opinion is post productive. This change in the system of distribution in the wine industry or what is alternatively referred to as the supply chain has been significantly enabled by the

development of the internet; an example of the iterative process that Marsden (1995) noted between agriculture and external forces.

Charters and Carlsen (2006) comment that most of the published material on wine tourism was based on research done in English speaking countries in the Anglo-Saxon, New World was referred to in the Introduction in Chapter 1. Because of this imbalance, this Chapter has been divided into two sections. The first deals with the main themes derived essentially from the material published on wine tourism in the wine producing countries of the Anglo-Saxon, New World and the second concentrates on material produced on other countries in the New and Old Worlds, primarily France, Chile, Argentina, Portugal and Spain. These non Anglo-Saxon countries have been grouped together and dealt with as a whole, primarily because of the relatively small amount of material on each of them does not justify dealing with them individually. The material published on wine tourism in these countries tends to deal with specific topics, rather than addressing the broad range raised by the literature from the Anglo-Saxon, New World wine countries, for instance there are a number of papers that deal with wine routes (Szivas, 1999; Sharples, 2002; Correia and Ascencao, 2006). Some topics tend to be country specific such as the meaning and importance of “terroir” and the role of government in France (Grade, 2004; van Leeuwen and Seguin, 2006; van Westering and Niel, 2001). There are some comparative studies which look at specific aspects of wine tourism in different studies, such as California and France (Cholette, 2004). However in total, the literature from these countries does not cover all the topics raised by the material published on the Anglo-Saxon New World wine countries, and reviewing them together is probably the best way of getting as comprehensive a view as possible of wine tourism outside the Anglo-Saxon English speaking world.

It will be seen that, because of the relatively small number of papers on wine tourism outside the English speaking Anglo Saxon world, any review cannot be said to represent as comprehensive as a review of wine tourism in the Anglo-Saxon, New World countries. This lack of coverage is worsened by the tendency for these papers to be concentrated on specific topics in particular countries and consequently there are whole areas that are barely covered; a deficiency this study seeks to address and is another aspect of its uniqueness. Interestingly these gaps seem to concern the

consumer and in particular what they are looking for from a visit to a bodega in terms of its facilities and the amenities that are generally available in the area. Therefore whilst it is possible to comment on the importance of say wine routes, as a number of papers from various countries have dealt with this subject, it is not possible to draw too many conclusions on other topics, such as direct sales. Consequently, the material has been reviewed as a whole to get as comprehensive a view as possible of wine tourism outside the English speaking Anglo-Saxon world.

This study looks at wine tourism from the point of view of the bodega and therefore it cannot address all the points raised by the literature. It does however attempt to answer most of them and in particular a specific set of questions, points or topics which have been raised by the literature.

The bodegas' responses to these topics from the field and in depth interviews are analysed in the following chapters to see what differences there may be between Argentina and Spain and between them and the Anglo-Saxon wine countries of the New World. Most significantly the bodegas are also analysed in terms of their size and ownership of the bodegas to try and identify if either play a part in how they handle wine tourism in either of these countries.

The first half or section of this chapter dealing essentially with the literature published in the Anglo-Saxon, New World or English speaking countries is reviewed in three parts. The first part addresses a number of general points; such as, what is wine tourism or how can it be described or defined; who are the wine tourists, how can they be defined or described and what do they want or expect from a visit to a bodega; how important is the wine region or area in determining whether tourists visit bodegas in that area and how do tourists' attitudes to the bodegas and the wine regions interact; what is the relative importance of the bodega, grape variety, wine region or area or country to the tourist; and why do bodegas choose or choose not to open their doors to tourists, the benefits, rationale or motivation for wine tourism. Then more specific points are raised about the size and ownership of the bodegas that are open to the public and the facilities and amenities they and their wine areas offer to the tourists and how the bodegas work together and with others to promote and develop not only wine tourism, but the local area and culture in general. Lastly there are a number of

factors which may affect the way in which the wine industry and wine tourism have developed or could develop in the future, such as information or electronic technology and in particular the internet, environmental concerns and consumer issues such as sustainability and the role of trade associations and government, particularly with regard to various forms of subsidy, direct and/or indirect.

The second half or section of this Chapter then deals with the papers published on the non Anglo-Saxon, non English speaking countries, in both the New and Old Worlds, in terms of the topics identified above for the English speaking New World countries and comments where possible on any differences and similarities on their findings between the two sets of literature.

The Chapter is therefore divided in four parts;

Part 1-General aspects of wine tourism,

Part 2-Specific components of wine tourism,

Part 3-External factors affecting wine tourism and

Part 4-Wine tourism outside the English speaking world

5.2 Part 1-General aspects of wine tourism

5.2.1 What is wine tourism?

“Visits to vineyards have been a part of organised travel at least since the time of the Grand Tour, and likely even since the times of ancient Greece and Rome” (Hall and Macionis, 1998, pp 200, quoting Vandyke Price, 1985). However, wine tourism as we know it today probably dates back at least fifty years when wine routes became established in Europe. These were first begun in Germany in the 1920’s (Hall and Macionis, 1998) and may have been associated then with the current interest in hiking and the outdoors. My first visit to a bodega was in the mid 1960’s when we stopped for a lunch in the gardens of a bodega during a trip along the Rhine. It may have been

that bodegas began to open their doors to visitors, perhaps just offering refreshments to passers-by in the same way that farmers' wives do in England, as another way of increasing their income and meeting a local need. Since then, and perhaps more recently, there has been a significant growth in wine tourism that is thought to have benefited the bodegas, the wine industry in general and their local communities. It is also thought to have led to an increased awareness of an areas wines and consequently sales, at least for Anglo-Saxon countries (Dodd, 1995; Hall and Macionis, 1998; Getz, 1999).

In Mendoza and La Rioja, it has given tourists the opportunity to look round the vineyards and the production areas of the bodegas, where the grapes are received and fermented before being matured and bottled, with the opportunity to taste and perhaps buy some wine. Then, as now, the bodega's motive was primarily to promote their product and ultimately to improve their sales (Dodd, 1995; Getz, 1999). However, some of the bodegas may have also done so out of a sense of social responsibility, opening their doors to the local community on which it depended for its services and labour; an extension of the local festivals, historically organised and funded by the bodegas to celebrate the local grape harvest.

This rather simple idea has been described or rather defined as a "visitation to vineyards, wineries and wine festivals and shows for which grape wine tasting and/or experiencing the attributes of a grape wine region are the prime motivating factors for visitors"(Hall and Macionis 1998). It has been explained more straight forwardly by Getz, "Wine tourism is a form of consumer behaviour based on the appeal of wine and wine regions, and a development and marketing strategy for the wine industry and destinations in which wineries and wine related experiences are the dominant attractions" (Getz et al, 1999, pp 21). The Western Australian Wine Tourism Strategy (2000) reinforces this point when it referred to wine tourism as "travel for the purpose of experiencing wineries and wine regions and their links to [the Australian] lifestyle. Wine tourism encompasses both service provision and destination marketing" (Charters and Ali Knight, 2002, pp 312).

These descriptions or definitions extends wine tourism from solely a visit to a bodega or wine festival or show to include all the amenities and facilities available in a

particular wine region or area. In this sense the bodegas are only part of the story and only part of the attraction, if perhaps the main element. Wine tourism includes the other services and facilities available in the local community; in particular the local produce, restaurants, hotels, and the other local cultural, historical and recreational attractions. It also includes the atmosphere, the ambience of the local surroundings, the local landscape and therefore involves a sense of place. In this context it is permissible to use the French term “terroir”, because that describes not only the local soils and climate and their suitability for specific varieties of vines, but the general physical geography of the area (Getz et al, 1999; Hall and Macionis, 1998; Williams, 2001; Roberts and Sparks 2006).

It is perhaps worth pointing out here that all visits conducted by this author to bodegas in Mendoza and La Rioja began with an “obligatory” tour of the bodega, and they was always ended with a tasting somewhere in the bodega. It was a package; other facilities might have been available, such as a shop, café or restaurant, but just selling wine to passers by did not seem to be considered as tourism. This would not, however, always seem to be the case from the literature on wine tourism in some of the English speaking wine producing countries, where it appears that only a minority of the bodegas, that are open to the public, offer a tour as a standard component of their offer (Hall and Macionis, 1998 quoting Deves, 1995; Bruwer, 2003). In these countries the public would normally seem to visit a “tasting room” where they can sample and buy wine and possibly dine in a café or restaurant or picnic outside in the bodegas’ gardens or vineyards to enjoy the atmosphere/ambience of the local surroundings. A tour of the bodega would seem to be a separate activity and not necessarily available. If this is the case it marks a sharp difference in approach and perhaps indicates something in the cultural make up of countries with a Spanish heritage that is different to those with an Anglo-Saxon heritage. For those bodegas open to the public in the Spanish speaking countries, the visit seems to be to do with the bodega, its history, origins, founding family, their way of producing wine and pride in their products, whilst in the English speaking world it seems that it is to do with the cellar door sales and the rural environment. One seems to put the emphasis of place on the bodega and the other on where it is and one seems to want to share their heritage whilst the other seems to have a more commercial attitude.

This is supported by the work done by Deves (quoted in Hall and Macionis, 1998). He noted in a survey that 739 out of the 892 bodegas in Australia or 83% had a cellar door outlet, that is they were prepared to sell their wine directly to the public, whilst only 35 or less than 4% gave tours. This again raises the question addressed later on in 5.3.2, that if a bodega merely offers its product for sale to the public can this be considered wine tourism? If the bodega is either part of a wine route or works with others, such as the hotels and restaurants, to promote tourism in the area either within a network or cluster then the answer may be yes. However, it could be argued that a visit to a bodega without the ability to go inside makes the visit incomplete and that in order for a bodega to be able to say that it involved in wine tourism it ought to provide a tour even if it has to be separately charged for.

The tour gives the bodegas in Mendoza and La Rioja the opportunity to educate the visitors on how wine is made and what distinguishing their particular wine, because there are so few bodegas in Australia that give tours a great deal of emphasis has been put on the importance of the wine tasting and the need to try and educate the visitors with trained staff (Getz et al, 1999; Charters and Ali Knight, 1999 and 2000; Griffin and Loersch, 2006). This point is also discussed further in 5.3.2. In Mendoza and La Rioja the bodega tour guides have to be trained, in fact they are often part of the permanent staff, in order to give an informed tour. The issue is important in Australia to compensate for the lack of tours. It is therefore less of an issue in Argentina and Spain.

Characteristically for Australia, 99 or 11% out of the 892 bodegas in Australia reviewed by Deves offered barbeque facilities and 61 or 7% had somewhere to have a picnic, but that only 37 or 4% had any form of catering at any time or by arrangement and 40 or 5% had accommodation (Hall and Macionis, 1998). The numbers with barbeque or picnic facilities seem reasonable; however there do not seem to be very many bodegas with their own catering or accommodation. The bodegas may argue that they do not want to compete with the local hotels or restaurants, as in La Rioja (Rioja Alta interview); however they are prepared to compete against their customers in the distribution chain by selling wine directly to the public. It may be that their interest in wine tourism is limited to their own immediate financial gain and that they have little interest in providing a comprehensive service for their visitors. The high

proportion of bodegas with cellar door sales compared to other facilities would appear to emphasise the dependence of direct or cellar door sales as the main criteria for a bodega to say that it is involved in wine tourism. This again raises the question, discussed further in 5.3.2, whether just providing an in house retail outlet constitutes tourism. It would seem necessary, at the very least; to be part of a wine route and/or a local network or cluster of other tourist activities if a tour of the bodega is not possible.

5.2.2 The wine tourist-Who are they and what are they looking for?

This, together with understanding who buys wine, when and why, is perhaps one the areas of research that has received the most attention. The wine tourist has been characterised in a number of ways, but the one that has stood the test of time was formulated by Macionis and Cambourne (1994). It is based on the visitor's level of interest in wine. Macionis and Cambourne grouped wine tourists into four categories; those described as wine lovers, those who were very interested in wine, those who had a casual interest in wine and those who were only visiting the winery because their companions had decided to go. This visitor segmentation has been used by other researchers, sometimes in a modified form, to understand the wine tourist and what they want or expect from a visit to a bodega and its wine area (Charters and Ali Knight, 2002; Bruwer, 2003). Their expectations have been looked at in terms of the location of the bodega, the facilities it offers and the availability of other local amenities and activities. This has been used to ensure that the bodegas and wine tourism authorities can provide the appropriate facilities, target specific customer groups and develop a credible strategic wine tourism plan (Getz et al, 1999). Research aimed at a commercial end product.

The wine tourists have normally been analysed in terms of their age, sex, education, earnings and where they come from. In general it would seem visitors are evenly spread across the various age groups (Dodd, 1995; Getz et al 1999), but that, whether described in terms of their nominal age or classified in terms of baby boomers and generations x and y, the wine tourist tends to be better educated and have a higher income than the national average. Interest in wine also tends to increase with age as does the emphasis on the quality of the wine, as opposed to the overall wine

experience (Charters and Fountain, 2006). Historically the stereo type tended to be male who bought his wine from a specialist wine shop or by mail order, but this may be changing with new attitudes to the way wine is consumed and bought.

This has been illustrated in a study in New Zealand which sought to analyse any differences between baby boomers and generation x. It divided consumers into two age groups; 24-40 years and more than 40 years old. It found that in the younger age group, the consumers tended to associate drinking wine with an occasion, preferred white wine, were more likely to buy from supermarkets and that the majority were women, whilst with the older age group the converse was the case, the consumers saw drinking wine as a normal daily activity, without the need for any excuse, preferred red wine, were more likely to buy direct from the bodega, by mail order or a specialist wine outlet and the majority were male. The study also pointed out that each generation tended to invent its own profile, so that the differences noted above would not necessarily always be the case (Thomas and Pickering, 2005)

Purchasing wine has been seen as a behavioural process (Thomas and Pickering, 2003). Five categories of wine drinker have been identified; 1 the older, conservative and more knowledgeable who is likely to be male, 2 the younger, social and enjoyment-orientated person who is predominately female, 3 the mature and time-rich and male, 4 the young professional who likely to be female and 5 the basic drinker, male, who drinks wine if it is available (Bruwer, Li and Reid, 2002; Johnson and Bruwer, 2003; Bruwer and Li, 2007, pp 29 and 30). The first four would fit into Beverland's groups for the quality end of the wine trade, "the connoisseur and aspirational wine drinkers" (Beverland, 2004, Table 1, pp 16) as well as Hall's classification for wine tourists mentioned above, but perhaps not the last.

The last one, although perhaps not a very attractive character, is one often met during bodega visits. He would fit into Italy's Movimento del Turismo del Vino's, "Drinker" category. This Italian research segmented wine tourists into four lifestyle categories. The first three were similar to those described above in which the groups are distinguished by their interest and knowledge of wine and how they relate to wine in a social context. The "Drinker" in this analysis is described as; "50-60 years old, visits wineries as part of a group on Sundays, treating them as an alternative to a bar, gulps

the wine and asks for more, also buys in bulk, sometimes pulling a tank or demijohn from the back of the car” (Charters and Ali Knight, 2002, pp 313, Table 1). He is typical of the older generation, but he could be from any age group. He is more likely to found in countries, such as Italy, where wine has historically been drunk with the main meals every day and consequently per capita consumption has been high.

During the field work for this study, different examples of the “Drinker” were witnessed during visits to Marques de Riscal in Elciego, La Rioja and Escorihuela in Mendoza. Spain and Argentina are also countries where per capita wine consumption has typically been high in the past though now significantly lower and where wine has been viewed as a commodity rather than an added value or quality product that is drunk for its distinctive taste. At Escorihuela an elderly, retired man came in to the bodegas’ shop and took away on a porter’s trolley a number of cases of wine. He got change from a hundred peso note. Most bottles of wine in the shop were selling for at least twenty pesos. The bodegas’ tourist guide, who served him, said afterwards that the wine the elderly gentlemen had bought, that had had to be brought from a rear storage room, was not generally available, but that the bodega felt they had to continue supplying it to those in the local community, typically its more elder members, that still wanted to buy it.

At Marques de Riscal I joined a Spanish tour on a Saturday morning. The tour was a group of workers from the shipyards in Bilbao. They were all men, mainly in their twenties and thirties. They had been brought down by coach and were going to stay for lunch in one of the bodegas’ dining rooms, which could be hired for such occasions. Though they politely followed the guide around the tour of the bodega, it was obvious from their comments that they were eager to start their lunch, or more importantly for them to start drinking. A lunch in Spain can extend well in to the afternoon. This type of individual has also been referred to by some in the English speaking New World countries as the “mobile drunk” (Carlsen, 2004, pp 6).

Visitors tend to be local either going to the bodega for a day or going for a limited stay of 2-3 days (Getz et al, 1999). Research into visitors to wineries in Texas found that 85% of visitors were from Texas, 43% from within 30 miles of the bodega (Dodd, 1995). The Winemakers Federation of Australia (Australian Wine Foundation

1996) estimated that there were 5.3 million visits to bodegas of which 282,400 were international visitors, or 5% (Getz et al 1999), whilst research conducted in Victoria, Australia in 1997 showed that 65% of visitors came from the Melbourne area or elsewhere in the state another 25% from the rest of Australia and 10% were international visitors and in Western Australia research published in 1997 showed that in the Margaret River area 62% came from Perth from elsewhere in the state, 29% from the rest of Australia and 9% were international visitors (Getz et al 1999). Whereas the majority are normally local or domestic visitors, the number of international visitors can be significant. The BTR National Visitor Survey, cited in Winemakers Federation of Australia 2003, recorded the number of visitors to wineries in 2002 reported that approximately 21% of the total were international visitors and that they were the majority of visitors in two of the smaller Australian states (O'Mahony et al, 2006).

The length of a visit can vary from one area to another, but research conducted in South Africa indicated that the majority (78%) were day visitors most of whom used their own transport (94%) with only a small minority using a tour operator. Of those that stayed overnight (22%), a third stayed in hotels and a third stayed with friends or family the remainder using other forms of accommodation (O'Mahoney et al, 2006). There is no reason to believe that this pattern is significantly different to elsewhere, though it does indicate that only a small minority of tourists visit the area solely for the purpose of visiting bodegas. Visitor numbers peak during the summer holidays (Mitchell and Hall, 2003), but there is also a high level of interest in the autumn, when the grapes are harvested and the bodegas spring into life; this is also the time when wine areas hold their festivals.

It is perhaps obvious that wine tourists in the main visit bodegas to taste and buy wine (Bruwer, 2003), but there are other reasons, other factors that attract tourists to wine areas, some are looking for something more, they want the bodega to have a pleasant ambience, perhaps with eating facilities set in an attractive landscape (Getz et al 1999, Charters and Ali Knight, 2000; Bruwer 2003). They may be looking for a wider experience of the area, its food, culture and architecture and history, everything that adds up to create the area's ambience; its culture. These characteristics may be

reflected in the bodegas; their architecture, exhibits and displays and the local cuisine served in its restaurants (Macionis and Brock, 1998; Griffen and Loersch, 2006).

Direct or cellar door sales as well as a tour of the bodega play a part in wine tourism. Customer service is important if the bodega wants to build brand loyalty for its products. The visitors want the staff and particularly the guides to be well informed and knowledgeable about the bodega, its wines and the area. They see the visit as a learning experience, particularly those that are knowledgeable and are interested in wine. They want to know more about wine, they want to be educated and for this reason, the staff have to be well trained (Charters and Ali Knight, 2000; Charters and O'Neill, 2001; Ho and Gallagher, 2005; Griffen and Loersch, 2006). Better trained staff also means that they are likely to be more effective building brand loyalty and selling wine in the future after the visit (Charters and Carlsen, 2006; Mitchell, 2006; Novak and Newton, 2006; O'Mahoney, 2006).

5.2.3 The importance of place

Wine countries are “places that are characterised by the presence of vineyards, wineries, and often small towns that serve the local population and visitors as well. These are working landscapes, but to many they seem to offer much more. At their richest, they can be synonymous with civilised enjoyment: food, wine and conversation often come together here in harmonious ways” (Peters, 1997 quoted in Getz et al, 1999, pp 22). In many wine regions or areas, such as Franschhoek in South Africa or Marlborough in New Zealand, the vineyards and bodegas are set in beautiful landscapes. These locations often provide opportunities for other activities from cultural events and historic buildings to walking, golf and even more extreme activity or adventure sports (Williams, 2001; Roberts and Sparks, 2006). The destination, therefore, is an integral part of the attractiveness of any wine region to tourists and has to be part of any successful wine tourism strategy (Getz et al, 1999).

However, not all bodegas are in romantic or beautiful locations. Wine making depends after all on chemical engineering; it is a production process which converts the natural sugars found in grapes into alcohol. Sometimes the bodegas are clustered together on what amounts to industrial estates in towns, which might be of interest to

the industrial archaeologist or social anthropologist, but not the average tourist. The bodegas clustered around the station at Haro in La Rioja is a case in point and it is interesting to note that the other towns in La Rioja that developed their wine industries at the end of the nineteenth century were either on or close to the railway line. The elegant wording used to describe the wines of these bodegas does not always reflect the bodegas' surroundings. In fact during the field study, there was one bodega group, Martinez Bujanda, in La Rioja that had refurbished its original bodega to a high standard. The original wine making equipment and tools had been restored and were exhibited with diagrams and illustrations of the bodega when it was working. It was built at the beginning of the twentieth century and it was in the centre of Oyon near the church. The town had become a centre for wine production. Unfortunately the old bodega was not open to the public. The area around the bodega was run down and access was difficult. The management felt that tourists would not want to venture into this part of the town and that it would give the wrong impression of the company. They felt the local town council should clean the area up before they opened their old, refurbished bodega to the public. However, tourists were visiting other well known, more recently constructed bodegas located on the outskirts of the original town. These were located in what amounted to an industrial zone. Although the approach to these bodegas through the industrial area was not attractive, the access roads were better and once inside the bodega could create its own atmosphere, perhaps emphasising the importance of the bodega rather than its location.

This type of industrial concentration is perhaps more typical of the wine regions established at the end of the nineteenth century and the beginning of the last century when transportation was more difficult. The arrival of the railways in particular encouraged the bodegas to be built near terminuses from which the wine could be shipped easily to more distant domestic and export markets. Current communications allow the bodegas to be built adjacent to the vineyards in more attractive settings and still be commercially viable. They do not need to be clustered together, close to their work force and the companies that supply their goods and services. Road networks provided by local, provincial or national governments and sometimes subsidised by international agencies such as development banks or the EU in the case of Spain make the traditional pattern of "clustering" unnecessary. This enables the bodegas to establish a sense of place in terms of its location. The Martinez Bujanda group that

owned the restored bodega that it was not prepared to open because it was in a run down area of Oyon had built a new bodega, Finca Valpiedra, in an idyllic setting within ninety hectares of its own vineyards on the banks of the Ebro, which it was perfectly happy to open to the public. The group saw this new bodega as its flagship, projecting the image that it wanted its customers, particularly its international customers, to have of the group. What is significant here is the association of place with the trend to better quality products and the bodega's better quality brands (Marsden and Smith, 2005). This point is discussed further in the following section 5.2.4. However, it is also the association of the bodega and its wines with the local community and wine tourism's role within the local community that is important (Marsden, 1995).

Government and other local agencies and businesses have realised that wine tourism can provide employment and benefit the whole local community. Wine tourism has been used to promote towns, regions, provinces, states and countries, sometimes in association with other attractions, to appeal to the foreign as well as the domestic and local tourist; in that sense it is an industry.

5.2.4 Branding-Bodega, grape variety, region and country

Place and geographic branding of wines are inevitably interlinked, because neither an area's climate nor soil can be determined by humans (Warner, 2007). However, the way in which wine has been branded has been based not only on where the vines are grown, but also how the wine has been made and the grape varieties they have been used to make the wine. The criteria for branding have not remained static. Branding has had to take into account in to account the changes in consumers' taste and choice and the bodegas have reacted accordingly. It has been argued that Californian wine is in its fourth era or stage of development or evolution since the 1950's. The emphasis changed in the 1950-1960's from fortified and dessert wines to table wines and from table to varietal wines in 1970-1980's. Since the 1980's to the present, varietal wines have given way to "appellation" or AVA (American Viticulture Areas) based wines, and most recently from the 1990's to the present from appellation to vineyard or "terroir" estate bottled wines (Lapsley and Moulton, 2001).

For the bodegas and perhaps the local authorities keen to develop wine tourism, “it is all about relationship-building and getting the brand across to consumers and building brand awareness” (Bruwer, 2003, pp 423). Perhaps the most significant development in branding in the wine industry since the emergence of new world wines has been the introduction of varietal brands (Vinas, Bodegas y Vinos, 2005). The variety of the vine or grape used to make the wine has overtaken the location. This has affected even the most established areas, such as Bordeaux (Mora, 2006). Branding previously referred to a region such as Bordeaux or a bodega such as Chateau Latour, but now a brand can just as easily refer to a vine or grape variety such as Chardonnay, an area, province or state such as Napa Valley, Mendoza or California or a country such as New Zealand.

In the consumers mind two brand components may be linked such as Sauvignon Blanc from New Zealand, Pinotage from South Africa or Malbec from Argentina. This type of description was originally used for new world wines; it would have been unusual for someone to refer to a Cabernet Sauvignon from Bordeaux or a Tempranillo from La Rioja. However, this is now the case as the old world producers have now begun to market varietal brands, sometimes produced outside the constraints of their region’s wine regulatory authority and usually without reference to the region’s brand. In La Rioja they are referred to as “Alta Expresion”; intensely flavoured often young wines that are matured in barricas or the bottle for as long as the wine maker deems fit, unconstrained by the rules and regulations of the DOC and sometimes selling for prices far higher than the DOC branded wines.

The brand of the bodega where it has been elaborated is typically a function of the region where it is from, in the case of old world producers and/or the grape varieties that have been used in the case of new world producers. The brand ought to also reflect where the wine is positioned, hedonistically, in terms of its quality and price (Unwin, 1999; Priilaid and van Rensburg 2006). These are often encapsulated in the design and content of the wine’s label/s (Loureiro, 2003; Barber et al 2006). The region’s wine brands can therefore contribute to the region’s appeal to wine tourists.

Countries keen to develop tourism have begun to include the wines they are known for or in some cases which are unique to areas of their country within the tourist

package that they promote. Wine brands therefore directly or indirectly become associated with a place (Chaney, 2002) and a country (Egan and Bell, 2002; Felzensztein, 2002; Foster et al 2002). It's this mix that in studies of wine tourists in South Africa and Australia has been referred to "Brand South Africa"(Tassiopoulos and Haydam, 2006) and "Brand Australia" (Trent and Bruwer, 2003).

So place has a role in the branding of wines (Marsden and Smith 2005), but this role can vary. La Rioja is both the regulated blend and the place the two are interchangeable guaranteeing quality and taste, but in Mendoza it is the grape, for instance Malbec, that is most important criteria, with place, either Mendoza or more often Argentina, playing a subsidiary role.

5.2.5 Why do bodegas open their doors to tourists?

There are frequent references in the literature on wine tourism to the "natural" link between the wine industry and the tourist (Dodd, 1995; Bruwer, 2003). Wine, sometimes together with food, is often quoted (Hall, 2004; Carlsen, 2006) as a way of relaxing, synonymous with being on holiday for all tourists. The rural location of the vineyards and the bodegas is seen as a bonus; the pleasant scenery helping to create or reinforce the impression of a relaxing atmosphere (Getz et al, 1999). This, of course, is the interpretation of those who want to promote wine tourism; perhaps for the benefit of the area in general as well as the tourists.

From the point of view of the bodegas it is about promoting and selling their product (see section 6.6). As discussed later, for the larger bodegas it may be about creating a favourable impression of the product so that the tourist will buy their product when they return home; so called pull marketing, that is creating the consumer demand to pull the product through the bodega's distribution network (Bruwer, 2003). For the smaller bodegas direct sales become more important, sometimes accounting for the majority of sales (Dodd, 1995; Bruwer, 2003;). It has been pointed out that direct sales give the bodega a better margin and can provide an income when sales or distribution outside the bodega's locality are difficult to achieve (Dodd, 1995; Getz, 1999). Therefore this income from tourism can be critical to the financial viability of a bodega and make it possible for the bodega to survive (Richardson, 2004).

In this context, direct sales is a vital form of pluri-activity. It provides an alternative source of income, but it is also part of the marketing mix (see section 6.6). It is an alternative channel of distribution that can play a major role in the bodega's finances. It is not just another source of income to sustain the business; it can become the main source of income and can, in some cases, determine the future direction of the business (see Dinastia Vivanco and Puelles' profiles section 2.4.2).

However, whilst some see a natural link between wine and tourism (Dodd, 1995) and recognise the overall benefits to the local community (Carlsen, 2006), others question whether wine and tourism fit that well together and whether it is in the interests of the bodegas (Fraser and Alonso, 2006) and not everyone in the local wine industry wants to be involved in wine tourism nor do they need to be (Beverland, 1998; Charters and Carlsen, 2006).

It is important to acknowledge that even in an area orientated towards wine tourism not all the bodegas are open to the public, in fact it is probably a minority. Although a great deal has been written about wine tourism, no comprehensive research seems to have been done on the number of bodegas in any of the given areas known for their wine tourism that are open to the public as a proportion of the total. However, by comparing the number of bodegas open to the public from the wine tourism organisations and comparing it with the total number of bodegas from wine regulating bodies it must be possible to deduce the proportion open to the public that are involved in wine tourism. Similarly there does not appear to have been a comprehensive study to analyse why bodegas are not open to the public, although their case has been put forward (Beverland, 1998).

However it has been noted that many bodegas see a conflict between wine making and accepting visitors (Beverland, 1998; Fraser and Alonso, 2006). This conflict is most likely to occur at one of the most popular time of the year for visitors when the grapes have been harvested and are being processed. The bodega comes to life after a dormant period when the wine has been maturing and the main tasks have been pruning and treating the vines. The main objective of the bodega is to make quality wine and this can be compromised when there are visitors being shown round the destalking/grading, fermentation, storage and bottling areas (Fraser and Alonso,

2006). It was also explained to this author during a visit to Lopez in Mendoza that during this time of the year it can be dangerous for visitors unfamiliar with the production process. Floors are wet and slippery, cables and flexible pipes are lying on the floor, forklift trucks are moving around and some of the machinery, such as the destalking equipment, does not have guards to protect the public. The comment was made by a Lopez bodega guide during the 2005 harvest. A large party of school children had arrived and they were assembling in an area where lorries were trying to reverse to empty their loads into the holding tanks for the destalking machines. These were sunk in to the floor at the entrance to the production area.

Apart from the physical inconvenience of accepting visitors, bodegas that are open to the public need to invest in specialist, dedicated staff to handle the public, to give guided tours, supply information on the area and its' amenities and facilities, sell the wine and arrange any necessary shipments. There is also the need to invest in appropriate facilities for the tourist; reception and wine tasting areas, shops and perhaps even eating areas and accommodation (Getz et al, 1999). This can divert time and financial resources away from the business of making quality wine for which there is an opportunity cost that might not in the judgement of the bodega's management warrant an investment in wine tourism (Beverland, 1998).

5.2.6 What are the benefits of wine tourism?

“One strong thread that emerges from the wine tourism debate is that wine tourism is beneficial both to the winery, the immediate surrounding community, and the industry as a whole. Most authors are convinced that not enough is being done by all the parties to reap the enormous benefits that wine tourism can provide” (Beverland, 1998, pp 24). Beverland questions the collective opinion, (particularly that put forward by Dodd, 1995; King and Morris, 1997; Hall et al, 1997; Getz, 1999) that for the winery the benefits are the ability to establish their brand and build its image and customer loyalty and to sell wine direct to the consumer at a higher margin than would be possible if their product were sold through an agent or distributor to supermarkets, wine shops, restaurants and hotels. He doubts whether there is the evidence to claim that wine tourism improves a bodega's brand loyalty particularly

given the results of King and Morris (1998) that failed to establish a relationship between direct sales activity and brand loyalty.

Beverland is concerned with the opportunity cost of direct sales, “when the resources and effort needed to survive in the international [market] are increasing, and the gains to be made relative to cellar door sales [that is direct sales] are far greater” (1998, pp 30). He repeats Dodd’s (1995) warning that the future growth of the business can be put at risk if too much emphasis is put on direct sales or that direct sales form too large a proportion of the bodegas total sales. He argues that although in the short run direct sales may help a bodega get established, but that in the long run direct sales should not form a significant proportion of the total (Beverland, 2000).

However, the view that wine tourism benefits the bodegas because it enables them to sell direct to the public raises the question as to whether direct sales or cellar door sales as it is so often referred to in the literature, particularly published in Australia, New Zealand, South Africa and the USA and Canada actually constitutes tourism. Is it not just an in house retail outlet? It has been pointed out that the levels of service have to be right if brand loyalty is to be achieved as in any retail operation the staff have to be knowledgeable about their product so that they can inform or educate their customers. These factors and tasting the product is part of the selling process, but is it tourism? Perhaps it only becomes tourism when the bodega offers other activities or facilities or when it is part of a cluster or network that provides these additional amenities or perhaps when it is part of a wine route? This point has been discussed in section 5.2.1 and will be discussed further in sections 5.3.2 and 5.3.8.

However, as Beverland admits direct sales can establish another channel of distribution independent of the wine trade. This is an important consideration in a competitive market with an increasing number of smaller producers and the main channels of distribution are dominated by the better known, large producers (Beverland, 2000; Williams and Dossa, 2003). Not all bodegas concur with this point of view. They appreciate that wine tourism is a different business incurring its own costs and needing its own staff and facilities. They question the value of incurring such costs and the majority seem to agree with Beverland that there are opportunity costs to the bodega of being open to the public when their expertise and business is

the making of wine. In addition, there is the disruption and diversion caused to their main business of wine making and the risk, of competing against their customers in the wine trade, the agents and distributors, or at least taking business away from them, is ever present.

Wine tourism can undoubtedly be of benefit to the local community and the economy as a whole. It would appear that a limited amount of work has been done on the economic benefits of wine tourism, assuming of course that its contribution can be accurately separated out from general tourist expenditure. It has been estimated that the value of wine tourism to the Australian economy grew from Aus\$1 billion in 2002 to Aus\$1.5 billion in 2008. In 2002 there were estimated to be just under 5 million winery visits, but as most wine tourists make more than one visit this does not equate to the number of wine tourists. It does however indicate that that each visit had an economic benefit of Aus\$200. This figure though includes travel and accommodation. It will increase as the proportion of visitors from outside the immediate vicinity and in particular the number of international visitors increases and international visitors accounted for just over 20% of all visits in this 2002 survey (O'Mahony et al, 2006).

It also seems a truism that those living and working in the immediate vicinity that is the wine area's surrounding community would benefit, but is that necessarily the case. Certainly there will be more employment and more demand for accommodation and food. These sectors will in turn increase demand for other general services. However, the surrounding community may not have the appropriately qualified staff or resources; these may have to be brought in. The increased activity may cause local inflation, particularly in areas such as housing when increased demand pushes up the cost in an area with limited local resources. In time this will change the community, which may be regretted by some; a more prosperous community is not always appreciated. In terms of a cost/benefit there are arguments in favour and against developing wine tourism and the overall net benefit might be negligible benefiting only a few. The benefit may also be marginal, particularly if the tourism leads to inflation and a loss of competitiveness in an economy which does not have the flexibility to adjust its foreign exchange rate (Blake, 2000/2). In a general study on tourism in Spain, but it was found that, "the gain in welfare after a tourism boom was found to be relatively small around one tenth the increase in expenditure. This is

because tourist expenditure does not itself create value; this is done by the factors that provide the services for tourists. In the absence of the tourist boom, these factors could be gainfully employed in other sectors” (Espasa et al, 1992). So an increase in tourism expenditure only produces only a small marginal increase in GDP when all of the costs as well as the more obvious benefits have been taken into account.

And the industry as a whole; it has previously been shown that demand for wine overall has at best been static over the last few years. Yes, demand has grown in emerging wine markets, but it is has also fallen in the traditional markets. Yes, there has been a trend to higher quality, higher priced wine, which has increased the total value of the market, but in terms of quantity, the level of demand has not changed and it is the newer producers that have taken advantage in the change in the patterns of demand with the shift to higher quality. The changing pattern of demand has affected the variety of grapes grown; the varieties grown to produce table wine have been grubbed out and replaced by the more “fashionable” varieties. This grubbing out has been subsidised by the governments of both Argentina and Spain (OIV, 2005; Boletín Oficial de La Rioja, 2000).

The new production technology means that centuries of experience count for very little (Williams and Dossa, 2003). The lack of established expertise may have been seen to be a barrier to entry in the past, but now with modern production technology, it is relatively easy to start making quality wine (Unwin, 1996) and the number of bodegas has grown with the newer ones supplying the changing demands of the consumer. It is now a consumer driven industry not a producer led one (Mora, 2006). In that sense the industry has benefited, but there has also been a cost as not all those involved have been able to keep pace with the re orientation to the consumer (Beverland, 2000).

The increase in the number of bodegas means that wine production has become more fragmented, with more suppliers. Whether this will continue or whether this period of growth in the number of bodegas will be followed by a period of consolidation when the number of bodegas falls, through take overs and mergers as they find it more difficult to find a market for their product in an increasing competitive world

(Beverland, 2000; Mora, 2006), but will wine tourism provide an alternative source of income or distribution for the least competitive to survive (Richardson, 2004).

5.3 Part 2-Specific components of wine tourism

5.3.1 Size and ownership of bodegas

The impression given in the literature published on wine tourism is that wine tourism is a vibrant part of the wine industry in the English speaking world. However, there is frustration by some authors that in general the bodegas have not seized the commercial opportunity (Beverland 1998; Hall, 2004). This implies that in these wine producing countries only a minority of the bodegas are open to the public. However, neither the size of this minority that is engaged in wine tourism compared to the industry as a whole nor how it is made up in terms of the size and ownership of the bodegas involved seems to have been analysed in the same way that the structure of the wine industry has been analysed or the demographic, psychographic or behavioural characteristics of the consumer or the wine tourist. So we seem to know a great deal about the wine tourist and wine tourism, but relatively little about what motivates the owner or manager or what are the perceived benefits or rationale they might have and how these might change with the ownership characteristics of the bodegas that provide the venue for this activity.

The structure of the wine industry in some countries has been investigated with the relative market share of the larger bodegas compared to the smaller ones. A case in point is New Zealand where the comprehensive government data on the industry enables a thorough analysis to be done. Unfortunately there is not always sufficient information for such an analysis to be done properly. It would appear that the research done so far on wine tourism has not been accompanied by an analysis of the number or proportion, size and ownership of bodegas in any particular area and how many have opened their doors to the public. It would probably be going too far to assume that the research had been done on a representative cross section of the bodegas as the information on which to base a cross sectional analysis would not have been available. The published work is therefore qualitative rather than quantitative and indicating, or rather illustrating, significant determining factors and trends. This thesis

begins with an analysis of the size and ownership of the bodegas included in the research, so that however representative this sample may have been, at least the composition of the sample is known and the results can be analysed by these parameters to identify any distinguishing features. The fact that such an analysis has not been represents a gap in the published research and indicates a need for an analysis to support the conventional wisdom that there has been a significant increase in the number of smaller bodegas. This would represent a pattern of dispersed production similar to increase in the number of small bodegas de crianza observed in Mendoza and La Rioja (see section 3.8) and strengthens the argument that the wine industries in these countries has entered a post productive phase.

Work has been done on small, medium and large bodegas in terms of their cellar door or direct sales (Beverland, 2000). In these investigations small has usually been defined as sales of less than about 200,000 bottles a year, medium of 200,000 to approximately a million bottles a year and large of over a million (Carlsen, 2004). The research indicates that cellar door sales or direct sales form a higher proportion of sales of the smaller bodegas and therefore one would assume that smaller bodegas are more likely to be open to the public, but is this the case? These assumptions do not appear to have been verified quantitatively for the industry as a whole in conjunction with either the wine areas' trade associations or regulatory authorities.

