Development of New Organization Forms in Viticulture and Wine Industry in the Czech Republic - the Segment of Wines with Original Certification

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Abstract: The changing market environment (both locally and globally) is reflected in the changing position of individual wine-growers and wine-makers on the market. One of the ways how to strengthen the position of wine-growing and wine-making enterprises within the increasing competition on the current market is a cooperation in the form of horizontal or vertical coordination/integration of the interested enterprises and the formation of wine clusters. Typical characteristics of some wine clusters is their derivation from a specific factor - terroir of vineyards. One of the forms of demonstrating the characteristics of a terroir based wine is a certification system of wines with original certification (VOC). Development of clusters of wine-growing and wine-making enterprises in the Czech Republic on the basis of VOC appellation system has not yet received in the professional literature much attention. The aim of the research, whose partial results are presented in this paper, is deepening of the knowledge about the concept of appellation system VOC in the context of the Czech Republic and about the development of new associations of regional wine producers that are using the VOC appellation system. For this purpose, existing VOC associations in the Czech Republic were identified, their attributes were defined and their form was more precisely characterized based on the selected set of attributes. VOC certification was in the Czech Republic legislatively defined and introduced in 2004. Currently 7 such associations exist in the Czech Republic. From the analyses and comparisons carried out can be concluded, that the conditions for VOC certification are defined as a framework by law. Nonetheless, the analysis of the association characteristics shows that within this legislative framework, individual associations seek/choose their own specific solutions. This implies that rules and concrete operation forms of VOC associations are still being shaped. Further research in this field should focus on evaluation of the relationship between the chosen form of association and its performance results.

Key words: Appellation · Viticulture · Terroir · Appellation System · Wines with Original Certification

JEL Classification: Q12 · Q13 · D23

1 Introduction

Viticulture and wine industry have in the Czech Republic a long history. Both industries are currently again significantly growing. As is well known, viticulture and wine industry play their important role in the landscape formation and are also directly associated with a local culture. As already proven, these specific local characteristics can be successfully used in the given environment to strengthen the position of wine-making enterprises within the increasing competition (Lintner, 2014). Changing market environment, both locally and globally, which is reflected in the changing position of individual wine-growing and wine-making enterprises on the market, confirms that only the appropriate ratio of quality and price of wine itself does not guarantee in the current conditions a market success. It is the entire complex of relationships and activities, from working in vineyards, through wine production to the marketing and business capacities of a wine-growing enterprise. In this context, customer focus and knowledge of customers’ needs is becoming a competitive advantage as many customers are already highly sophisticated with an active orientation in a wide range of domestic wines as well as wines from around the world. This type of a customer often seeks a winery with unique values (Gosh, 2005).

One of the ways how to strengthen the position of wine-growing and wine-making enterprises on the current market and how to effectively use the given potential represents mutual cooperation, specifically in the form of horizontal or vertical coordination/integration of interested enterprises. Enterprises can strengthen their competitiveness within coordinated activities and thus improve their negotiating position on the market (Bečvářová, Zdráhal 2013). The formation
of regional associations of wine producers is a strategic business decision that responds to changes in market conditions (Tomšík, Prokeš, 2011). The quality of the network formation within the wine cluster is a factor that not only enhances the competitiveness of a winery, but also, above all, gives the opportunity to better respond to the dynamics and character of ongoing changes in the business environment.

Existence of many different types and forms of interconnection of wine clusters can be explained by the heterogeneity of the wine regions. Typical characteristic for wine clusters is their derivation from a specific factor of uniqueness, so called terroir of vineyards. One of the cooperation forms of wine-growing and wine-making enterprises, which are based on terroir of vineyard, represents system of certification. It stands for a confirmation of quality through obtaining the name ‘wine with original certification’ (VOC). This form of classification and its principles emphasizes the uniqueness of a place where grapes are grown, the typicality of varieties and other factors together forming this terroir, which gives the wine its originality and uniqueness on a global scale. This wine certification system has its roots in countries with a long winemaking tradition, such as France (AOC), Spain (DO), Italy (DOC) or Austria (DAC).

Wines in the Czech Republic can be certified as wines with original certification (VOC) since 2004. Certification is authorized by the Ministry of Agriculture pursuant to the provisions of § 23 of Act No. 321/2004 Coll., On viticulture and wine industry and on amendment of some related acts, as amended. These wines are specific for conditions and environment from which they come from.

Research work focused on the development of cooperation between wine-growing and wine-making enterprises based on terroir was mainly handled by Prokeš and Tomšík (Tomšík and Prokeš 2011; Prokeš and Tomšík 2012a; Prokeš and Tomšík 2012b; Prokeš 2013), in connection with the development of tourism is it an article of Prokeš, Skálová and Němčík (2016). Results of these studies confirm that emerging associations have a character of clusters. On the example of specific selected associations (VOC Znojmo and VOC Modré Hory) can be demonstrated, that this competitive advantage is positively reflected on the performance of cluster enterprises (sales growth in the segment of bottled wines, higher realized price of product for certified wines and also benefits in a form of information and knowledge sharing).

