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## Conference Paper

# Alternative models of rural growth and development: The case of wine production of VQPRD wine in the Naousa and Amynteon regions in Greece

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**«Alternative models of rural growth and development: The case of wine production of VQPRD wine in the Naousa and Amynteon regions in Greece».**

### **ABSTRACT**

Quality rural products in general and wine more specifically, acquire an increasingly important role in European Communities Rural Growth policies. This results from the fact that they have a commercial advantage over other products, they support rural income and the rural economy, contribute to the protection of natural environment, retain the rural population in the countryside, encourage the development of new professional activities (like agro tourism, wine tourism e.t.c.) and bring to surface local knowledge and the cultural wealth of the Less Favoured Regions.

The present paper, based on a research that was carried out in 2009, attempts to examine whether these findings apply in the Greek countryside, and more specifically at the provincial regions of Naousa and Amynteon, which are specialised in the production of VQPRD wine. The two regions (areas) present important similarities and differences as for the extent of vinicultural area, the number of wine factories, their participation in networks and the linkages of local economy and vinicultural activity. The conclusions refer to the degree of adaptation of those two regions in the alternative model of rural growth that is being promoted by the European Union.

***Key words: rural growth, development, region of origin, wine sector, Greek countryside, Naousa, Amynteon.***

***JEL Classification: R11, R58***

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## **Introduction**

Designing and implementing a common policy for agriculture and trade of agricultural products in the Member States of the Community has been an extremely difficult task because of the diversity of European agriculture.

However, the need to protect European agricultural products against those of third countries for economic and social reasons, has led member states to design and adoption of the CAP

During the early stages of implementation, this policy focused on supporting agricultural product's prices and farm income through various incentives to increase agricultural productivity.

However, the results were not the expected, as these policies not only failed to achieve their basic objective, but also created a series of new problems.

The European Union reviewed its rural policy, and formed the new CAP aims to develop the rural area, incorporating under its action the whole business activities taking place in the countryside while at the same time exploiting the special features of each region

### **1. Models of rural development and CAP**

The path followed by the CAP from 1957 until today was the result of the practical application of two different approaches.

Originally, the exogenous growth model supported the unfamiliar to agriculture methods and practices which, although encountered some practical problems (as self-sufficiency in basic food items), in the long term have proved disastrous economic, social and environmental perspective.

The recognition of the recession of the traditional agricultural sector and the economic effects of the social inequality both within rural areas, and between them and urban areas as well as the increasingly severe environmental problems caused by the

reckless use of natural resources, required the development of strategies to address them.

The Policy of Rural Development recognized the need for redefinition of rural areas in terms of multifunctionality rather than agriculture, the growth dynamics of locality and the role of shaping the external environment in the development process fosters a set of alternative rural development strategies, which include and quality production, which is the core of this work

In contrast to the exogenous growth model that is over, the application of the composition of exogenous and endogenous model<sup>3</sup>, although consistent with general trends, is still at an early stage.

However, it is clear that the effort to exploit all the strengths inside and outside the rural area in order to develop it is at least in the right direction.

At the same time, the ability of the rural population to assimilate and exploit to their advantage all these changes and the penetration of external capital in multifunctional rural areas pose some questions.

## **2. Alternative models of agricultural food and rural development**

The European Union from its establishment until now has relied on two models of rural development

First, the exogenous growth model that dominated almost the entire second half of the 20th century, linked rural development in the industrialization of agricultural production, namely the growth and standardization of production through the use of external input<sup>4</sup>.

This model aimed at enhancing the competitiveness of agriculture by reducing costs<sup>5</sup> and simultaneously increasing production.

This model has not been implemented successfully throughout the European countryside thus creating a divide between north and south in the Community.

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<sup>3</sup> Papadopoulos, 2004, pp.. 24-25

<sup>4</sup> Parrott N. et al, 2002

<sup>5</sup> Canada J. & Vazquez A., 2005

The countries of southern Europe have shown a remarkable political and cultural resistance to these processes and have protected their long tradition in agricultural production and food as opposed to the northern states where "industrialized" farming and mass food production industry dominated.

As a result the countryside has been divided into zones of different speeds of development. Some zones exploited the opportunities offered by the policies, some other areas, known as the less favoured areas, have been led to economic and social decline.