Another point that does not seem to have been addressed in detail is how does the size and ownership mix of the bodegas that are open to the public affect an area's wine tourism. For instance does the relative importance of different types of bodegas, that is whether they are small, medium or large, family or privately owned or a subsidiary of a larger or international wine group or conglomerate influence the formation of networks or clusters, the establishment of wine routes, the promotion of festivals and other events, the facilities the bodegas offer, the level of service and education or information provided at the visitor centre or cellar door or even the number or type of visitors. For instance the attitude adopted to wine tourism may not only depend on the size of the bodega, but may also depend on when it was established, whether it is a start up or owned by an individual, been in the same family for generations or owned by a group of entrepreneurs, a commercial or perhaps a non-commercial syndicate, an international wine group or conglomerate, which may be publicly quoted and listed on

the national or international stock exchanges. These factors could affect their attitude and approach to wine tourism or more particularly the way in which they assess the commercial, promotional or community benefits of wine tourism.

In addition to what extent do the smaller bodegas benefit if the larger bodegas are open to the public. Do the larger wine producers create the consumer interest which attracts tourists to the area with their stronger brand recognition and image and possibly their support for the local wine festivals and their sponsorship of wine museums and other events from which the smaller bodegas can benefit? In addition, does the presence of international groups, presumably with experience in wine tourism elsewhere and perhaps with an established approach and philosophy that has been developed over time, influence the way in which either other bodegas or the wine area in general develops its wine tourism? The results for Argentina and Spain from the field interviews and case studies are included in Chapters 6 and 7.

5.3.2 Wine tasting and direct sales

“In the current environment of massive increases in the production of wine, increasing global competition and tighter retail margins, direct sales to winery visitors coupled with merchandising and food and beverage sales provides a significant source of revenue to wineries” (Carlsen, 2004, pp 6). This statement clearly indicates the role of direct sales as a form of pluri-activity. It directly links this aspect of wine tourism to post productivism.

Wine tasting and direct sales are obviously associated with each other so they are dealt with together in this section. If a bodega provides a tour as is the norm in Argentina and Spain then the bodegas wines can usually be tasted at the end of the tour. Initially the visitors will have been shown around the bodega where the wine is produced and the cellars where it is stored and bottled and invited to taste the wine and if they wish, to buy some. In the areas that bodegas that do not necessarily provide a tour the bodegas normally have a tasting room where their wines can be sampled and bought. For them there is an obvious link between the tasting room and direct sales or cellar door sales. In these instances there are some consequences with regard to staff training, service and education that are discussed later in this

section. This is a less subtle more direct way of selling wine. It is a form of wine tourism whose sole aim can appear to be short term sales (Dodd, 1995).

It has been shown, however that in the longer term, wine tourism can increase demand for wine. Approximately a fifth of visitors to bodegas have said that they have bought and consumed more after their visit (O'Mahoney et al, 2006). Whether or not it is the wine of the bodega that had been visited, wine tourism increases demand and it then up to the individual bodegas to win their share. It can therefore be assumed that the main objective of bodegas that are open to the public is to promote the bodega and its wines, to encourage the visitors to buy the wine after the visit and improve the bodega's distribution and general sales in the long term.

In the short term direct sales is another channel of distribution and one that is particularly attractive to the bodegas as it cuts out the middle man and enables them to get a better margin for their product. It is the most profitable way of selling wine; the highest margin at the lowest cost (Dodd, 1995). The increasingly competitive market for wine concerns not only the large producers fighting for an increased market share of a global market, but also the larger number of small or start up operations that are trying to establish themselves in their local market. The overall worldwide demand for wine has not changed in recent years. What has changed has been the pattern of demand. Falling demand in the Old World countries means that surplus capacity can be aimed at the markets that the New World has opened up.

In this increasingly competitive environment, direct sales for the smaller and start up bodegas may provide a viable avenue that avoids the normal channels of distribution. However, the larger or more established bodegas will still have to rely on their own sales/distribution organisation or use wholesale distributors who will want to stock the better known more popular brands. The smaller bodegas can not afford their own sales/distribution organisations and will have difficulty getting their wines listed by the wholesale distributors unless they are prepared to offer them at a substantial discount. The only realistic options for the smaller bodegas is to sell their wines to the local hotels, restaurants and wine shops or through agents, particularly for export sales or directly to the consumers through their own retail outlets; in this last regard wine tourism and in particular wine routes can play an important role (Bruwer, 2003)

Cellar door or direct sales have been a feature of bodega's sales for some time; it is not a new phenomenon. It has been an important element of the sales mix of smaller bodegas or bodegas in less well known areas for some time, for instance it was reported that they accounted for over 60% sales for 48% of the bodegas in New York State in a study published in 1990 and 22% of sales for all the bodegas included in a study of bodegas in Washington State published in 1989 (Dodd, 1995). In a South African, bodegas that were part of a wine route reported that on average 20% of their sales were sold direct via the cellar door, of the balance 38% were sold into the domestic market and 41% exported (Bruwer, 2003). An over dependence on direct sales is seen as a cause for concern (Dodd, 1995). It implies that the bodega is failing to promote its wine and brands beyond the local market and that it ought to try and establish itself in the wider national and international markets after the initial start up period. Failure to do this will mean that it will continue to rely heavily on the local market, which in the long term will limit its growth opportunities and make it vulnerable to predators (Beverland, 2000).

Although some have warned against a prolonged overdependence on direct sales (Dodd, 1995) they can be a significant proportion of a bodega's sales. Jago argues that direct sales together with mail order would ideally be 60% of total sales rather than the 50% observed in his research in Victoria, Australia (2001, pp 24). This is at the expense of the traditional channels of distribution through wholesalers and direct to multiple retailers and restaurants. This may be the case for smaller bodegas with mail order or internet sales in areas which have developed their wine tourism, but it is doubtful if it would be an appropriate sales mix for the larger bodegas with nationwide and international sales.

However, it might not necessarily be the case that a large proportion of direct sales is a bad thing in the long term. There is the possibility of a scenario in which the bodega establishes a strong relationship with its visitors, who continue to buy its wine after their visit. They could always do that via clubs, newsletters, offers and discounts and mail order, but now the internet has revolutionised retailing and enables the bodega to talk directly to its customers in real time and exploit their brand loyalty more effectively than in the past (O'Mahony et al, 2006). In this context a bodega may be

able to sustain and increase its customer base by relying on its wine tourism activities to attract and persuade visitors to become loyal customers with whom it can keep in touch through the internet. This applies mainly to domestic tourists as there are specific problems with foreigners. These problems concern logistic, legal and excise issues that make it more difficult to directly exploit these relationships.

This is explained more fully in Chapter 7, but in general in Argentina, it was mainly a function of the logistics of delivering the product at a price that the market would bear (Ruca Malen interview). Although this was not apparently a problem for a vinotecnica in Mendoza, Vines, who periodically shipped cases of selected wines to foreign customers. In Spain the problem was to do with different excise duties in the EU member countries and the point that if more than a certain quantity were sent the recipient would be seen as a distributor by the authorities of the importing country, so that the internet for example, could only be used as a means to sell to domestic customers (Puelles interview).

Tasting is closely associated with purchasing wine; it is part of the buying process, a way of sampling the product and deciding what and whether to buy. It may have further implications for the bodega. The wine tasting can be used to educate the consumer, build his confidence in his knowledge of wine and influence which wines he buys in the future. Interested wine tourists want to know more about wine they want to be educated (Barber et al, 2006; Ho and Gallagher, 2005; Mitchell, 2006; Novak and Newton, 2006; O'Mahoney et al 2006). This education is not only necessary to establish relationships, build confidence and sell wine, it is also an important aspect of the service the tourists want from their visit (Charters and O'Neill, 2001). In that sense it can have a long term on the bodega's sales as well as the short term effect of achieving a sale after the visit to the bodega.

Tasting wine at the bodega in Argentina and Spain is normally at the end of the bodega tour and an integral part of it, even if it is separately charged for. In some instances in countries in the English speaking world, it would appear that this is not the case. Tours of the bodega do not seem to be the standard minimum offer for the wine tourist as it is in Argentina and Spain, in fact it would seem that tours are only available in some instances, possibly a minority of cases, and that it is viewed as a

separate activity by the bodega from any wine tasting (Hall and Macionis, 1998). In these cases, the wine it seems is tasted in a separate tasting area which may be part of the bodega's shop where the wine can then be bought. This is an important distinction as the "tasting experience" can influence if the tourist buys wine then and subsequently after the visit (Ho and Gallagher, 2005; Novak and Newton, 2006). Of course any purchase will depend on the taste and price of the wine. It is perhaps confusing to use taste and price to describe a wine's quality, but the trade off between the two is often used to say whether a wine provides good value for money. Value for money, the type or variety and the opinion of others, that is to say how the wine is rated or has been judged have been shown to be the deciding factors in determining whether consumers buy a particular wine (Priiland and Rensbury, 2006). However, loyalty is also important and other research has shown that the decision by visitors to buy wine not only whilst at the bodega, but perhaps more importantly, afterwards, depends on a number of other factors (O'Neill and Charters, 2000 and 2001; O'Neill et al 2002; Ho and Gallagher 2005; Mitchell, 2006; Nowak and Newton, 2006).

These factors include such things as the level of service, the nature of the tour and tasting, the ambience and location of the bodega and the facilities they offer; they add up to the general impression left in the visitor's mind, the memories that they have of the visit and what they can, on their return home share with friends (Charters and O'Neill, 2001; Mitchell, 2006). They enable the bodegas to distinguish themselves from each other, to create their own individuality; being distinctive in a highly competitive market is important not only so that the bodegas wines are recognised, but also to give them a competitive advantage (Taplin, 2006). In this context they are more important for the smaller bodegas, whose visitors rate them more highly than visitors to larger ones (Mitchell, 2006).

These factors ought to be more significant in Argentina and Spain where the wine tasting is part the tour of the bodega. The bodega has more time and opportunity during the tour to create a memorable experience, develop the visitors perception of the bodega and influence their opinion of it and their wines than in the English speaking countries where it would seem to be a separate activity and the cellar door is the only part of the bodega a wine tourist may see of the bodega when they visit. This

puts a heavy emphasis on the service the visitor receives whilst at the bodega (Griffin and Loersch, 2006).

In summary wine tastings and direct sales are forms of pluri-activity which, if handled correctly, can benefit the bodega both in the short and the long term. In the short term they can provide additional sales at a higher margin to those achieved through the normal channels of distribution and in the longer term they can create a loyal customer base. What is key is to satisfy the wine tourist by making the visit as enjoyable and distinctive as possible, so that the whole experience will be remembered after the visit. In order to capitalise on this favourable impression the bodegas must make sure that their product is in some way available to their visitors, so that they can convert them from enthusiastic visitors or tourists into loyal customers otherwise the advantages of being open to the public must be limited.

5.3.3 Wine routes

This is perhaps the one point on which everyone would agree that it is important for a wine area to have at least one wine route if it wants to develop its wine tourism. It is a feature of the literature on wine tourism in most countries, whether they are Anglo-Saxon or not, as will be seen in Part 5.5, “Wine tourism outside the English speaking world”.

Wine routes are fundamental to an area’s wine tourism because they link the bodegas together with each other, often in clusters, and with their local communities and the amenities that define that area; they link wine with tourism (Bruwer, 2003). Wine routes are therefore the basic ingredient of wine tourism and the reason why so many see wine tourism as a way of developing tourism in a rural economy. They act like a matrix rotating the coordinates of the industry from the capital intensive axis to the axis which integrates the industry more with the local community. This is an example of Marsden’s agrarian transition (1995) with wine routes being the agent that makes that transition to post productivism possible.

Wine routes are important because it is unlikely that tourists would visit an isolated bodega set by itself (Sparks and Malady, 2006), more likely for them to visit an area

with a number of bodegas from which they can select those they wish to visit and visit them during their stay in the area when they can also experience whatever else the area has to offer. Whatever an area's other attractions the wine route, by linking them together with the bodegas, hotels, restaurants, travel and hire companies creates the clusters and networks that some argue is essential for the development of successful wine tourism (Hall, 2004). This is dealt with in section 5.3.8.

A wine route is also a relatively easy, low cost exercise, provided it is supported by the local authorities and tourist boards. Their support is essential because wine routes depend on adequate signposts to direct tourists to their chosen destinations and maps and brochures available at tourist offices or hotels or on the internet to promote them; for instance the wine route developed on the web by the vineyards of Ontario in Canada (Richardson, 2002).

However, when trying to establish a wine route it is important to consider the area and whether it already has significant tourist destinations. These destinations should help to develop the area's wine tourism, but they may also influence the type of person that visits the bodegas. For instance in their study of tourists to the Niagara Wine Region, Hashimoto and Telfer (2003, pp 61) had to take into account the influence of the area's main attraction, Niagara Falls. They divided the area into two, East and West. The falls were near the eastern part of the wine region and consequently got a different type of visitor to the western part. The falls of course attracts a wide range of visitors and a high proportion of international visitors, so the wine tourists to the eastern bodegas were less likely to come from the area and more likely to be travelling as a couple rather than in a group and staying locally in hotels or bed and breakfast accommodation. They were also more interested in wine, buying a greater proportion direct or through the cellar door and when they visited the bodega they were more likely to expect to have a tour of the bodega. However, they were less likely to expect to be able to eat at the bodega, perhaps because they were eating in their hotels or elsewhere in the area.

In Mendoza there are adventure/activity resorts in the Andes and in La Rioja there are a number of religious sites, which attract a large number of visitors and in the south of the province there is a ski resort. Only one of the bodegas interviewed in La Rioja

mentioned that they tried to attract the visitors that go to the religious sites, others commented that they were not the type of people that they wanted to visit their bodegas. The view was that they did not drink much and would not spend much money on wine as they were mainly female; wine was considered to be a male purchase. The ski resort was considered to be too far from the bodegas to attract visitors, besides the skiing season is not the best time of year to visit a bodega.

The amount of information available for a wine route can vary considerably, but the better organised areas identify in each town or village the bodegas that are open to the public, their location and contact details, their opening hours and facilities, restaurants and accommodation and other local places of interest as well as maps and suggested routes. This is not hard to achieve, but it requires a certain amount of effort to assemble and make sure ensure that the information is correct. In La Rioja there was a sharp contrast between the parts of the wine region that fell in the provinces of La Rioja and Pais Vasco. The former was not organised whereas the latter was extremely well organised.

Wine routes normally assume that the tourists will be travelling by car (Olsen, 2003). It has been suggested that wine routes could be incorporated into SATNAV systems (Bruwer and Wood, 2005). However other less sophisticated means of transport are perfectly adequate, depending on the size of area and terrain. This researcher is aware of walking tours that were organised from the town hall in Stellenbosch, South Africa of the neighbouring vineyards and bodegas. In Melbourne, Australia there is a 30 km bicycle route through the vineyards and bodegas that has been built on a disused railway line. A similar project using a disused railway track as a bicycle path to visit the bodegas in Maipu, Mendoza was being planned when the fieldwork for this study was being done.

In the city of Mendoza at that time there were a couple companies that hired out bicycles to visit the bodegas in the neighbouring towns of Maipu and Lujan de Cuyo. They hired the bicycles mainly to young people who had been on adventure/activity holidays in the Andes. Bicycle tours were also available in La Rioja, organised by English travel companies, which seemed to attract a more mature clientele. A bodega in Lujan de Cuyo, Mendoza organised a horse ride to neighbouring vineyards and

bodegas and even an annual marathon, though the latter would not allow much time to taste the wine. Waterways also offer an opportunity for wine tourism, because of the need for adequate irrigation most vineyards and consequently bodegas are located near water sources, Adams (2006, pp227) refers to the use of the Canal du Midi in France, the Rhine in Germany and the Swan River in Australia as well as “nautical wine tourism” in the Finger Lakes region of New York state. Mendoza and La Rioja like other wine areas are bisected by rivers. In Mendoza they are not always navigable.

5.3.4 Wine festivals

Wine festivals are now seen as a way of promoting an area and its brand, developing its wine tourism and selling its wines (Houghton, 2001; Carlsen and Getz, 2006; Wargenau and Che, 2006) rather than celebrating the harvest. Although the festivals normally take place in the autumn they can also be at other times of the year, such as the winter (Houghton, 2001), when visitor numbers and income from wine tourism fall. The festival then becomes an attempt to improve or resuscitate hotel occupancy, restaurant bookings and direct or cellar door wine sales (Getz, 2000). Many of these festivals take on the appearance of food and wine fairs, with stalls selling the local produce and some other special events for the tourist (Carlsen and Getz, 2006; Taylor 2006). The purpose of the wine festival may have been turned on its head, but its role of bringing people together with a common interest has remained the same (Yuan et al, 2005). So as with wine routes it plays a role in integrating the wine industry with the local community and therefore according to Marsden (1995) it is post productive in the same way.

Wine festivals play a key role in attracting a wider range of people than would normally visit a bodega and encourages them to make subsequent bodega visits in the area (Houghton, 2001). The location near to a major conurbation or within a reasonable distance so that a visit to the festival can be done in a day, obviously will contribute to its success, but the ambience of a wine festival is also important in contributing to its success (Houghton, 2001; Yuan et al, 2005).

Originally most if not all established wine areas in both the Old and New World have their own wine festivals. There are usually a number of local festivals in the smaller towns and villages followed the main festival in the major wine producing town in the area. These festivals in wine areas such as Mendoza and La Rioja have been a part of the wine making tradition for generations. They were originally primarily harvest celebrations for the local population, but of course visitors were always welcome. In Mendoza, the wine festival is called Vendimia or harvest, consisted of parades with horsemen, marching bands, floats from the various bodegas and towns in the area and of course their harvest queens and activities in which all those connected with the harvest and the wine industry could join in, including concerts in the bodegas.

Unfortunately the tourist boards and trade associations have come to see wine festivals as another way of attracting tourists and promoting the area and its products, their character has started to change. Activities primarily aimed at attracting and entertaining tourists have been included. In addition the newer wine areas that did not have festivals have been encouraged to start them, particularly as wine tourism is seen as a growth area for regional tourism development and wine festivals are seen as a key component (Taylor, 2006).

5.3.5 Wine clubs

Wine clubs, are in many ways another form of direct sales or pluri-activity (Ilbery and Bowler, 1998). They have a number of benefits to the bodegas; they can also take on a number of different forms. They are important because their members are more enthusiastic about wine and more knowledgeable about wine, consequently they buy and store more wine in their homes and are more likely to buy either direct from the bodega through the internet or mail order or through specialist wine shops (Mitchell and Hall, 2001). This interest in wine means they become repeat purchasers of a bodega's wines and that therefore it is in the interests of the bodega to nurture and develop this relationship. In addition like all direct to customer sales or distribution channels, wine clubs means that the bodega can sell at a higher margin than to a trade distributor and will have greater scope to use its margin to tie the customer in through incentives such as discounts, provided they don't affect the bodega's sales through other distribution channels or its relationships with trade customers (Teaff et al 2005).

Wine clubs are also a way of keeping in touch with tourists who have at sometime visited the bodega. Once the initial contact has been made and hopefully a favourable impression has been made by the bodega, it is important that the bodega keeps in touch with the customer to develop and benefit from that relationship; over the long term otherwise one could question whether the effort and cost that has gone into establishing the relationship has been worthwhile. Contact may be through a newsletter or the internet (Murphy, Ho and Chan, 2005). It does mean that the bodega has to go to the trouble of taking the visitors details, correctly recording them and getting permission to subsequently contacting the visitor. It does however give the bodega the opportunity to maintain the relationship and sell its product through “permission marketing”.

Wine clubs have been encouraged as a way of developing brand and customer loyalty (Richardson 2002). They may include just the opportunity to buy wines a collection of wines on a regular basis, perhaps every month or quarter, or club members could have priority to buy new wines when they become available ahead of others or at a discount or to take part in special events organised for club members Teaff et al, 2005).

The literature does not refer to the opportunity for club members to buy barrels of wine, which can be stored at the bodega and bottled with either the bodegas’ or the client’s own label. The client can decide when the wine is ready to drink and if they wish they can have the option of selling the whole barrel or part back to the bodega if they choose. A similar arrangement is possible in malt whisky distilleries in Scotland. It is common practise in La Rioja, though not in Mendoza. In La Rioja when a bodega is asked if they have a wine club they will inevitably interpret the question as to whether they allow customers to buy their own barrels of wine. These wine clubs often have their own facilities, reception areas, sitting rooms and restaurants even in one case that I visited in near Laguardia, their own country house hotel. The bodegas will store and look after the wine in a dedicated area for club members and will keep the wine until the club member decides it is ready to be drunk and bottled. It is possible and in some cases encouraged for club members to visit the bodega and

sample the wine. The bodega makes up the quantity drunk on these sampling visits, so that not too much air is let into the wine barrel.

5.3.6 Food and accommodation

As Charters and Ali-Knight point out, “wine tourism is often part of an overall bundle of attractions for a tourist” (2002, pp 317). In their three dimensional analysis of the wine tourist, two dimensions are the tourist’s level of interest in wine and other attractions in the area that they might visit and the third is the reason the tourist may have for visiting a bodega, obviously the most obvious are tasting and buying wine, but the next is food and if they are staying in the area, accommodation. The three, wine, food and accommodation are closely linked.

For the wine tourist who is interested in wine and how it goes with food they will be interested in the local cuisine. Different wines have their own characteristics, as do local foods and it is often a matter of interest as to how they blend together. They both part of the rural tourism product and it is argued integral to it (Beer et al, 2002). For the area to maintain its individuality they have to maintain their standards and sustainability (Scarpato, 2002).

However, an area’s cuisine can be copied, transformed to please foreign tastes and become the culinary symbol of a nation or an international/global dish; such was the fate of paella originally from Valencia or pizza originally from Naples (Ravenscroft and van Westering, 2002). This tendency to transform local foods in order to make them acceptable to a wider clientele undermines an area’s individuality (Cohen and Avieli, 2004). There’s not much risk of the local dishes being debased and internationalised in La Rioja, where the local cuisine is based partly on the use of offal, cow’s cheeks being a particular speciality, and seasonal greens. However, though Spain is an area rich in local foods and cuisine, this is not the case in Argentina.

In Mendoza nearly every bodega serving food will present the national dish/menu of empanadas (pasties filled with meat, cheese or vegetables) followed by lomo (beef tenderloin) with perhaps roasted squash or pumpkin and finished with ice cream or

flan (ubiquitous in Spain). There is very little local variation on this national theme. Occasionally, to provide some variety, sausages, pork, chicken and even lamb will be served with other cuts of beef before the lomo. The only thing Argentinean about the menu, is the way the beef is butchered and cooked or roasted often with the vegetables in front of a wooden fire or in a clay oven. The quantity of meat served is perhaps the most distinctive national feature; meat eaters do well in Argentina, vegetarians don't. The meal is traditionally eaten with bread cooked in the same clay oven. The origin of the empanadas appears to be unknown; though possibly the same as the pastie or pie, in that it can be easily eaten while riding and kept for a long time. Beef is everywhere in Argentina and the ice cream presumably arrived with the Italian immigrants at the end of the nineteenth century.

An area's local foods and cuisine is usually thought as developing over time, it has been established over time and is part of the local culture, whilst its wines may have changed as a result of consumer demand from outside the area or new production techniques. However, in Australia and New Zealand the reverse seems to be the case. Their wine industries were established at the beginning of the nineteenth century and for the next one hundred and fifty years their immigrants come mostly from the British Isles and their diet was British. It was only with immigrants coming from a wider range of countries over the last fifty years and the international recognition of their wines over the last twenty to thirty years that their diets have changed (Mabbett, 1997). The wine industry supported by the Australian government has been keen to find added value wine products that can compliment a wider range of foods or cuisine for the world's markets. This together with the influence of inbound tourism have led to a new cuisines being developed, such as the fusion cuisine in New Zealand that compliments their wines, rather than the other way round (Hall and Mitchell, 2002).

Therefore, depending on whether food accommodation is provided by the bodega or by the local community possibly through informal or formal clusters it is either a form of pluri-activity (ILbery and Bowler, 1998) or is one of the ways the wine industry is more closely integrated into the local community (Marsden, 1995).

5.3.7 Other forms of tourism: adventure/activity, cultural, heritage, religious

There is a close and perhaps a natural link between the wine from a particular area and its local foods and cuisine. The countryside from which the wine and food come makes up a particular rural landscape. These components are often closely associated with each other and seen as a single entity with the wine tourist “looking for a total experience”(Tassiopoulis. and Haydam, 2006, pp142); for instance the development of wine tourism has often been mentioned as a way with which an area can develop its rural tourism (Hall and Macionis, 1998). The rural aspect of this concept itself evokes images, at least to the Anglo-Saxon mind, of other activities associated with outdoors (Getz, 1997). An interest and desire to participate in these activities defines a certain type of tourist whose characteristics may or may not fit in with wine tourism. This applies to other forms of tourism, whether they are activity/adventure, cultural, heritage or religious.

The fact that there might be other forms of tourism in a wine area does not necessarily mean that these different forms of tourism can work together for the common good. It has been suggested earlier in section 5.3.3 on wine routes that one type of tourist might not be suitable for another form of tourism, in particular, one bodega manager pointed out in La Rioja that although there were a number of religious sites in the area that received a large number of visitors, the essentially ascetic character profile of someone who was religious did not fit in with the more hedonistic profile of a wine enthusiast and that they were unwilling to spend significant sums of money on wine. It was also pointed out that although there was a ski resort in the south of the province, skiing is a relatively self contained activity with its own tourist hubs. The only occasion when a tourist may venture out of this zone is when they are arriving and leaving and then it is unlikely that they will want to visit a bodega then in the middle of winter. However, the cyclical nature of these industries may provide some continuity of employment. Wine can be seen to be a part of the hospitality industry and together with food it is for many a basic ingredient to life and those interested in wine should be encouraged to visit a bodega whilst they are on holiday.

In fact there has been a change in wine tourism from an emphasis on the wine and its production to the protection or conservation of its particular landscape (Williams,

2001). This is normally inferred as being a rural landscape, but it could also be an urban landscape in need of protection, particularly when it is of historical significance to that area's wine industry, such as the railway station complex that was developed in Haro in La Rioja at the end of the nineteenth and beginning of the twentieth century or the development along the old Ruta 40 in Lujan de Cuyo and Perdriel, south of the city of Mendoza at roughly the same time. It is possible to incorporate these cultural and heritage dimensions into a wine tourism product package (Williams and Kelly, 2001).

The culture and history of any particular wine area, particularly those that have been established for some time, can be defined by their architecture. Architecture is a visual representation of an area's culture and history that is not always present in the New World, however, South Africa and Argentina have very individual forms of traditional architecture that describes their cultural heritage and sets them apart from others. Their distinctive cultural heritages are ideal for the type of product packages Williams and Kelly had in mind. However, the architecture does not have to reflect an area's cultural heritage to be of significance. Areas with a rich architectural history can also have innovative modern architecture.

In Mendoza although the bodegas built at the end of the nineteenth century and the beginning of the twentieth reflected Argentina's Spanish inheritance with its colonial style architecture, such as Escorihuela and Lagarde amongst others, the design of new bodegas, such as Salentein and Catena, have received their inspiration from their pre-colonial past. In La Rioja the "Edwardian" architecture of the bodegas in the railway complex at Haro, such as Lopez de Heredia and Bilbainas represent that era's concept of grandeur with its gothic style towers and turrets, perhaps reflecting their historic links to Bordeaux and its Chateaux. The modern architecture of the new bodegas set in the countryside rather than in an urban setting, such as YSIOS outside Laguardia designed by Santiago Calatrava and the new hotel. "Wine City" at Marques de Riscal designed by Frank Gehry, who also designed the Guggenheim Museum in Bilbao (Patino, 2006). They have been inspired by the rolling countryside and the cornfields, that dominate the landscape to the south of the vineyards. Modern architecture can have a similar, if different, cultural significance representing different periods of an

area's past or its association with other neighbouring areas. It can play an important role in defining an area and its wine tourism (Getz and Brown, 2006).

Overall, although wine tourism may incorporate cultural or historic dimensions and rely on an area's ambiance to attract visitors, there seems to be little overlap or interaction with these other forms of tourism and their related activities.

5.3.8 Networks, clusters and partnerships

These are key to the concept of post productivism put forward by Marsden (1995) and Wilson (2001), without them the relationships they refer to with the local communities could not develop and consequently they are some the most important features of wine tourism; without which wine tourism would struggle. The explanation is very simple, it has been pointed out a bodega would under normal circumstances receive few visitors if it were in an isolated location by itself, but if there were others, the area would become more interesting to wine tourists as the variety of bodegas that could be visited increased (Sparks and Malady, 2006). If there were hotels and restaurants this would increase the appeal as the visitors could stay in the area for a protracted period and if there were other tourist attractions so much the better, the greater variety of things for the tourist to do could only increase the area's appeal and would attract the interest of tour and travel agents to bring tourists into the area. However this would work better if there was a degree of collaboration between the various players; the bodegas, hotels and restaurants, other tourist attractions and the tour and travel operators.

Clusters, networks and partnerships can be horizontal or vertical (Wargenau and Che, 2006). They are referred to as being horizontal when they include a number of similar companies in a given area, such as a number of bodegas in a wine area and they are referred to as being vertical when involve different types of businesses in a given area, such as a hotel or restaurant, car hire company, other tourist attractions, a tour or travel operator as well as bodega. Clusters, networks and partnerships probably work best when they have both horizontal and vertical components, that is when they are three dimensional, so that a horizontal slice will show all the bodegas in the wine area and a vertical slice will show all the amenities and facilities in say a town, village or

group of villages. The best examples that this writer has seen has been in Bordeaux and the Pais Vasco part of Alta Rioja. In both cases the promotional material was organised by the major towns or villages, which listed the bodegas with their opening times, hotels and restaurants with price guides. There were separate sections with maps, suggested routes and details of car hire companies and tour and travel operators.

Williams has noted that the coordination of development of a wine tourism region is essential if it is to be successful (2006). This coordination can take the form of networks, clusters or partnerships. They all share the common aim or objective of promoting the wine area, but it has been pointed out that there are distinct differences in how they might work (Hall, 2003). Clusters are essentially informal groups that work together to achieve their common aims or objectives. There is no contractual arrangement between the members of the cluster; they work together for the common good, exchanging favours without any charge or accounting. The clusters are open to all who want to join. However they may look outside the cluster for someone to promote its activities and membership. Typically that someone is the local authority or government.

A network means a formal group for which there are the same shared aims and objectives, but also tasks, certain obligations or forms of reciprocity, which have to be met if a member wants to remain part of the network. Membership may be limited to ensure that each member can maximise the benefit of their membership of the network, by effectively operating their own franchise in a particular area. There may also be joining fees, or annual fees to pay for the administration of the network or promotional material. It should be a stand alone entity without the need for outside support. Similarly partnerships are stand alone entities; a straight forward agreement between a number of partners, each with an assigned task to achieve their aims and objectives from which each one will benefit. Networks and partnerships are working for themselves and they will want to quantify the benefits of working together, they are not only doing it for the general good of the community.

The main problem is that so few wine areas have effective clusters or networks. All too often though the major interested parties in the local communities have to various

degrees worked together in networks to promote wine tourism, they seem to lack the drive or funding to make their joint efforts work (Hall et al 1997; Beverland, 1998; Hall, 2004) although they are important particularly for emerging wine tourism areas (Sparks and Malady, 2006). What may lie behind this problem is the fact that the majority of bodegas appear sceptical about the benefits of wine tourism and are reluctant to participate. It may also be that they share Beverland reservations and that clusters or networks are not always the best method (1998, pp 31)

5.4 Part 3-External factors affecting wine tourism

5.4.1 Technology

Although there is no direct relationship to post productivism, technology, that is electronic or information technology, has revolutionised the way in which wine has been produced and sold and consequently transformed the wine industry in Mendoza and La Rioja into its post productive state (Marsden, 1995). Wine production, both fermentation and maturation, can now be controlled with the use of computers to elaborate a product with more consistent quality. This has meant that much of the “mystery” in making has been removed; implicit knowledge has been replaced with explicit knowledge. At the same time concepts such as “terroir” have been debunked and the emphasis put on the grape varieties that are best suited to an area’s particular soil and climatic conditions (Mora, 2006). Unwin has referred to it as the “dominance of capital” (1996, pp 320).

Similarly new ways have been opened up to keep the bodega in touch with its visitors and customers, to analyse visitor and sales information and to sell direct to the public. This section deals with how the potential of technology and the World Wide Web have been used and the extent to which they have changed the ways bodegas promote and sell themselves and their wines.

Many researchers have argued that the World Wide Web has not been used as extensively as it could have been. In fact it can be said that the general view is that many bodegas see their websites as a way of providing general information to the public in terms of their newsletters and order forms (Sellito, 2004), assess the success

of their sites in terms of the number of hits they get or the number of emails they receive (Richardson, 2002) and that too many web sites lack the interactivity that could be achieved (Murphy, Ho and Chan, 2005) and features that could be easily introduced and which would be useful for the general public, such as downloadable brochures and site maps (Murphy, 2006).

On line sales is perhaps one of the best ways by which the effectiveness of a bodega's website can be assessed. However its suitability has been questioned, given that it is a "sense related product" it could be argued that it is not suitable to be sold over the internet (Richardson, 2002); and that the internet could be used to achieve longer term, strategic goals rather than for short term or tactical gains (Quinton and Harridge-March, 2003). However whilst it has been found that the internet accounts on average for a small proportion of a bodega's sales, typically less than 1% of sales by the largest proportion of bodegas, it is a medium preferred by smaller rather than the larger bodegas and in these instances the proportion of sales can be more than 10% (Richardson, 2002; Sellito, 2004). There are also instances where the bodegas in a particular area may band together to promote and sell their wines over the internet, such as in Otago, New Zealand (Richardson 2002).

On line sales orders need a fast response time and the ability to deliver the order quickly and accurately to the customer, who will also want to be sure that their privacy is preserved and the payment system secure. The typical on line buyer (middle aged, male, married with above average education income) will most probably have previously bought his wine by mail order and because he knowledgeable about wine will want to be able to navigate around the bodega's website (Bruwer and Wood, 2005). The lack of these features on websites (Murphy, Ho and Chan, 2005) may in part explain the difference in the proportion of sales achieved on line.

A bodega's website can also prompt tourists who may already be in the area to visit the bodega (Hall, 2000; Richardson, 2002); a tendency which would be undoubtedly increased if items such as a downloadable brochure and sitemaps were available on the website. Wine tourism is one of the ways a bodega can make contact with its consumer, with whom it can then keep in touch afterwards via its website through its

newsletter. Tourism can also lead to tasting room sales which after the visit can be converted into repeat line sales if the bodega has the right systems. Wine clubs, which have been encouraged as another way of maintaining contact with and retaining customers and building brand loyalty, can also be promoted through the website (Murphy, 2006; Richardson 2002).

Wine routes or tourist trails could also be included within a website, though it needs the cooperation of other bodegas. It is a service often provided by a local association or tourist board; details could be linked into the bodegas' websites (Richardson 2002). There is no reason why they should not also be incorporated into SATNAV systems (Hurburgh and Friend, 2006). The improvement of bodegas' websites to include these features will be helped if experience and knowledge can be readily transferred between the bodegas. However, the fragmented nature of the wine industry means that this process is not as efficient as it could be (Cooper, 2006), though technology itself could play a part in solving this problem.

5.4.2 Sustainability and regulatory authorities

It is perhaps necessary to explain how the term "sustainability" can be used in the context of wine tourism. It is one of those words which can get people to nod in approval, but often it is less than clear what is meant by it and it can be interpreted in a number of different ways so that when discussing sustainability it is easily possible to be talking at crossed purposes.

The word sustainability, seems to be asking a set of implicit rhetorical questions, namely "Is it sustainable?" and "What are the threats to its sustainability?" For the wine industry the main external threat may be from global warming (Tate, 2001) after all the water supply will always be critical for an agricultural product; particularly vines that can grow in harsh, low rainfall, desert areas provided there is an adequate irrigation system. However, the increased popularity of specific wines can put the viability of their vine growing areas under threat, when excessive planting to meet the demand for the wines, places too great a strain on the water supply (Vinas, Bodegas y Vinos, 2005), but consumer concerns about the environment can also create a demand

for organic wines that use fewer chemicals on the vines and in the production process and more efficient forms of irrigation and promote biodiversity (Knowles and Sharples, 2002).

There are often leads and lags in the wine industry. It can not react quickly to changes in demand. The vines may take up to seven years to reach a level of maturity to produce fruit, by which time consumer tastes may have changed and unless the plantings are in some way regulated, enthusiastic entrepreneurs may over plant with the result that there is an oversupply of particular varieties of either grapes or wines, which then becomes another problem (Davis, 2005). Under these circumstances, the growers, in order to remain competitive, may adopt agro-chemical practises, which in the long term may have unfortunate environmental consequences. The situation in a particular area can then descend through an unvirtuous cycle of excessive planting, environmentally unfriendly farming practises to oversupply and a fall in the level of quality. This can radically change a wine producing area; it can turn it from an area producing a quality wine to one producing a bulk product for the mass market, it can reduce the value of its brand and lead to the destruction of its rural landscape, which in turn will harm its wine tourism. The solution perhaps lies in a degree of regulation, whether it is self imposed and self administered or not.

There is a link between sustainability and quality; higher quality implying greater sustainability and the converse, lower quality implying a less sustainable environment. However, both need some form of regulation on which they can be built and with which they can be preserved or maintained. To quote from the Abstract of Warner's paper (2007, pp 142), "sustainability requires collective action on the part of producers [and] may mesh well with efforts to enhance...quality". This is an area where the regulatory authorities can play a role. In La Rioja the DOC specifies how the vines are to be planted, grown, treated and harvested. The yields have to be low to ensure good quality fruit; an extensive form viniculture is required. The origin of the fruit has to be traceable at all times through the production process and is bar coded on the back label. This means that organic wines can be verified as such (Consejo Regulador de la Denominacion de Origen Calificada Rioja, Memoria, 2005). The consumer as well as the producer is concerned with sustainability. They are concerned

about environmentally sound practises as to how the vines are grown and the wine produced and this is another aspect or way of defining quality (Loureiro, 2003)

As described above, wine tourism as well as the wine industry in general, may be adversely affected by increased competition and globalisation (Thach and Matz, 2003; Williams, 2005). An increase in the number of wine producers, which has been an aspect of the development of the wine industries in many parts of the New World, particularly of the smaller bodegas leads to the question as to whether such a number can be sustained in the long term or whether there will be a “shake out” in the industry with the smaller less viable bodegas unable to survive if they are unable to build a strong enough brand or do not have a sufficiently large local market on which to survive. The need to establish strong international brands favours the larger producers and the necessary economies of scale could lead to a period of consolidation with smaller bodegas being bought out by the larger ones (Beverland, 2000). These factors, an increase in the number of local producers or competition and the pressures of international competition often considered synonymous with globalisation can, but not necessarily, result in over development and/or lead to the erosion one of wine tourism greatest assets, the rural landscape, on which it is thought to depend (Gammack, 2006; Williams et al 2006).

However devious or evil large multi-national corporations driven by their desire for greater profit may be considered to be by some, they are not or at least should not behave irrationally. To use the arguments used by Adam Smith, no corporation or global entity is going to act in any way which will damage his short or long term profitability and if they do and they try to exploit the environment or their consumers, they will eventually fail. It is not in the interests of the larger producers any more than any other group to harm the wine industry’s or wine tourism’s sustainability and perhaps even less so, they may prove to be better guardians. In fact the wine tourist may be the greatest threat to bio-security (Hall, 2003)

Sustainability for the wine industries of Mendoza and La Rioja does not mean the concerns about the environment and its preservation described by Ilbery and Bowler (1998) or referred to by Hoggart and Paniagua (2001 A), but perhaps more importantly for the wine industries, it refers to the availability of adequate resources

for their future economic viability in the face of competitive pressures from urban development.