Formation and development of a wine cluster bring also a positive aspect for the development of the micro-region, concretely development of a potential for tourism. In addition to these studies, existence and character of another seven VOC associations, which currently exist in the Czech Republic, have not yet been investigated and evaluated.

The aim of the research, whose partial results are presented in this paper, is deepening of the knowledge about the concept of appellation system VOC in the context of the Czech Republic and about the development of new associations of regional wine producers that are using the VOC appellation system. For this purpose, existing VOC associations in the Czech Republic were identified and their form was more precisely characterized based on the selected set of attributes. This knowledge can be used for further research in this area.

2 Methods

As a basis for carrying out the exploratory survey served information from the Wine Fund and the evaluation of more detailed data obtained from individual associations and their characteristics resulting from their presentation, especially on websites, and information specifically mentioned on this issue in the media. Information was used both for describing the development of VOC associations as a whole, as well as for the characteristics of individual associations.

Specific associations are listed as follows: VOC Znojmo, VOC Pálava, VOC Mikulov, VOC Modré hory, VOC Blatnice, VOC Valtice a VOC Mělník.

Own research, focused on three fundamental areas (born of organisations, quality features of their products, characteristics and of its own characteristics, is based on the evaluation and comparison of the following attributes:

- year in which the association was founded,
- wine-growing area in which the association operates,
- number of members at the time of the formation of the association,
- number of members in 2017,
- number of members assigned to VOC certification,
- desired sugar content level
- level of the maximum grape yield,
- conditional alcohol content
- possibility of producing Cuveé wines.
Based on this comparison, identical as well as different characteristics among observed associations are identified and the overall conclusions and possible directions for further research in this area are formulated.

3 Research results

3.1 Establishment and development of VOC associations in the Czech Republic

In the Czech Republic, VOC certification was legislatively defined and introduced in 2004. This is a new way of categorizing wines, based on the place where the grapes are grown and the way wine is produced. This certification system should guarantee the character of the produced wine according to traditional varieties and procedures for a given territory. According to the existing classification method, which works on the basis of the evaluation of the sugar content of the wine juice, sugar content of VOC wines has to achieve at least the level of a sugar content of quality wines.

The VOC system is based on associations established in individual wine regions, which share the same terroir. On this principle, the emerging association makes a request to the Ministry of Agriculture of the Czech Republic for the authorization to certify the wines as VOC. Interestingly, wine classification is carried out by commissions made up of members of the winemakers themselves. Under the rules defined by the association, they decide whether the wine meets all the criteria.

The first association was founded in the Czech Republic in 2009 (VOC Znojmo). In 2017, there have been already 7 associations operating in the Czech Republic. Namely, VOC Znojmo, VOC Pálava, VOC Mikulov, VOC Modře hory, VOC Blatnice, VOC Valtice and VOC Mělník. Several other associations are currently undergoing the certification process.

Most of the existing associations are located in the wine region of Moravia, located in all viticultural subregion. Figure 1 documents their localization.

Figure 1 Localization of VOC associations in the Czech Republic

Source: Wine of Czech Republic

Based on this procedure, high standard of wine should be maintained. The certification system should also meet the rules of simple communication with a customer, the vineyards should be in the highest quality class, the quality of wine should be high, grapes have to grow under strict conditions, and the wine should be produced in a natural way.

According to Pavloušek (2004), the VOC system should meet the following conditions:

- maximum possible simplicity of the whole system and marketing intelligibility, i.e. a maximum three-tier system that is comprehensible to every customer, not only for wine lovers.
- the vineyards must be independent and bonitated. Only the highest quality vineyards should reach the highest third evaluation class.
- the quality of the vineyards must reach such a level, at which the combination of the vineyard and the variety provides grapes of stable quality and without distinction in the year.
- strict conditions for agro-technology and grape quality ensured
- the natural process of vinification.
When comparing the appellation system introduced in the Czech Republic, some specificities can be identified in comparison to the practice abroad, which is based mainly on many years of tradition of the Roman certification system. Rules and operation forms are still being formed in the Czech Republic. These wines are currently trying to attract the attention of the wine consumers.

3.2 Establishment and development of VOC associations in the Czech Republic

The analyses show that individual VOC associations differ in their character. Basic differences between VOC associations are shown in Table 1. As can be seen from the overview, observed associations differ significantly in the number of members. The highest number (29 members) was found at VOC Blatnice. The lowest number (4 members) has VOC Mělník, which is also the youngest association of this type. For all associations it was not possible to trace the number of their founding members, however, in the case of VOC Mikulov, VOC Pálava and VOC Valtice, it is possible to see an increase in the number of members during their existence and development. The increase is particularly evident in case of VOC Mikulov, which was originally formed by three founding members in 2011 and currently has 12 members.

When comparing the range of products, ie the number of varieties categorized as VOC (selected as typical for the given region and labelled as VOC), individual associations again differ among themselves. The lowest number of varieties has VOC Pálava (only one). The highest number of varieties has VOC Mikulov, where the varieties amount to six.