5.4.3 Trade associations and the role of government, including the use of subsidies

The section above argues in favour of some form of regulation or collective action by the producers. This can be achieved either by themselves through a trade association or by the involvement of local or national government. The trade associations already have formal relationships with their members. They are forums or networks of bodegas who can act together to achieve their common aims. There is no reason if the members wish, why it should not create a wine tourism sub group for those who wish to join; it is also possible for members to form an informal wine tourism cluster, if the membership as a whole does not approve.

A trade association is in fact a ready made vehicle that can provide the leadership to develop an area's wine tourism. Its main draw back is that it is a horizontal network; it would not have the capacity/remit to include other interested parties, such as hotels and restaurants of other tourist attractions into its sub group, though it could act as a forceful agent to form alliances or partnerships with other trade associations. A wine producer's trade association can also act as a powerful lobby group with local or national government, particularly with regard obtaining permissions, funding and setting policy.

Trade associations may not always be ready to take the lead to develop wine tourism, it may be the local or national government. In Argentina the trade main association, which under its constitution also had certain regulatory or policy roles, Bodegas de Argentina, has taken the lead. They have worked with others to establish wine routes and to try to create a museum, including the local town governments, some of whom had been trying to develop their own wine tourism, the provincial government which was sympathetic because it was promoting the province of Mendoza and the national government even though had identified others areas in Argentina, such as the Iguazu Falls near the Brazilian border in the north and the Perito Moreno glazier and Valdes Peninsula both in Patagonia, as its main priorities to develop both domestic and inbound tourism. It also created a sub group to promote wine tourism including

organising events during Vendimia, the grape harvest festival and obtained funds from the Latin American Development Bank (Bodegas de Argentina interview, 2007).

In La Rioja none of the wine industry trade associations were directly involved in the area's wine tourism. Instead it was the provincial government, in fact the President of La Rioja, who was encouraging the bodegas to open their doors to visitors. He was keen to develop all forms of tourism in the province. There was already an established ski industry in the south of the province and a number of castles from the times of the reconquista and other historic and religious sites in the traditional wine producing area of Rioja Alta, such as Najera on the banks of the area's main river, the Ebro, and Yuso and Suso, further south, but near Badaran where David Moreno has established his bodega with others in a traditional vine growing area. The President of La Rioja seems to have seen the general economic benefits wine tourism could bring to the province. However he seemed to be concentrating his efforts on the provincial capital, Logrono, where a new wine museum was being built. This meant that certain traditional wine centres were being neglected, such as Haro which had its own wine museum. However, a wine museum in Logrono would be near the geographic centre of the province and benefit both Rioja Alta and Rioja Baja, but more transport infrastructure including roads and a new airport was also being built near Logrono.

The local government in Haro and the mayor in particular were being criticised for not taking the lead. Some of the well established bodegas in Haro, such as Bilbainas, were concerned that Haro's position as the wine centre for Rioja Alta would decline and frustrated with their local government's apparent inactivity in getting more funds to improve the facilities and appearance of the town. The wine museum in Haro was in fact being refurbished in 2005, but the town centre was rather run down though new suburbs were being built on its outskirts. The provincial government was reported as being a close ally or tool depending on who you were talking to of the socialist government and an effective lobby group to get help and financial assistance from the national government; in Spain approximately half of the state spend is allocated to the provincial governments from its central fund whether the monies are raised through taxation or from the EU.

Through the local, provincial and national governments it is important to coordinate the promotion of wine tourism through their respective tourism information centres (Carlsen and Dowling, 2001; Tassiopoulos and Haydam, 2006). Unfortunately this does seem to be always the case (van Westerling and Niel, 2003). In Mendoza there was a major problem getting common agreement for road signs from the three authorities to direct visitors to the bodegas. There were roads that came under the control of the national, provincial and local town governments. In Rioja Alta, part was in the province of La Rioja, approximately 60%, and part in Alava, one of the three districts of Pais Vasco. Each produced its own promotional material and guides and each had its own wine routes, none of which crossed in to the others territory.

The rivalry between the two provinces extended to another important area, building grants and permits. Though there is no hard evidence, there was a great deal of speculation at the time of the visit in 2005, that Pais Vasco was trying to poach bodegas from La Rioja with financial incentives, an example was the well established and large bodega group, CVNE. It had moved its main production site from near the railway complex in Haro to a hill top position on the approach to Logrono. Although just outside Logrono, it was in fact in Alava, Pais Vasco. The new bodega's architectural design is remarkable. The bodega is in the shape of an up turned barrel. It is clad in iron, so the outside has a rust coloured patina. The finance for the design, construction and relocation is rumoured to have been partly provided by the provincial government of Pais Vasco, eager to attract bodegas into its part of Rioja Alta. This seemed to be part of a long term policy as Pais Vasco already had a number of famous bodegas with unique modern designs in its area at Marques de Riscal in Elciego and YSIOS, part of Bodegas Domecq then owned by Pernod Ricard, at Laguardia as well as a number of internationally renown bodegas at Oyón.

Taxation is another area where government policy can play a decisive role. It is particularly important for a wine industry that is more concerned with quality or fine wine rather than quantity or table wine production and therefore one in which exports are more important part. Essentially the time between when the grapes for fine wine are harvested and the finished product is sold may be a number of years, whilst the grapes for table wine and the finished product could be harvested and sold in the same financial year. The profitability of a wine business could therefore depend on how that

is accounted for and whether the value of the stock when the wine is made or sold is used in the profit and tax computation (Blake et al, 1998; Viana and Rodrigues, 2006). Blake et al concluded that “the application of traditional accounting framework in the wine industry has a negative effect on high-quality products” (1998, pp 83). They also found that France and Spain were prepared to have special arrangements for specific sectors, but that Anglo-Saxon countries (Australia, Canada, the USA and New Zealand) conformed to the generally accepted accounting principles (GAPP).

Excise duty or sales taxes can also affect demand. Sin taxes have been criticised in New Zealand for dampening domestic demand which it is felt has held back the development of the industry and potentially wine tourism (Beverland and Bretherton, 1998) and in Spain we have seen that different levels of duty within the EU have perhaps unintentionally prevented international consumer sales via the internet in the single market (Puelles interview, 2006).

Taxation can also be used to limit international trade, though in a neo-liberal world this less than it was and import duties have fallen, as a result of trading agreements such as those between the Australian and New Zealand governments and within trading areas such as the EU and Mercosur in South America, which includes, Argentina, Brazil, Paraguay and Uruguay with Chile as an associate member and between trading areas; EU and Mercosur. An interesting if not unique aspect of taxation has been Argentina’s export tax on agricultural products (Economist, 2008 D) that have been so high that they have discouraged production and led to food shortages in Argentina (Economist, 2009 A) as well as affecting the country’s trade balance and current account. It is not the purpose here to try and explain the rationale behind this form of taxation, if in fact there is one; however Mendoza’s wine industry was very concerned. Wine exports are not taxed at the moment and the producers and their trade association, such as Bodegas de Argentina with the provincial government of Mendoza were busy lobbying the national government to ensure that they were not introduced (Bodegas de Argentina and Zuccardi interviews, 2007).

Education and training is referred to above in section 5.3.2 and is perhaps the final area where trade associations and government can play an active role in assisting the development of wine tourism. Essentially wine tourism is part of the hospitality

industry. This requires inter-personal skills which may not be considered important when it comes to making wine. Wine production and wine tourism are effectively two different businesses and were treated as such in a number of instances in Mendoza and Rioja, though perhaps most explicitly in La Rioja. As well as the skills in how to handle visitors, sell wine, prepare food, run a shop, restaurant or hotel the staff have to be trained in how vines are grown, how the wine is made and what differentiates various types of wine from each other and their wine from the competition. In addition they have to be able to converse fluently in English for the significant number of foreign visitors. This requires local educational and training facilities if the jobs from wine tourism are to benefit the local community.

Government, as can be seen from the above, has the potential to hinder as well as to assist the development of an area's wine tourism. Trade associations and the various levels of government can be said to adopt either an active or passive role.

Governments' role can be said to be active when it introduces a specific policy that is directed at wine tourism or passive when it implements a general policy that may indirectly affect wine tourism. However, it must be said that in the majority of instances, though the government may introduce policies that concern the wine industry, it does not usually introduce policies that directly affect wine tourism. Wine tourism is normally only affected through general government policy which affects all commerce and industry, such as the transport infrastructure and taxation, though it may introduce subsidies, incentives or grants directly aimed at the wine industry.

Government has often played a role in supporting the wine industry by helping it adapt to changing market conditions. Mora (2006, pp 139) refers to "government incentives in the form of vine destruction grants (receiving 15,000 euros for each hectare they destroy)". These are normally used to remove vines from the vineyards primarily used to produce table wine and to replant them with vines to produce the more fashionable fine vines. For instance in the Languedoc, these incentives have been used to grub up Gamay vines used for table wines, though the highly productive Gamay grape is also used to produce fine wine (Jones, 1986). In Mendoza the older vines more productive vines have been grubbed out and replaced by the more modern, fashionable and popular varieties (OIV). This has resulted in Bonarda being replaced by Malbec as the most cultivated grape variety (Bodegas & Vinos, 2003).

In summary the role of trade associations and government may be more subtle and constructive than direct production subsidies or import taxation that are intended to make a country self sufficient in wine and preserve a rural economy, which ends up producing unsaleable quantities of a low quality, low added value product. This is dealt with in Chapter 2.

Classically post productivism means the removal of subsidies and government support (Ilbery and Bowler, 1998). However, in Spain they have been retained and adopted a new role from supporting production to promoting sales. Consequently, the growers now benefit indirectly, the direct beneficiaries are the bodegas. This switch could therefore be said to be post productive, if not completely in line with neoliberal economics.

5.5 Part 4-Wine tourism in countries outside the English speaking world

Compared to the number of papers published on wine tourism in the English speaking wine producing countries in the New World there is very little published on other countries. It may be a problem of access to the relevant sources. However, in Argentina, Dr Schuler of the University John F Kennedy in Buenos Aires and the editor of the country's leading journal on tourism, "Estudios y Perspectivas en Turismo" published by Centro de Investigaciones y Estudios Turisticos, was also unaware of any other research or academic material published on wine tourism. Sharples in her account of wine tourism and wine routes in Chile, only refers to the wine routes in Germany, which were originally established in the 1920's and the recently established wine routes in Hungary and their development in Moldavia apart from the established and successful wine tourism in the USA, Canada, Australia and New Zealand (2002, pp 46). This does not mean that there are not significant wine tourism activities elsewhere, but if there are, there is very little if anything published on them. In fact apart from Sharples account of wine tourism in Chile, there are only a limited number of papers on wine tourism outside the wine producing countries of the English speaking New World, for instance in Portugal (Correia and Ascencao, 2006) and Hungary (Szivas, 1999) and in France (Frochet, 2000; van Westering and Niel, 2001) that are directly applicable.

It would seem that there is very little published on wine tourism in the non Anglo-Saxon countries because there is very little wine tourism or rather wine tourism is relatively new to the old, established wine producing countries of Europe, as Cambourne says, “wine tourism is still an emerging European product” (2000, pp 34), this view is reinforced by others for instance, “wine tourism is a relatively new phenomenon in Portugal as it is in other European countries with a long, established wine producing history” (Correia and Ascencao, 2006, pp 242). However there have been visitors to vineyards and bodegas in Europe since the days of The Grand Tour if not before, something which was made easier with the arrival of the railways in the nineteenth century (Hall et al, 1997). Perhaps the vineyards and bodegas have been taken for granted, a relatively unnoticed part of Europe’s cultural tapestry, after all they have been there for centuries, whilst wine production and consumption is a relatively new activity in the wine producing countries of the English speaking New World such as the USA, Canada, Australia and New Zealand. For these countries it is a new activity that attracts attention and investigation and because of that wine tourism has become part of the development of the wine industries in those countries. Alternatively, it may be that the USA, Canada, Australia and New Zealand, are all market orientated, capitalist, neo-liberal countries, whereas the older more established producers in Europe have been used to a market, which in the past has seen demand outstripped supply and have been relatively slow in coming to terms with the new more competitive market place, relying too much on government guidance and initiatives and too used to the productivist system (Mora, 2006). The changes brought about by the emergence of the New World means that in some Old World wine producing countries there are some sacred cows that have to be slaughtered if they are to compete effectively in the future. One of those sacred cows in France is the Appellation d’Origine Controlee (AOC). The system, which in the past was there to ensure quality and give the consumer confidence in what they were buying, has now become too restrictive and needs to be modified (Mora, 2006).

It is interesting to note in this study that the Denominacion de Origen Calificada (DOC) was found to be under similar pressure in La Rioja and that although some were trying to introduce such a regulatory system in parts of Argentina many producers in Mendoza were resisting and arguing against any such suggestions

In addition to the papers mentioned above, there are others on various wine industries throughout the world apart from those of the English speaking countries of the New World, some of which are quoted elsewhere in this document, but they concern other aspects as to how the structure of the industry has recently changed, the current trends in consumption and consumer preferences or buying patterns and how the bodegas and the industry in general needs to respond in order to survive in an increasingly competitive market, that is one in which there are an increasing number of producers, but where the overall level of demand has not changed for some time, at least that is in terms of the quantity of wine consumed. These papers are mainly referred to in Chapters 2 and 3; they are not relevant here. The regulatory systems have only been referred to here to try and explain the inertia in the European wine industry and why it may have been slow to embrace wine tourism.

All of the papers mentioned above concern directly or indirectly the subject of wine routes. It seems to be the conventional belief that wine tourism can only properly function with a wine route. It is a belief based on the importance of horizontal networks or clusters (Wargenau and Che, 2006); that tourists will be less inclined to visit an isolated bodega and more interested in visiting an area where there are a number of bodegas open to the public (Sparks and Malady, 2006), where they will have some variety or choice.

Wine routes it seems is the accepted first step in developing a region's wine tourism, but for them to work efficiently the routes and the bodegas and any other associated destinations need to be clearly signposted, the routes need to be promoted with appropriate documentation that gives details on the bodegas and any complimentary facilities such as information centres and museums and the bodegas should be encouraged to improve their facilities and amenities, but perhaps most importantly they need someone to organise and manage the routes (Correia and Ascencao, 2006). That could be a trade association, government department or independent body which would have to be funded by the routes members, local government and economic development councils (Correia and Ascencao, 2006). However in France it has been found that there can be very little cooperation between the bodegas and others such as the hotels and restaurants to form clusters (Frochot, 2000) and that, "the French public

sector is composed of many bodies working at different levels, national, regional and local, which despite having a clear definition of their responsibilities and duties seem to have difficulties in working together to achieve common goals” (van Westering and Niel, 2001, pp 44). It would also seem that in France there was a lack of information with which the wine routes and the bodegas could successfully target specific customer groups as illustrated by Hashimoto and Telfer (2003) and a national strategy could be prepared (van Westering and Niel, 2001)

It is difficult to make a general comment as to whether wine tourism represents a post productive regime in countries beyond the English speaking New World producers as there is a lack of evidence except for the general acceptance of wine routes. However, this might just be an attempt by government agencies to encourage rural development in these areas and may not represent the economic interests of the bodegas.

5.6 Summary of findings and conclusions

This chapter has attempted to show that many if not all the aspects of wine tourism have a post productive interpretation and that taken as a whole they represent a post productive regime. They fall in to one the main categories mentioned in Chapter [1]; they represent a form of pluri-activity within a trend to better quality products with a known provenance, such as direct sales, wine clubs, food and accommodation or they are a mechanism whereby the wine industry becomes more integrated into the local community, such as wine routes, festivals and networks, clusters and partnerships. The last category mentioned in Chapter [1] of sustainability and concerns for the environment is less clear. However, there are a number of points raised by this review of the literature on wine tourism which are probably worth mentioning. They are listed here to emphasise their relevance and importance to this study.

Wine routes link wine with tourism (Bruwer, 2003) and wine tourism can benefit the whole of the local community by providing additional employment in what is often thought to be a rural economy (Hall and Macionis, 1998). However there has not been a full cost/benefit analysis conducted on wine tourism in a particular wine area, but work done on tourism in general in Spain argues that the overall benefits are minimal

when all the costs including inflation are taken into account (Blake, 2000/2; Espasa et al 1992).

Whilst the bodegas (that is those in the English speaking New World wine producing countries) are more interested in direct or cellar door sales the wine tourist is interested in the complete experience (Tassiopoulis and Haydam, 2006) including the ambiance of the area around the bodega with its facilities and activities (Getz et al, 1999). Consequently both horizontal and vertical networks and clusters have an important role to play in achieving this objective (Hall, 2004). Wine tourism can also by providing direct contact with the consumer give the bodega the opportunity to understand what the consumer wants and to test new products as well as an alternative, higher margin form of distribution (Dodd, 1995).

Smaller bodegas tend to rely more on direct or cellar door sales and these sales can be a large proportion of the total (Dodd, 1995; Carlsen, 2004). Whilst this is understandable in the short term, as they might not have access to standard methods of distribution, it is not a viable long term strategy (Dodd, 1995; Beverland 1998 and 2000).

Reports vary as to what proportion of bodegas is open to the public. A study in Australia (Deves, 1995 referred to in Hall and Macionis, 1998, Tables 12.1 and 12.2) indicated that over 90% of bodegas in Australia were open to the public in so far as they provided direct or cellar door sales, but that less than 10% provided a tour, food or accommodation or any other facilities or form of activity, apart from allowing visitors to barbeque or picnic. Hall (2004) also complains that not enough bodegas are taking advantage of the benefits of wine tourism and Beverland (1998) implies that in New Zealand the majority of bodegas are not open to the public.

Wine tasting and buying wine direct from the bodega through the cellar door not only provides the short term benefit of sales at a higher margin (Dodd, 1995), they make an important contribution in determining what the visitor purchases in the future (Ho and Gallagher, 2005) and therefore it is important that the wine offered during a tasting say at the end of a tour of a bodega is representative of the quality of its wines (Charters and O'Neill, 2001).

Whilst taste and price may be the most important factors in determining whether a visitor will buy the bodega's wine, the overall experience or impression will play a key role then and in the longer term in determining whether the visitor subsequently buys their wine, to quote Novak and Newton (2006, pp163), "through positive tasting room experiences, wineries can cultivate relationships with customers that build commitment and loyalty. Building deeper relationships with the customer lead to long term, profitable relationships through continued patronage"; and greater customer satisfaction leads to greater profitability (Yeung et al 2002). The argument is that if the customers' visit to the bodega is an experience they will remember favourably then they will be more likely to buy the bodega's wine on their return home. It helps if the bodega has a pleasant ambience and is set in an attractive landscape (Charters and O'Neill, 2001). This "positive experience" can also influence those in the local community and applies as much to local restaurants (Gultek et al, 2005) as it does to wine tourists.

The overall visit or tasting room experience, that is the visitor's impression of the bodega, is more important to visitors to the smaller bodegas than visitors to the larger ones (Mitchell, 2006).

The more interested visitors are in wine, the more likely they are to buy the bodega's wine after the visit. They are also more likely to buy the wine if they are in smaller groups during the wine tasting. This means that the staff should be attentive to the visitors needs and that it is important to try and educate the visitors on how the wine is made and what gives it its distinctive taste during the visit and to use the wine tasting to improve the visitors knowledge of wine and improve their confidence when buying wine (Ho and Gallagher, 2005). The level of service is important (Charters and O'Neill, 2001) and the visitors want the staff and particularly the guides if a tour is available to be well informed and knowledgeable about the bodega, its wines and the local area. They see the visit as a learning experience, they want to know more about wine and they want to be educated, for this reason the bodega's staff has to be well trained (Griffin and Loersch, 2006).

The main reason why visitors do not buy a bodega's wine after a favourable visit is because it is not available and they don't know how to get ahold of it (Mitchell, 2006). It is an issue of distribution and the consequence, particularly for the smaller bodegas that unlike the larger bodegas may not be able to comprehensively cover the market, is that they need stay in touch with their visitors/customers and advise them how to buy their wines after they have visited the bodega through either newsletters, mail order, the internet or the bodega's wine club (Mitchell and Hall, 2001; Teaff et al, 2004). Information technology has the potential to radically change the way in which the bodegas sell their wine (Richardson, 2002; Sellito, 2004; Murphy, 2006), but this needs to be coordinated with the bodegas other activities (Murphy, Ho and Chan, 2005).

There is a need for wine tastings at bodegas and direct or cellar door sales to be part of a wine tourism package together with other facilities and amenities, networks or clusters, and other bodegas as part of a wine route to develop the individual and regional brands for the long as well as the short term (Tassiopoulos and Haydam, 2006). The importance of tastings and direct or cellar door sales at a regional level has led to accreditation programmes being introduced to improve the level of service and staff training (Jago and Issaverdis, 2001).

Whilst there may be a "natural link" between wine and tourism (Hall and Macionis, 1998) "wine and tourism are actually diametrically opposed economic activities" (Carlsen, 2004, pp 6) and the bodega would be better employed exploiting his wine making skills and his capital as wine tourism requires its own specialist staff and facilities (Beverland, 1998; Fraser and Alonso, 2006).

The essential difference between wine making and wine tourism is that the former is supply led and the latter is demand driven (Carlsen, 2004, Figure 1). This shift to satisfying consumer demands can also be used to describe the development of the wine industry since the 1980's (Mora, 2006) and the preference for varietal, regulated and estate bottled wine (Lapsley and Moulton, 2001). The decline in domestic consumption in the Old World and the increasingly successful competition from the New World producers in the export markets has affected the whole industry (Mora, 2006; Warren Pike and Melevar, 2006).

The nature of subsidies has changed from supporting output and self sufficiency to enabling suppliers to remove their vines (Mora, 2006) or to replant their vineyards with the vines most popular with the consumer (OIV, 2005; Boletín Oficial de La Rioja, 2000). Government taxes either direct or in the form of import or export duties do not generally favour the wine industry (Blake 1998, Beverland and Bretherton, 1998). In other areas where Government can provide assistance, their contribution is often uncoordinated and counter-productive (van Westerling and Niel, 2003), but the coordination of the various components of wine tourism is a role government or the trade associations could play and is a key factor in the success of such an operation (Tassiopoulis and Haydam, 2006).

The above points are the findings from the literature considered the most relevant to the results of the research conducted in Mendoza and La Rioja. Overall, the literature on wine tourism supports the notion that wine tourism represents a post productive regime in the wine producing countries of English speaking New World. They are a similar set of findings to the previous chapter and demonstrate that the post productive regimes of Mendoza and La Rioja have a number of parallels with similar regimes in the English speaking wine producing countries of the New World.



Plate 7 Visitors to Carmelo Patti taste his wines, during the bodega tour

Chapter 6

The bodegas' characteristics and attitudes to wine tourism.

6.1 Introduction

Chapters 3 and 4 have shown how neoliberal economic policies, particularly trade liberalisation, have turned what could have been a significant problem for the wine industry in Mendoza and potentially in La Rioja into an opportunity and Chapter 5 has reviewed wine tourism in terms of post productive theory. With greater access to the international market, the industries have been able to mitigate the fall in domestic consumption by taking advantage of export opportunities. In order to do this, the industries have had to regenerate themselves, partly by foreign and by domestic investment, particularly in Mendoza (Azpiazu and Basualdo, 2001 and 2003). The regeneration has involved a switch from volume production to producing better quality, higher margin wines. Market conditions and policies liberalising trade and encouraging foreign investment have created a post productive environment where quality has replaced quantity (Economist, 2008 B), direct sales and wine clubs have begun to replace the traditional channels of distribution and new entrants have entered the market dispersing and fragmenting production (Ilbery and Bowler, 1998; Evans et al, 2002). This fragmentation or change in the structure of the industries since 1980 is shown in Table 4.2.

This is the context in which the face to face and in depth interviews were conducted and their results are described in this and the next chapter. They provide an insight into neo-liberalism and post productivism in the wine industries of Mendoza and La Rioja. In the field survey in Mendoza and La Rioja, there were fifty face to face interviews of which ten bodegas, five from each area, were selected as case studies and the chapter describes how the results from the survey were used to select the individual case studies. This chapter analyses the results of the survey in terms of the ownership structure of the bodegas open to visitors and their rationale and approach to wine tourism and how the results of the survey were used to select the individual case studies. The case studies were chosen across the range of the bodegas surveyed. The purpose was to see how the ownership structure and approach to wine tourism

affected the bodegas' popularity and whether either could be traced back to neoliberal economic policies or post productive theory. For this reason, for instance, attention was paid to the growth in the number of bodegas de crianza to see if they were due to neoliberal policies (see Table 4.2) and the importance the bodegas attached to direct wine sales as part of the bodegas' wine tourism and their significance to the bodegas as an additional income stream or pluri-activity (Ilbery and Bowler, 1998).

An important aspect of the bodegas' ownership was that although the majority of the bodegas were family owned, a number were considered as corporate entities. This was either because the family had ceased to be directly involved in the management or because a number of families jointly owned the business and/or there were other outside investors. In these instances the bodegas were run by independent teams of professional managers and the family/families/outside investors behaved in a similar way to a group of shareholders.

The age of the businesses was based on when the current business had started, not when the bodega had been built. There were three categories:

Before 1920, to cover the end of the nineteenth century and the beginning of the twentieth century when the wine industries in Mendoza and La Rioja, as we know them today, were founded.

1920-80, the period after the foundation of these industries and before the emergence of New World wines, modern production and marketing techniques and the ascendance of neoliberal economics.

After 1980, a period which has seen dramatic changes in the structure of the industry worldwide and a renaissance in the industry in Mendoza and La Rioja, matching the period before 1920.

These two parameters, ownership/management and age, have not been used in the literature analysing wine tourism, the literature has concentrated on the size or output of the bodegas (Dodd, 1995; Carlsen, 2004). This is understandable as the literature has mainly been concerned with industries in the English speaking world that have

developed within the last fifty years, whereas my study concerns industries in the Spanish speaking world that have been established in their current form for a hundred and fifty years and in a cultural environment where the family plays a more significant role. Past literature has normally defined size in terms of the number of bottles of wine sold per year; the division between large and small being whether the bodega produces more or less than a million bottles a year; this may seem arbitrary but it has been used in a number of studies (Carlsen, 2004). In fact in this study, there was an output gap between the bodegas producing less than 700,000 bottles a year and more than 1.5 million.

This study has also taken into account the relative size of the bodegas in terms of the amount of land and the number of vineyards as well as their production capacity and output. The differences are mainly due to the different physical geographies and different patterns of agricultural development in Argentina and Spain. It was thought initially that they might have some bearing on the industry concentration or foreign investment, which might affect the results. In countries, such as Australia and New Zealand the market has been characterised by a few firms or corporations, often with international interests, dominating production and exports (Barker et al, 2001). In this polarised market, the literature has stressed the importance of direct wine sales for the smaller bodegas, which together with any charges made for the tour and wine tasting, can be a significant source of income (Dodd, 1995; Carlsen, 2004).

Table 6.1 The average land holdings for the surveyed bodegas.

	Mendoza	La Rioja*
Number of vineyards	3	13
Size of vineyards (hectares)	92	12
Total area cultivated	281	160

Source: Field interviews; , 2005; Guia Completa de los Vinos da La Rioja, 2004.

*Excludes Muga.

There was a large difference between the relative size and pattern of their landholdings. In La Rioja the vineyards were small, averaging 0.5 hectares, whilst in Mendoza the average was 12 hectares. In La Rioja there were no vineyards of more than 100 hectares; in Mendoza they accounted for 10% of the area cultivated (DOC La Rioja, Annual Report, 2010; INV). This difference is reflected in the landholdings for the bodegas included in the survey. The average size, number of vineyards and total area are given in the table below.

This different pattern is perhaps to be expected when comparing the wine industry of a more densely populated country in Europe with one created out of American colonies only two hundred years ago. However, this can also be attributed to the way in which southern Spain was colonized at the time of the reconquista (Vilar, 1967). When southern Spain was conquered in the thirteenth, fourteenth and fifteenth centuries, large land holdings or latifundias were given to the nobles to manage. These were colonized by people from the relatively overcrowded areas of northern Spain where the land holdings were small by comparison. Argentina was colonized in a similar manner; large tracts of land were given away or sold by auction, rather than parceled up into smaller portions and sold to immigrants (Herrera, 1978; Jaksic 1981; Luna, 2004; Acemoglu and Robinson, 2012).

The vineyards of a bodega in La Rioja can be spread over a large area, adding to the degree of dispersal, inconvenience and cost of production. For instance, Muga said it owned 200 hectares, but that this was divided into 190 vineyards, many as small as half a hectare. The much smaller size of the La Rioja vineyards was partly due to the topography, and the dispersed nature was probably due to holdings being divided up and sold to the bodegas. This fragmented and dispersed pattern increases the cost of production in a number of ways. The very small size of some vineyards means that the vines have to be grown as bushes requiring hand picking, as opposed to being trained into lines where machines can be used. Organizing the picking and transportation over a dispersed area is complex as well. The size of the vineyards and the method of cultivating the vines do not affect yields as these are set by the DOC La Rioja - normally at approximately 6-7 tonnes per hectare.

The size of the vineyards in Mendoza offer a cost advantage, but yields can be low. At 2-3 tonnes per hectare, machines were not the most cost efficient way to harvest the grapes. However, at the top end of the range, yields can be as much as 5-10 tonnes per hectare, justifying the use of machines (Vinas, Bodegas y Vinos, 2005, pp 128 and 150). Some holdings in the survey were very large. Zuccardi had one of the largest land holding amongst the case studies with 620 hectares in only two adjacent vineyards and Lopez had 1050 hectares in twelve vineyards, an average of 88 hectares per vineyard.

The difference in the pattern of landholdings extends to the various types of owners. The larger bodegas in Mendoza had fewer but larger vineyards and more land than in La Rioja, but the smaller bodegas had a similar amount of land in both areas, but again in La Rioja there are far more, smaller vineyards. However, the larger bodegas accounted for a high proportion of the land: 91% in Mendoza and 85% in La Rioja. The family and domestic corporate figures have been diluted by the small size of the start ups which reduces the averages. Benegas and Ruca Malen for instance only had one vineyard each of forty and nineteen hectares respectively and la Encima and Puelles had fifteen hectares. A correspondingly relatively high figure would be expected for foreign firms, particularly in Mendoza where a foreign company would be unlikely to enter the market by acquiring or starting an operation with a small landholding. In fact the smallest foreign owned bodega was Septima with 100 hectares in a single vineyard. The holdings of the other foreign owned bodegas were far larger; Norton - 680 hectares in 3 vineyards, averaging 227 hectares per vineyard, Chandon - 663 hectares in six vineyards, averaging 111 hectares, Salentein, - 2000 hectares, but only 353 hectares of vines in a single vineyard and Flichman - 276 hectares in 2 vineyards, averaging 138 hectares per vineyard.

Each section includes an overview of the results from the face to face interviews together with individual responses from the in depth interviews with the case studies. Not all the case studies will necessarily be referred to, only those which had something relevant to say on the individual topics. Sometimes, instances will be given from other bodegas that were not chosen as case studies and occasionally bodegas that were visited but for various reasons not included in the survey.

The factual information on the bodegas from the completed questionnaires and the in depth interviews has been cross checked with the companies' literature, websites and other sources, such as published guides and industry reference material. All of the case studies were private companies. They were not prepared to release any financial information or provide details on their shareholder structure, so such details could not be substantiated and in some cases needed careful interpretation. Information on the production capacity of the bodegas and the size of their vineyards could be checked. The main sources were: "Guía completa de los Vinos de La Rioja; Bodegas, Marcas y Etiquetas" (2004), "Viñas, Bodegas & Vinos de América del Sur" (2005). References to the literature mentioned in the previous chapter on "Wine tourism" are made where thought to be appropriate.

6.2 The significance of the ownership/management, age and size of the bodegas

Table 6.2 shows that nearly half the bodegas interviewed in the survey were small, in that they produced less than a million bottles of wine a year and Table 6.3 shows that a similar proportion had been established since 1980 and typically a large proportion of these were small bodegas (see Table 6.4). The proportion of bodegas established since 1980 may appear large, but this is borne out by the official data and in particular that available from the DOC La Rioja, which shows that the number of bodegas de crianza, that is those producing fine wines more than doubled between 1990 and 2010, in line with exports but much faster than overall growth, linking the growth in the number of bodegas to fine wine production and exports (see Table 4.2). This seems to be clear evidence to support the notion that the neoliberal economic policies of free trade and movement of capital had enabled these industries to expand through structural diversification (Ilbery and Bowler, 1998) whereby vineyard owners build their own bodegas or start ups by industry professionals to take advantage of the export opportunities for fine wine.

Most bodegas in the survey were family owned and managed by members of the family whereas corporate and foreign owned bodegas were run by professional management teams on behalf of their shareholders/owners. However, the picture was complicated because in some instances family owned businesses were either managed by professional management teams on behalf of the family (Finca Valpiedra, RODA

and Tapiz) or the “family owned” bodegas were in fact owned by a number of families with perhaps outside investors, such as their banks (CVNE, Marques de Riscal, Rioja Alta and Rioja Santiago). Escorihuela and La Rural in Mendoza had similar structures. It has been reported that they had both been acquired by a consortium led by Catena, which had management control of the Escorihuela and La Rural bodegas. In these instances the owners acted as a group of shareholders with independent management, even if they included some family members.

Table 6.2 The ownership/management of the bodegas by their size

	Family	Corporate	Foreign	Total
Mendoza				
~Large	7	4	5	16
~Small	7	1	-	8
La Rioja				
~Large	5	6	1	12
~Small	7	5	2	14
Total	26	16	8	50

Source: Field interviews.

NB: Large >million bottles a year and small <million bottles a year

An interesting example was CVNE, which was run by a member of the family, but was in fact quoted and had a wide shareholder base. This mixed ownership pattern extended to corporately owned bodegas such as Bilbainas, which was only 87% owned by Cordoniu, the balance being owned by banks. This joint shareholder/owner structure was particularly common in La Rioja and went some way to explaining the high proportion of corporately owned bodegas in the survey (see Table 6.1). It was also typical of the larger bodegas established at the turn of the nineteenth century, whose original families had lost/surrendered ownership and management control. Whilst these bodegas in La Rioja had tended to merge family interests or bring in outside investors (CVNE) or sell out to domestic investors (Bilbainas), in Mendoza

there had been a greater tendency to sell out to foreign investors (Flichman, Norton and Tapiz; though Tapiz was sold again to domestic interests).

A number of bodegas had been acquired by domestic interests some of which were wine producers, (Bilbainas, Escorihuela and La Rural) and some were not (Castillo de Cuzcurrita and Nieto Senetier). This extended to the foreign owned bodegas, some of whom had other interests in the wine industry (Chandon, Flichman, Septima, Bodega Domecq and YSIOS), but others did not (Norton, Salentein and Gomez Crusado).

The smaller bodegas fell into two groups. They were either vineyard owners who had subsequently decided to build a bodega (Puelles) or they were industry professionals who started new businesses (Ruca Malen and La Encima). The latter were typically funded by private equity in the form of a group of investors - backing entrepreneurs with relevant industry experience- in the same way that the family bodegas were founded in the nineteenth century, before the families bought out their co-investors (Penin, 1996, Lopez de Heredia, pp 104-117).

Most of the start ups were within existing vineyards (Dolium, La Encima, Puelles, Ruca Malen and Vinas del Golf) although some entrepreneurs had started their own business by buying disused bodegas (Benegas and El Cerno). Foreign investors also preferred green field start ups (Chandon, Salentein, Septima, Bodega Domecq and YSIOS) to acquisition (Flichman/Sogrape and Bodegas Domecq/Allied Lyons/Pernod Ricard). Lastly there were domestic entrepreneurs such as the Ortiz family, from Buenos Aires, who did not have a background in the wine industry and bought Tapiz from the US group Kendall Jackson in 2003 (Rolland and Chrabolowsky, 2005). Vinas del Golf consisted of an eighteen hole course laid out between fruit orchards and vineyards with a small bodega. It was perhaps more a golf course with a bodega than a bodega with a golf course. These were perhaps exceptions as both sets of entrepreneurs had no previous experience of winemaking and both operations (Club Tapiz and Vinas del Golf) were orientated more to tourism than wine. They do, however, demonstrate the variety of ownership invested in the sector.

There were in fact eight foreign owned bodegas in the sample. In La Rioja, Bodegas Domecq and YSIOS were established on green field sites in Elciego and Laguardia by

Allied Lyons who sold them to Pernod Ricard of France in 2006, Gomez Crusado was established in 1886 and owned by Mexican interests and in Mendoza, Chandon was established on a green field site in the 1960s by the French group Moet & Chandon. Flichman established in the 1920s had been acquired by the Portuguese group Sogrape, that also produces Mateus Rose. Norton, established in 1885 had been acquired by Austrian interests. Salentein and Septima were established on green field sites in 2000. Salentein was owned by a Dutch family and Septima was owned by Codorniu, the Spanish wine group that also owned Bilbainas in La Rioja.

Table 6.3 The ownership/management of the bodegas and when they were established.

	Family	Corporate	Foreign	Total
Before 1920	6	9	2	17
1920-1980	7	-	3	10
Since 1980	13	7	3	23
Total	26	16	8	50

Source: Field interviews

There were therefore three basic groups with different management styles. They were the established family owned and operated bodegas, the corporately owned and operated bodegas that could be either domestically or foreign owned and the start ups, which made up the largest and most interesting group in the survey, primarily because they reflected the positive effects of neo-liberalism, the democratisation of the industry, its regeneration and growth and an increase in competition and innovation. These groups included firms that had either entered the market by acquisition or by building a new bodega.

The structure of the industry was not therefore as simplistic as one might imagine from the literature, which gave an overall impression of at one end of the spectrum, a few large transnational or multi-national corporations dominating production and

exports, determining consumers' tastes and lobbying government for their own interests, and at the other end of the spectrum, small family run bodegas struggling to survive in an international, even global, competitive market. That might be the case in Australia or New Zealand, but not in La Rioja and Mendoza. In these areas, there appeared to be less concentration, a more fragmented structure with more large, domestic bodegas, often family owned, shaping the industry. (Dinastia Vivanco, Muga, Luis Canas and David Moreno in La Rioja or Lopez, Bianchi and Zuccardi in Mendoza). There was little evidence of transnational or multi-national corporations, apart from Allied Lyons and then Pernod Ricard, which had a presence in La Rioja and in Mendoza. There was a higher degree of foreign ownership in Mendoza, but these firms had not had a major influence on the industry, although the effects of foreign investment in Argentina have not always been seen as beneficial (Basualdo, 2000 and 2006). However, over time the industry might consolidate as it did in 1920-1980 and dominant groups emerge.

As previously stated, the age of the bodegas - more specifically, when the current businesses had been established- was also analysed. (In the case of Benegas or El Cerno in Mendoza, the bodegas had originally been built around the turn of the twentieth century, and had only recently been recommissioned. The date of establishment was therefore when they were re-opened by the new owners.) The three classifications mentioned earlier (pre 1920, 1920-1980 and since 1980) reflect the key periods in the development of the wine industry in La Rioja and Mendoza. Although wine had been produced in both areas for centuries, the second half of the nineteenth century and the first decade of the twentieth century saw the birth of their present day wine industries. It was a boom time for both areas, brought about partly by the arrival of the railways. Rapid economic growth and expansion in Argentina with mass immigration primarily from Italy and Spain increased the demand for wine. The problems with phylloxera and oidium, which devastated the vineyards in France (Unwin, 1996; Penin, 1996) led to the development of La Rioja's vineyard as a source of must and then of wine for the Bordeaux merchants (Penin, 1996). In total, a third of the sample, seventeen bodegas, were established before 1920. All of these were originally family businesses, but only five continued to be managed and owned by family interests; nine were managed independently on behalf of their owners and

three had been acquired by foreign interests, so that a tenth of the sample was established before 1920 and still owned and managed by the founding family.