Expert opinions, however, differ in how many varieties can be classified as typical, bearing the unique terroir features. Until now, limits have not been set and the selection of varieties is up to the associations themselves.

Possibility of the expansion of VOC wine range represents also production of cuvée. However, only certain number of associations’ statutes allow this step. Sugar limits of wine juice, which also significantly affect the quality of wine, also differ among individual statutes. The most strict conditions have VOC Mikulov and VOC Pálava, namely 21 ° NM. Factors that affect the quality of the product and that are limited by the associations’ statutes are sugar content of wine juice, grape yield per hectare and alcohol content. Yield of the grapes per hectare of the area, limited by the associations’ statutes, has a significant impact on the quality of the input material and consequently on the quality of wine. Differences between associations exist even here, although they are not very significant, except for VOC Mělník, which allows a yield of up to 11 t/ha.

Table 1 Attribute of individual associations VOC and their comparison

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>VOC Znojmo</th>
<th>VOC Mikulov</th>
<th>VOC Modré hory</th>
<th>VOC Pálava</th>
<th>VOC Blatnice</th>
<th>VOC Valtice</th>
<th>VOC Mělník</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>ZNO</td>
<td>Ml</td>
<td>VP</td>
<td>Ml</td>
<td>SL</td>
<td>Ml</td>
<td>MĚ</td>
</tr>
<tr>
<td>C</td>
<td>nd</td>
<td>3</td>
<td>nd</td>
<td>3</td>
<td>nd</td>
<td>4</td>
<td>nd</td>
</tr>
<tr>
<td>D</td>
<td>19</td>
<td>12</td>
<td>16</td>
<td>6</td>
<td>29</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>E</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>F</td>
<td>19°</td>
<td>21°</td>
<td>19°</td>
<td>21-27°</td>
<td>20°</td>
<td>20°</td>
<td>18°</td>
</tr>
<tr>
<td>G</td>
<td>2.5 kg per head</td>
<td>max. 7 t/ha</td>
<td>max. 7 t/ha</td>
<td>max. 5000 l/ha</td>
<td>nd</td>
<td>max. 7 t/ha</td>
<td>max 11 t/ha</td>
</tr>
<tr>
<td>H</td>
<td>max. 13.9 %</td>
<td>nd</td>
<td>min. 12 %</td>
<td>nd</td>
<td>nd</td>
<td>min. 11.0 %</td>
<td>nd</td>
</tr>
<tr>
<td>I</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>nd</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Source: Own processing

Note.: A - year in which the association was founded, B - wine-growing area in which the association operates, C - number of members at the time of the formation of the association, D - number of members in 2017, E - number of members assigned to VOC certification, F - desired sugar content level, G - level of the maximum grape yield, H - conditional alcohol content, I - possibility of producing Cuvée wines. Ml –Mikulovská, MĚ – Mělnická, SL – Slovácká, VP – Velkopavlovická, ZN-Znojemská, nd – the information could not be traced. nd – the information could not be traced.

VOC wines do not bear on their labels an information about the so-called Germanic method of certification, ie data on the sugar content of grapes, which divides wines to table wines, quality wines, etc. This designation is, however, already used in the Czech Republic. It is a way of distinguishing the "quality" of wines. 21 ° NM sugar content of the wine juice corresponds to a wine with an attribute of high-quality wines. Restriction of alcohol content in wine repre-
sents another limiting factor of wine quality. It differs among individual associations especially because of different varieties of grapevine.

Apart from the above-mentioned comparative attributes, other differences can be found in the statutes of the associations and other documented associations. These statutes specifically regulate the care of the vineyard, form of the wine production, ripening, as well as packaging and wine preservation.

Comparison shows that conditions for VOC certification are on one hand defined as a framework by law, the analysis of specific conditions, criteria and rules of the individual associations on the other hand shows that the given framework allows a choice of specific own solutions.

4 Conclusions

Categorization of wines with original certification (VOC) is a form of appellation system, created on the basis of the place of origin and the ascending quality of the wine. It undoubtedly means a progress in a communication between customer-wine lover and winemaker. This certification method is new in the Czech Republic and requires a creation of a completely new classification and legislation. It is, however, based on the historical tradition of wine certification by location. It can be perceived as a natural way of certification, which has been already used over centuries, when the name of wines was usually derived from their place of origin that also corresponded to the economic and social system of the "old Europe". Based on this form of quality defining and strengthening of the knowledge based cooperation, associated enterprises are currently striving to find their competitive advantage. This in terms of a support of a further development leads to the creation of joint investments, such as investments into technical equipment, human resources or support of a creation and presentation of the business brand.

Characteristics that all the wine clusters have in common is in case of VOC associations derived from a specific factor, terroir of vineyards, which in conjunction with other factors adds wine to uniqueness on a global scale. The aim of connecting the wineries that share the same terroir is the use of market opportunities, R&D in the industry, new technologies, development and promotion. Although this link is related only to specific transactions, it undoubtedly creates a certain kind of interdependence between business entities. Through this form of cooperation, member wineries should be able to gain in importance and use this potential to achieve their goals.

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References