Table 6.4 When the bodegas were established, by their size

	Before 1920	1920-1980	Since 1980	Total
Mendoza				
~Large	7	5	4	16
~Small	1	-	7	8
La Rioja				
~Large	7	4	1	12
~Small	2	1	11	14
Total	17	10	23	50

Source: Field interviews

The period between 1920 and 1980, with economic recession, military rule and political and economic repression, was a difficult time for both Argentina and Spain; (Lewis, 2000; Luna, 2004). Therefore not surprisingly only ten bodegas, a fifth of the sample, were established during this period. Of these nine, two in Mendoza were foreign owned: Chandon, established by Moet et Chandon in the 1960s and Flichman in the 1920s, but recently acquired by Sogrape of Portugal. Allied Domecq in La Rioja was established in 1973. The rest were still managed by the families that owned them. None were independently managed on behalf of their owners and most had been established after 1960.

The period since 1980, when “new world” wines appeared on the world’s markets, saw trade liberalised and the globalisation of the wine market. Argentina and Spain adopted neoliberal economic policies on their return to democratic government and joined free trade groups or custom unions (Mercosur and the EU). Consequently, with renewed interest and investment in the wine industry, nearly half of the sample, twenty three bodegas, was established. Two thirds of these were family businesses,

emphasizing the dominance of family ownership and management and most were small compared to those established earlier.

In La Rioja, of the twenty six bodegas included in the survey, twelve produced over a million bottles of wine a year and were therefore classified as large. Fourteen were small. Seven of the twelve large bodegas were established before 1920 and eleven of the fourteen small bodegas were established after 1980. Interestingly, four of the other five large bodegas were established at about the same time (Muga, 1968, Luis Canas, 1970, Allied Domecq, 1973 and David Moreno, 1981) and ten of the smaller bodegas were established after 1985. In fact, sixteen or two thirds of the bodegas were established after 1968, of which all but one, the Anglo-Spanish joint venture Allied Domecq, were established by local entrepreneurs. Only four of the twelve larger bodegas were run by their founding families and six of the fourteen smaller bodegas were family owned and managed.

In Mendoza the situation was quite different. Sixteen of the twenty four bodegas produced over a million bottles a year, classifying them as large. Only seven of these were still run by the founding families. Of the others, five were foreign owned. Seven were established in the 1880s and 1890s, five between 1920 and 1980 (two in the 1920s and the other three in 1963, 1968 and 1973) and four after 1980. Of these last four only one was Argentinean (Catena), the others had been established by foreign companies (Salentein, Septima and Tapiz). All the smaller bodegas were associated with particular families managing them with the exception of Ruca Malen which had been founded by a group of investors led by Jean-Pierre Thibald, ex President of Chandon in Argentina.

In Mendoza and La Rioja the larger bodegas were slightly more likely to be run by an independent management team than a family, though in La Rioja there were proportionally fewer large bodegas. The smaller bodegas were normally run by the families owning them in Mendoza (58%), but by independent management teams in La Rioja (54%).

In both areas the bodegas were mainly established in the last decades of the nineteenth century and since the mid 1960s. But 1985 onwards has seen a rapid increase in their

number. There was only anecdotal evidence from the field and in depth interviews in Mendoza and a limited amount of information from the INV, but in La Rioja there was more statistical proof. The information on the number of bodegas from the INV was only available for Argentina as a whole and for a limited period. Between 2001 and 2005 the number of registered bodegas increased from 824 to 900 and those elaborating or making wine increased from 577 to 682. As Mendoza accounts for 70-75% of the industry, these figures can be taken as being representative of the area. In La Rioja, the number of bodegas aging wine in casks increased by from 103 in 1990 to 375 in 2010 whilst the number of all bodegas - including wine merchants, growers and cooperatives - increased from 310 to 572 (DOC La Rioja, Annual Report, 2010). That is to say that there was a dramatic increase in the proportion of bodegas aging wine although the information for Mendoza is not as comprehensive there was a greater increase in the bodegas producing quality, aged wine. It shows how the industry was expanding when international consumption trends and world demand were at best static.

It is difficult to say how representative this sample was in terms of the bodegas open to the public. However, it was logical that relatively few bodegas would have been established between 1920 and 1980 because of the political and economic situation. A high level of growth took place before 1920 when the wine industry was becoming established in Mendoza and La Rioja and during its renaissance after 1980. The sample possibly underestimated the importance of the bodegas established since 1980. In La Rioja between 1990 and 2010 273 bodegas were established this was 43% of the total in 2010 (DOC La Rioja, Annual Report, 2010) whereas in the sample, a similar proportion, 46% were established between 1980 and 2005 in La Rioja and in Mendoza. The 17:10:23 split, was perhaps skewed towards the 1920-80 period, with the post 1980 period under represented. As those established before 1980 tended to be large bodegas (23 out of the 27) and those after 1980 small, (18 out of 23) it could be argued that too much emphasis was placed on the larger ones. However, they may be the ones most likely to be open to the public; particularly in areas that were only beginning to embrace wine tourism. The literature on more established areas for wine tourism puts great stress on the importance of wine tourism to the smaller ones. Some of the literature implies that the majority of the smaller bodegas were open to wine tourists (Dodd, 1995; Hall et al 1997; Hall, 2004) though this seems to be contested

by others (Beverland, 1998). However, over time the proportion of small bodegas may increase.

Table 6.5 Ownership/management matrix

	Family	Corporate
Before 1920	Large bodegas Owned and managed by founding family	Large bodegas. Acquired by domestic or foreign interests (Mendoza), or owned by a group of investors (La Rioja). Managed by professionals (Escorihuela, Bilbainas).
1920-1980	Large bodegas. Owned and managed by founding family, (Zuccardi, Dinastia Vivanco).	Large bodegas re-established by domestic and foreign interests (Chandon, Domecq). Managed by professionals.
Since 1980	Small bodegas. Owner/managers previously vineyard owners or industry professionals, (Benegas, Puelles).	Large bodegas as above, (Finca Valpiedra, Tapiz). Small bodegas established with equity finance by industry professionals (Ruca Malen, La Encima).

Source: Face to face and case study interviews

The ownership structure of the bodegas in the survey can be characterised as primarily;

family owned and managed bodegas, both large and small, but with a slightly higher proportion in Mendoza (see Table 6.2), of which

a third of the bodegas, established before 1920, were still owned and managed by the founding families, of the others, a number were managed by industry professionals and some had brought in new shareholders (La Rioja) or had been acquired by either domestic or foreign interests (Mendoza) (see Table 6.3) and

more than half were large bodegas that had been established before 1980 with a relatively even split between family and corporate ownership (see Tables 6.2 and 6.4), whilst the smaller bodegas were mainly family owned and established since 1980 (see Tables 6.2 and 6.4) though some were equity partnerships involving industry professionals.

The relatively low proportion of small bodegas open to the public, compared to the total, indicated that wine tourism was relatively new in both wine areas, which had not benefited from developments such as official wine routes, into which the smaller bodegas could link (see section 7.11).

There was also more foreign ownership in Mendoza and these bodegas tended to be large; approximately a half had been established after 1960 on green field sites and the other established before 1920 had been acquired (see Tables 6.2 and 6.3).

This gave rise to a complicated ownership structure which it is difficult to generalise (see above), but Table 6.5 attempts to categorize the bodegas in Mendoza and La Rioja by their type of ownership and management and when they were established

The case studies were selected to represent the main categories of this rather complex mix. Not all the combinations could be represented. Unfortunately, there were no foreign owned bodegas. None were prepared to cooperate. However, it is assumed that they would have behaved in a similar way to the bodegas bought by local or domestic wine groups and managed by corporate/professional management teams (Bilbainas and Escorihuela). The case studies are listed below in Table 6.6 using the same matrix criteria as in Table 6.5, that is family or corporate ownership and management and when they were established, incorporating relevant nuances, so that the list includes small bodegas established by vineyard owners or industry professionals with equity partners and bodegas that had been acquired or family

owned that were run by professional management teams, to try and ensure that the case studies were as representative as possible (see sections 2.4.1 and 2.4.2).

Table 6.6 Bodegas selected as case studies in Mendoza and La Rioja

	Established	Mendoza	La Rioja
Family			
-Large	1920-1980	Zuccardi	Dinastia Vivanco
-Small	since 1980	Benegas	Puelles
Family owned with corporate management.	since 1980	Tapiz	Finca Valpiedra
Corporate			
-Large	before 1920	Escorihuela	Bilbainas
-Small	since 1980	Ruca Malen	La Encima

This section has sought to demonstrate how neoliberalism has affected the wine industries of Mendoza and La Rioja and in particular how it has affected the growth in the number of bodegas and their ownership and management. The most significant finding is that the growth in the number of bodegas since 1980 has been mainly due to small bodegas leading to a fragmentation in the industry structure which in post productive terms can be described as a dispersal of production partly due to structural diversification (Ilbery and Bowler, 1998; Evans et al 2002). Foreign direct investment has also played a part particularly in Mendoza.

6.3 The popularity of family bodegas with visitors

Visitors appeared to prefer family owned and managed bodegas. These received two thirds of visitors in Mendoza and La Rioja (67% and 66% respectively), but accounted for only just over half of the bodegas surveyed (see Table 6.7). They outperformed the corporate and foreign owned bodegas as Table 6.8 illustrates.

The proportion of visitors the family bodegas received in Mendoza and La Rioja was roughly the same, even though the relative sizes of their bodegas were different. In Mendoza, according to the Bodegas de Argentina in their survey for 2004, there were 354,000 visits to their sixteen member bodegas, an average per bodega of 22,125. In La Rioja, the fifteen bodegas which provided figures for visitors in 2005 totaled 223,000, an average of 14,867 visitors per bodega. The overall results were not that different, but as the figures for Mendoza had been audited by Bodegas de Argentina their numbers were more reliable.

The spread was very wide in Mendoza and La Rioja, from Bianchi with over 89,000 and Dinastia Vivanco with 110,000 to Benegas with 240, and less than 1,000 at Castillo de Cuzcurrita. The high averages for family bodegas were undoubtedly skewed by the number of visitors to the extremely successful bodegas such as Bianchi and Dinastia Vivanco, but the figures can be looked at in greater detail for individual bodegas, at least in Mendoza, where the data was more reliable.

Table 6.7 The average number of visitors to the bodegas, by their type of ownership/management

	Family	Corporate	Foreign	Overall
Mendoza (16)	29184	19731	14966	22125
La Rioja (15)	25000	8700	7000	14867

Source: Mendoza-Bodegas de Argentina survey for 2004.

La Rioja-estimates from field interviews in 2005.

Bianchi was a family bodega in San Raphael, the southern oasis. It claimed to be Argentina's most popular and its largest producer of sparkling wine. Its products were mainly sold through supermarkets. Despite being a three hour drive south of Mendoza, it received the largest number of visitors, 89,005. The next highest was La Rural, with 50,169, which was within easy reach of Mendoza in Maipu and it had a

famous wine museum. Although not family owned, having been acquired by Catena, its Ruttini wines were well known and popular throughout Argentina.

Table 6.8 The number of visitors by the size of the bodegas

	Vineyards* (% total)	Production capacity (% total)	Number of visitors (% total)
Large			
~Mendoza	95%	96%	91%
~La Rioja	85%	87%	87%
Small			
~Mendoza	5%	4%	9%
~La Rioja	15%	13%	13%
Family			
~Mendoza	55%	49%	66%
~La Rioja	28%	29%	67%
Corporate			
~Mendoza	12%	16%	17%
~La Rioja	64%	59%	23%
Foreign			
~Mendoza	34%	35%	17%
~La Rioja	8%	12%	10%

Source: Field interviews, *Vinas, Bodegas y Vinos 2005*, *Guia Completa de los Vinos de La Rioja, 2004*. *Total area cultivated

In comparing the case studies in 2005, Benegas, which had only just opened had received the least, 240 visitors; Zuccardi received 30,500, Ruca Malen 1500 and Tapiz 717. Escorihuela had not taken part in Bodegas de Argentina's 2004 survey. When the five case studies were revisited in 2007, it was obvious that at Zuccardi and Ruca Malen the number of visitors had substantially increased. In fact, both claimed that the numbers had trebled. Given the level of activity at these bodegas this seemed credible, but it could only be corroborated by Bodegas de Argentina for Ruca Malen,

whose visitor numbers had increased from 1500 in 2004 to 5339 in 2006 (Zuccardi had left Bodegas de Argentina and established its own association).

The results for the others were disappointing by comparison. Benegas received fewer visitors in 2006, 180 compared to 240 in 2004. Tapiz increased from 717 to 1136. Escorihuela with 6086 visitors in 2005 had only 2880 in 2006; though I was told that this was because the bodega had been closed for part of the year whilst refurbishment work was being done.

These observations raised two questions: why were family bodegas, such as Bianchi and Zuccardi more popular, given that the wines of other bodegas, such as La Rural or Escorihuela, were equally well known locally, and why should the popularity of start ups such as Ruca Malen and Benegas differ?

There are two possible sets of explanations. Firstly, a significant point made by Jose Zuccardi and Carmen Benegas, echoed by Arturo Angulo of Dinastia Vivanco and Jesus Puelles. This was that these family bodegas wanted to give their visitors an experience they would not forget, that they would take home and tell their friends about. It was about building a brand based on an association with the family, directly with the consumer. Jose Zuccardi wanted to continue his fathers' innovative approach. He wanted it to be reflected in everything the bodega did, including the visitor experience. Carmen Benegas wanted to tell the family's story, it was a personal approach. Benegas' wines were named after family members and the labeling stressed the family association. This family pride was also demonstrated at Dinastia Vivanco with its foundation/museum for Pedro Vivanco's collection and at Puelles hotel. The family bodegas reflect the owners' personality and form a direct personal link with their visitors, (their references to visitors rather than tourists also show the personal nature of the relationship), whilst the corporate and foreign bodegas adopted a more formulaic approach.

However, another explanation partly explains the difference between Ruca Malen and Benegas. This was that perhaps the number of visitors did not count for everything. Caroline Fuller at Tapiz made the point that bodegas like Zuccardi could handle the mass tourism; rather like Bianchi or Dinastia Vivanco in La Rioja (Arturo Angulo

said that Dinastia Vivanco was receiving up to 1200 visitors a day at weekends). Tapiz wanted to be more selective. Caroline Fuller wanted visitors who were wine enthusiasts not casual tourists. In 2007 she had just entertained a number of international wine journalists from the USA and the UK to raise Tapir's profile. Escorihuela had a similar attitude. Ricardo Gonzalez Villanueva wanted to establish a relationship with the four and five star hotels in Mendoza like the Hyatt, to attract the wine enthusiast who would then become a loyal customer. Malman's restaurant fitted in with this approach. It was a targeted approach to promote quality wines to an international market, rather than a mass market appeal to domestic customers.

These two points of view, establishing a direct relationship with the visitor to turn them into a loyal, long term customer and a targeted approach which associates the promotion of quality wines to an international market, are the two main themes of this study on wine tourism. Benegas would probably have had more visitors if they had had the resources. Ruca Malen, because of the background of the management at Chandon, appreciated the benefits of wine tourism and had been able to find a formula which was profitable to them and which they could develop.

Ownership was therefore important, more important than their size (see Table 6.8), though it was noticeable that the bodegas with the largest visitor numbers were family owned and founded 1920-1980 with established domestic reputations, whereas the more recently founded bodegas had a more targeted approach aimed at the international market. It is interesting to note that where there is corporate capital involved either with foreign direct investment or with equity partnerships the approach to wine tourism has been more cautious, in some cases following a set formula, and has attracted fewer visitors. The most imaginative and innovative have been the family bodegas prompted by neoliberalism (Moran et al, 2000) and more keen to embrace pluri-activity in all its forms (Ilbery and Bowler, 1998)

6.4 Visitor's access to the bodegas

The visitors to the bodegas in Mendoza and La Rioja were either domestic or international visitors that were either wine enthusiasts, that is they were interested in wine or just had a casual interest. In Mendoza, bodegas such as Escorihuela worked

with the four and five star hotels to attract the foreign tourists who were wine enthusiasts. This was also the intention of Benegas and Ruca Malen, after all the USA and UK accounted for half of Mendoza's wine exports (Azpiazu and Basualdo, 2003). Ann-Maria Burger, the guide at Catena, said in 2005 that the number of tours in English had increased to over half of the total, indicating that wine tourism was becoming more international, however increasing numbers of Argentinians were taking their holidays in Argentina due to the weakness of the peso. The bodegas that were open for lunch also attracted locals and Ruca Malen was thinking about opening for meals in the evening. Most visitors tended to be middle aged, but there were some younger ones, mainly foreigners, attracted primarily by the adventure holidays in the Andes and who spent a few days touring the bodegas at the beginning or normally at the end of their stay.

In La Rioja the situation was different. There were organized tours from the industrial towns of Pais Vasco, less than an hour's drive away and from further away from Madrid or Barcelona. Consequently, the popular bodegas received a relatively high number of organized tours of Spanish visitors, primarily at the weekends. However, as in Mendoza, the bodegas appeared to offer as many tours in English as in Spanish. The international visitors were often either touring Spain or traveling to or from their holiday homes further south. These also tended to be middle aged. There was no evidence of the younger contingent.

International visitors were important for different reasons. In La Rioja they accounted for a high proportion of direct sales and had for instance been one of the major building blocks of Puelles' business. In Mendoza direct sales were not as important as tourists from North America or Europe could not take the wine home with them and the bodegas did not offer to ship it for them so they concentrated on promoting their wines. Foreign markets were however important for both Mendoza and La Rioja, mitigating the effect of declining domestic sales and a major outlet for the better quality fine wines. As a result the bodegas concentrated on the wine enthusiasts, who tended to be more affluent and middle aged.

In some cases the companies owned more than one bodega. For instance in Mendoza Tapiz and Nieto Sentenier owned two; one built at the turn of the nineteenth century

and another since 1980. At Tapiz the older bodega was no longer in use; all production had been moved to the new one and the original bodega was now part of the new one's tourist activities and only open to guests. Guided tours for the general public were available at the new bodega only. At Nieto Sentenier the older bodega was used to produce the company's better wines and was open to the public, whilst the newer bodega was not. This was the general pattern. If a bodega owned more than one premises, typically the older, more attractive one or the one producing the better wines would be open to the public. Salentein, for example established in 2000, had built two bodegas, but only La Pampa where the better wines were produced was open to the public. It was also the one nearest to the visitor centre.

In La Rioja, there was a similar pattern. Cosme Palacio had converted its older bodega into a hotel and restaurant open to guests, but guided tours were in the newer adjacent working bodega. Finca Valpiedra was the only one of the three bodegas owned by Martinez Bujanda in La Rioja that was open to the public. As Pedro Lyon, the Sales Director of Martinez Bujanda responsible for Finca Valpiedra explained, Finca Valpiedra had been built as a showpiece where the company could entertain and impress its clients. Parts of it were also open to the general public. The other bodegas in Oyon, including the refurbished original bodega built at the turn of the century were not, primarily because of their location and the general unattractiveness of the area.

In both La Rioja and Mendoza two thirds of visitors came in the summer or at harvest time in the autumn. This presented something of a problem. Bodegas are fairly inactive for most of the year. The wine is maturing in the casks, occasionally being transferred from one barrica to another. At harvest time when the grapes are processed into wine and fermented there is a lot of activity. Lorries arrive with the grapes which are tipped into destalking machines, the grapes are crushed and fermented, wine is transferred between different vats and into casks and the matured wines are bottled. Though this is interesting for the visitors, it can be hazardous and inconvenient for the production staff. Claudia Ortiz at Lopez in Mendoza, said that visitors, particularly the parties of school children that they received almost every day, should not have access at harvest time. Jean-Pierre Thibald at Ruca Malen, while appreciating the value of wine tourism, had accepted the advice of his new head of production to avoid

taking visitors into the production areas when they were busy. The bodega at the time was not only handling the harvest, it had also just completed a doubling of its production capacity. The production manager's priority was production not tourism and visitors only got in the way, hindering work. Fortunately for Ruca Malen they had been able to reorganize their lunches so that they began with the wine tasting in their outside pavilion before lunchtime. By then few people wanted to walk around the bodega.

Even those bodegas most committed to wine tourism do not allow open access to all their properties and are conscious of the disruptive aspects of wine tourism. They are aware that there is an opportunity cost to wine tourism in addition to the cost of visitor facilities, guides and sales staff (Beverland, 1998; Fraser and Alonso, 2006). The benefits from this form of pluri-activity (Ilbery and Bowler, 1998) are carefully weighed against all the costs involved, the bodegas adoption and involvement in wine tourism is not unconditional.

6.5 Rationale for wine tourism

“Why do bodegas open their doors to visitors?” or “What are the benefits to having tourists in your bodega?” These seem reasonable questions to ask, but I wanted to know why bodegas might in fact not want to receive visitors. Two of the bodegas included in the Mendoza survey, Andean and Huarpe, were not open to the public and only received trade visitors. Andean was prepared to consider accepting tourist visitors having heard that others were involved in wine tourism, but were concerned that it might not be appropriate for them as wine makers. Huarpe was more decisive. They sold to the trade and were not prepared to invest in the necessary facilities or time for wine tourists; it would only divert them from the task of producing wine. Huarpe and Andean too saw an opportunity cost as well as a financial cost to wine tourism which could not be justified (Beverland, 1998; Fraser and Alonso, 2006).

However, a number of bodegas seem to have decided that the cost of the necessary facilities and staff for wine tourism could be justified. The interviewees in the field interviews were asked to indicate values of: 1 - not important, 2 - important or 3 - very important, for eight possible reasons for doing wine tourism. These reasons

included: promoting the bodega's brand or specific products, understanding the consumer's preferred tastes or desires, developing and testing new products, promoting the bodega's distributors, attracting visitors to the area and finally selling wine to the tourists. Apart from the two bodegas not open to the public, three declined to answer this part of the questionnaire. The forty five bodegas returning answers produced a Likert scale with a maximum score of 135.

The rationale for wine tourism are listed below in their order of importance. The overwhelming reasons for wine tourism are the commercial benefits for the bodegas; promoting their wines to their potential customers of which foreigners were becoming increasingly important, reflecting the international aspect of the market and the trend to fine wines-a combination of neoliberal free trade and a post productive trend to quality, wine tourism as a form of pluri-activity was only significant for the smaller bodegas (Ilbery and Bowler, 1998; Evans et al, 2002). In fact these three components were highly interdependent; wine tourism, international sales and fine wines.

6.6 The relative importance of brands and products-“bodega pride”.

The top two reasons with almost maximum scores of 131 and 128 were to promote brands and specific products. However, there was an interesting twist. The family bodegas ranked the promotion of their brand ahead of promoting specific products whilst the corporate bodegas ranked them the other way round. The greater importance of the strong association of brand name with a family became clearer with the in depth interviews (referred to earlier -see section 6.3). This association extended to the family bodegas' whole approach to wine tourism and was perhaps why tourists preferred to visit them.

Jose Zuccardi wanted his visitors to have a favourable impression of his bodega, to have a memorable experience that they would remember when they went home. If a visit could do that he argued, the visitors would drink his wine and become loyal customers. He took great personal pride in his bodega and wanted visitors to know that Zuccardi stood for innovation, quality and service. This personal association extended to his brands. Zuccardi's main brand in Argentina was Santa Julia, Julia being the name of his daughter and youngest child. She had worked and trained in the

hospitality sector in London and was going to take over the Zuccardi tourist activities. This family association was also found at Benegas. Carmen Benegas argued that visitors do not want to know about “elaboration” (making) wine, they want a unique experience to take home and tell their friends about. She too wanted her visitors to associate their memories of the bodega with her family. The bodega was also their home, so her husband, the winemaker, would meet the visitors. There was a range of wines named after her children and members of the family; even the brand that Benegas sells in the UK, “Don Tiburcio”, is named after the owners’ forebear, the founder of Trapiche. This personal touch was evident inside the bodega. In the public areas, Federico Benegas had hung his collection of ponchos; he was one of three major collectors in Argentina and a definitive published work on ponchos featuring his collection was on display.

Also important was the image of the bodega. Puelles had refurbished his bodega in the style of a Bordeaux “château” surrounded by its own vineyards, producing high quality estate bottled wines. He had drawn on local culture by basing the design on the Marques de Navarro’s palace in Abalos. The same idea lay behind the development of Finca Valpiedra, an exclusive image based on being a pago, the Spanish equivalent of an estate bottling wines produced exclusively from surrounding vineyards. Torre de Ona was another example centred on a country house, was a pago exclusively for members of its wine club. This represented the latest trends in winemaking activities (Mora, 2006; Lapsley and Moulton, 2001).

Pride in the family and the bodega continued at Dinastia Vivanco where the visitor centre was in fact part of a foundation/museum to house Pedro Vivanco’s personal collection. This not only represented the bodega’s sophistication, but also its commercial success.

In all these instances the brand was the family and the owners of the bodegas therefore took a lot of personal pride in it. The brand, bodega, family and what they wanted to convey to visitors were all inter linked and so it is easy to understand why the family bodegas put their brand before specific products as opposed to the corporate bodegas putting specific products before their brand.

6.7 Understanding the customer and developing new products

Understanding consumer desires and his preferences or tastes had similar scores of 120 and 119 respectively and ranked third and fourth overall. It could be argued that they were very similar, but the results changed if family and corporate or large and small bodegas were considered. Family bodegas in La Rioja ranked them equal third, whereas the corporate bodegas ranked consumer tastes fifth after direct sales. Large bodegas ranked understanding what the consumer wanted equal first with brands, whereas the small ones ranked understanding what the consumer wanted fourth after direct sales and consumer tastes sixth, ahead of developing new products and attracting visitors. So large bodegas ranked understanding the consumer higher than small bodegas to whom direct sales were more important and all groups with the exception of family bodegas were less interested in consumers' tastes than they were in understanding consumers. However, no systematic attempt was observed during any of the wine tastings to assess what the consumers wanted or which tastes they preferred and no attempt to use the wine tastings to test market any products. It rather indicated that lip service was being paid to understanding the customer and his tastes.

Given the comments above it was not surprising that new product development scored only 83, meaning that its average individual score was less than 2 and not considered to be important, which rather conflicts with the scores and high rankings for understanding the customer and his tastes. New product development should go hand in hand with understanding the customer, but the bodegas seemed to feel that understanding the customer was enough. With this they felt that they could then go ahead and produce a product that would sell and as wine tastings were rarely used to gauge consumers' reactions, it indicated a "we know best" mentality.

6.8 Changes in the supply chain

Distribution scored 93, reasonable for an important aspect of marketing that is often neglected. That might be because it was particularly relevant for the smaller bodegas. In La Rioja it ranked equal fourth for the smaller ones but was ranked sixth by the larger ones whether they were family or independently run. It was ranked more highly

in Mendoza, probably because of the distance of Mendoza from its main domestic market in Buenos Aires.

Ricardo Casado at La Encima in La Rioja gave distribution as the main reason for his interest in tourism. La Encima a small bodega, had a production capacity of three hundred thousand bottles a year, but only produced one hundred and sixty thousand in 2006. It was difficult to distribute their wines through the wholesale trade.

Wholesalers preferred to stock and distribute the well known brands and popular products for which there was an established demand. In order to stock and try to sell La Encima's Tobelos, Casado said that he would have to give the distributor an additional discount, reducing his margin. He said that even if he were prepared to supply heavily discounted wine, distributors were still reluctant to stock an unknown brand/product. Therefore he had had to find others means of distribution. He supplied own label Rioja to Fortnum and Masons in London, the contract having been obtained through an agent in the UK who Casado had met when working for a previous employer in Logrono. However, although the order provided volume it did not have a particularly good margin. Wine tourism gave him an alternative source of distribution at a higher margin. Ricardo Casado realized that direct sales were critical if La Encima was going to survive and prosper. In 2006 La Encima had only just started production, whilst Puelles had been making wine since 1885, but they both understood the link between distribution and direct sales and the internet. Puelles provided an example of how a small bodega can use wine tourism not only as an alternative way of distributing or selling wine, but also of how a business can be built and financed through it. This is explained in greater detail below in section 7.6 - Direct wine sales. Direct sales had become Puelles' major channel of distribution. One Swiss visitor had even become his distributor in Switzerland and took 15% of his output. Some might argue that this led to too a high of level of direct sales (Dodd, 1995), but it was a way of selling that could be extended to trade customers and confronted by the market power that traditional wholesalers had, the options for the smaller bodegas were limited.

The role of the internet was also critical. This was discussed in section 4.11, but it is worth referring here to how the internet in combination with parcel delivery services can be a viable means of distribution for the smaller producers with the example of

Abel Mendoza. Located in San Vicente in La Rioja, he produced 60-70 thousand bottles of wine a year. He sold direct mainly to hotels and restaurants, using the internet and a parcel delivery service. In this way he was able to provide an overnight delivery service to his trade customers, allowing them to run their businesses on lower stock levels without the margin taken by the traditional wholesale distributors. This form of distribution, selling direct via the internet with a parcel delivery service, could be a viable alternative favouring the smaller producers.

6.9 Direct wine sales for short term gain and as a long term strategy

The ability to sell direct scored 100, it was ranked fifth overall out of eight after promoting brands and products and understanding consumer wants and preferences. This is perhaps surprising given the emphasis on cellar door or direct sales in the literature (Dodd, 1995; Carlsen, 2004). Most bodegas were neither aware of their value of direct sales nor their proportion of total sales, particularly in Mendoza, where only four bodegas gave estimates of direct sales. They varied from 30,000 pesos a year at ROCA to 8,000 and 70,000 a month at Ruca Malen and Nieto Senetiner. La Rural was the only bodega to refer to its sales' records giving a figure of 17 pesos per visitor, equating to 900,000 pesos a year. As La Rural had a production capacity of 11 million litres a year, this would have amounted to less than 1% of sales.

In Rioja, fourteen bodegas said either that direct sales were negligible or less than 10% of sales (one CVNE gave an exact figure of 97,000 euros a year, again less than 1% of sales). Only three bodegas gave estimates higher than 10% and these were distorted because they probably included the sales through their wine clubs. Puelles was by far the highest at 85%. Solona another small bodega said 20% and David Moreno, producing one and a half million bottles a year and running an active wine (or barrica) club said 19%.

Of the other case studies, only Ruca Malen said that direct sales were of any significance - 11% of total sales in 2007 compared to a negligible level in 2005. This increased level of direct sales was creating friction with local vinotecnicas, as the sales were to locals rather than to tourists occasionally buying a bottle as a gift or memento. Jean-Pierre Thibald was not going to stop direct sales to locals, arguing that

the margin on direct sales was so high, that it compensated for any problems with the retail trade. Revenues and mark ups from direct sales were twice that to the wholesale trade. However, he did not think that Ruca Malen would be able to supply customers direct throughout Argentina or beyond, in these areas he would have to rely on his agents.

Direct sales ranked equal seventh in Mendoza and equal fourth in La Rioja where I think perhaps the bodegas benefited from the proximity of tourist routes as well as from their closeness to the industrial towns of Pais Vasco - Bilbao, San Sebastian, Santander and Vitoria - just an hour or two away by car. La Rioja was also on the route from the coastal ports of Bilbao and Santander to the tourist destinations of southern Spain. The bodegas attracted holiday makers and foreigners with second homes, buying their wine either going south or returning home. It was not uncommon to meet foreign tourists trying to decide which wines to buy and those returning to England were very conscious of the excise limit of six cases or seventy two bottles. Some bodegas in Mendoza, such as Ruca Malen situated on the main route to Chile, also benefited from tourists passing to or from Santiago de Chile, but perhaps not to the same extent as in La Rioja, besides which, Chile was itself a major producer of similar wines and Mendoza did not experience the annual tourist migrations common in La Rioja.

In La Rioja direct sales came third for the smaller bodegas compared to fifth for the larger bodegas. Their importance for the smaller firms was stressed in the literature, but on the whole, with the exception of Puelles, the proportion of direct sales was less in La Rioja and Mendoza (even for the small bodegas) than indicated by surveys reported in the literature (Dodd, 1995). This is consistent with the evidence that the bodegas, both large and small, were generally more interested in promoting their brands to the export markets than the local market. This was supported by Salentien and Septima explaining that 70% and 80% of their production was exported and direct sales were not of any consequence. Both bodegas along with others in Mendoza confirmed that direct sales were primarily of mementos or gifts. Direct sales were given a higher ranking in La Rioja, particularly for the small bodegas, but only Puelles exceeded the 50-60% of total sales recorded in some surveys, (Dodd, 1995).

La Encima said it wanted to develop these sales as a way of achieving distribution, but in 2006 its direct sales were only 5% of the total.

Direct sales in the literature implied sales of fine wines, but it can of course include table wines. Definitions can vary too. In Mendoza, a number of instances occurred in the larger bodegas of Lopez, Escorihuela and Norton which are worth mentioning. They all illustrate the particular nature of direct sales in Mendoza. In 2005, during a visit to Lopez, Claudia Ortiz who was responsible for wine tourism, was serving a customer who had come into the bodega's shop which was also a café and wine tasting area. The customer was apparently on holiday with his family and was filling the boot of his car with cases of wine. I was told afterwards that this was extremely rare, most people even Argentines, only bought a bottle or two after their visit as a memento or gift. This man had bought a selection of Lopez's fine wines. Selling the better quality wines in such quantity created something of a problem. By contrast in La Rioja, the bodegas were used to tourists buying as much wine as they could get into the boots of their cars.

Two more examples concern the lower end of the market and apply a different interpretation to direct sales. In 2007 in the shop at Escorihuela, I was asked if I would not mind waiting whilst they served an elderly gentleman. He required a trolley to take away the six or eight cases of wine he had bought and which had been brought out of a backroom. He got change from a 100 peso note, worth approximately £20 yet the wines I could see in the shop were at least 20 pesos a bottle! The guide apologized, saying that elderly locals still came to the bodega for their table wine. She said that the bodega had to sell the wine, although they would prefer not to, feeling that it gave the wrong impression to visitors. It was not consistent with the quality image they were keen to establish.

In 2005, outside the Norton bodega I noticed a car driver filling plastic containers from a tap or hose pipe. I was later told that this was where the local people got their table wine. When I returned in 2007 the outside of the bodega had been refashioned as part of a general refurbishment programme that had included a new visitor centre and tasting area. The tap/hosepipe for the locals to fill up their plastic containers with

table wine had gone. There was no evidence to suggest that table wines were available in La Rioja.

In Mendoza direct sales of wine in any quantity were rare except for table wines, but in the two years from 2005 to 2007 some of the bodegas had started to take wine tourism very seriously. By 2007, a number of them had extended and improved the visitor reception/shop/direct sales facilities, for example Catena, Norton and Salentien as well as the case studies Benegas, Ruca Malen and Zuccardi. The improved facilities at Catena were particularly interesting because Ann Maria Burger, the guide in 2005, had reported that Nicolas Catena, the owner, doubted the benefits of wine tourism, but by 2007, there were two assistants working in a purpose built tasting area/shop where the bodegas products with prices were on display. None of that had existed in 2005. The improvements at Norton, Salentien and Zuccardi were significant, although they were already committed to wine tourism. Although the finer wines might usually have been bought as mementos of the visit or as gifts, some bodegas such as Catena, Norton, Salentien and Zuccardi were gearing themselves for a much higher level of sales activity.

In summary, in Mendoza, logistics limited direct sales to the local market, whilst La Rioja benefited from its proximity to the Pais Vasco and its strategic position on Spain's holiday routes. Direct sales were more significant for the smaller bodegas, sometimes reaching what some observers have considered to be dangerous levels for the long term development of the firms (Dodd, 1995), but as smaller producers had no other accessible method of distribution, the internet with parcel services could be viable in the long term, yielding far higher margins than traditional methods of distribution and offering alternative ways of developing the consumer related business with wine and/or barrica clubs.

6.10 The added value of direct sales and development options

Direct sales can provide an alternative form of distribution, for this reason it was more important to smaller bodegas, particularly in La Rioja, such as La Encima and Puelles. In 2006, La Encima had not been able to generate a significant level of direct sales, but Puelles had been more successful. With direct sales at 85% of total sales, Puelles

demonstrated the degree to which a wine business could be based on tourism. The balance of Puelles' sales, and incidentally those of La Encima and other small bodegas, such as Abel Mendoza, was mainly to local hotels and restaurants, where the internet and parcel services could easily replace distribution through wholesalers.

Jesus Puelles' family had always grown vines and sold their grapes to winemakers. However, in the 1980s, he and his brother had decided to make their own wine and sell direct. Production on vineyards was regulated by the DOC La Rioja and normally limited to 6 tonnes per hectare. By producing 6 tonnes per hectare, for growing the grapes they would receive 6,000 euros (one euro per kilo). But by investing in making their own wine and selling it through a national distributor they would double their income to 12,000 euros, the additional income more than covering the cost of the investment in wine making. By selling direct however they could earn 30,000 euros. "The cost to grow grapes and harvest them is common to all, the cost to process, mature and bottle [the wine] is significant, but the cost to sell the wine direct is small, but requires different skills". He estimated that selling direct was two to three times more profitable than selling through a distributor and six to ten times more profitable than selling his grapes to a winemaker. Puelles admitted that he had even financed his business through visitors, by persuading them to buy barricas of wine. This provided the bodega with working capital, the initial payment paying for the barrel and the wine. It could mature for as long as his customers wanted. The final payment would be for labeling, bottling and delivery. Puelles said that half the bodega's 850 barricas had been financed in this way. In 2006, a "French" oak barrica cost 400 euros (currently 800 euros) and an "American" oak barrica was about half that, amounting to 100-150,000 euros of savings that could be invested elsewhere in the business, partly to improving production and partly to building the bodega's hotel with its café, shop and tasting areas.

So the benefit of direct sales and a "club de barricas" at Puelles was threefold, it increased his margins, provided working capital and investment funds.

6.11 Wine clubs and “clubs de barricas.”

Wine clubs and barrica clubs are closely related to direct wine sales. The higher ranking of direct sales in La Rioja compared to Mendoza was reflected in the higher number of well established clubs - invariably referred to as barrica clubs - in La Rioja where they were a common feature. In Mendoza they were not mentioned by any of the bodegas in any of the interviews. In fact the idea was rejected as impractical in the in depth interviews.

Firstly, I should define what is meant by a wine club. The references in the literature (Mitchell and Hall, 2001; Murphy, Ho and Chan, 2005; Teaff et al, 2005) do not explicitly define the term, but it appears to refer to a “club” run by the bodega which anyone can join, presumably for an annual fee, and for which they get a newsletter with information about the bodega and its products and offers and the ability to buy wine at a discount. It is a way of turning a casual visitor into a loyal customer. The wine clubs in La Rioja have this same objective but achieve it in a different way. Finca Valpiedra’s website provided a typical description of what a club member was entitled to, including: the possibility of storing a limited amount of wine, the customization of reserve wine, priority for quota allocations, tasting and dining events, privileged information regarding changes in vintages and stocks and direct home delivery of an extensive range of wines. The latter items would always normally be associated with a wine club, but here was also the chance to buy, store and customize the bodega’s wine.

A member of a wine club in La Rioja could also buy a barrica of wine, in the same way that in Scotland you can buy a barrel of whisky. You make a down payment when the wine is produced and put into its barrica. This covers the cost of the wine and the barrica. A further payment is due when the wine is bottled and labeled. The internet was used to keep in touch with their members as well as prospective customers and members qualified for specific offers and discounts. There were often special facilities for club members. At Rioja Alta there were sitting rooms and restaurants. Club members’ barricas were usually stored separately. The centrepiece of Dinastia Vivanco’s club cellar was the King of Spain’s barricas. At David Moreno where they were stored in a separate section of the cellars locked away behind iron

railings. There was a restaurant in the cellar for club members, but there were also wooden tables outside the iron railings so that members could picnic in the cellars and drink their own wine. A charge was made for the wine consumed as the barricas had to be refilled to prevent oxidation.

Torre de Ona, owned by the same group that owned Rioja Alta, was a bodega established in 1987 exclusively for club members. It had a mansion built from the local limestone in the Palladian style and looked like a country house in the Cotswolds. The mansion and its formal gardens of lavender were set in a sixty five hectare vineyard and members could either hire suites or the entire mansion. Many of the members were in fact companies and used the mansion to entertain clients and staff. The bodega produced wine only from its own grapes, so had the added prestige of being a pago. In 2006 there was a two year waiting list to become a member. The members were offered their own exclusive pago wine with their own corporate label to give as gifts to clients. The club removed the need for any other form of marketing or distribution.

There was no evidence during the 2005 or 2007 visits that bodegas in Mendoza operated similar wine clubs but in 2007, Vines, a specialist vinotecnica had opened. Vinotecnicas can be thought of as exclusive wine shops, a place where the better wines can be bought and where knowledgeable advice is given. They are more like the old fashioned family run wine merchants now disappearing from provincial markets towns in England. Vines had been set up by a group of Americans and Argentineans. It operated a wine club and would ship wine to North America or Europe. As a member of its club you would receive a selection of wines, normally six, each quarter. Every evening there were wine tastings. Vines was targeting the affluent wine enthusiast and was located opposite the Hyatt hotel where many of the wealthier American tourists would stay, particularly those that had come to Mendoza to sample its wines. In the reception, it provided information such as maps of the wine districts and the location of bodegas open to the public. Vines was also planning its own “real estate” development where you could buy a home within a vineyard, rather like you might buy a home on a golf course. .

It is difficult to explain the absence of wine clubs at the bodegas in Mendoza. It could have been a reliance on traditional methods of distribution and a reluctance to sell direct through the internet or by mail order. Jean-Pierre Thibald at Ruca Malen said in 2005 that because of Argentina's geography, the logistical problems of supplying individual customers made the product too expensive. The logistics argued in favour of bulk shipments to regional distributors. He said that the increase in Ruca Malen's direct sales was due entirely to local demand. Carmen Benegas said that processing individual orders and delivery would be expensive and could harm relationships with distributors and perhaps this last point was the most significant. All the bodegas relied to some extent on agents for distribution within Argentina and probably did not want to compete with their customers. If they started a wine club it would have to be available throughout the country, whereas direct sales would only be available locally.

6.12 Developing wine tourism for the benefit of the bodegas and the local community

Attracting more visitors, perhaps not surprisingly achieved the lowest score. All other reasons for being open to the public concerned the bodegas' wines, customers and consumers. The importance of the local community is described in the next chapter, but it needs to be recorded here that most bodegas ranked it last in the questionnaire.

It could also indicate that for most bodegas, wine tourism was a means to an end, existing principally to promote brands and products and help understand consumers' tastes and preferences. However, at some bodegas in La Rioja and at a number in Mendoza it was clearly becoming an end in itself, but not necessarily to the benefit of the local community.

Arturo Angulo, the General Manager of Dinastia Vivanco, said in his second interview in October 2006 that the success of the museum at their site in Briones had taken the company by surprise. They had been advised by outside consultants (Deloitte) that they would receive only a fraction of the number of visitors that had actually come within the first few months of its opening. As a result of this success Dinastia Vivanco were wondering whether they should proceed with plans to build a hotel. They were aware that Marques de Riscal had commissioned Frank Ghery

(designer of the Guggenheim Museum in Bilbao) to design a hotel for their bodega. This was just being completed and was due to open shortly afterwards in 2007. Marques de Riscal was certainly one of the strongest brands and most influential bodegas in La Rioja. Marques de Riscal, built in 1860, has been identified as one of the twelve greatest bodegas in Spain (Penin, 1996). It was referred to as “iconic” by Bodegas Domecq. If Dinastia Vivanco wanted to establish itself as a major brand in La Rioja it would have to compete head to head with Marques de Riscal.

However, Dinastia Vivanco was concerned about local opinion. Arturo Angulo said that they had been very careful to consult the local authorities over the development of the Briones site and the construction of the museum and that they would do the same again if they were to proceed with a hotel.

They were also at the time refurbishing Carlos Serres; a bodega recently acquired by Dinastia Vivanco in Haro. It was the oldest bodega in their group and a member of a prestigious club of bodegas that were more than a hundred years old. The intention was to open it to the general public. This raised the question of how these expanding tourist operations should be managed. Arturo Angulo said that running the tourist operations required a completely different set of skills from running the bodega where the commercial/sales and production responsibilities for Dinastia Vivanco were divided between the two sons of Pedro Vivanco. Arturo Angulo had played a part in drawing up the plans for the tourist facilities and had implemented the plans, but he acknowledged that as Director General he was not qualified to run the tourist operations, besides the expansion of the business meant that his responsibilities were becoming too diverse. Consequently, Dinastia Vivanco was planning to appoint a Chief Executive for the tourist operations with the intention to run tourism as a separate stand alone business, side by side with the bodegas. A similar situation appeared to be developing at Marques de Riscal. This trend was not new; Cosme Palacio had converted its old bodega into a hotel and restaurant when it built a new bodega in the 1980s. However, the scale was much greater. Marques de Riscal was planning upto a hundred rooms, where as normally the bodegas in the survey only had five or six rooms.

At Puelles, the two brothers had divided the sales and production responsibilities. Jesus, responsible for sales, had developed the tourist business and built a small hotel/café/visitor centre. Puelles was as much committed and involved in tourism as it was in wine making.

Jose Zuccardi said that the bodega might build a hotel and Carmen Benegas, was considering whether to convert disused outbuildings or build new accommodation for visitors. Tapiz had gone the furthest. It had already divided its business between tourism and wine making, with the tourism centred on its old, disused bodega with a restaurant and accommodation in its outbuildings and production at its new bodega set in its own vineyards with its own, complementary tourist facilities. A number of bodegas were extending tourism with exclusive accommodation and restaurants; as well as Tapiz; there were Salentein, Neito Senetiner and Carlos Pulenta. However, Ruca Malen had decided to concentrate on its unique lunch/wine tasting formula, working with hotels and other bodegas in the area to provide a package of activities. He did not intend to compete with the local amenities. This was the general pattern, bodegas developing their wine tourism in cooperation with the local community to their mutual benefit rather than develop their own independent package.

6.13 Admittance charges

In both La Rioja and Mendoza a visit to a bodega would always include a tour followed by a wine tasting. In La Rioja there was a charge at twenty of the twenty six bodegas in the sample. Typically it was a single charge, normally 3 euros (at 60% of the bodegas) but it could be as much as 6 euros. In some instances the bodega tour was free, but there was a charge to taste its wine (Castillo de Cuzcurrita and La Encima).

In Mendoza none of the bodegas visited in 2005 charged for the tour and wine tasting. The wine however would be from the bodega's least expensive range. One bodega (El Cerno) did have a notice giving their charges in pesos and US\$, but no charge was made if visitors bought wine.

If the visitor wanted to taste the better wines from the bodega's range, there would be an additional charge, the amount depending on the wines. Typically there would be a standard charge to taste the mid range wines and an individual charge for the best wines. This pattern appeared to be the same when the bodegas were revisited in 2007 although at Zuccardi, the bodega had introduced the opportunity to taste individual wines with a separate per glass charge. Norton and Catena had also enlarged their visitor areas for the same purpose. Ruca Malen had combined the tour, lunch and wine tasting. There was a single charge for lunch (75 pesos in 2007 up from 50 pesos in 2005) which included the wine tasting, after which visitors could have a tour. The bodega's wines would be served with the various courses, so that a range could be sampled with appropriate food during the meal.

6.14 Summary of findings and conclusions

This chapter has dealt with the main characteristics of the bodegas in terms of their age, size and ownership and why they opened their doors to tourists. This was in order to see if there were any specific relationships and/or differences between Mendoza and La Rioja and to compare or confirm the findings of the literature. It has been pointed out in the Methodology that as wine tourism was in an embryonic state in both areas, the sample in the questionnaire interviews sought to be illustrative rather than fully representative of the bodegas open to the public and did not make any attempt to represent a cross section of the industry. The face to face interviews verified the validity of the general trends and issues raised in the literature (see Chapter 5), segmented the ownership structure and identified case studies to allow the more in-depth interviews to investigate any relevant trends and issues of importance to them.

However, the survey provided further evidence to support the proposition that the wine industries in Mendoza and La Rioja as a result of neoliberal economic policies demonstrated a number of post productive characteristics; dispersed production through an increased number of mainly smaller bodegas, a trend to quality fine wines in an increasingly competitive international market and a varying degree of pluri-activity most notable in the smaller bodegas for whom direct sales were more important (Ilbery and Bowler, 1998; Evans et al, 2002). These factors have also led to

changes in the channels of distribution or supply chain, with bodegas (La Encima) using wine tourism and direct sales as a way by passing traditional wholesalers (Le Heron, 2005).

It is difficult to say how representative the sample was of the bodegas open to the public. It may have been underweight in terms of the numbers of small bodegas, established since 1980. However, we know from the Bodegas de Argentina and from WineMap that the sample represented the bodegas open to the public in Mendoza where there was a greater tendency for larger rather than smaller bodegas to be open to visitors. After all, they were more established and had more marketing experience. They also had the stronger brands to attract the public and a more extensive distribution and so were in a better position to profit from being open. Wine tourism was also just beginning in both wine areas and wine routes were established, but when they are, the level of participation by the smaller bodegas should increase.

There was a significant difference between the amount of land owned by the bodegas in the two areas, both in terms of the number and of the size of their vineyards. In general the bodegas in Mendoza owned twice as much land within, on average, three vineyards, whereas in La Rioja the average bodega had thirteen vineyards. (This number excluded Muga, which had one hundred and ninety vineyards). Consequently the size of the average vineyard was much smaller in La Rioja, 12 hectares compared to 92 hectares in Mendoza. Though the vineyards in the sample were much smaller in La Rioja, two thirds of all vineyards were only half a hectare or less, totaling 57% of the surface area and only two vineyards were between fifty and a hundred hectares and none over a hundred hectares (in Mendoza, vineyards of more than a hundred hectares were not uncommon and accounted for 10% of the area cultivated), so that the average size of all the vineyards in La Rioja was half a hectare (DOC La Rioja, Annual Report, 2010). Consequently, though relatively small they were larger than the average in La Rioja.

This difference in the size of the landholdings was due entirely to the larger bodegas, the landholdings of the smaller bodegas, typically established since 1980, was approximately the same in both areas, though those in La Rioja typically had five as opposed to the single one vineyard in Mendoza. This pattern of landholdings reflects

the different cultural history of the two countries and means that the cost of production should be lower in Mendoza.

The production capacities mirrored the size of the landholdings, the large bodegas in Mendoza having a greater output than in La Rioja. However, this did not necessarily mean that production was more concentrated in Mendoza. There were sixty two thousand hectares in La Rioja compared to one hundred and fifty eight thousand in Mendoza. Mendoza produced five times as much wine, 12.4 million hectolitres compared to La Rioja's 2.6 million hectolitres, indicating that yields were twice as high in Mendoza*. La Rioja had approximately 572 bodegas, which indicates that on average the bodegas in Mendoza were four times larger*. (*There was no comparable data for Mendoza, but Argentina produced 16.3 million hectolitres in 2010 from 984 bodegas, Mendoza's share at 76% of the total was 12.4 million hectolitres with an estimated 748 bodegas.)

The ownership structure of the bodegas in Mendoza and La Rioja was more complex than large transnational corporations or multi-nationals and small family firms. The literature has typically differentiated between bodegas in terms of their size or output rather than by their ownership (Carlsen, 2004). Bodegas have usually been referred to as large or small depending on whether they produce more or less than a million bottles of wine a year. The situation was more complex in both Mendoza and La Rioja where family bodegas played a major role. This may be due to a general preference for family businesses and the relative weakness of their equity markets although some groups were listed, Baron de Ley, Bodegas Riojanas and CVNE in La Rioja and Penaflores in Argentina.

The way in which firms were managed also has to be taken into account. A number of the larger family firms were in fact corporate entities with other outside shareholders and were sometimes run by an independent team of professional managers. It was important when interviewing a "family" bodega to look into its ownership structure to see if it was in fact entirely owned and managed by the "family". The bodegas were then segmented into five groups, large and small family owned and managed bodegas, family owned, but independently managed bodegas and large and small corporately

owned and independently managed bodegas and a case study selected for each category in Mendoza and La Rioja, a total of ten bodegas.

Tourists preferred visiting family owned and managed bodegas rather than corporate or foreign owned ones. Family bodegas accounted for two thirds of visitors. This was irrespective of their relative size measured in terms of their production capacities or the amount of land they cultivated. The order of magnitude for the average number of visitors to family bodegas in Mendoza and La Rioja was surprisingly similar given the provisos on the composition of the sample and the ways in which the data was collected. On average, both the corporate and the foreign owned bodegas lagged some way behind.

Three of the most popular bodegas in the sample, Dinastia Vivanco, Bianchi and Zuccardi were second/third generation family businesses, established 1920-80, with the family directly involved in running the company. They were well known firms in their domestic economies and catered to the mass market. They had neither the colonial charm of Escorihuela or Lagarde nor the historical setting and buildings of Bilbainas or Lopez de Heredia nor the modern architecture of Catena, Salentein, Septima, CVNE, Margues de Riscal or YSIOS.

But the families were able to innovate more freely and imprint their personality and individuality on the bodegas, whether it was Dinastia Vivanco building a museum for the owner's collection of artifacts, Zuccardi reflecting the family's reputation for innovation with its system of irrigation, bike rides and picnics, Puelles building a hotel to mirror the design of the home of a local aristocrat or Benegas exhibiting the owner's collection of ponchos. It may be that visitors were attracted to this more intimate atmosphere. The family bodegas wanted to project their image and leave a lasting, favourable impression on their visitors so that when they returned home they would talk about the bodega to their friends and hopefully buy their wine (Benegas and Zuccardi). It was this personal relationship between the family, the bodega and the visitor that the tourists liked and the bodegas sought to achieve. The family bodegas were not inhibited by the checks and balances that there are in a company that has corporate or institutional shareholders. They could express their "bodega pride".

The independently managed bodegas adopted a more cautious approach, having to justify their decisions and actions to their shareholders. They had a more measured approach to wine tourism only doing what could be commercially justified (Escorihuela, Finca Valpiedra, Ruca Malen and La Encima). Escorihuela, Bilbainas and Finca Valpiedra were all part of larger groups. They had limited their tourist offer to the standard package of a tour ending with a wine tasting and a shop selling wine and some mementos. This conventional offer may have been constrained by a corporate policy, which was certainly the case at Bilbainas. La Encima and Ruca Malen had improvised. They were small bodegas that had adopted a “toe in the water” approach, determining the level of demand before investing in any facilities. The standard package was also provided at Bodega Tapiz; its sister operation Club Tapiz had been developed by the previous owners, Kendall Jackson, and was run as a separate entity.

Foreign ownership was more evident in Mendoza than in La Rioja. Five of the sixteen large bodegas in Mendoza were foreign owned (six if Bodega Tapiz were included) and seven were family owned and managed compared to La Rioja where only one of the large bodega, out of the twelve, was foreign owned. Of the remaining large bodegas five were owned and operated by their founding families and six were owned by a broader range of shareholders. Although there were no foreign owned bodegas in the case studies, foreign influence may be behind their approach occasionally going beyond the standard package. Salentein was owned by a Dutch family and exhibited the characteristics of the family owned and managed bodegas described above. It had become a destination, with its visitor centre offering a range of facilities similar to Dinastia Vivanco. Tapiz was originally developed by Kendall Jackson of the USA, whose experience of Californian wine tourism may have given them the idea and confidence to develop the old, original bodega into a restaurant and small hotel, Club Tapiz.

In Mendoza some bodegas had been acquired by foreign interests (Flichman and Norton) and some by domestic ones (Escorihuela and La Rural), whilst in La Rioja they tended to have a broad ownership (CVNE, Marques de Riscal, Rioja Alta, Rioja Santiago), though two had been bought by domestic interests (Bilbainas and Cosme

Palacio), there was no evidence of foreign acquisitions on the scale in Mendoza. Foreign investors seemed to prefer green field sites (Chandon, Tapiz, Salentein and Septima in Mendoza and Bodegas Domecq and YSIOS in La Rioja). There was also evidence of some merging of local interests (Catena with Escorihuela and La Rural) and though none had been identified in La Rioja, the quoted companies (CVNE, Baron de Ley and Bodegas Riojanas) had the means to consolidate the sector.

The proportion of start ups in the sample was similar in both Mendoza and La Rioja, although there were more large new bodegas in Mendoza because of the foreign investment and a number of bodegas that had fallen into disuse had been reopened as start ups (Benegas and El Cerno). There was a tendency for owners of small vineyards to set up their own bodegas and move downstream from producing grapes to making wine (Puelles) and for local industry professionals setting up their own businesses often by first buying a vineyard (Benegas, La Encima and Ruca Malen)-a democratisation of the industry.

This renaissance in the industry in these areas since 1980 has led to a dramatic increase in the number of bodegas in La Rioja (see Table 4.2). This increase has been particularly marked in the number of bodegas de crianza producing fine wine; they have moved from a third to two thirds of the total between 1990 and 2010 (DOC La Rioja, Annual Report, 2010). There was no corresponding information for Mendoza, but the total number of bodegas increased in Argentina from 824 to 900 in the relatively short period between 2001 and 2005 of which those making fine wine increased from 577 to 682 (INV). This indicates that the number of bodegas producing fine wine has increased, whilst the number producing table wine has decreased.

Overall the bodegas ranked promoting their bodega's brand and its products as the most important reason for wine tourism followed closely by understanding their customers. The other factors were some way behind, but the overall results may have been skewed by the proportion of the larger bodegas particularly the family ones. Family bodegas put understanding their customers ahead of direct sales whereas smaller bodegas ranked direct sales more highly than the larger ones

When the results were analysed by size and type of ownership, the smaller bodegas do seem to have a different rationale for wine tourism from either the larger or family or corporately owned bodegas. Although they place the greatest importance on promoting their brands and products, direct sales were more important than understanding the customer. The greater importance of direct wine sales to the smaller bodegas is well documented (Dodd, 1995; Carlsen, 2004), but its value was that it provided an alternative channel of distribution (La Encima) that could significantly increase profitability - particularly when combined with the concept of a wine or barrica club (Puelles). The benefits outweighed annoying some local trade customers (Ruca Malen). The smaller bodegas therefore, particularly in La Rioja, saw wine tourism as a way to establish an alternative channel of distribution on which to build their business, independent of the wholesale distributors (Puelles and La Encima). It has been argued that a large proportion of direct sales can lead to a dangerous over dependence (Dodd, 1995; Beverland, 2000). It seemed to be a risk some were prepared to take (Puelles) sometimes because they had no alternative (La Encima). The exact level of direct sales was only known in a few instances (La Rural, Ruca Malen and Puelles). Typically, direct sales were said to be an insignificant proportion of total sales and that their main purpose was to promote the bodega and their wines. The most frequent estimate was less than 5% of total sales, though the actual figure is likely to be less than 1%. La Rural in Mendoza referred to their sales records with an average transaction value of 19 pesos, emphasizing that most purchases were gifts or mementos of the visit.

La Rioja's location close to tourist routes meant that the bodegas could leverage both the international and domestic markets. Its main export markets in the UK and Germany were much closer and viewed Spain as a convenient and popular tourist destination. Mendoza's geographic isolation limited direct wine sales to the local market. Bulk purchases of fine wine by common in La Rioja were rare in Mendoza (Lopez). Extending coverage of direct sales to other parts of the domestic market could harm relationships with wholesale distributors and the logistics of supplying wine outside the country were too complicated and expensive (Benegas and Ruca Malen).

Wine clubs relied on the bodega having a website - all those in the sample apart from one (RODA) did. As an extension of direct sales, visitors could become automatic contacts or members if the bodegas kept contact details. They were limited to the domestic market, due partly to logistics, but also because of customs and excise (Puelles). Wine clubs were more significant in La Rioja. However, they were never mentioned in Mendoza, though some bodegas had barrica clubs (Norton). Wine clubs were often interpreted as barrica clubs. These were common in La Rioja and members normally had special facilities. One bodega in the sample supplied club members only (Torre de Ona).

The other reasons for wine tourism were not significant. Wine tastings were used to discover consumers' preferences and were not used to test products. Similarly the bodegas did not promote their distributors. Encouraging more visitors was of least importance. This seems to reinforce the view that the main purpose was to promote the bodegas' wine and not tourism. It also indicates that the benefits of wine tourism to the local community are more imagined than real and that although wine tourism could be a way of regenerating a rural economy, little will be achieved without the cooperation of the bodegas. This desire by the bodegas to pursue their own agendas illustrates the problem both areas have had of getting their cooperation in setting up tourist wine routes.

The priority of attracting visitors to promote the bodega's brand and products means that wine tourism is part of the bodegas' marketing rather than a separate business or form of pluri-activity. Consequently, there were no charges in Mendoza for the tour and standard wine tasting, though some charge was normal in La Rioja. The charges contributed to the operating costs, as Arturo Angulo said, it was sufficient for the tourism activities to cover the operating costs and the capital costs could be written off against developing the bodega's brands. Additional costs for wine tourism could be significant, even for a limited operation: a separate reception area, perhaps with a display and information, a tasting area and shop as well as staff. Wine tourism was viewed as a different business from winemaking and skills could not be transferred from the one business to another. Some bodegas were beginning to look at wine tourism as a separate business. For the smaller bodegas, a dependence on direct sales need not be a risky strategy. The internet can help them to develop closer ties to their

customers not only in wine related businesses through wine or barrica clubs, but also in independent tourism activities; a prudent course in the current climate of over production and redirection of wine subsidies and export taxes.



Plate 8 Wine and food are natural partners. Malman's restaurant at Escorihuela, Mendoza

Chapter 7

The bodegas' tourist activities and how they relate to the local communities

7.1 Introduction

The desire to create a unique, memorable experience and sense of place synonymous with a brand was perhaps one of the most significant findings from Chapter 6; promoting the bodega's brand and products were the most important rationale for wine tourism. The time and effort taken to establish this deeper relationship should be worthwhile (Yueng et al 2002). Smaller bodegas put greater emphasis on direct sales, a shorter term objective, seeing wine tourism as a way of maximising sales and improving margins when wholesale distribution was hard to achieve. These considerations determine the facilities the bodegas choose and affect the way in which enterprises work together to create the atmosphere and characteristics defining the wine areas. This chapter covers aspects of wine tourism including the bodegas' facilities (tours and wine tastings, direct sales, wine clubs and the provision of food and accommodation) and the bodegas' involvement with the local community through wine routes and festivals, wine museums and other local forms of tourism, which form the networks and clusters constituting the wine area and the wine tourism package. It examines how the bodegas work with each other and other enterprises in the local community, such as hotels, restaurants, tour operators, trade organisations and government agencies to develop and promote wine tourism and compares the findings from Mendoza and La Rioja with the published research.

Conceptually the two dimensions of the bodegas' facilities and their integration with the local community correspond to the different aspects of post productivism; better quality products, pluri-activity and dispersed production outlined by Ilbery and Bowler (1998) and Evans et al (2002) and the greater integration of the industry with the local community described by Marsden (1995) and Wilson (2001).

7.2 A fundamentally different approach to wine tourism

As stated earlier, when visiting a bodega in Mendoza or La Rioja the standard package would invariably begin with a tour of the winemaking and storage areas, ending with a wine tasting and a chance to buy wine. It was a radically different and apparently less commercial than wine tourism in the English speaking countries of the New World. They seemed to consider wine tastings and direct sales or merely being open to the public to sell wine as wine tourism a tour of the winery was only occasionally an optional extra (Hall and Macionis, 1998; Bruwer, 2003). This raises the question of whether wine tourism has anything to do with the location, the bodega or the wine area, or if its only purpose is to buy or sell wine, the visitor behaving more like a shopper than a tourist. The impression from the literature is of “window shopping” as visitors go from one bodega to another tasting their different wines. This has a number of major implications. In Mendoza or La Rioja spending one to two hours on a tour of a particular bodega means that the bodega rather than the wine area becomes the destination, being part of a wine route is less important. A limited choice has to be made, perhaps with the help of a guide or hotel staff and is contradictory to the notion that there has to be a number of bodegas in a specific area in order to attract tourists (Sparks and Malady, 2006).

Considerable emphasis has been put on the importance of training staff (Charters and O'Neill, 2001; Jago and Issaverdis, 2001; Yueng et al 2002; Griffen and Lorsch, 2006) mainly working in the tasting areas or shop, but when the visit includes a tour describing where the wine is made and matured, a far greater knowledge is required. In Mendoza and La Rioja, members of the permanent staff of the smaller bodegas (owners, managers, winemakers or oenologists) often gave the tour and wine tasting, but in the larger ones specially employed staff were essential, helping to build the bond between the bodega and the visitor. This was an aspect of wine tourism a number of the bodegas in Mendoza and La Rioja sought to exploit.

The tour as part of the standard package seems to be the obvious thing for a bodega to do to attract tourists. Puelles was one of the first bodegas, together with Muga in Haro that had opened their doors to the public in the mid 1980s. He said they had provided tours to attract visitors and make the visit as interesting as possible. Until the mid

1990s they were the only ones open to the public (Lonely Planet, 1st edition, pp 588). Others slowly joined in, but it was only within the last few years, particularly after encouragement from the President of La Rioja, that any progress had been made. The tour not only gives insight into the wine industry and the culture of the area but provides an added dimension to travelling through the vineyards and towns of La Rioja. Previously visitors who were interested in tasting wine would then have gone to one of the vinotecnicas. In Haro, Muga now offered more than just a tour of its winemaking facilities. To distinguish itself it also included a visit to its coopers' workshop. One of only two bodegas still making their own barricas, using traditional techniques with open fires to form the wood and iron into the correct shapes - a living exhibition of a disappearing skill and one that was likely to be etched on the visitor's mind.

Salentien was another example of a bodega that did not rely on wine routes or others in the area to attract visitors. It was a destination in its own right. In 2004, this Dutch owned bodega, set in an estate of two thousand hectares, south of Tunuyuan in the foothills of the Andes, attracted fifteen thousand visitors, even though it was in a remote part of the Valle de Uco and over an hour's drive from the city of Mendoza. Established in 2000, its visitor centre had not yet been built. In 2005 it was still the only bodega in the area. Despite being at the end of a long gravel road passing through numerous vineyards, its isolated position had not affected numbers of visitors. In 2004, according to the Bodegas de Argentina survey, it had received the average number of visitors for all bodegas in their survey. In fact Salentien received more visitors than many of the more established bodegas, clustered together, in more accessible locations nearer the city, along the old Ruta 40. This showed that to attract visitors it was not necessary to be on a wine route or in close proximity to other bodegas or even near major roads or centres of population. What was important was that it had something unique to offer, in this case its pre-Columbian architecture, design and location.

7.3 The tour and wine tasting as a way of making a visit unique

Lopez de Heredia in Haro was a good example of how to create a special tour. Still making its own barricas, the coopers' workshop was not its only unique feature. It still

used sixty thousand litre wooden fermentation vats raised up for fires to be lit under them to start the fermentation process. Its cellars were cut into limestone and the walls, ceilings and bottles were covered in mould and cobwebs which the bodega claimed helped the wine to age. Perhaps not to everyone's taste, but certainly different. It also had enormous stocks of bottled wine dating back over the life of the bodega and stored behind locked iron grills in the limestone cellars. It claimed to have twelve million bottles in store and annual sales of eight hundred thousand. Its wine tasting was particularly impressive. Some of the bottles were twenty five years old. White, rosé and red wines were sampled with hams, cheeses and breads and you could buy wine either in the wine tasting area or in the shop outside. The tour and the tasting took at least two hours and firmly established Lopez de Heredia's unique identity on its visitors.

That individuality might not be a function of the tour or of the wine tasting but be a more personal story. Carmen Benegas emphasised the importance of her family. Her husband's mother had been brought up in the bodega, built by his great maternal grandfather, Norton, who had founded another wine dynasty. Her husband had bought it together with the original vineyard after the bodega had fallen into disuse. The bodegas wines were now named after members of the family, including Turbicio Benegas the founder of Trapiche. Carmen Benegas did not believe that tourists wanted to hear about how to "elaborate" wine and would prefer to hear her family's story.

The wine tasting too offers the opportunity to leave an abiding memory. At Lopez de Heredia it took place at the end of the tour in a limestone cavern that had been used as a dispatch hall. Wine and food were laid out on simple wooden trestle tables. The presentation as well as the amount of wine and food made it a unique experience, other bodegas tried similar approaches. Archaval Ferrer in Mendoza and Fabulista in La Rioja also took the opportunity at the wine tasting to give a lesson on how wine should be tasted. They explained what to look for when smelling and tasting wine, what the main components were and how they could be described. In both cases the bodegas conducted the wine tasting in the cellars with a number of wines; six at Fabulista. At Archaval Ferrer the guide took visitors outside into the vineyards to show how the vines were pruned, trained and irrigated. Ricardo Casado at La Encima

had his tasting in the barrica hall taking wine from the barricas for the visitors to sample.

Carmelo Patti's tour was pure theatre. This one man operation was uniquely interesting and appreciated by visitors. He combined his tour and explanation of wine making with his wine tasting. Whilst going through the bodega, he would take samples of the wines from various vats, so that visitors could understand how the taste changed as the wine matured (Plate 7). He took samples after the wine had just been made, at six months, at a year and when it was in put into oak barricas. Finally his visitors tasted of a number of his varietal wines.

The wine tasting at La Encima was in the barrica hall with samples also taken directly from the barricas, but was only of the finished wines. Ruca Malen combined its wine tasting with lunch. A range of wines were served before and during the meal so they could show how the different wines suited various types of foods, so whilst Carmelo Patti allowed his visitors to taste his wines as they toured the bodega demonstrating how the flavours evolved whilst the wine was being made, at Ruca Malen the wines were tasted during lunch to show how they went with different foods (Plate 10).

The bodegas themselves also had unique features. Ferrer's bodega was built from recycled materials in a traditional design. However, like O'Fournier (Plate 20), it had been designed upside down. The Lorries delivered the grapes up a ramp to the first floor where they were destalked and crushed before being passed into the fermentation vats on the ground floor. The wine was then passed to the basement where it was matured in oak casks, bottled and stored. Fabulista was one of two working bodegas within the walls of Laguardia, a medieval town built on a limestone core. The town was once thought to have had three to four hundred similar bodegas. It had retained its open vats where the grapes were trod by foot and the wine was processed and stored in caverns cut into the limestone.

The desire to do something different even extended to the bodega's shop. The wine tastings normally took place nearby or where visitors could buy the wine. At La Rural, in Mendoza, there was an area at the end of the tour where the company's fine wines were exhibited with a huge barrel, with perhaps a capacity of sixty thousand

litres, turned on its side. This was the shop. It had a wooden ladder for access and a window/ porthole cut into its side through which visitors were served. Lopez de Heredia's shop was a unique combination of modern and traditional design. Both served the same purpose, but were very different from a more conventional bodega shop.

There were other distinctive touches. Bodega Tapiz had a horse drawn carriage to take visitors around its vineyards. Nieto Senetier organized horse rides around the local vineyards and an annual marathon. At Zuccardi, visitors could pick the grapes at harvest time or cycle around the vineyards and picnic under the vines and Vinas del Golf had its own golf course. .

All of these attempts on behalf of the bodegas to be unique represented their desire to differentiate themselves from their competition. Neoliberalism had created a much more competitive environment in which the quality of the wine and the strength of the brand had taken over as the chief objectives of the bodegas from being the lowest cost producer. Cost might have been the critical factor for success in the pre-neoliberal productivist environment, but in the more competitive post productive environment other factors had become more important.



Plate 9 Malman's restaurant at Escorihuela specialises in the local cuisine

Plate 10 Ruca Malen's wines are tasted with individual lunch courses



7.4 Bodegas as destinations independent of wine routes

Sparks and Malady (2006) said that bodegas needed to be in clusters and preferably on wine routes if they were to attract visitors, but this need not necessarily be the case. Bodegas as destinations rather than part of a route, tended to be more self-contained and offer a wider range of services. This was typical of the larger bodegas. Zuccardi in Mendoza and Dinastia Vivanco in La Rioja were both family owned and had a range of activities and facilities for the wine tourist in addition to the bodega tour and wine tasting. Zuccardi had a restaurant, shops, and gardens where visitors could relax or picnic as well as tours of its vineyards. Dinastia Vivanco also had its restaurant, café and shop, but in addition it had its museum/foundation and collection of wine artefacts. These were near major roads and centres of population.

Salentein was more remote. In 2005, it had built only one bodega together with a chapel, but by 2007 the second bodega was being built and the visitor centre with its shops, art galleries, sculptures, cinema and restaurant had been completed opposite the original bodega. The development enhanced Salentein's tourist facilities and its number of visitors had risen to nearly twenty thousand in 2006. Visitors could spend the whole day at the bodegas and its success seems to have had an affect on the area. The gravel road had been tarmacadamed and more bodegas had been built, some of the smaller ones were also to the public, perhaps because of the popularity of nearby Salentien.

Sparks and Malady's proposition could apply to the smaller if not the larger bodegas, but Ruca Malen was a small bodega in a remote location, although it was near a major road. It attracted visitors from Mendoza for its lunches, but it also valued its relationships with other bodegas and hotels in the area. They formed informal clusters, if not a wine route, recommending visitors to each other and organising visits.

7.5 The locations of the bodegas; urban and rural settings.

The rural landscape is a major factor in attracting tourists to a wine area and Getz et al (1999) emphasised the importance of an area's ambiance in attracting wine tourists. Ricardo Villaneuva at Escorihuela and Jose Zuccardi said that to attract wine tourists, good quality hotels and transport infrastructure were as important as attractive locations. It was not just a question of wine. But bodegas can be clustered in urban, industrial areas as well as being idyllically set within their own vineyards in a rural landscape. Winemaking is after all an industrial chemical process converting natural sugars in the grapes, fructose and glucose, into ethanol. The location of bodegas built at the turn of the nineteenth century when the current wine industries of Mendoza and La Rioja were being established was determined by logistics and they clustered near the railway station in Haro or along Ruta 40 in Mendoza so as to be near the transport links to their markets as well as the vineyards. Consequently, some bodegas are not in attractive settings with appropriate local amenities for visitors and arguably are not suitable for wine tourism.

The architecture, facilities and atmosphere of some bodegas, such as Salentien, Zuccardi, Dinastia Vivanco or Lopez de Heredia can be as important in attracting the wine tourist as the attractiveness of their location. However, there has to be a balance between the two.

Salentien may have been remote, but it was set in the foothills of the Andes. Zuccardi was within easy reach of the city of Mendoza and attractively set within its own vineyards and gardens and Dinastia Vivanco was outside the small town of Briones boasting the Cantabrian Mountains as a backdrop, Lopez de Heredia was in the station complex in Haro, not particularly attractive or convenient for the visitor, though it was near other famous bodegas that could also be visited: Muga, Rioja Alta, Bilbainas and RODA. Whereas Mendoza's wine industry was located in a dramatic rural setting in two desert oases with the Andes towering to the west, La Rioja was set in a river valley with picturesque towns and villages and a history dating back to the middle ages. In Mendoza, bodegas within an urban setting (Escorihuela, Lopez, La Rural) seemed to be as popular as those further out of town in more rural areas. Their

architecture, cultural history and exhibits compensated for their urban location which at least made them accessible to the city.

The main town for wine tourists in Rioja Alavesa was Laguardia, an attractive, medieval walled town with an interesting range of bodegas and accommodation. Most of the bodegas were outside the town, including Bodegas Domecq's showpiece YSIOS (Plate 14) and Rioja Alta's Torre de Ona, whilst Fabulista dating back to the middle-ages, was within the old town. However, one of the main production centres was Oyon, a few kilometres from Logrono. This was where Alava had developed its wine industry on an industrial scale and although some bodegas were open to the public, those belonging to Martinez Bujanda were not. Pedro Leon the Commercial Director explained that because of the location, neither of its two bodegas in Oyon was open to the public. It had not even opened its' recently, renovated original bodega because of the conditions in the old part of the town. In his opinion the town was just too unattractive. Instead, the group had built Finca Valpiedra as its showpiece set in its' own vineyards, on the banks of the Ebro, where the firm could entertain its' customers and visitors in peaceful tranquillity.

Haro had been the main wine town in Rioja Alta. It was, like Laguardia, a medieval town and had been developed at the turn of the century, with a number of bodegas established at the railway station complex just outside the town. Unfortunately the medieval town had not been preserved or maintained to the same standard as Laguardia. The station complex consisted of a number of bodegas, mostly over a hundred years old. Originally built to a very high specification, a number had fallen into disrepair. Bilbainas had been renovated and modernised by Cordoniu, as had a number of others, but the station complex itself had not. Had this been renovated together with its adjacent bodegas, it could have become a successful tourist attraction, but Mabel Fernandez from Bilbainas thought that Haro was losing out to Logrono, the provincial capital, which was being developed with new roads, airport, hotels and a wine museum. Haro was being neglected. The town had failed to adjust to the times and was missing out on an opportunity to regenerate itself, even the Lonely Planet guide referred to it as "the rather dull town" (Spain. 1st Edition, pp 587). Wine tourism could be a factor in urban as well as rural regeneration, but Haro and

Oyon were not taking the appropriate measures either in terms of its ambiance or its amenities; it would be an uphill struggle.

7.6 The role of architecture

The pre-Columbian architecture and design at Salentein was echoed elsewhere in Mendoza. Dolium and Septima had the same bold and rectilinear pre-Columbian design features, whilst the architecture of Catena's La Pyramide was based on a Mayan temple. All followed a similar design concept: a central atrium looking down into where the barricas were stored in the basement. In fact all production and storage was typically underground. Not all of the new bodegas reflected Latin America's pre-Columbian past, some, such as O'Fournier, combined modern open-structure architecture (Plate 16) with an innovative design.

Although some modern bodegas in Mendoza relied on pre-Columbian architecture for their inspiration, most of those built at the end of the nineteenth and the beginning of the twentieth century reflected its colonial past; bodegas such as Escorihuela (Plate 11), Flichman, Lopez and Lagarde. The cultural heritage was visible at Escorihuela where the original offices with their furniture had been preserved. It has to be said however, that although most modern bodegas take great care and interest in their design and are prepared to invest in a prestigious building in an attractive rural setting, some bodegas have more utilitarian/industrial architecture.

When asked why such architect designed bodegas were built, Arturo Angulo said that at Dinastia Vivanco, it was because the owner Pedro Vivanco wanted somewhere to house his collection of wine artefacts and they wanted to make a statement about the company's success. He added that there were a number of practical reasons; the museum and foundation complex incorporated a visitor centre because the visitor facilities at the existing bodega, (built twenty years before) were inadequate and the development was part of a much larger investment programme that included building a second new bodega. He also pointed out that the company had decided to promote wine tourism as part of the development programme, using its museum as its main attraction; he added that good architecture attracted tourists.



Plate 11 Colonial style buildings at Escorihuela, Godoy Cruz, Mendoza

Plate 12 Traditional Spanish style buildings at Bilbainas, Haro, La Rioja



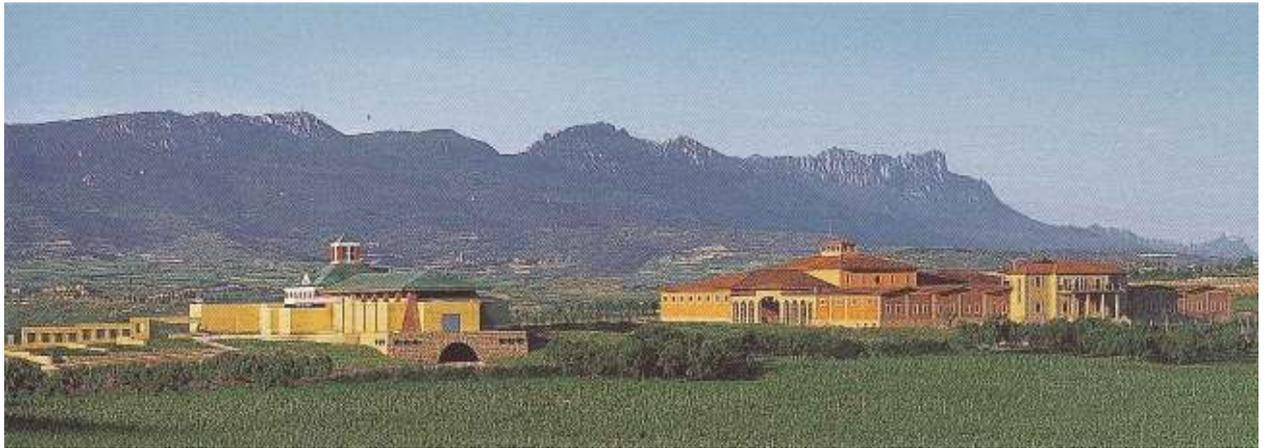
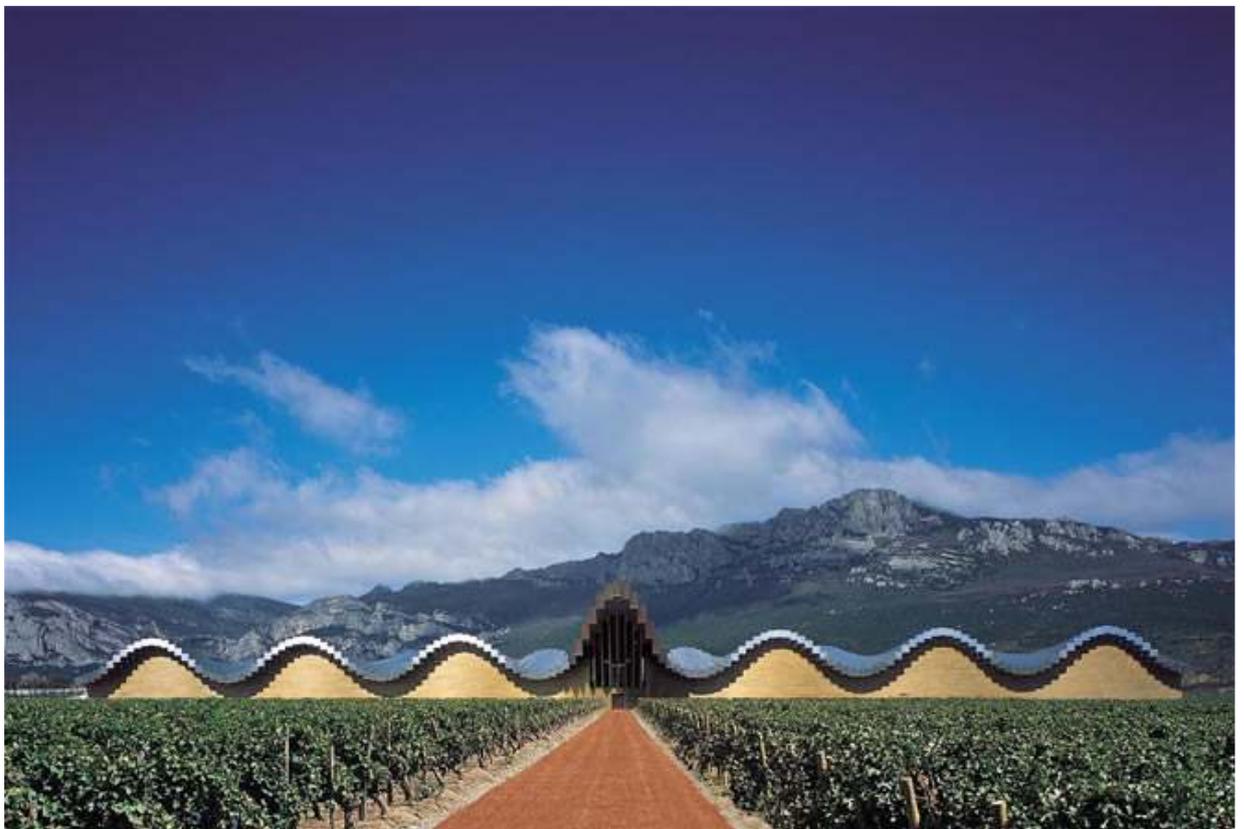


Plate 13 Dinastia Vivanco's complex at Briones, La Rioja. The museum and foundation are on the left and bodegas on the right

Plate 14 YSIOS the showpiece of Bodegas Domecq at Laguardia, Alava. Its' architecture reflects the rolling countryside and projects a modern image



Incorporating wine tourism into a redevelopment programme was also being adopted at Marques de Riscal. In 2006 it had doubled its production capacity and had invested in better tourist facilities, employing Frank Gehry (designer of the Guggenheim museum in Bilbao) to design a new hotel for the nineteenth century bodega. The design symbolised the bodega's modern approach to the bodega. The five star hotel was specifically for wine enthusiasts. It was being built in two phases and it was planned to have over a hundred rooms, far larger than anything else in La Rioja.

Architecture was the most visible way that a bodega could demonstrate its individuality and make a statement about the company: an emblem of success (Dinastia Vivanco) or a modern approach (Marques de Riscal). YSIOS was built as a showpiece by Bodegas Domecq in Laguardia. It was aimed at the new international market. The group owned other bodegas that were open to the public, but in the main these were utilitarian buildings producing traditional wines. YSIOS was a modern building producing a modern wine (Plate 14). Pedro Leon (Commercial Director for Martinez Bujanda) explained that this represented the same thinking behind Finca Valpiedra; a modern bodega producing a modern wine for the international market. It was where he could take his international customers, he couldn't take them to Oyon, a modern wine, international market and wine tourism were encapsulated in this modern bodega, symbolic of what the company wanted to achieve. This image was enhanced by the setting of the bodega within its own vineyards and by using grapes only from this vineyard to make the wine. It was a pago the most exclusive wine category, producing estate grown and bottled wine (Lapsley and Moulton, 2001; Mora, 2006).

Well designed bodegas not only attracted wine tourists they also symbolised cultural history, success, quality, innovation, modern wines and an interest in the international wine market. Architecture was an attempt to convey a message, express an individuality that defined the bodegas and establish a relationship with the consumer. It enhanced the visit experience and complemented providing a unique of the tour or wine tasting and museum or collection. Architecture had a role in expressing the bodega's personality; its cultural history (Escorihuela and Bilbainas, Plates 11 and 12), its modern approach (Catena and YSIOS, Plate 14) and its success or aspirations (Dinastia Vivanco, Plate 13 and Puelles).

7.7 Different approaches to food catering for tourists

Although the literature states that food and accommodation were inextricably linked with wine tourism (Charters and Ali Knight, 2002), there seemed to be little evidence that this was provided by the bodegas themselves in the New World (Hall and Macionis, 1998; Bruwer, 2003). It would seem that only one in twenty provided “any form of catering” or accommodation (Deves' study quoted in Hall and Macionis, 1998). This may have changed as the research was conducted in 1995, but there are some possible explanations for this apparent contradiction. Firstly, wine tourism and wine routes seem to be more firmly established in these countries, with a higher proportion of smaller bodegas taking part in wine tourism, but without the necessary resources for their own catering or, alternatively, there was a greater reliance on networks and clusters involving the restaurants and hotels in the local community.

The first line of argument presents some difficulties because smaller bodegas have been shown in this study to be quite keen to exploit wine tourism with catering and accommodation, however limited, which means that the networks and clusters must have been more highly developed. Certainly the wine routes would appear to be better organised in these countries. Another explanation could well be cultural. A visit may be associated in these countries with a trip to the country, enjoying the natural scenery and being outdoors (Getz et al, 1999) rather than enjoying a good lunch as in Mendoza or La Rioja. The relationship between food and wine may be obvious, but local cuisine and eating habits may argue against a bodega having its own catering. It would appear that whilst bodegas in Australia lacked house catering facilities they frequently made up for it through the provision of barbeques and picnic areas (Deves' study, Hall and Macionis 1998)

In this survey, 4% had restaurants or cafés, 11% had barbeque facilities and 7% had a picnic area, so 22% in total provided some form of “catering”; the same percentage that either had public restaurants or provided lunch in the survey of bodegas in Mendoza and La Rioja, not including those that catered for organised tours. This would seem to be a cultural phenomenon, as no bodegas in either area had barbeque facilities. A number allowed picnics, but on the whole these were discouraged. Exceptions included David Moreno who provided picnic tables for the members of his

wine club in the cellars next to their wine barricas, but only one bodega, Zuccardi, provided a packed picnic and actively encouraged picnicking in its grounds. Argentines and Spaniards would generally seem to prefer dining inside in the comfort of their air conditioned restaurants to escape the heat. Zuccardi did provide an alfresco option under the shade of the trees in the gardens surrounding the buildings, but on three visits, no one other than the staff were to be found dining there.

The higher incidence of catering in Mendoza and La Rioja was partly cultural, but the nature of it and rationale were different. Firstly most bodegas had catering facilities in order to be able to entertain their trade customers, which could be used for organised tours. In addition, in Mendoza, because some bodegas were remote, they provided lunches for their staff (Dolium in fact offered tourists the option of having lunch with the staff in their canteen) and the distance from towns might explain why more bodegas offered a set lunch for tourists. A third of the bodegas in the survey (seven out of the twenty two open to the public) provided a set lunch. It was best to reserve a day in advance as these were not public restaurants.

In La Rioja although no bodegas provided set lunches, most would provide meals for organised tours and events provided they had ten days to two weeks notice and barrica clubs would normally have special catering facilities for members. In addition, in Mendoza two bodegas operated franchised public restaurants open daily for lunch and dinner, Escorihuela's Malman 1884 and Club Tapiz. In La Rioja two bodegas operated in-house public restaurants, Dinastia Vivanco in its visitor centre and Cosme Palacio in its on-site hotel.

The organised tours or events witnessed in Mendoza and La Rioja in 2005 and 2006 included an outdoor lunch at Nieto Senetier for three hundred members of the Argentinean Harley Davidson club who have an annual meeting in Mendoza, and a coach tour at Marques de Riscal for workers from one of the shipyards in Bilbao. Organised tours of this nature seemed more common in La Rioja, being close to the industrial towns of the Pais Vasco. However bodegas in both Mendoza and La Rioja promoted themselves as venues for local events, linking them with the local community. La Encima for example made its "private" facilities available for weddings. Ricardo Casado saw weddings as a way to promote his bodega and wines

locally. A number seemed to specialise in weddings including Septima in Mendoza and Bilbainas in La Rioja- both owned by Cordoniu who appeared to have a corporate policy to promote its bodegas as wedding venues, although neither provided any other form of public catering. The setting and location were important for this type of event with La Encima providing a romantic setting overlooking the Rio Ebro, the surrounding vineyards and the mountains of Cantabria, and Septima having views across the vineyards to the snowclad Andes. La Encima was well positioned near the main routes to the Pais Vasco and Logrono and Septima was on the main road from Mendoza to Santiago de Chile.

In La Rioja, the barrica clubs usually had dining facilities for their members which were not normally available to the general public. Generally open at specified times, particularly at weekends, these facilities could be quite extensive, as in the air conditioned restaurant in the underground cellars of David Moreno or the country house at Torre de Ona. Rioja Alta had a suite of sitting rooms and dining rooms which could be booked by members. The important point here was that the bodegas did not provide catering for the general public. Rioja Alta said that it did not want to compete with the local hotels and restaurants; in fact it partly owned the most prestigious hotel in Haro.

It was generally agreed that running a tourist operation required different skills, staff and facilities (Carlsen, 2004), however, whilst most bodegas were content to take responsibility for tours, wine tasting and direct sales some thought it best to bring in specialists for food and accommodation. Escorihuela and Club Tapiz in Mendoza had franchised restaurants, though Dinastia Vivanco and Cosme Palacio in La Rioja had in house operations. Chandon in Mendoza had contracted out its set lunches and Marques de Riscal new hotel was going to be managed by Sheraton. The need to separate tourism from winemaking was demonstrated by Dinastia Vivanco where they were looking for a Chief Executive for all their tourist operations at their various bodegas.

Beyond the management issues, Ricardo Villanueva at Escorihuela made the point that their restaurant, Malman 1884, added to the prestige of the bodega. Malman had an international reputation for the quality of its food which he hoped his wines

matched. Malman 1884 was separate from, but used part of the old office buildings of the bodega, with access through the bodega's entrance and parking in the bodega's courtyard. The restaurant at Club Tapiz was also run as a franchise, whilst the accommodation was run by the owners. The two floors of the original bodega manager's house had been converted into a restaurant, and were part of the tourist complex which included the accommodation. Malman 1884 (Plate 8) and the Club Tapiz restaurant were open for lunch and dinner every day, offering a diverse menu. The other bodegas were normally open with a set menu normally for lunch, although Lopez was open for dinner and Ruca Malen was considering whether to be open for dinner. Franchising catering meant that the bodega could give a fuller service and serve better quality food; the management was in the hands of experts whose contracts could be terminated if they failed to perform.

In house food catering would therefore seem to be a form of pluri-activity dependant on the local culture; more common in countries such as Argentina and Spain where local people prefer to sit down inside for the meals rather than picnics or barbeques outside as in Australia. It would also seem to depend on whether there are local amenities and therefore was more common in Mendoza. Bodegas seem reluctant to compete with others in the local community on whom they may depend as customers and as partners in networks or clusters to develop wine tourism. Although in house food catering is a form of pluri-activity (Ilbery and Bowler, 1998), it fulfils more of a service role supporting the bodega's other tourist activities rather than solely being an alternative source of income.

7.8 The relationship between the bodegas and the local cuisine and produce

Food and wine can define a region (Beer et al, 2002); together they contribute to its individuality. Wine tourism could benefit the local community if the bodegas were to work to promote the local cuisine. The relationship between the bodegas and the local cuisine and produce fulfils two objectives for those bodegas that have some form of in house catering for visitors. It helps in the internationally competitive market to differentiate their product and reinforce their brand and it also helps to integrate the bodega into the local community when the local produce is used or sold with their wines in the bodegas. So promoting the local cuisine and produce is not only helps

differentiate their wine, it is also a form of pluri-activity (Ilbery and Bowler, 1998) and strengthens the bond between the bodegas and their local communities.

In the survey three quarters of the bodegas said that they worked with other local enterprises such as the hotels and restaurants to promote wine tourism and just under half, some fourteen of the bodegas (29% of the sample, seven in Mendoza and seven in La Rioja) worked with the local community, mainly in hotels and restaurants or café/delicatessens, to promote the local cuisine and food. However, these tended to be the bodegas with a particular interest in food and who often had their own catering operation, for instance Dinastia Vivanco's restaurant specialised in local dishes and Ruca Malen served a range of its wines with its lunch, combining its wine tasting with the local cuisine. Club Tapiz went a little further, with a cookery school at the bodega specialising in local cuisine, whilst other bodegas merchandised their wines with local produce in their shops. Bianchi in San Raphael sold locally produced hams, cheeses and preserved foods in their "supermarket" style shop and the shop at Rioja Alta not only merchandised local produce with its wines, but also included them in its presentation boxes. It also sold hampers with two or three bottles of wine, pâtés and preserved foods. The bodegas also part in local food and wine fairs, typically during the vendimia-harvest celebrations.

7.9 Accommodation-a symbiotic or competitive relationship?

The same arguments that determine whether a bodega provides in house catering described in the previous section also apply to providing accommodation. It can be either an alternative form of pluri-active income (Ilbery and Bowler, 1998) or a way in which the bodegas can work more closely with and be integrated more into the local community. This latter form of interdependency is particularly apparent when the bodegas and the local community are working together to develop wine tourism.

Accommodation and catering were the main areas in the survey where in-house facilities could compete with amenities in the local community. However, there was less in-house accommodation than in-house catering. The bodegas both large and small had established working relationships with the hotels to whom they would refer visitors, relying on them to send their guests to visit the bodegas in return. The

neighbouring hotels in fact appeared to play a pivotal role. The better hotels in Mendoza and particularly those concentrating on the wine industry (Hyatt, Club Tapiz and Cavas Wine Lodge) had staff to organise tours, recommend places to visit and provide tourist information.

It was typically the larger bodegas in Mendoza that provided any accommodation (Salentein and Nieto Senetier), but this was often limited to just a few, five or six, rooms. For these bodegas it was part of the service they offered and part of their promotional package, rather than an alternative source of income. Vinas del Golf was the only small bodega that had some accommodation, which it was planning to expand and some of the other smaller bodegas, such as Benegas, were considering whether to convert outbuildings or build a few rooms for visitors. For these hotels it would have been an alternative source of income, but the decision as to whether to proceed was based on their arrangements with other hotels in the area and whether it was the best use of their capital. It was a question of priorities. Ruca Malen had decided not to build a small hotel, but to work with hotels such as Cavas Wine Lodge and invest instead on increasing its production capacity.

In La Rioja the situation was somewhat different. Only one bodega had any accommodation in 2006 (Cosme Palacio with twelve rooms), although two more were about to open. Puelles with six rooms was the typical scale for a small bodega, but Marques de Riscal was planning to open the first phase of its hotel with twenty rooms in 2007, to be followed with another ninety rooms. This was a completely different scale of operation. Cosme Palacio's and Puelles' hotels provided additional sources of income for the bodegas, but the hotel at Marques de Riscal was a commercial operation that was going to be run by the Sheraton group. Although this was going to be the first commercial bodega hotel in La Rioja it was not unique in Spain, there were similar bodega hotels in the Ribera del Duero. A commitment on this scale moved accommodation from being part of a bodega's promotional programme to being an additional source of income to being a separate business.

This is certainly the way Arturo Angulo at Dinastia Vivanco viewed the situation. Up until the end of 2006 their museum and tourist facilities had been paid for from the bodega's profits and provided they covered their marginal costs the investment could

be written off as promoting the brand. However the success of the museum and the intention of extending tourism to other bodegas owned by Dinastia Vivanco meant that they were planning to employ a Chief Executive for their tourism activities. Tourism was becoming a separate, if complementary, business and building a hotel would make an even stronger case for tourism to be a separate cost and profit centre, but if they did it would be on the same scale as Marques de Riscal. Arturo Angulo was aware of the impact this decision could have on the local community.

Tourism at Marques de Riscal and Dinastia Vivanco was in transition from being there to promote the bodega's brand to providing an alternative source of income. That line had already been crossed by Puelles and Cosme Palacio. In Mendoza, apart from Club Tapiz and Vinas del Golf the commercial symbiotic relationships with the hotels seemed to be too important. It is difficult to explain this difference; it may be just that Spain had a more developed tourist industry with the necessary transferable skills.

7.10 Wine tourism as a complementary, stand alone business

Puelles had already moved to treating tourism as a separate business. Together with Muga in the 1980s it had been one of the first to open to the public, realising very early on that direct sales and tourism could provide distribution for its' products. Visitors had become club members and financed half of the stock. Direct sales accounted for 85% of the bodega's turnover. Puelles' hotel development with six rooms and a new café and tasting area would provide a significant income for the bodega. It was not typical of the smaller bodegas in the survey, apart from Vinas del Golf, to be so dependent on tourism. The other small bodegas had limited their tourism to some form of in house catering. There appeared to be a triangular hierarchy, from tours and winetastings to direct sales to catering to accommodation.

Accommodation was the dividing line, once this Rubicon had been crossed the bodega was firmly in the territory of tourism being a separate business, a significant alternative source of income; a complimentary, stand alone business, firmly committed to the consumer. This seemed to be the case for the small bodegas in Mendoza and La Rioja, though they might have different utility curves (range of

services or commitment to tourism and the number of bodegas). In general terms this also applied to the larger bodegas; those with accommodation were committed to tourism and the consumer even if it was not always a significant enough source of income to be a stand alone business.

In 2005 Salentein had a posada with six rooms a kilometre away from the bodega in an area set aside as a nature reserve and Club Tapiz had seven rooms in the converted outbuildings of their old bodega. By 2007, two other bodegas, Nieto Sentenier and Vinas del Golf, had built or converted buildings in their grounds. Each had six rooms, though Vinas del Golf was in the process of creating a further twelve. Carmen Benegas was considering whether to build six self contained units in a secluded area near the small vineyard at the bodega. She had been influenced by Club Tapiz, just a short distance along the road and by friends from Buenos Aires who had opened a small hotel with six rooms not far away in Chacras de Coria, Besares. However, at Ruca Malen however, Jean-Pierre Thibald said that they had considered building a small hotel, but they were not going ahead as they did not want to compete with the nearby Cavas Wine Lodge with whom they had a good working relationship. Cavas was an exclusive complex of individual two storey, adobe built houses set in its own vineyards.

Accommodation could be more significant for smaller bodegas, but in the main all bodegas were more interested in working with places like Cavas Wine Lodge rather than competing against them. The benefits of working with hotels were considered to be more significant than the additional income from any accommodation. Vinas del Golf's accommodation was a key source of income, together with its golf course, the bodega was only a part of its business. Escorihuela's attitude was typical, Ricardo Villanueva's intention was to work with the hotels to promote wine tourism; he did not believe that the larger bodegas should get into the hotel business, but he felt that Mendoza needed more four and five star hotels like the Hyatt in the town centre and that if progress was to be made, the provincial government had to encourage hotel development. Pedro Leon at Finca Valpiedra in La Rioja made a similar point. He felt that the wine industry needed towns with amenities like the ski resorts in the southern part of La Rioja, providing accommodation and entertainment for visitors. He thought that Logrono was too large and far away from the main wine areas of Rioja Alta and

Alavesa. Haro would be suitable if its amenities were improved, but it and other towns were too orientated to the rural economy (Hoggart and Paniagua, 2001 A and B). A point confirmed by Mabel Fernandez at Bilbainas.

In La Rioja, Cosme Palacio was the only bodega with an established hotel. It was similar to Club Tapiz, part of the old bodega had been converted into a hotel with restaurant when the new bodega had been built, but no other bodega until recently had decided to follow in its path. It may have been the model for Puelles, but probably not for Marques de Riscal. The model behind Marques de Riscal's decision to build a hotel, was Arzuaga in the Ribera del Duero. The bodega had a popular restaurant plus a ninety room hotel on the main road between Valladolid and Penafiel. In 2006 it had begun work to double the size of its hotel by another ninety rooms. The bodega clearly saw wine tourism as a key element in its business mix and an alternative source of income. These examples seemed to be influencing others. Dinastia Vivanco had included a hotel in its original plans for the development of its site in Briones. Arturo Angulo said they had been discouraged by advice from their consultants. He said that the success of their museum, they could reconsider. If so they would build a fifty to a hundred room hotel, but they too would consult local authorities and businesses before making any decisions. They were sensitive to local concerns. They had had to hire staff from outside the area to manage their museum and restaurant and would have to do the same if they built a hotel. The bodega had already decided to run its tourism operations as a separate business, so a hotel would be a completely commercial decision.

Wine tourism as a stand alone business is to some extent a function a logical conclusion to a sequence of development steps taken by the bodegas, but providing the facilities can also be a function of the lack of local amenities and does not necessarily argue against a desire to integrate with the local community.

7.11 Official and unofficial wine routes

“Although the expression “Wine Route” proliferates in Argentine brochures and press, in fact it's just a lot of talk: there are no signs or uniform visiting hours, the

wineries are closed on Sunday, and there are no activities coordinated between them. There is no wine route in Argentina” (Vinas, Bodegas y Vinos, 2005, pp 202).

The significance of wine routes has been possibly the most researched topic. The research has concerned itself with what constitutes a wine route (Sharples, 2002; Correia and Ascencao, 2006), the problems experienced in getting them established (Frochot, 2000; van Westering and Niel, 2001) and their benefits. (Hall and Macionis 1997; Szivas, 1999; Demhardt, 2003; Bruwer 2003; Hall 2004). Wine routes were first established in Germany in the 1920s to improve access for wine enthusiasts. Their original purpose was recreational (Sharples, 2002), but they have since become a symbol of a wine area’s prestige and its position in the market and are regarded as a key even fundamental component of wine tourism, the golden thread linking all aspects of wine tourism together. In Spain they have to be formally approved by the Ministry of Tourism. In order to qualify, a certain proportion of the bodegas within a DO have to be members, together with a specified number of hotels and restaurants (Escolar and Morueco, 2011). They are seen as a way of improving or regenerating rural economies (Hall et al 1997; Marzo-Navarro and Pedraja-Inlesias, 2009) and possibly a replacement for discontinued agricultural subsidies (Olsen 2003; Escolar and Morueco, 2011).

Wine routes are seen as more than just a number of bodegas working together to attract visitors, they are seen as involving all the amenities in the area, to the benefit of the local community, operating as networks and clusters (Wargenau and Che, 2006). Conventional wisdom is that they play a pivotal role, linking the wine industry to tourism (Bruwer, 2003). They link bodegas together (Sparks and Malady, 2006) and they link the bodegas to the other amenities in the area to form the networks and clusters that benefit the community as a whole (Szivas, 1999; Demhardt, 2003; Hall, 2004). The original intention of improving recreational access has been reinterpreted to promote an areas wine and the wine areas and to benefit the local communities to the point that the routes are now seen as agents of rural regeneration (Marzo-Navarro and Pedraja-Inglesias, 2009; Escolar and Morueco, 2011).

This would seem to have been the intention of the President of La Rioja. According to a number of the interviewees, he encouraged the bodegas to open their doors to

visitors and commissioned a study into wine tourism in 2006 to try and develop the local economy. His decision was well timed, because the following year the EU began to switch its subsidies from vineyard reconstruction and measures to mitigate the problems of over production to promoting exports outside the EU and supporting wine routes and museums (FEV, 2009)

In Mendoza, over three fifths of the bodegas said that they were part of a wine route. But the trade organisation that represented them (Bodegas de Argentina) echoed Vinas, Bodegas y Vinos and said there weren't any and that it was struggling to set any up. Similarly, in La Rioja, three fifths of the bodegas said they were members of a wine route when although there was an official route in Rioja Alavesa there was no route in Rioja Alta and no cooperation between the two parts of the wine area. Overall, three quarters, of the bodegas in the survey thought that they were members of a wine route when officially none existed, except for those in Rioja Alavesa.

This rather confusing situation raises the question: when is a wine route a wine route? This is rather like trying to define what exactly constituted wine tourism discussed earlier. The term not only needs to be defined it is also necessary to differentiate between what constitutes an official wine route as opposed to an unofficial one.

According to Vinas, Bodegas y Vinos a wine route had to meet certain criteria. Primarily the bodegas had to work together to promote wine tourism through joint promotions or events and conform to rules regarding opening times, facilities and any charges. This was therefore a formal arrangement or network (Wargenau and Che, 2006). Other amenities in the area would have to take part to encourage the tourist to visit for any prolonged period and for the wine route to benefit the local community (Hall, 2004). The absence of any official routes in Mendoza or Rioja Alta, La Rioja, meant that existing routes were presumably just informal arrangements between the bodegas and the local amenities. A number of these had appeared, particularly in Mendoza. There were schematic maps of wine routes with bodega locations provided by bus companies and airlines for their passengers on arrival in Mendoza. They did not contain any information on opening times, facilities or contact details, but gave some suggestions and ideas of where to go. Unfortunately these maps were not

generally available through the tourist offices or travel agents; they appeared to be promotional material for the transport companies rather than the wine routes.

A wine route can be just a line on a map connecting various locations and bodegas. English companies organising cycle tours in La Rioja gave their clients an itinerary and a map which told them where to stay and indicated bodegas they could visit as they cycled from destination to destination. These were clearly unofficial routes created for the convenience of their clients. Others were partly or quasi official. A good example was Wine Map. This was a series of six maps of the different parts of the wine area in Mendoza. They gave comprehensive information on bodega opening times, facilities available, and contact details and locations all on a road map, including details of accommodation and restaurants. This matched the requirements proposed by Vines, Bodegas & Vinos. The maps were also available in bookshops and at the bodegas, but not at the tourist offices. The trade association Bodegas de Argentina was trying to set up an official wine route and in the meantime WineMap had become their quasi official guide for their members, the de facto guide for the area, even though it was not approved by the trade association or the tourist office.

Some of towns in the wine area had gone as far as to set up their own wine routes. In Lujan de Cuyo there was a system of blue road signs to direct wine tourists to the town's bodegas, and information on the route available from the tourist office in Lujan de Cuyo itself. The route only included bodegas in the town, others in neighbouring areas were not included and the route information was not available at the main tourist office in Mendoza. Partly official, as it was sponsored by the authorities in Lujan de Cuyo, it only covered a small (if significant) part of the wine area and was not recognised outside the town. Such initiatives were in themselves laudable given the absence of any official route but it fragmented the effort to establish a wine route, reduced their effectiveness and was counter-productive in deflecting the efforts of Bodegas de Argentina to set up a more comprehensive, integrated route.

The quotation from Vinas, Bodegas y Vinos recognised the importance of road signs. They were key to establishing a "route", but this was the one area that had given the Bodegas de Argentina the most trouble. In 2007, the Bodegas de Argentina's official

wine route was to be launched, with red signs for bodegas and other colour coded signs for hotels and restaurants. Walter Pavon at the Bodegas de Argentina had said that the main problem had been to get the various transport authorities to agree on a common system. Approvals were necessary from the national, provincial and local authorities and some of those authorities, such as Lujan de Cuyo, had their own system. It raised the question of whether Lujan de Cuyo retain or disband its route with blue road signs and become integrated into Bodegas de Argentina's route. The same applied to WineMap, would it be able to survive and operate in parallel or would it be incorporated? The great benefit of an official route is that it would be promoted by all tourist offices, travel agents and bodegas throughout the wine area and be recognised at a national level. It would be an effective marketing tool, benefiting the whole area if it could get the cooperation of everyone involved.

Despite La Rioja position as Spain's premier brand (DOC La Rioja, Annual Report, 2010), it lagged behind other wine areas such as the Ribera Del Duero in establishing an official wine route. In fact, although Rioja Alavesa had an official route in 2006, Rioja Alta's route has yet to be officially approved (Escolar and Morueco, 2011). As members of Wine Capitals of the World, both Mendoza and La Rioja recognised that they were behind their competitors in setting up official routes and that they needed ones that compared with their fellow members and which could be used to raise the profile of wine tourism in both countries (Schrock et al, 2001; Escolar and Moreueco, 2011). Wine tourism had not been identified as one of the key areas in the Argentine government's 2000 report on tourism, but the creation of an official wine route could increase national awareness.

To conclude, wine routes whether official or not, bring together the disparate parts of the local business community to concentrate their efforts in a coordinated way. At the simplest level, they are guides for tourists who want to visit the area, but for them to be effective for the bodegas and to benefit the local communities they have to be more than just lines on maps or informal arrangements. Their members, be they bodegas, hotels or restaurants have to cooperate with each other to promote wine tourism and need organising and funding by a trade association and its members or by a government agency. They have to have road signs to direct tourists. There needs to be comprehensive information about all the amenities in the area produced in a

consistent format that is readily available, and they have to be approved by the necessary regulatory authorities for them to be generally used and effective.

7.12 Informal clusters within formal networks - relationships within wine routes.

These informal working relationships can have a role to play even within the formal network of an official wine route, which they might well predate. The absence of any official routes and organisation to promote wine tourism in Mendoza created gaps in the market which private individuals and enterprises tried to fill. In the main these informal working relationships consisted of the bodegas working with the hotels, tailoring visits for the guests.

The hotel most frequently referred to and exclusive in Mendoza, was the Hyatt. It had pioneered wine tourism, playing a key role in the town becoming a member of Wine Capitals of the World. It was where foreign tourists interested in the wine industry stayed. Ricardo Villanueva at Escorihuela stressed that investment in such up market hotels was important for Mendoza's future and referred to two other four or five star hotels that were being built or planned. He wanted to work with these hotels and to attract wine enthusiasts to Ecorihuela.

The Hyatt had also acted as a training ground for staff who then left to run wine tourism businesses elsewhere, for instance Club Tapiz, and in other related enterprises such as Vines. Others were following Club Tapiz's example, establishing small boutique hotels such as Cavas Wine Lodge and Besares. They organised visits and lunches at bodegas including Lagarde and Ruca Malen. Neighbouring Ruca Malen and Septum to offer their guests lunch at Ruca Malen and sunset wine tastings at Septum. It was because of the success of these relationships that Jeanne Pierre Thibald at Ruca Malen had shelved plans to build a boutique hotel of their own. Carmen Benegas was familiar with Club Tapiz, Besares and Cavas Wine Lodge and because of their success, she was giving some thought to developing six self catering apartments in the grounds of the bodega at Benegas. By organising guided visits, tours, lunches or wine tastings for individual guests or parties staying with them, these hotels were not only developing an informal cluster that could work within an official

wine route they were also a source of innovation allowing their entrepreneurialism to flourish.

These examples show how informal clusters can be set up by the staff at the hotels and bodegas. Between them, they establish a system rather like a World War Two escape route with wine tourists being “passed down the line” from one bodega to another for their tours, wine tastings and lunches with stays in “safe” accommodation.

7.13 The importance of cooperation, coordination and integration.

In order to transform these informal clusters into formal networks that can be officially recognised and promoted by the local and national tourist offices that can benefit the whole area rather more than a narrow group of businesses someone has to take the lead. This point does not appear to have been picked up by the provincial government in Mendoza as neither it nor its business development arm, ProMendoza, had taken the initiative to develop wine tourism. They had been content to leave this to the national trade association Bodegas de Argentina.

In La Rioja the President of La Rioja had assumed responsibility, possibly because tourism is seen as a provincial matter in Spain. However, there were at least five bodega associations, representing various factions. These were represented on the DOC La Rioja’s committees, but the DOC was not involved in either establishing or coordinating wine tourism in the area even though it was responsible for promoting the area’s wines outside the EU (DOC La Rioja, Annual Report, 2010). Consequently the plans for the Rioja Alta wine area were different from those for the Rioja Alavesa. There was also a sharp contrast between the wine tourism in the two adjacent parts of the same wine area.

Haro was the major wine producing town of Rioja Alta. In March 2006 when the face to face interviews were being arranged, the only information the tourist office could provide for visiting bodegas was a photocopy of a typed sheet listing them with their visiting times. Some of these times were incorrect. Some general leaflets on wine routes in the tourist office suggested particular routes but did not give information on which bodegas were open to the public or any details about them. There were road

signs to the bodegas, although some were misleading, for instance CVNE had moved to a new bodega outside Logrono, but the sign had not been taken down. In Laguardia, the largest wine producing town in Rioja Alavesa, a booklet in the tourist office listed each town in alphabetical order with all necessary details about the bodegas and local hotels and restaurants. The staff even gave directions to nearby bodegas. Apart from the differences in information from the two tourist offices there was also a significant difference in their attitude and service.

The tourist office in Haro was in a basement of an official building down some steps into a relatively small dark room. There was only one assistant there at any given time. She spoke English well, but was indifferent, seemingly more interested in conducting her social life on her mobile phone than attending to the queue of customers. It could have been a scene out of Monty Python or John Cleese's training film "How not to exhibit yourself". In Laguardia the tourist office was in a large room on the ground floor of an attractive medieval building in the town's cobbled main square. There was an exhibition of the history and culture of the area in the room. Three or four friendly assistants reduced queuing and provided more than enough information on the bodegas, and where to eat or stay.

A number of the interviewees acknowledged the Haro problem. Mabel Fernandez from Bilbainas blamed the local authority and particularly the mayor. The main wine town in the prime wine area of the province was not capable of providing comprehensive tourist information, whilst a short distance down the road the neighbouring province supplied exactly the information Vinas, Bodegas y Vinos thought was necessary for a wine route (2005, pp 202). It is therefore not surprising that Rioja Alta's wine route had not been officially acknowledged whereas Rioja Alavesa's had been. It is difficult to explain why the approach to wine tourism was so different in the two neighbouring areas. Jesus Puelles said that the Basques were simply better organised.

However, the difference highlighted the importance of comprehensive information and compliance and coordination between the members of a wine route. It is unfortunate that there are two rival routes in a single wine area and that there is no cooperation between the two neighbouring provinces; a situation which must confuse

tourists. The DOC La Rioja could integrate them into a single route or set of routes that could be of greater benefit to the area as a whole, if bureaucracy allowed.

7.14 Local awareness of the wine industry and wine tourism.

In 2006, there was a general lack of awareness of the wine industry and wine tourism in the tourist offices of Rioja Alta compared to Rioja Alavesa, but this was also apparent in Mendoza as confirmed in the interviews with Walter Pavon of Bodegas de Argentina and Jose Zuccardi. In 2005 the main tourist office in Mendoza had no information on wine tourism and could only suggest that travel agents might. At the travel agents, the reaction was always the same. Yes they had a tour that would visit one or two bodegas depending on the tour; unfortunately they did not know which bodegas or what was included. The tours were in fact organised by wholesalers and then sold by the travel agents. Flichman was the only bodega that admitted to working with the wholesalers. Most said they worked with the tourist offices and travel agents, which is surprising as neither had any information on the bodegas. Flichman said that working with the wholesalers increased their visitor numbers, but that the visitors had relatively little interest in wine other than having a glass to drink at the end of the tour. They were uncertain whether the visitors knew where they had been and whether these types of organised tours successfully promoted their brand and products; they did not produce significant direct sales, if any.

What this showed, was the extent to which this major local commercial activity was taken for granted, the local community were generally unaware or indifferent to the bodegas. The tourist office and the travel agencies seemed to be dealing with an undifferentiated product, they were unaware of the individual characteristics the bodegas were so keen to establish. Carmen Benegas felt that there was a need to educate the local community on the importance of the wine industry to Mendoza, on the changes that had taken place in the wine industry, on Mendoza's place in the international/global market and on the success of its bodegas. The origin of the problem may have been that although the industry had been established for a long time it had produced a commodity product, table wine, and the locals were not aware of the production switch to branded, better quality, fine wines. A number of the taxi drivers who took me to the bodegas did not realise that they were open to the public

or that they had shops. Surprised how affordable they were, they often bought a bottle of wine to take home.

Carmen Benegas thought that the young would eventually learn. Education and training have been identified as being an important consideration for the staff at the bodegas (O'Neill and Charters, 2000; O'Neill et al 2002), but it needs to be much wider. The staff of the local tourist offices and travel companies should also be trained in the existence, activities and value of wine tourism to their area. Without greater local awareness it is difficult to see how wine tourism can be of any economic benefit to an area.

7.15 Organisation and funding of wine routes

Bodegas de Argentina, headquartered in Mendoza was a national organisation, representing bodegas in all wine producing areas. It had logically concentrated its efforts to develop wine tourism in Mendoza as the area accounted for over three quarters of Argentinean production. In 2007 some funding had been secured from the Inter-American Development Bank to conduct a study on how to develop wine tourism but Walter Pavon said that none was available from the provincial government and the organisation mostly relied on contributions from its members to develop wine tourism. Almost the reverse applied in La Rioja, where the provincial government had taken responsibility and commissioned a study, but the study only covered the province of La Rioja. The situation was complicated, because the wine area straddled three provinces; La Rioja, Alava (Pais Vasco) and Navarra. Each province was responsible for its own tourism and provided separate information on its own bodegas, for instance the "Guia Completa de los Vinos de La Rioja; Bodegas, Marcas y Etiquetas" published by the Gobierno de La Rioja, Agricultura y Desarrollo Economico only covered the bodegas in the province of La Rioja.. Although the wine area was a single economic entity regulated on behalf of the government by the DOC La Rioja, it was three economic areas when it came to tourism and wine tourism straddling both wine and tourism risked falling between these two stools. The DOC La Rioja was responsible for the way in which the vines were grown, how they were processed and the classifications under which wine was sold and recently responsible for international promotions, but not tourism.

An entity two fifths the size of the wine area in Mendoza, covered three provinces and had five trade associations, but only the DOC covered the whole wine area. Wine routes for the whole area could not be established because of the complexity of these different areas of responsibility. In France, different layers and overlapping responsibilities had also created a bureaucratic log jam preventing the establishment of wine routes (van Westerling and Neil, 2001). This lack of cooperation and coordination was not only a function of the specific areas of responsibility of individual government departments (van Westerling and Niel, 2001), blame also rested with the bodegas (Frochot, 2000). As part of the provinces' study into wine tourism, Haro had set up a committee, but according to Mabel Fernandez from Bilbainas, little progress was being made because the larger bodegas did not attend meetings and not enough pressure could be brought on the local authorities to act.

Whereas the national trade association, Bodegas de Argentina, had taken the lead in Mendoza with provincial government taking a back seat, in La Rioja it had been the provincial government which took the lead. Although progress had been slow in Mendoza a wine route had eventually been achieved, but not in La Rioja because of split responsibilities and a lack of cooperation.

Although in Mendoza there may have been any number of "unofficial" wine routes, none were official. For Walter Pavon of Bodegas de Argentina, the main problem was the lack of coordination between the various road authorities. A wine route needs road signs to direct the tourists who normally travel by car (AMR, 2010), but in Mendoza there were three road authorities. The main roads into and out of Mendoza, such as Ruta 40, came under the national road authority. To get from Ruta 40 to towns such as Lujan de Cuyo or Maipu, there were provincial roads and to get to the bodegas the local roads became the responsibility of town authorities. Approval was necessary from these three different road authorities: national, provincial and local. The situation was further complicated by the fact that some towns had established their own wine routes with their own distinctive signs. Lujan de Cuyo had its own route with blue signs and in 2007, Maipu too was establishing its own wine routes. Consequently agreement had to be reached with all the relevant town authorities, some of whom had their own established schemes.

A similar if slightly different problem existed in 2006 in La Rioja where the three provinces each had their own wine routes. Rioja Alta and Rioja Alavesa promoted wine routes with different forms of information and the routes were not integrated- a confusing situation for tourists as they crossed the invisible boundaries between the two areas. By 2010, despite its overall responsibilities, DOC La Rioja was still not involved in the area's wine tourism, according to its Annual Report.

7.16 Wine museums and festivals-focal points for the industry and wine tourism.

A number of bodegas had their own museums. La Rural in Mendoza and Dinastia Vivanco in La Rioja had an extensive range of exhibits dating back to the Greeks and Romans, worth a visit in their own right. Typically these extensive collections were built up by owners fascinated by the history and art associated with wine making. Many bodegas had exhibits of old wine presses, farm and wine making equipment, carts and lorries. Benegas even displayed the owner's collection of ponchos. There were wooden vats dating back to the beginning of the twentieth century often used as centre pieces in the bodegas. Perhaps most impressively, entire bodegas had been preserved. All the buildings and original equipment in the old bodega at Club Tapiz in Major Drummond, Mendoza and at Martinez Bujanda's original bodega in Oyon, La Rioja were completely restored.

The wine museum can play a key role in wine tourism. It can be the industry's information centre with exhibits on the area's history and culture and on the traditional and modern technologies of wine making. Not only is it a place of interest to visit but it can provide information on wine routes, festivals, restaurants and accommodation. They can become a focal point for promotion, tasting and sales of local wines for the wine industry and tourism.

Most wine areas had a museum. The Ribera del Duero had a wine museum in one of the main wine centres in the area, in the impressive medieval castle at Penafiel, a strategic location on the Duero. Visitors to the castle could go into the museum to see the exhibits on the history of vine cultivation in the area and into its shop for information or to buy guides, wine books and wine. Navarra bordering La Rioja does

not have the same reputation for its wines as La Rioja or Ribera del Duero, but it had a wine museum in Olite, a very well restored and maintained medieval walled town. Its wine museum was in a square next to the castle and Parador, within the town's walls. Not only did it have exhibits on the area's history and vine cultivation, but it also had wine tastings and promoted local wines. The wine museum in Haro was being refurbished in 2006 and the provincial government was building a new museum in Logrono, but there was no wine museum in Mendoza. Walter Pavon of Bodegas de Argentina wanted the provincial government to start one in the centre of Mendoza where it would be a centre for the industry and wine tourism.

Some would see festivals as a key component of wine tourism, on a par with wine routes and museums (Taylor, 2006). Others see them as having a broader importance in promoting an area, bringing together people with a common interest in wine and food at special events (Houghton, 2001; Yuan et al, 2005; Carlsen and Getz, 2006; Wargenau and Che, 2006). In Mendoza and La Rioja, wine festivals at harvest time are aimed more at the local community rather than the tourist. Predating recent trends in the wine industry, they go back at least to the end of the nineteenth century. In Mendoza each town had its own festival and harvest queen. The climax was a parade through the centre of Mendoza. Floats were sponsored by the bodegas accompanied by horsemen and bands. The parade was held at midday and continued throughout the afternoon. There were food and wine stalls in the main square and services in the churches. There are also a number of free films and concerts including classical concerts organised by Bodegas de Argentina and held at the bodegas in the production hall of Chandon and in the gardens of Tapiz. Similar festivals were held in the wine producing towns and villages of La Rioja. These were mainly for the local people although visitors were welcome. The commercial aspects of festivals referred to in the literature were not evident, they had not been created to promote the area or revive hotel bookings, nor had they taken on the appearance of food and wine fairs (Houghton, 2001; Carlsen and Getz, 2006).

In both Mendoza and La Rioja the festivals undoubtedly attracted visitors, judging by the difficulty of booking hotel rooms, but they have not been invented to encourage wine tourism, rather they reflected the areas' history and culture.

7.17 Cross fertilisation with other forms of tourism.

Wine areas often offer other tourist activities, which can benefit each other and give tourists a more fulfilling experience, at the same time enabling a primarily rural area to develop its own form of tourism (Getz, 1997; Hall and Macionis, 1998; Tassiopoulis and Haydam, 2006).

Mendoza offered a range of adventure activities located in the Andes foothills to the west of the city. They ranged from canoeing and white water rafting to climbing Acongagua the highest peak in the Americas. These activities attracted mainly young, foreign visitors from North America, Europe and Australasia. Jose Zuccardi who had been persuaded by one of his sons to climb Acongagua said that they were the only Argentinians in a party of twelve and that of the three guides only one was Argentinian, the others being Swiss and Australian.

To me this indicates a cultural difference or different attitude to outdoor activities. Visiting the countryside, generally assumed in the literature to be an attractive aspect of wine tourism (Getz et al, 1999) may not apply to Argentinians.

Most of these young tourists stayed in adventure resorts outside the city, typically spending a few days at the beginning and/or the end of their holidays in the city where a number of hostels catered specifically for them. Between 2005 and 2007 a number of bicycle hire companies had opened up in central Mendoza, giving the opportunity to visit the bodegas by hired bicycle. I witnessed an arrival en masse one afternoon at La Rural's bodega and wine museum. On another occasion at lunchtime their bicycles were literally piled up in the car park outside Almacen del Sur, a café/delicatessen which specialised in jams and preserves made from local produce including Malbec grapes. In 2005, I had been the only visitor; in 2007, there was no seating room either inside or outside in their gardens, it was full of young North Americans and Europeans. The cyclists tended to visit bodegas near the city in areas such as Maipu which was reportedly going to convert a disused railway line into a cycle track. They visited places recommended by the hire companies with maps of the area, another example of cluster based tourism activity.

Zuccardi had bicycle tours of its vineyards. It provided the opportunity to see the method of irrigation pioneered by his father in Mendoza as well as see the various grape varieties and the traditional pergola method of growing vines, a system still used at Zuccardi (Plates 15). There were also organised cycle tours through the vineyards of La Rioja and some of the hotels had their own bicycles for hire.

There were ski resorts in the Andes near Mendoza and also further south beyond San Rafael and in the south of La Rioja, but as the skiing season was not the ideal time for visiting bodegas. Unfortunately the ski resorts were some distant from the wine areas, otherwise they could have fulfilled Pedro Leon's suggestion and catered for the wine tourists in the spring, summer and early autumn and skiers in the winter though they were used by visitors to the nearby religious sites during the off peak season.

Along the banks of the Ebro, La Rioja had a wealth of castles, mediaeval towns and churches when the Kings of Asturias, Leon, Aragon and Navarra were fighting the Moors for control of the area. El Cid came from nearby Burgos and his family had owned land in this part of Castilla. He would have travelled through the area during his campaigns for the Kings of Asturias and Leon and Zaragoza (Diaz, 1983). The Camino del Santiago passed through the north west of the province on its way to Santiago del Compostelo, but the most important religious sites were at Najera and the monasteries of Yuso and Suso where the Castillian language was first written down. Yuso and Suso were in the southern part of the wine country near Badaran where David Moreno had established his bodega.

David Moreno was in fact the only bodega in the survey that had made a conscious effort to work with the religious sites and other tourism in the area. In general there was little if any cross fertilisation between the various forms of tourism. Arturo Angulo made the point that the bodegas want to attract wine enthusiasts, who would stay loyal and buy their wine over the long term, he thought that it was mainly females who visited the churches, monasteries and holy sites and they were not likely to spend a lot of money on wine.

7.18 Networks, clusters and partnerships.

Networks and clusters can benefit both the wine tourism industry and as a result the local economy (Hall, 2004; Escolar and Fernandez Morueco, 2011), although there are some dissenting voices (Beverland, 1998) casting doubt on their effectiveness and whether when all the costs as well as the benefits have been taken into account there is actually a net benefit to the bodega and the local economy (Blake 2000; Fraser and Alonso, 2006). Networks, clusters and partnerships are the mechanism the bodegas use to work more closely with various elements with their local communities and this mechanism transforms the industry from productive isolation into post productive integration (Marsden, 1995).

Networks involve formalised arrangements with contractual arrangements between the members whereas clusters usually refer to informal arrangements (Hall, 2004). They can be horizontal or vertical (Wargenau and Che, 2006). Horizontal networks/clusters would involve a group of bodegas and vertical networks/clusters would involve other local amenities such as hotels, restaurants and other places of interest. The members of a network/cluster need to be coordinated if they are to achieve their maximum benefit (Williams, 2006).

The confusion during the interviews in Mendoza over whether wine routes existed or not can be explained using these definitions. There was not a formal, fully coordinated and universally accepted network, either horizontal or vertical, as far as the Bodegas de Argentina was concerned. There were quasi- formal horizontal networks in some towns, such as Lujan de Cuyo, but they were not integrated with other schemes. There would also seem to be a number of informal clusters, mainly vertical arrangements, particularly between the smaller bodegas and hotels (Ruca Malen and Cavas Wine Lodge), but also between the larger bodegas and hotels (Escorihuela and the Hyatt). The quotation from the *Vinas, Bodegas y Vinos* (2005, pp 202) at the beginning of the section on wine routes reflects the absence of a coordinated, vertical network.

The nature of networks and clusters meant that the problems establishing wine routes experienced by the Bodegas de Argentina in Mendoza were not unique. Difficulties

getting the cooperation, approval and participation of various regulatory authorities and bodegas have been experienced elsewhere (van Westering and Niel, 2001; Frochot, 2000).

Informal clusters are much easier to arrange than formal networks however. (Benegas/Besares, Escorihuela/Hyatt, Ruca Malen/Cavas Wine Lodge and Tapiz/Almacen del Sur). Clusters need not exist in isolation; they can overlap with others and at the same time the members can even be part of a formal network. This produces a complex, three dimensional set of relationships, informal clusters within formal networks.

Ruca Malen was an example of the success a bodega can achieve by being part of an informal cluster. In 2004, it had had approximately fifteen hundred visitors and was considering how to develop its wine tourism. In 2007, in addition to doubling production capacity, it had installed purpose-built kitchens, an outside pavilion for wine tastings and dining and reorganised its offices, converting the ground floor administration offices into a restaurant. The number of guides had increased from one to three and the number of visitors had trebled to over five thousand, each visitor paying seventy five pesos for the set lunch and a selection of the bodega's wines. This represented an income of almost four hundred thousand pesos. Direct sales which had been negligible in 2005 had within two years grown to 11% of total sales at a much higher margin. Jean-Pierre Thibald thought that one of the major ingredients for this success was the relationship that they had forged with Cavas Wine Lodge, the exclusive hotel established for wine enthusiasts established nearby in 2005/6. Ruca Malen had, in effect, formed its own cluster including bodegas, organising visits, meals and wine tastings for its guests.

Club Tapiz gave evening wine tastings of the wines from its new bodega, which guests were invited to visit. They suggested places to visit such as Almacen del Sur (the café/delicatessen), recommended bodegas and organised visits. The hotels usually suggested to their guests which bodegas and restaurants to visit, but the reverse could also be the case. Carmen Benegas recommended Besares in Chacras de Coria as somewhere to stay as an alternative to Club Tapiz or Cavas Wine Lodge. Most of the bodegas said that although they did not have any accommodation they

could recommend places to stay. These were reciprocal or symbiotic arrangements, which created a degree of interdependency so, for instance, Jean-Pierre Thibald at Ruca Malen said that although they had considered having their own accommodation for tourists, they were not prepared to proceed and risk the relationship with Cavas Wine Lodge whilst it was working so well. Similarly Rioja Alta, despite providing extensive catering for club members, was not prepared to extend this to the general public for fear of offending local hotels and restaurants, and because it had an interest in Haro's main hotel.

Most of these informal arrangements were vertical clusters involving the local hotels and restaurants, whereas the wine routes were essentially examples of horizontal clusters. However, an innovative idea of a horizontal cluster put forward by Puelles was to develop international wine tastings in association with independent bodegas in other major wine producing areas such as Bordeaux, Moselle or Piedmont. Initially the group would be in Europe, but in the longer term, it could include California, the Cape or Southern Australia. Guests would stay at the individual bodegas but be able to taste the wines from all the members of the group. Each evening a specific wine area would be selected and the tasting would be accompanied by lectures or talks from representatives of the member bodegas, perhaps with typical foods from the area.

Travel agents and tour operators were the most obvious absentees from the clusters in Mendoza and La Rioja. With some notable exceptions in Mendoza they did not have specific knowledge of the bodegas nor were they able to tailor a visit or tour to the needs of wine enthusiasts. In La Rioja, the tours from Madrid or the industrial towns of the Pais Vasco were usually to the better known bodegas, such as Marques de Riscal or David Moreno.

The larger bodegas relied mostly on their reputation as a destination (Dinastia Vivanco, Lopez de Heredia, Marques de Riscal and Muga in La Rioja or Zuccardi, Bianchi, Chandon, La Rural, Lopez or Salentein in Mendoza). None relied on a wine route, though they benefited from hotel recommendations. Clusters were more important for the smaller bodegas (Benegas, Ruca Malen in Mendoza and Puelles or La Encima in La Rioja). All seemed to consider relationships with the tourist offices

and travel agents or tour operators to be as important as those with the local hotels and restaurants, but the level of awareness at the tourist offices and travel agents needed to be substantially improved for them to be effective members of networks or clusters. The role of the hotels and the knowledge of their staff were critical. The Hyatt Hotel in Mendoza had noticed Chile's withdrawal from the "Major Wine Capitals of the World" and subsequently organised Mendoza's application and the interchange in personnel between the various bodegas and hotels together with the pivotal role played by the hotels in directing guests to the bodegas and restaurants created the interdependency of these clusters.

7.19 Can wine tourism benefit the local community?

Whatever might be unique about the bodega or the type of ownership/management, the staff conducting the tours and wine tasting had to be well trained. This was critical in Mendoza and La Rioja when a visit to a bodega included a tour and wine tasting (Charters and O'Neill, 2001; Griffen and Lorsch, 2006). The guides had to know about the various production processes, the details of their own bodega and preferably those of their competitors. All the bodegas recognized the need for trained, qualified staff. Jose Zuccardi had introduced an in house training programme whereby staff began by working in the kitchens and moved on to the restaurant and shop as their English and knowledge of the bodega, its products and winemaking improved, eventually progressing to becoming guides. The ability to speak English fluently was important in both Mendoza and La Rioja as an increasing proportion of visitors were foreign. Ann Maria Burger at Catena Zapata said that an increasing number of tours were in English, in 2005 half their tours were then in Spanish, the remainder in English. In 2006, Marques de Riscal was reorganising and expanding its tourist operation and no longer reported into the bodega's production management. They had placed an advertisement in the local newspapers for tour guides fluent in English to contribute to expanding production and sales. A shortage of suitably trained staff guides in La Rioja was causing some consternation amongst the bodegas, fearing they might lose their trained staff.

When Dinastia Vivanco devised its plans Arturo Angulo said the staff, local authorities and community had been consulted, however, he questioned the net local

benefit. To some extent it had provided extra work and provided extra business for restaurants and casas rurales, but a lot of the new employees had required skills not available in the area; the need to speak English, catering and hospitality management. Staff had had to be hired from Madrid.

The influx of these people and the creation of Briones as a tourist destination had not only created local disruption, but it had also led to local inflation, in particular an increase in house prices. The local community consequently felt that they were not benefiting. Caroline Fuller at Tapiz expressed the same concern; with two teenage sons she was very conscious of the situation. She said that the young people in the area were not benefiting from the jobs being created in wine tourism or in the hospitality sector in general. They were going to people from Buenos Aires who could speak English and who had the appropriate management skills and training. This was the case at Ruca Malen; they had recruited just two more assistants, both from Buenos Aires. Jose Zuccardi's in-house training programme them less dependent on "imported" staff and was greater benefit to the community.

Mabel Fernandez at Bilbainas commented that the larger bodegas in Haro did not attend the local meetings of the committee set up to promote wine tourism, and that there was also a lack of leadership shown by the local mayor to regenerate the town. Pedro Leon at Finca Valpiedra and Jesus Puelles made similar comments that the amenities in Haro were insufficient for it to develop as a wine tourism centre, giving rise to concern that Logrono, the provincial capital, would then benefit instead; provincial funds were being invested in Logrono, building a rival wine museum, improving the road network, the new airport and encouraging hotel development. Jose Zuccardi and Ricardo Villanueva at Escorihuela made similar comments particularly with regard to the infrastructure. They felt the roads and air services needed to be improved if the wine industry, let alone wine tourism were to prosper. These were the responsibility of the national government, though they looked to the provincial government to exert pressure. However, they felt that the provincial government could do more to support the industry and tourism in general if they encouraged more hotel development and provided better training. The Bodegas de Argentina had provided the leadership for the wine routes, obtained the Inter-American

Development Bank to fund a study on wine tourism and was lobbying the provincial government for a wine museum in Mendoza.

Wine tourism could only benefit the local economy if the bodegas worked with each other and if the national and /or provincial government and the local authorities made the necessary investment in infrastructure, urban renewal, education and training and encouraged inward investment to develop the local amenities. However, there has not been a thorough cost/benefit analysis on wine tourism. The only work done on the development of local tourism in Spain found that when all costs had been taken into account, there was only a small marginal benefit to the local community (Blake, 2000).

7.20 Summary of findings and conclusions

A tour of the bodega was an essential ingredient of the standard tourist package. It indicated a different approach to wine tourism from that of the English speaking world where the literature suggested a bodega only had to sell its wine from its cellar door for it to qualify as being involved in tourism. In Mendoza and La Rioja, visitors were treated more as guests than customers or tourists. This may be because the majority of the bodegas were large, family owned and operated and more concerned with developing an enduring relationship with their visitors than short term financial gain. This approach was consistent with their production of fine wines, sold on their unique product qualities rather than price and for export as well as for domestic markets; a factor particularly significant in Mendoza. The tour gave the bodega the opportunity to explain their wines' qualities. The importance of exports was reflected in the fact that half the tours were in English, making this approach especially relevant.

The tour and the wine tasting gave the bodegas the chance to differentiate their product, to demonstrate their individuality and to leave a unique and lasting impression on the tourists. The tour gave the bodega more time to persuade tourists of their wines' individual qualities and promote their brands and products. These aims were supported by emphasising the bodega's pedigree (Benegas, Escorihuela, Lagarde, Bilbainas, Lopez de Heredia and Marques de Riscal), showing the visitors

unique aspects of production (Escorihuela, Weinert, Muga and Lopez de Heredia), by taking the visitors into less visited areas such as the vineyards or the cellars and vaults (Archaval Ferrer, Bilbainas, Zuccardi and Lopez de Heredia), by making the most of the wine tasting (Archaval Ferrer, Fabulista and Lopez de Heredia) or by combining the wine tasting with a meal to show how the wines accompanied different types of food and local cuisine (Dinastia Vivanco and Ruca Malen).

The bodega's individuality could also be expressed in other ways: through its collections and the interests of its owners (Benegas, Dinastia Vivanco and La Rural), through its architecture and the location of its bodega (Catena Zapata, Salentein, YSIOS and Marques de Riscal), through its ambitions to develop the concept of estate bottled wines (Puelles, Finca Valpiedra and Torre de Ona) and finally through the range of facilities and services offered to its visitors (Zuccardi, Dinastia Vivanco, Club Tapiz and Vinas del Golf)

Architecture played an unexpectedly key role for the bodegas. Producers of fine wines wanted to reflect that quality in their properties and buildings. Pride, prestige and the value of the brand were all tied up together. There was no better example in this regard than Finca Valpiedra. Modern designs can reflect the bodega's position in surrounding countryside of rolling cornfields as at YSIOS, the area's pre-Colombian past (Catena Zapata, Salentien and Septima), an innovative approach to production (Zuccardi, Dolium and Fournier), and a desire to give a modern image to a traditional bodega (Marques de Riscal and CVNE).

An area's traditional architecture reflecting its cultural past can be preserved (Escorihuela, Lagarde, Bilbainas, Muga and Lopez de Heredia) and finally the original bodegas can be restored and put into production (Benegas and El Cerno) or dedicated to wine tourism with production being moved elsewhere (Club Tapiz and Martinez Bujanda).

The tour becomes the vehicle for a bodega to differentiate itself, establish its identity and form a relationship with its visitors and promote its brands, rather than be used for the short term benefits of selling wine direct to tourists. It also meant that the bodega became a destination in its own right, independent of others, and less reliant on wine

routes (Salentein, Zuccardi and Dinastia Vivanco). This was a long term strategy ideally suited to fine wines and the international market. It may not have been planned in this way, but it has been moulded into a suitable targeted approach in Mendoza and La Rioja, concentrating on the wine enthusiast and those who could become long term customers.

Wine routes were universally recognised as being important (Hall et al, 1997). They bring together all aspects of the local community; bodegas, hotels, restaurants, museums and other places of interest to provide the tourist with a complete experience (Getz et al, 1999). Most bodegas in the sample in Mendoza and La Rioja said that they were part of one. Others that were not were large destination bodegas such as Salentein or Dinastia Vivanco. In Mendoza, Bodegas de Argentina might not have got final approval for its wine route from the necessary authorities but there were unofficial routes. This meant that most bodegas were part of a route organised by individual groups of bodegas or covering only certain limited areas such as that in Lujan de Cuyo or arranged by third parties such as WineMap.

In La Rioja the situation was more complicated with the wine area covering three provinces (La Rioja, Pais Vasco and Navarra) and was itself divided into another three administrative areas (Rioja Alta, Rioja Alavesa and Rioja Baja). The provincial government of La Rioja had encouraged wine tourism, but had not obtained approval for a wine route in Rioja Alta (Escolar and Moruecco, 2011). Information from the tourist offices were inconsistent and incomplete. There were road signs in towns such as Haro, but organising committees there were unable to get the cooperation of all participants. By contrast, Rioja Alavesa had a wine route approved by the national ministry of tourism (Escolar and Moruecco, 2011) which provided comprehensive information on its wine routes from its' tourist offices. The fact that the wine area straddled a number of administrative provinces responsible for tourism created complications and an invisible tourism border/barrier between Rioja Alta and Alavesa.

In Mendoza, government let the industry take the lead and organise wine routes, whilst in La Rioja the provincial governments had taken the initiative with mixed results between Rioja Alta and Alavesa. Frustratingly the DOC did not appear to be

taking part. This was the only organisation that represented the industry in both areas as well as being responsible for the promoting La Rioja's wines outside the EU.

Wine museums can be a focal point for both the wine industry and wine tourism. Official museums funded by the industry or local government can provide information on wine routes, wines and bodegas, the cultivation of vines and the making of wine, the history and culture of an area, festivals, wine and food fairs. The wine museums at Penafiel in the Ribera del Duero and Olite in Navarra were good examples, evoking history and culture as well as providing an information service to wine tourists. Mendoza did not have a wine museum, although the Bodegas de Argentina was trying to persuade the provincial government to fund one in the city centre. In contrast, the provincial government in La Rioja was building a new museum in Logrono the provincial capital, as well as refurbishing the existing museum in Haro, however, both were in Rioja Alta and did not cover Rioja Alavesa. The support of the provincial government demonstrated La Rioja's commitment and perhaps also reflected the switch in wine subsidies to supporting wine tourism and promoting wines outside the EU.

Some of the bodegas in Mendoza and La Rioja had their own private museums, including displays of the owner's private collections (wine artefacts at Dinastia Vivanco and ponchos at Benegas). Normally, part of a bodega was dedicated to exhibits of traditional wine making equipment and production processes (La Rural, Flichman, Lopez and Benegas). La Rural had a comprehensive collection including ancient Greek and Roman exhibits. There were instances of old, unused bodegas that had been completely restored and preserved, so the bodega became the exhibit (Club Tapiz and Martinez Bujanda). A number of bodegas retained traditional equipment in the bodega. Escorihuela had even retained their original and furniture. A number of the original buildings at the older bodegas had been restored and were still in use, including some from the middle ages (Fabulista).

Wine festivals in Mendoza and La Rioja were held after the harvest, together with wine and food fairs, They were also one of the most popular times of the year for visiting the bodegas. The celebrations had involved the wine making communities for over one hundred and fifty years and were clearly part of the areas' history and

culture. They had not been manufactured to attract wine tourists during off peak periods as has been suggested in parts of the English speaking world (Yuan et al, 2005).

Catering and accommodation were more likely to be provided in the bodegas in Mendoza and La Rioja than in the English speaking world, such as Australia unless barbeque and picnic areas are taken into account. This was particularly the case in Mendoza, where a third of bodegas provided catering for visitors. In La Rioja most catering was for trade customers, organised tours or wine club members, they did not want to compete with local restaurants.

Catering also brought the bodegas into closer contact with the local communities when they could be used for social events such as weddings. The approach to catering in Mendoza and La Rioja highlights a cultural difference. Most bodegas with restaurants promoted the local cuisine (Dinastia Vivanco and Club Tapiz). Local produce was available in some of the bodegas shops (Bianchi and Rioja Alta) or used at wine tastings (Lopez de Heredia). Club Tapiz was home to a cookery school.

Accommodation was only available at a few bodegas in the survey (Club Tapiz, Nieto Senetier, Salentein, Vinas del Golf, Puelles and Cosme Palacio). These bodegas had only a few rooms; typically between six and twelve. Some were considering whether to open a hotel (Benegas and Dinastia Vivanco). Accommodation provided only a marginal income for the larger bodegas, but it could be significant for the smaller ones (Puelles and Vinas del Golf).

Marques de Riscal's hotel was the only large bodega planning a hotel on a commercial scale of a hundred plus rooms. This might prompt others to respond (Dinastia Vivanco), but the consensus of opinion was that the bodegas should work with the local hotels to develop wine tourism (Escorihuela) rather than compete against them (Ruca Malen).

Providing accommodation meant that a bodega was firmly committed to wine tourism. It was the last step in the development of wine tourism as a complimentary,

but separate business (Marques de Riscal, Cosme Palacio, Club Tapiz and Dinastia Vivanco).

Large bodegas such as Dinastia Vivanco had developed wine tourism as a separate business and Cosme Palacio and Club Tapiz operated their hotel and restaurant businesses separately from their respective bodegas. Significant enough to be managed separately, wine tourism was still a minor part of their overall business compared to the useful source of additional income it represented amongst the smaller bodegas. However, as it required separate management, it ideally needed its own dedicated staff and facilities.

Direct wine sales, catering and accommodation can be seen as forms of pluri-activity and evidence of post productivism. It is clear that accommodation has a greater significance as the factor determining when a bodega is simply involved in wine tourism as brand and product promotion and when wine tourism becomes a business in its own right. It is also the point at which a bodega becomes a destination independent of wine routes and informal clusters.

Direct sales at the smaller bodegas, such as Puelles and La Encima provided an alternative form of distribution as a replacement but not additional form of income. Denied access to the channels of distribution open to larger, more established bodegas, direct sales provided an alternative higher margin route to the consumer. This change in the channels of distribution reflected the restructuring of the industry, itself a sign of the affect of the neoliberal reforms.

In spite of there being other forms of tourism in Mendoza and La Rioja there was very little “cross fertilisation”. Only one bodega in La Rioja (David Moreno) saw any point in trying to be involved with the other forms of tourism. The adventure and religious tourists in Mendoza and La Rioja were not considered to be wine enthusiasts and therefore not candidates to visit the bodegas (Dinastia Vivanco).

Networks and clusters were critical to the wine tourism in Mendoza and La Rioja, but as there were not any official wine routes in Mendoza or Rioja Alta there was little evidence of formal networks. Although all the bodegas in the study said that they

worked with their local tourist offices, the latter knew very little about the bodegas and their wine tourism. The absence of these networks meant that local knowledge of the wine industry was extremely limited. In Rioja Alavesa where there was an official wine route and therefore a formal network, published information was available and the tourist office staff was well informed.

Williams has noted that wine tourism cannot meet its full potential if the various linked activities are not coordinated (2001). Clusters between bodegas and hotels or restaurants may help those involved, but may be of limited benefit to the community at large. These informal clusters could work well within the formal network of an official wine route, but the full benefit can only be realised when there is an official route, with those involved committed to cooperating with each other and complying with conditions of membership.

The provincial government in La Rioja had begun to take some action in 2006, but there was still no official wine route by 2010. The results at the local level were mixed. The tourist office in Haro lacked comprehensive information and cooperation between the bodegas was limited. Mendoza's trade association, Bodegas de Argentina had taken the lead, but its' programmes, funded though its members and the Inter-American Development Bank needed the support of the provincial government for the wine routes and wine museum.

In the absence of formal networks there were plenty of informal clusters. The bodegas effectively said that relationships with others, in particular the major local hotels, were critical in developing wine tourism and that there was a need for further hotel development, but there was concern, particularly in La Rioja that the local amenities did not exist for the visitors with whom the bodegas could form relationships to develop wine tourism. The bodegas did not want to set up in competition with the hotels and restaurants in the area, they did not want to put any reciprocal relationships at risk, but if there was a lack of suitable amenities the bodegas would have to provide their own facilities.

However, the networks or clusters could not function if there was a shortage of suitable staff and adequate infrastructure. If the provincial government and the local

authorities did not provide the training opportunities, the bodegas would have to hire staff from elsewhere reducing the local benefits and potentially creating friction with the local community. Government has to invest in training and infrastructure and encourage local businesses and amenities and inward investment for wine tourism to develop. The networks and clusters in wine tourism function to benefit their members. They can only be part of any attempt to develop the local community they can be the vehicle for rural redevelopment unless there is a convincing cost/benefit analysis.

In summary, the bodegas exhibit a range of post productive features from various forms of pluri-activity (Ilbery and Bowler, 1998) for which they have to invest in non-traditional, non-productive service orientated visitor facilities that leads to greater integration with the local community (Marsden, 1995; Wilson, 2001).



Plate 15 Sustainability of the wine areas depends on water. Zuccardi floods the vineyards from underground. The system introduced from California conserves this valuable resource.

Chapter 8

Summary of major findings and conclusions

8.1 Introduction

Much has been written in the wider literature on aspects of neoliberalism, post productivism and wine tourism. This research has sought to provide a more integrated approach by explaining the relationships between these subjects and the areas where they overlap. In Chapter 1 it was stated that this study had two objectives; to investigate the affect of neoliberal economic policies and post productivism on the wine industries of Mendoza and La Rioja and to examine whether wine tourism in these two areas differed from each other or from elsewhere and in particular the English speaking countries of the New World wine producers as reported in the published literature (see Chapter 5).

The overall conclusions from this research are that neoliberal economic policies have created a post productive regime in the wine industries of Mendoza and La Rioja and that wine tourism, which is part of this regime is not only important in its own right, but has also provided a window onto other aspects of post productivism in these wine areas. The research found no substantive differences between wine tourism in Mendoza and La Rioja, but it did identify a different cultural approach to wine tourism compared to the English speaking countries; a difference that can be attributed, in part, to a higher degree of family ownership.

To understand how neoliberalism and post productivism have affected these wine industries it is necessary to understand the nature of the relationship between neoliberalism and post productivism the causes and the form post productivism has taken and the role that wine tourism plays. The argument that underpins this research is that neoliberal economic policies have created the environment within which post productivism develops, that is to say that there is a direct relationship between neoliberalism and post productivism; neoliberalism is the cause and post productivism is the effect. It is also central to this research that wine tourism is one of the features of post productivism in the wine industries and by investigating wine tourism insight

is gained into other aspects of post productivism, so that wine tourism provides a window to look at post productivism in the wine industries of Mendoza and La Rioja. Conceptually, there is therefore a sequence from neoliberalism to post productivism to wine tourism and investigating wine tourism provides a cross sectional analysis, covering all aspects of post productivism in these wine industries, from the capital intensive mass production of table wine to the production of differentiated better quality wines orientated to the different needs and desires of the consumer and an investment improving customer service, various forms of pluri-activity, a more competitive international market, agricultural and structural diversity, extensification, dispersal, concerns about the environment and sustainability and finally the relationship between the producers and their local communities.

The cross sectional analysis of post productivism can be developed by reference to previous work done on post productivism by Marsden (1995), Ilbery and Bowler (1998), Wilson (2001) and Evans et al (2002) described in Chapter 3. Their observations on post productivism can be summarised under three general headings; a trend to quality products with a known provenance in a competitive international market, other sources of income (pluri-activity) and greater integration into the local community and a move to less specialised and intense, more dispersed forms of production (agricultural and structural diversification) to protect the environment, conserve resources and sustain the agri-industry. These headings provide a framework to assess and measure the extent to which these wine industries are post productive and to compare wine tourism in these areas to wine tourism elsewhere.

However, before neoliberalism and post productivism are looked at more closely it is necessary to recognise that the changes that have been observed in the wine industries of Mendoza and La Rioja are not solely due to neoliberalism. There have been other forces at work. The market for wine has changed dramatically over the last thirty years with the decline of domestic consumption for table wines in Argentina and Spain and the emergence of export markets in North America and Europe for better quality fine wines, usually New World varietals rather than traditional blends, based on a wider range of vines. This trend in consumer behaviour cannot be attributed to neoliberalism, but neoliberalism in the form of the removal of barriers to free trade and foreign investment have enabled the wine areas of Mendoza and La Rioja to take

advantage of this trend in consumer behaviour and the consequent export opportunities to replace domestic demand. The development of New World wines and the internet are also important factors. These have had a profound affect on the production technology and marketing techniques of wine producers. The technology has made possible small scale production of quality wines that have been marketed directly to the consumer and recent developments of the internet has accelerated and revolutionised the process of how wine can be sold and distributed. The current state of these wine industries is therefore a product of the convergence of the affects of neoliberalism with these external factors, whilst recognising that these external factors would not have made the same contribution without the introduction of neoliberal economic policies liberalising trade and foreign investment.

8.2 The relationship between neoliberalism and post productivism

This research has taken for granted that the direct, cause and effect, relationship between neoliberalism and post productivism to be self evident, in that post productivism requires a neoliberal economic environment. However, this probably requires further explanation and may be questionable in the current state of economic austerity (see 8.6). Neoliberalism can be interpreted in a number of ways; a narrow definition would be the monetary and fiscal policies of Friedman (1962) and Hayek (1960). A more conventional definition, even if its disowned by its' author, would be the so called "Washington Consensus" put forward by Williamson (2003 B) and illustrated in Table 3.1. However, it is more popularly associated with the "rolling back" of the state and the change from demand to supply side economics that typified the governments of Reagan and Thatcher, in the 1980s and 1990s (Nef and Robles, 2000; Peck, 2001 and 2004; Harvey, 2005).

The "rolling back" of the state meant essentially deregulation and the removal of barriers to trade to create a more open, free market that was not distorted by government intervention. In the agri-industries this meant a more competitive international market and conventionally associated with the removal of production subsidies (Ilbery and Bowler, 1998). This internationalisation of the agri-industries (Le Heron, 1993) was given a fresh impetus by the end of the Cold War at the end of the 1980s. It created a greater sense of political security and questioned even more the

need for protectionist policies and subsidies to achieve and then maintain agricultural self sufficiency. Self sufficiency in agriculture had been a key political objective for fifty years, since the 1940s. Both of these factors, competitive international markets and the removal of subsidies, have not only been classical ingredients of neoliberal economic policy they have also been acknowledged as significant elements of post productivism (see Tables 3.1 and 3.8) and in fact have been the starting point of much of the original work done in this area (Ilbery and Bowler, 1998). Consequently the advent of neoliberalism has been the starting point for post productivism and therefore in order to investigate the affects of neoliberalism, it is necessary to analyse the form that post productivism has taken. This analysis in turn demonstrates that post productivism is a direct consequence of neoliberal economic policies.

New Zealand is a useful example. It is one country whose agricultural industry has undergone a significant amount of change as a result of neoliberal economic policies. Jessop (2002) has commented on the amount of research that has been done on the affects of neoliberalism on the country's agricultural industry and Moran (2000) has commented on its affects on the wine industry. At the same time a significant proportion of the work on wine tourism has been done in New Zealand by Hall and his associates (1997 and 2002) and by others such as Beverland (1998 and 2000), but curiously this work does not appear to have been interpreted within the context of the introduction of neoliberal economic policies or post productive theory. This is surprising given the overlap between the work done by Marsden, Ilbery and Bowler, Wilson, Evans et al, Hall et al and Beverland and it is more striking because tourism and by implication wine tourism, as a form of pluri-activity, is a classic characteristic of post productivism. In addition the authors on wine tourism have also written extensively on the commodification of the wine industry (Mitchell, 1998) through wine tourism and its contribution to rural development.

A substantial amount of the work on neoliberalism in New Zealand has focused on deregulation, reregulation and changes in the supply chain (Le Heron 2001 and 2005; Penny, 2005). The importance of deregulation has been mentioned earlier and although there has been little reregulation that has affected the wine industries one of the main conclusions of this study is that a number of post productive characteristics have combined with external factors such as the development of the internet, to bring

about a fundamental change in the channels of distribution or supply chain (Ewert, 2003; Penny, 2005). In this respect, changes in the supply chain attributed to neoliberalism can also be seen as being post productive.

This study argues that neoliberalism provides the economic framework within which post productivism develops and that post productivism has been synonymous with neoliberalism although this might not always be the case (see 3.8). Wine tourism is therefore indirectly a product of the international free trade opportunities presented by neoliberalism. Perhaps the most obvious expression of post productivism in the wine industry is pluri-activity associated with tours, direct sales, wine clubs, in house catering and accommodation, but investigating wine tourism has also provided an insight into other related, connected but less obvious aspects of post productivism, such as agricultural and structural diversification and dispersed production. The wine routes which are an integral part of wine tourism also act to integrate the wine industry into the local community. Wine tourism is also for the growing number of small bodegas a way to by pass the traditional channels of distribution in order to sell their wines directly to the consumer. This, particularly in La Rioja, has changed the structure of the supply chain. These are therefore all aspects of post productivism. There is a sequence from neoliberalism to post productivism to wine tourism to direct sales, which broadens out to other aspects of post productivism. There is naturally a strong link between wine tourism and direct sales, but it is argued here that although wine tourism implies direct sales, direct sales does not necessarily imply wine tourism (see 8.4).

8.3 Neoliberalism and post productivism in Mendoza and La Rioja

The research concludes that it is the measures taken to remove the barriers to trade, notably import quotas and tariffs and in Argentina the restrictions on foreign direct investment since the mid 1980s (see section 4.8) that have most affected the wine industries of Mendoza and La Rioja. The situation with some of the other aspects of neoliberalism has been somewhat confusing and in some cases contradictory. The main culprit has been subsidies. Farm subsidies have remained in the EU even though custom free zones are supposed to be examples of neoliberalism and subsidised production or price support mechanism can hardly be consistent with the concept of

free trade. However, the influence of neoliberalism has been to redirect them from production to areas of sustainability (Ilbery and Bowler, 1998). Wine subsidies have not been an exemption. They have remained in Spain as they have throughout the EU, however they have been redirected from subsidising the cost of planting or replanting vineyards or buying surplus wine to be distilled into industrial alcohol to promoting wine sales in markets outside the EU. This is a significant shift from paying the grower to subsidising the promotional costs of the wine producer. It is almost neoliberal or post productive, in the sense that it puts the emphasis on the market rather than production.

In Argentina subsidies were replaced with export taxes on agricultural products, though not wine, after the economic crisis of 2001/2 as a temporary measure. They have since been increased and extended to wine, together with new restrictions on foreign investment (see section 4.8). These completely different measures could have had the affect of encouraging the export of fine wine from La Rioja and eventually discouraging exports, particularly of table wine, and investment in Mendoza. However, they only seem to have had a marginal affect. They have not affected the general trend to fine wine production and exports or the role of wine tourism. These trends would probably only be reversed if access were denied to the international market through the introduction of protectionist policies through tariffs and quotas by the importing countries.

Post productivism in the wine areas of Mendoza and La Rioja can be characterised by three trends. Firstly the shift to the production of better quality fine wines from table wines with a known provenance in an internationally competitive market is demonstrated by the increased demand for fine wines, distinguished by the variety of grape, bodega and country, in the emerging markets of Northern America and Europe while domestic consumption of non differentiated table wines has decreased in the domestic markets of established producers, creating an increasingly competitive international market (see Tables 3.3). Secondly the development of other sources of income for the bodegas other than the production of wine and distribution through the conventional channels of distribution or pluri-activity including bodega tours and direct sales to the consumer including wine clubs, but also in house catering and accommodation. Lastly these consumer orientated pluri-activities have meant that the

bodegas become more integrated into the local communities through wine routes, festivals and wine museums and have invested in services facilities or assets related to the consumer or tourist as well as the fixed assets associated with production (see Chapters 5, 6 and 7). There have been other affects, for instance, the trend to quality wines and internationally competitive markets has meant that a wider variety of grapes are grown reducing the specialisation on specific grapes for the commodity table wines and the opportunities created by a more open accessible international market and demand for quality wine have attracted new entrants, significantly increasing the number of suppliers and dispersing production (see Table 4.2 and section 4.3). However, this expansion of the wine industry in Mendoza and La Rioja has put a strain on their water resources, particularly as they have to compete for water with industrialisation and urbanisation. This has meant that in order to sustain their wine industries there is a need to conserve essential water resources (see section 4.7). This is the one significant area of reregulation for both of these wine areas.

It must be recognised that post productivism in different wine areas can take different forms or shapes depending on local conditions that is the extent to which the various elements varying from area to area, though external factors will tend to remain the same, such as the trend to quality, fine wines based on a range of grape varieties with a known provenance in a competitive international market, the internet and sustainability. These external factors are common to all to al producers in all areas. The aspects of post productivism which depend on the local areas can be seen as internal factors, such as the form and extent of pluri-activity and integration into the local community together with the degree of specialisation and dispersal of production (see 8.3). These internal factors characteristic of a local area can be represented as the axis of a three dimensional diagram. The x axis measures the extent of pluri-activity, while the y axis represents the extent of integration of the bodegas with the local community and the z axis represents the level of investment in restocked and new vineyards to produce the varieties required and the cost of refurbishing existing and building new bodegas by domestic and foreign investors. In such a diagram the transition from a productive to a post productive regime would see the position of a wine area plotted on this three dimensional map move from the centre to a peripheral orbital. Its position would change with the pattern or level of investment and the extent of pluri-activity and local integration.

Pluri-activity in the form of direct sales and wine clubs is an obvious example of the post productive regimes in Mendoza and La Rioja. However, in the case of the larger bodegas and to some extent the smaller ones in Mendoza direct sales are more a function of the desire of the bodegas to get closer to the consumer, promote their brands and products and compete in the international market rather than as an alternative form of income (see 8.5). However, this behaviour is itself post productive, as it reflects the trend to better quality products in an increasingly competitive market place (Ilbery and Bower, 1998). In addition, in Mendoza replacing vines with those that are internationally popular and fashionable and producing their varietal wines can be viewed as a form of despecialization (Jones, 1986) or what Ilbery and Bowler (1998) referred to as agricultural diversification (see section 3.12). These features alone would justify referring to the wine industries of Mendoza and La Rioja as post productive regimes, but there are other characteristics of the affect of neoliberal economic policy in these wine areas that are post productive.

Ilbery and Bowler (1998) referred to structural as well as agricultural diversification, when enterprises invested in other related activities. An example is when the owners of vineyards, such as Puelles, invest in wine making equipment and become the processors of grapes as well as the growers. In fact, neoliberal economic policies have led to a significant increase in the number of bodegas, not only from vineyards moving downstream into wine production, but also industry professionals starting their own new enterprises such Benegas, Ruca Malen in Mendoza and La Encima in La Rioja. Moran (2000) has attributed this blossoming of entrepreneurialism to neoliberalism. However, particularly in Mendoza, it has given rise to sustained foreign direct investment, at least until the crisis of 2001/2 (Azpiazu and Basualdo, 2003). This increase is well documented, particularly in La Rioja between 1990 and 2010 when the number of bodegas doubled, most small and all producing quality wines. In both Mendoza and La Rioja this increase whether from domestic investment in La Rioja or from a mix of domestic and foreign investment in Mendoza meant that production was fragmented of dispersed; another post productive feature observed by Ilbery and Bowler (1998).

The combination of these factors (pluri-activity, agricultural and structural diversification and dispersed production) has meant that the channels of distribution or supply chain have changed. The growth in the number of bodegas has seen an explosion in the number of brands and varietal wines available and the bodegas using direct sales with the aid of the internet have managed to by pass the wholesalers in order to get their products into the market. Le Heron (2001 and 2005) has attributed this change in the structure of the market to the affects of neoliberalism and in this instance can be viewed as post productive or at least the result of post productivism.

Wine tourism is itself a form of structural diversification, when the bodegas invest in the necessary facilities such as visitor reception areas, shops, catering or accommodation and employ guides for tourists. They are investing in related rather than what had been the main business activity. They are diversifying their investment away from assets that produce wine to assets that help to promote and sell their wine; a shift from production to service related assets or hard to soft assets. This diversification is part of a process associated with wine tourism and wine routes that leads to a greater integration with the local community as the bodegas form themselves into networks and clusters with the hotels and restaurants. This change in investment patterns is an essential part of Marsden's transition to a post productivism (1995) and leads to greater integration with the local community (Wilson 2001).

The investment behind this integration therefore represents a move away from the traditional areas reducing the potential intensification and becoming a form of extensification. It leads to a change in the capital structure as the participants invest in new service related assets rather than the established productive assets. This is an important part of Marsden's transition form productivism to post productivism. In this sense post productivism is reflected in the reorientation or transition of the wine industry to direct sales and tourism as well as the smaller scale production of a range of better quality, differentiated products from the mass production of table wine, a non differentiated commodity.

8.4 Cultural differences in wine tourism in Mendoza and La Rioja

The main differences between the wine tourism Mendoza and La Rioja and the English speaking countries arise from the importance of family ownership and what is meant by wine tourism. Family ownership and management dominates even amongst the larger firms (see Table 6.2) in Mendoza and La Rioja. Even the large bodegas tend to be family owned with perhaps some outside investors, such as their banks, and sometimes they are managed by professional management teams, but few of the domestic producers were quoted or were part of quoted companies. The exceptions were Penaflo in Argentina and Bodegas Riojanas, Baron de Ley and CVNE in Spain, but even these tended to be partly family owned and managed by members of the founding families. The largest family firms were well established and had grown partly by acquiring other firms whose owners wanted to sell out or in some cases by merging their businesses. Of the bodegas in the survey Escorihuela and La Rural in Mendoza were examples of bodegas whose families had sold their businesses to another local family owned firm, Catena. In La Rioja Bilbainas had been acquired by a family business, Cordoniu, based in Penedes near Barcelona. Catena and Cordoniu had also expanded by building new bodegas. Catena had concentrated on its local area and built La Pyramide in Mendoza, whilst Cordoniu had built a number of new bodegas in Spain, California and Septima in Mendoza. Like Catena, Dinastia Vivanco in La Rioja had concentrated on its local area. It had built two new bodegas as well as acquiring a number of established family bodegas. However, what was notable was that the family bodegas, regardless of whether they were new or had been acquired, attracted a disproportionate number of visitors compared to those that were corporately or foreign owned. They tended to be more innovative, less mechanistic, in their approach to wine tourism, offering a wider range of services and stretching out to the public to establish direct contact and express their individuality. In the words of Jose Zuccardi “they wanted to give their visitors an experience they would not forget”. There was a good commercial reason for wanting to make such an impression. The bodegas wanted to establish their brand firmly in the mind of their visitors, so that they would buy their wine when they returned home. The emphasis was on establishing their brand for the long term rather than the short term benefits of direct sales.

There was another factor that was related to the family ownership. Visits to all the bodegas, always began with a tour and represented the pride the owners had in their bodegas. However, this pride in their bodegas was perhaps especially important for the family firms, as the bodegas reflected their values for which they, as individuals, were directly responsible. The visits always ended with a wine tasting, after which visitors could buy gifts and wine to take home. Wine tourism was therefore centred around a tour of the bodega. In Argentina there was usually no charge for the tour and wine tasting though in La Rioja there was a small nominal charge. This would appear to be significantly different from the English speaking countries where tours were only occasionally available and visitors had to pay to taste the bodega's wines. In these countries wine tourism seems to be based on the ability to taste and buy wine and it seems to have been assumed that any firm selling wine direct was involved in wine tourism. Wine tourism was then a visit to a particular area where one could taste and buy wine, a sort of bucolic retail therapy. In these countries wine tourism had more to do with the attractiveness and amenities in the wine area. Tasting and buying wine were of course were part of wine tourism in Mendoza and La Rioja, but because the tour and wine tasting would take one to two hours, the bodega became the destination rather than the wine area and therefore a far higher proportion, approximately a fifth of the bodegas in the survey particularly in Mendoza, provided lunch as well as other amenities. This meant that the visit to a particular bodega could take the whole day. This was especially the case in Mendoza where some bodegas, such as Salentein, which were particularly remote had a wide range of visitor facilities.

This family atmosphere is also reflected in the bodegas' wine clubs. Wine clubs were not common in Mendoza, but in La Rioja, where more or less all the bodegas had a wine club, they involved more than the ability to buy wine on special terms on the internet. They often gave members access to special, dedicated dining facilities and events and usually meant that the members had bought at least a barrel of wine. The members could typically visit the bodega have lunch and drink from their own barrel. It was not only a way to tie the consumer to the bodega, but also a useful way to sell direct and provided working capital for the business. It was a process that made the customer part of the bodega's family. Wine clubs were more common in La Rioja than in Mendoza, probably because of the proximity to their local domestic markets

and tourist routes. For the same reason it was more common for bodegas to have a restaurant for all visitors in Mendoza, whereas in La Rioja although dining facilities would often only be available for club members, the bodegas did not want to compete with the local restaurants. The point about the geography of the two areas and their relative proximity to major towns and tourist routes had other implications. In Mendoza, the bodegas relied on distributors to distribute their wines throughout Argentina and their export markets in North America and Europe. Their relative isolation meant that they were more dependent on their distributors and agents and had limited the opportunities for direct sales as well as wine clubs, whereas in La Rioja there was greater opportunity for direct sales and wine clubs were in many cases the way in which the larger bodegas achieved these direct sales together with their web sites rather than through the cellar door.

However, these differences between Mendoza, La Rioja and the English speaking countries, raises the question as to what is meant by wine tourism. It has been shown above that in the English speaking countries it seems to be more to do with a visit to a particular location and cellar door or direct sales, whereas in Mendoza and La Rioja it has to do with the tour of a particular bodega, probably including lunch in their restaurant, rather direct sales. Direct sales, partly through the wine clubs, were more important in La Rioja than in Mendoza. They were not that significant in Mendoza. There was only one instance where they represented more than 10% of sales and in this case, the bodega, Ruca Malen, was being criticised by the local wine retailers. In comparison in La Rioja, Jesus Puelles claimed that 80% of his sales were direct to the public and La Encima saw direct sales as an alternative way of distributing their product, by passing the wholesalers. In La Rioja it also represented a way of significantly increasing the bodega's margins and with the wine clubs Puelles demonstrated that it was also a way to fund the business (see section 4.10).

As would be expected direct sales, together with catering and accommodation were more important sources of income for the smaller bodegas, such as Ruca Malen and Puelles, but the commercial benefits of wine tourism were also appreciated by the larger bodegas. Dinastia Vivanco in La Rioja was considering extending its wine tourism to other bodegas in its' group and creating a separate wine tourism business. Marques de Riscal, perhaps La Rioja's most prestigious bodega, had also begun to

move in this direction by building a hotel leased to a hotel operator and making this the central point or theme of their wine tourism around which the new restaurants, cafes, shops and visitor facilities were built (see 8.5). None of the bodegas in Mendoza had gone this far, though it is possible firms such as Zuccardi may have considered this option. Bodegas in La Rioja both large and small for very different reasons were therefore more prepared to exploit wine tourism as an alternative source of income than in Mendoza and could be said to be more pluri-active and have a more developed form of wine tourism and a more post productive regime.

Wine routes have been acknowledged as essential to promote and develop wine tourism (Bruwer, 2003; Hall, 2004; Sparks and Malady, 2006). Both Mendoza and La Rioja were attempting to establish wine routes and both were going experiencing the difficulties associated in trying to get various interest groups to cooperate with each other and the overlapping responsibilities of different layers of government. Their approaches and the problems they faced were very different, but not unique, other wine areas had experienced similar problems (van Westering and Niel, 2003). In La Rioja the local government had taken the initiative to promote wine tourism and asked the bodegas to cooperate. They had commissioned a study and establish working parties in towns such as Haro (see section 7.15). The Spanish government had also been helpful; it had nationally approved wine routes and through its subsidies to the wine industry had redirected funds from planting or replanting vineyards to promoting wines in export markets (see section 4.5). However, after more than five years, La Rioja, unlike neighbouring Alavesa, had failed to get national approval for a wine route (Escolar and Morueco, 2011). The problems seemed to stem from the difficulty in getting the bodegas to work together (see section 7.13), the fact that the wine area was in three provinces (La Rioja, Alava and Navarra) and the number of associations which represented the bodegas (see section 4.9). Curiously the one body that could coordinate these various factions, the DOC La Rioja, was not involved. Its organisation included all the trade associations, was responsible for product quality in the entire wine area in all three provinces and handled the government funds to promote Riojan wines in export markets outside the EU. Consequently, the attempts to promote wine tourism and to rejuvenate the rural economy were falling between two stools; the bodegas' trade associations and the provincial governments.

The model adopted in Mendoza was more successful. The provincial government had let the largest trade association, Bodegas de Argentina, take the lead (there was only one other much smaller trade association in Mendoza formed by Zuccardi). Bodegas de Argentina had the advantage of coordinating its members and raising a levy from them to cover the promotional costs. Bodegas de Argentina's main problem was getting the cooperation and coordinating action between the different levels of government. Compared to Spain, the attitude of the Argentine government to the wine industry could be considered to be hostile, given that they had introduced taxes on the industry's exports. The situation with the local authorities was somewhat different. Some had started to develop and promote their own brands of wine tourism. Lujan de Cuyo, Maipu and St Raphael, the three largest wine producing towns in Mendoza not only had their own wine tourism programmes, they were also trying to establish their own DOs (see section 4.8). They were trying to establish separate identities for themselves. There was therefore the potential for some conflict between these rival groups and with the regulatory authority the INV. However, Bodegas de Argentina, managed to get the various levels of government and the towns to agree to a common system of signs for the bodegas, hotels and restaurants on the various wine routes. The individual towns could then develop their own activities within this system if they chose. By getting these groups to cooperate, Bodegas de Argentina was not only effectively promoting wine tourism, it was also integrating them, and in particular the wine industry with the local communities, to develop their economies.

What is interesting is that although these two areas had adopted different approaches to wine tourism and established wine routes with varying degrees of success, the main characteristics of wine tourism and post productivism were the same in both areas, although there were some distinct differences with English speaking countries in terms of the importance of family ownership and what constitutes wine tourism. There were also similar differences with the rationale and benefits of wine tourism.

8.5 The rationale and benefits of wine tourism in Mendoza and La Rioja

Bodegas that open their doors to visitors have obviously decided that the direct marginal and opportunity costs are justifiable (see sections 5.2.5 and 7.10). The main reason for bodegas opening their doors to visitors in Mendoza and La Rioja was to

promote their brands and their products. This was far more important than anything else. The next most important reasons were to understand their customers and what varieties and types of wine and tastes they preferred; although interestingly they did not see wine tourism as an opportunity to test market wines. This set of criteria was generally the same in Mendoza and La Rioja, but there was a tendency, particularly in La Rioja, for the smaller bodegas to rate direct sales more highly than understanding the customers. This fits in with the perceived wisdom in the English speaking countries and is understandable when direct sales can be an important source of income for the smaller bodegas. However, in La Rioja direct sales were not just a matter of choice, small bodegas such as Puelles and La Encima had adopted wine tourism to sell their products because they could not distribute them through the normal distribution channels. The wholesalers preferred to distribute the established, well known brands for which there was an existing demand, they were only prepared to take relatively unknown brands if they could buy them at an additional discount. Wine tourism and direct sales therefore gave the smaller bodegas greater independence and the opportunity to shape their own future and at the same time increase their margins.

The importance of promoting their brands and products and understanding their customers indicates that overall the bodegas see wine tourism as a way of getting closer to their customers. In a number of the larger bodegas public relations were responsible for the guides and wine tourism and the costs of wine tourism were accounted for as a promotional expense; wine tourism was not seen as a source of income and therefore was not strictly a form of pluri-activity. It could be argued that wine tourism as a form of post productivism only applied to the smaller bodegas.

However, although wine tourism may have begun as a public relations exercise in some of the larger bodegas, it was beginning to be appreciated that if developed it could become a complimentary, but separate business, particularly in La Rioja. In section 8.4 the cases of Dinastia Vivanco and Marques de Riscal were used to demonstrate that wine tourism can become a business in its own right at the larger bodegas and a significant source of future income as well as a way of the bodega expressing itself and differentiating its products from its competition. At Dinastia Vivanco the foundation which included the visitor centre, museum, shop and

restaurants had initially been built to house the owner's collection of wine artefacts. The capital costs were offset against tax and wine tourism only had to cover its marginal costs (see section 7.10). The number of visitors had to some extent taken Dinastia Vivanco by surprise and consequently it was renewing plans to build a hotel. There were similar developments elsewhere in Spain, as well as Marques de Riscal. So for the larger bodegas with the necessary financial resources, wine tourism was a stepping stone to the development of a new business. Strategically the rationale was not clear, but it may be that in an increasingly competitive international market, where demand was stagnating and supply was exceeding demand even for fine wines (see section 7.10), bodegas such as Dinastia Vivanco and Marques de Riscal realised that they had to commit further to wine tourism to preserve their market position and at the same time create an alternative source of income. This was pluri-activity on a major scale for all the classic reasons (Ilbery and Bowler, 1998), but it also reflected a change in investment patterns from fixed assets geared to production or hard assets to service related assets or soft assets. This change in the capital structure of the wine industry, that is to say the proportion of funds invested in soft as opposed to hard assets fits with Marsden's (1995) transition to post productivism, which sees a change in the capital structure of industries, such as the wine industry, as the move from a productive to a post productive state. In the wine industries of Mendoza and La Rioja the transition to a post productive state was associated with investment towards the consumer or service related assets which meant a change in the capital structure in favour of these asset classes as opposed to production.

Wine tourism might have started off as a promotional or public relations exercise or a way of by passing the established wholesalers, but it had become a significant source of income, pluri-activity, for most of the smaller bodegas and some of the larger ones. These developments were leading to a change in the supply chain. The structure of the market was changing as direct sales through the internet and wine clubs began to take a larger share of the market and investment switched with its emphasis on service directed to the consumer rather than production. This represented a mix of inter-related post productive characteristics where it becomes difficult to say which leads to another, but rather where they interact with each other in an iterative process.

It has been noted that wine tourism can benefit the local community as well as the bodegas (Hall et al, 1997) and integration of the agri-industries with their local communities is a sign of post productivism (Marsden, 1995; Wilson, 2001). The benefit to the local community was a factor in La Rioja. In 2005 the provincial government had encouraged the bodegas to open their doors to visitors and commissioned a study on how wine tourism could be developed. The motive was to develop other parts of the rural economy in the province. La Rioja had other forms of tourism, skiing in the south of the province and a number of historical and religious sites in the wine areas. Mendoza had a range of adventure tourism activities in the neighbouring Andes, but the provincial government in Mendoza had not taken the initiative and had left the development of wine tourism to the trade association Bodegas de Argentina; however, whether the local or provincial government played a part or not, there was little if any cross fertilisation between these different areas of tourism.

In a broad context, similar concerns were raised in Mendoza as in La Rioja about whether wine tourism could be a vehicle for rural development. Although the bodegas worked together to form networks and clusters with each other and with the hotels and restaurants in both wine areas to develop wine tourism there was concern about who was going to benefit. The jobs that were being created required language skills and practical experience that were in short supply in both areas. These staff shortages meant that those who were qualified were much sought after and the job vacancies attracted people from other parts of the country. This created some resentment in both Mendoza and La Rioja. It also put pressure on the housing market and created local inflation, so that although wine tourism helped to integrate the wine industry more with the local community, the jobs that were created and the services that were required did not necessarily always appear to benefit that local community.

8.6 A review of potential areas for future work and the value of this research

This research has covered the bodegas that were open to the public in Mendoza and La Rioja. Those interviewed and in particular the case studies included the major firms in these wine areas and represented all types of bodegas involved in wine tourism. The sample included those that were family or corporately owned, of all

different sizes from very large to small and established from the end of the nineteenth century until recently. In that sense it was as a representative sample, given the information available. However, the number of bodegas that were open to the public in these areas was estimated to be only 10-15% of all the bodegas. The sample did not necessarily represent the other 85-90% of the bodegas that were not open to the public as only two of the fifty bodegas interviewed were not open to the public. This study has tried to do as comprehensive an analysis as possible, but much of the material on wine tourism is qualitative rather than quantitative so we are uncertain as to the extent of wine tourism and therefore the degree to which these industries are post productive.

The bodegas that were involved in wine tourism were undoubtedly pluri-active not only because of their wine tourism but also because of the associated direct sales. By investigating wine tourism the study also gained insight into the industry as a whole in these areas and evidence for other forms of post productivism, namely agricultural and structural diversification, dispersed production and changes in the supply chain. However, as the 85-90% of bodegas that were not open to the public and not involved in wine tourism were only represented in the study by two bodegas previously mentioned, it is difficult to say to whether they were involved in any form of pluri-activity or any other form of post productivism and whether as a whole they could be classified as being post productive, that is to say that although there is evidence to suggest that the industry as a whole was post productive, in the sense that there has been an increase in the number and proportion of bodegas producing fine wines, the details of the extent and nature of post productivism beyond the segment represented by the sample is unknown. All that can be said is that from the evidence of the two bodegas that were not open to the public and others included in the study, the main argument for not being involved in wine tourism was the indirect opportunity cost of not concentrating on wine production and the direct cost of staff and facilities. This was often referred to as a cultural difference. In many of the family bodegas, responsibility for production and wine tourism were split between different members of the family. Wine tourism was often associated with sales, so the member of the family responsible for sales and directly involved with the consumer would also be responsible for and the most eager to develop wine tourism. This consumer orientation can be seen as being post productive and a measure of post productivism in these wine industries.

There are certainly segments of the industries that are productive by their behaviour as in both areas significant quantities of table wine are still produced and sold and exported in bulk. There will be other segments that vary in the extent and nature of their post productive behaviour, for instance those involved in wine tourism will be more pluri-active and integrated into the local community through wine routes than those that are not open to the public and undoubtedly there will be other ways of differentiating between productive and post productive behaviour.

From the work done in the English speaking countries by Deves (1995), Dodd (1995) and Hall (1997) gives the impression that the majority of bodegas sell wine direct and that they are therefore involved in wine tourism. It is debatable whether direct sales alone is sufficient to qualify a bodega as being involved in wine tourism when only one in twenty give a tour or provide any form of in house catering. However, whether they are involved in wine tourism or not direct sales is a form of pluri-activity so that these industries would also seem to be post productive. They would also seem to exhibit the other forms of post productive behaviour witnessed in Mendoza and La Rioja. The main difference would seem to be the degree of industry concentration with a few international quoted groups dominating production and exports and therefore dictating terms to the market rather than the more fragmented structure provided of defended by family ownership in Mendoza and La Rioja.

The perceived wisdom on wine tourism on the proportion of bodegas involved in the English speaking countries and its benefits have been questioned by Beverland and Mitchel. It is generally assumed that wine tourism benefits the local community. The commodification of the industry and integration of the industry with the local community through networks and clusters is seen as beneficial to these communities.

Wine tourism is a way of promoting rural development. The wine routes bring the bodegas, hotels and restaurants together and integrate them into the local community. It is a way of commodifying the industry in terms of making it more accessible to the general public. Beverland has cast doubt on the extent of wine tourism in the English speaking countries and on whether wine tourism is the best way to develop rural economies. Governments have certainly been keen to develop and promote wine

routes to achieve these aims, but the overall benefits have been questioned in this study by the bodegas aware that many new jobs go to outsiders and wine tourism and its commodification can create local inflation, particularly in property. Whereas the benefits are often quoted they are not balanced with the harmful effects or hidden costs. In fact Mitchel has pointed out that one of the consequences of using wine tourism to develop rural economies is that this commodification becomes a form of creative destruction, reducing the attractiveness of the rural wine areas. A balanced cost/benefit analysis needs to be done.

The field work and interview programme was done from the end of 2004 to the beginning of 2007. This was a time of economic growth. The work was completed before the financial crisis of 2007/8 and the subsequent economic recession. Although the economic framework has continued to be neoliberal, the economic impetus has changed and whilst agri-industries may become post productive during periods of economic growth the extent and nature of post productivism may alter as growth falters.

This recession has affected the whole world. It has heralded in an era of economic stagnation and austerity. Governments are faced with low or no growth and the ever present risk of recession. Their response has been to introduce measures to control expenditure, to balance their budgets and reduce their debts. Unfortunately they are all pursuing similar programmes at the same time prolonging the period of economic stagnation before their economies can hope to resume to a pattern of economic growth. The current situation is expected to last for some time; it is more than a temporary down turn in a typical economic cycle. Within this context, the main area of interest as far as this study is concerned is how the wine industries of Mendoza and La Rioja will react to this changed set of macroeconomic circumstances.

The international market had been on an upward trend with many countries, including Argentina and Spain, increasing their output. The recession has led to significant levels of oversupply. As a result, increasing quantities of wine has been distilled into industrial alcohol and there are plans to reduce the total size of the vineyards in certain areas. In the light of these developments the decision by La Rioja to use a proportion of its government subsidies to promote exports was timely, whereas the

decision in Argentina to impose export taxes and limit foreign investment seems unwise.

Mendoza and La Rioja have in the past exported 25-30% of their output and are not too exposed to the international market. The most vulnerable are countries such as Australia and Spain that export in the order of 60% of their output. Governments, with wine industries so over dependent on exports might begin to introduce a range of subsidies and reregulation, that could reverse the trend to post productivism. They could subsidise exports, a process that could lead to heavily discounted prices and a price war, or introduce regulations to protect the own industries. The question is; how will the wine industries of Mendoza and La Rioja respond? They will have two basic options. They can continue promoting and selling their product through wine tourism and becoming more integrated into the local community or the industries can consolidate. It is likely that it will be a mixture of both.

Bodegas that have invested in services or soft assets by developing their wine tourism and direct sales to develop a alternative source of income should find it easier to weather the economic storm, such as Dinastia Vivanco and Marques de Riscal. Those with established brands and wine tourism activities will be able to develop their international and direct sales more easily than those that have relied on the established channels of distribution, it is this latter category that will be the most vulnerable to market forces. Consolidation, primarily through acquisition, will limit the level of competition by reducing the number of bodegas in the market and enabling the larger firms to increase their market shares. Therefore one can project a situation in which firms invest more into soft assets to preserve their market position, reinforcing their and developing their wine tourism and they buy other producers, primarily to acquire their brands and rationalise their production, investing in these hard assets only to strengthen their market position and market share whilst reducing their unit costs. The first part of this process is post productive, the second is not. Post productivism has prospered in a neoliberal environment when there has been economic growth, it will be interesting to see if this post productive trend continues when for a prolonged period this growth stagnates or goes into reverse. It will also be interesting to see the degree to which foreign investment is involved in this process and whether international drinks companies will take the risk.

This is the first in-depth analysis of wine tourism in Mendoza and La Rioja from the point of view of the bodegas. It also looks at wine tourism and the wine industries within the context of neoliberalism and relates the work done on wine tourism in terms of post productive theory. It charts how the neoliberal economies in Argentina and Spain have contextualised wine tourism and in turn how wine tourism can become a kind of a chromatograph or litmus test for neoliberalism by measuring the extent of and nature of the resulting post productive regime. The research for the first time opens out the rationale for producers to engage with wine tourism with the emphasis on how businesses respond to forces in this neoliberal environment rather than on the features or characteristics of wine tourism. It compares and contrasts the situations in Mendoza and La Rioja with countries in the English speaking world identifying specific cultural differences.

The research examines wine tourism as part of a wider economic activity within the wine industry and locates wine tourism within a set of commercial decisions, which have to be made by the producers. This counteracts the preponderance of focus in the literature of earlier research on wine tourists, consumers and analyses the interdependence of wine tourism with the production of fine wines and their export to international markets and through its commodification, its integration with the local community and its potential role as a vehicle for rural development

The research presents an innovative conceptualisation of wine tourism in the context of neoliberalism and post productivism. In turn the research speaks back to geographical literature on post productivism, extending the work of Marsden (1995) and Wilson (2001) by emphasising the importance of locally assembled networks and clusters in the integration of being post productive in a particular locality. It also reworks Le Heron (2001 and 2005) to argue that rather than concentrating on the transition from productivism to post productivism, we need to recognise post productivism as a much more specific reconfiguration of the supply chain. This reconfiguration of the supply chain in turn prompts other aspects, such as pluri-activity.

Appendix 1

List of field interviews in Mendoza, 2005

List of field interviews in La Rioja, 2006

List of in depth interviews with case studies, 2006 and 2007

List of field interviews in Mendoza, 2005

Bodega	Interviewee/Position	Date of interview
Andean	Gonzalo Cabral/Director	27 January 2005*
Harpe	Maximiliano Toso/Director	7 March
Lagarde	Cecilia Mosso/Guide	8 March
Weinert	Cecilia Aldaz/ Guide	8 March
Ruca Malen	Jean-Pierre Thibald/Chief Executive Mariela Espinola/Sales Director	9 March
La Rural	Juan Aguilera/Guide	10 March
El Cerno	Christian Kerman/Guide	12 March
Cavas del Conde	Gatica Analia/Guide	12 March
Zuccardi	Ana Amitrano/Marketing Director	12 March
Dolium	Claudia Veloce/Guide	14 March
Chandon	Mariana Roura/Guide	14 March
Norton	Clara Argerich/Public Relations	14 March
Nieto Senetier	Maria Gonzalez/Guide	15 March
Lopez	Claudia Ortiz/Public Relations	15 March
Vinas del Golf	Ricardo Jurado/President Diego Benegas/Lodge Manager Verónica Miguel/Guide	17 March
ROCA	Alejandro Roca/Vice President	17 March
Bianchi	Mariana Eaparros/Sales	17 March
Benegas	Carmen Burone/Marketing Director	22 March
Flichman	Maria Gonzalez/Marketing Director Maria Cahiza/Guide	22 March
Catena Zapata	Ana-Maria Burger/Hospitality Manager	23 March
Tapiz	Carolina Fuller/Institutional Relations	23 March
Salentein	Natalia Gutierrez/Guide	24 March
Septima	Maria Casel/Guide	29 March
Escorihuela	Ricardo Villanueva/Director	2 April

List of field interviews in La Rioja, 2006

Bodega	Interviewee/Position	Date of interview
Puelles	Jesus Puelles/Owner	8 May 2006
Solana Ramirez	Vicente Ramirez Ruiz/Owner	8 May
Solabel	Ricardo Pecina/Director General	8 May
Rioja Santiago	Fernando Trigo Dura/Public Relations	9 May
Vina Hermana	Santiago Grijalba/Director	9 May
La Encima	Ricardo Casado/Director general	9 May
Ramirez Piscina	Snr Ramirez de la Piscina/Owner	10 May
La Fabulista	Eus Barcenas/Administrator	10 May
Muga	Marina Grijalba/Public Relations	11 May
Remelluri	Guide	11 May
Hmns Pecina	Augustin Perez/Administrator	11 May
Bilbainas	Jose Hidalgo/Director	12 May
CVNE	Maria Virutia/Marketing Director	12 May
Ramon Bilbao	Javier Vivancos/Director	13 May
Finca Valpiedra	Michael Arkle/Marketing Director	16 May
Cuzcurrita	Vega San Miguel/Administrator	17 May
David Moreno	David and Nuria Moreno/Owners	17 May
Dinastia Vivanco	Arturo Angulo/Director General	18 May
Luis Canas	Maria Saenz/Public Relations	18 May
RODA	Vega Angulo/Enologist	19 May
YSIOS	Silva Martinez/Public Relations	19 May
Domecq	Anabel Gomez/Public Relations	22 May
Gomez Cruzado	Marcos Diez/Manager	22 May
Rioja Alta	Nuria Arza/Public Relations	23 May
Torre de Ona	Ainhoa Elosegui/Public Relations	23 May
Cosme Palacio	Natalia Larrea/Public Relations	23 May

List of in depth interviews with case studies, 2006 and 2007

Bodega	Interviewee/Position	Date of interview
Mendoza		
Tapiz	Carolina Fuller/Institutional Relations	10 March 2007
Benegas	Carmen Benegas/ Marketing Director	12 March
Zuccardi	Jose Zuccardi/Owner-Chief Executive	15 March
Escorihuela	Ricardo Villanueva/Director General	16 March
Ruca Malen	Jean-Pierre Thibald/Chief Executive Mariela Espinola/Sales Director	26 March
La Rioja		
Dinastia Vivanco	Arturo Arteaga Angulo/Director General	17 October 2006
Finca Valpiedra	Pedro Leon/Commercial Director	18 October
Puelles	Jesus Puelles/Owner	19 October
Bilbainas	Mabel Oyono Fernandez/Public Relations	20 October
La Encima	Ricardo Casado/Director General	20 October

Appendix 2

Questionnaire for field interviews (Mendoza, Argentina version)

Questionnaire completed

by:.....

Position:

Date: --/-

-/----

Characteristics of the Bodega:

1. Name of the Bodega

.....

2. Which of the following is the most appropriate description for the ownership of the bodega:

Private

Family

Argentinean Company

International Company

3. The year the bodega was established:

4. The area of land (in hectares) owned by the bodega

5. The area of land cultivated by the bodega

6. How many bodegas and vineyards are there in total?

Bodegas

Vineyards

Number of visitors to the Bodega:

7. Are visitors permitted access to all the bodegas and vineyards? Yes
No

If yes, indicate which bodegas and vineyards have been visited.

8. How many visitors in total do you receive to all the bodegas and vineyards? Please give an exact number for the last year, if available:

If the exact number of visitors for the last year is not available, please tick one of the following:

- | | |
|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> |
| Under 25,000 | 25,000-50,000 |
| <input type="checkbox"/> | <input type="checkbox"/> |
| 50,000-100,000 | Over 100,000 |

9. When during the year do you receive visitors? Please give the percentage of visitors that arrive during the following parts of the year:

- | | |
|--------------------|--------|
| November – January |% |
| February – April |% |
| May – July |% |
| August – October |% |

.....
12. Are there any formal or informal agreements with local or national groups to promote the bodegas/vineyards in your area or the area in general?

Yes No

If yes, please give a short description

13. Do you keep a register of visitors to build a database?

Yes No

14. Do you have a website of the bodega's facilities and products?

Yes No

15. Do you work with others to promote the local cuisine and culture?

Yes No

If yes, please give a short description

The benefits of wine tourism.

16. Is there a charge for visiting your bodega / vineyard?

Yes No

If yes, what is the charge per adult?

17. Is there a charge to taste your wines?

Yes No

If yes, what is the charge per adult?

18. What do you think are the advantages of wine tourism for your bodega/vineyard?
Please tick the appropriate box, indicating the level of importance:

	High	Medium	Low
To promote your brands			
To promote your specific products			
New product development			
To understand your customers' tastes			
To understand what your customers want			
To generate more wine tourism and business for restaurants hotels and shops			
To promote your distributors			
Direct wine sales			

19. What is the approximate value of your bodega's direct wine sales?
20. What proportion of total wine sales do your direct sales represent?%

Appendix 3

Discussion topics for the in-depth interviews with case studies (La Rioja version)

Rationale for wine tourism:

- factors identified by the bodega in the questionnaire survey
- need to be established/achieve product distribution
- benefits of direct wine sales
- group policy to encourage tourism – their rationale
- other

Rationale for bodegas not open to the public:

- proportion of all bodegas
- tourism vs. industrial process
- cost/special facilities of staff

Initial offer to wine tourists:

- standard formula (tour of wine making and maturing, tasting and wine sales)
- methodology (internal discussion/external influences)
- implementation

Modified offer to wine tourists:

- additional features/facilities
- design role of architecture
- specially recruited dedicated staff
- methodology (Internal discussion/external influences)

Factors influencing change or innovation in the offer-desire to be unique:

- market research
- competition
- local facilities/opportunities
- specially recruited dedicated staff
- independent consultants
- trade press
- trade associations
- government organisations
- knowledge transfer from other companies/countries
- other

Business constraints/advantages:

- finance
- premises
- staff
- government
- taxation
- trade restrictions
- wine tourism development

Tourist issues and wine tourism development:

- wine routes including hotels and restaurants
- wine culture – its promotion and wine museums, sites, festivals
- standard of general facilities and infrastructure
- local cuisine
- clusters and work with others

Other forms of tourism:

- historic sites, medieval history
- religion – the monasteries and churches
- Camino del Santiago
- its role in Spanish culture and evolution of the State
- activity tourism – walking, skiing, golf
- other
- wine within the context of the other forms of tourism above

Outside agencies:

- local government
- provincial government
- national government
- wine associations
- independent consultants
- trade/local press
- other

Industry structure:

- La Rioja vs. Alava have separate wine and tourist organisations
- co-operation between the wine associations
- co-ordinated information from the tourist offices on wine tourism
- other key factors and issues

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