Simultaneously, the food scandals in recent years, the risks posed to the environment and public health, the widespread use of genetically modified organisms in agriculture have caused reactions generating grinding operation in the food industry.

An important part of the consumers abstain of the standard food market and cares about the origin, production and nutritional value of agricultural products and is ready to turn to "alternative" food products, friendly to the environment and public safety.

Given, first, that conventional agriculture can not be eliminated, second that the "industrialization" model can't be applied throughout the European countryside and, thirdly, that many consumers are willing to switch to alternative food standards, the European Union tries to invest in the production of differentiated products, with different qualities that are designed so as to meet the needs of each individual consumer<sup>6</sup>, using its long tradition of concrete areas of Member States to produce specific products, of high quality and turning it into a comparative advantage.

According to Parrott N. et al, the production of these specific products is found in over 70% in disadvantaged areas. These areas retain small-scale farm structures, using traditional production methods and exploit local raw materials. They have a more positive response to specific market segments where the criteria of quality, delivery and rarity are important<sup>7</sup>.

Into that conclusion are also pointing the results of some recent market researches on consumer preferences for alternative food<sup>8</sup>.

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<sup>6</sup> Canada J. & Vazquez A., 2005

<sup>7</sup> Murdoch et al, 2000

<sup>8</sup> Skouras D. & Vakrou A., 2002

### 3. The wine market

Given that the EU has a leading position in the global wine market, having 45% of vineyards, 60% of world production and 70% of world exports the implementation of Common Market Organizations (CMO) was imposed on a product basis. In the wine market CMO was introduced in 1962.

Since the early 1990s, changes in the wine market, including the development of aggressive trade policies of countries that had not been traditional wine producers, as the U.S., Chile, Argentina and Australia, in conjunction with competitive prices and changes in global nutrition standards, the aging of Europe's vineyards and the emergence of new forces in wine production in Europe (Romania, Bulgaria), have posed an urgent need to review and reform of the CMO.

The revision of the CMO began in 1994 and finalized by Regulation 1493/1999. This regulation promotes a series of measures and provisions relating to potential production, the particular market mechanisms, the producer groups, the oenological practices and processes, the system exchanges with third countries and quality wines produced in specified regions<sup>9</sup>.

Wine is the most typical example of a product on which has been implemented the system of identification by classification of geographical indications in the European Union. Two regulations were passed which distinguish the wines into two categories, the 'quality', that are directly related to the production area (Regulation 823/87) and the rest (Regulation 822/87).

Wines have been the first products for which envisaged a mechanism for quality assurance based on the use of specific grape varieties and production in specific areas, and the term "Wines of Quality Produced in Determined Regions" or otherwise known as VQPRD (from the French Vin de Qualité Produit Dans Une Région Déterminée).

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<sup>9</sup> [www.europa.eu/scadplus/leg/el/lvd/160031.htm](http://www.europa.eu/scadplus/leg/el/lvd/160031.htm).

The VQPRD wines are emanating from a strictly defined and recognized wine-growing region, and there is a strict identification of variety, location, cultivation techniques, the alcohol content, the yield of grapes, including analysis and assessment of sensory Product Characteristics<sup>10</sup>.

#### **4. The winery sector in Greece**

The development of the winery sector in Greece is detected from the 1960s onwards. Initially, the domestic wine production was based largely on production of resin, where the wine producers add pine resin, following the ancient method of producing wine.

This product was up to the 1980's hugely popular, especially among tourists<sup>11</sup>.

Gradually, the industry was modernized and productivity increased as large companies have made significant investments, exploiting the opportunities provided for the development of industry in the European institutional framework that regulates the CMO in wine<sup>12</sup>.

From the 1980s onwards wineries began to have increasing share on domestic wine production, confirming this shift.

Since the mid-1990s onwards, a significant proportion of Greek wine producers shifted production to better quality wine types.

Based on the European institutional framework, the Greek wineries involved in producing the following types of wine: Quality wines produced in specified regions (VQPRD), Table Wines and Organic Farming Wine.

One of the VQPRD wine producing areas is the Central Macedonia region, and particularly the areas Amyndeo Goumenissa, Naoussa and the slopes of the Meliton mountain<sup>13</sup>.

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<sup>10</sup> ICAP, 2004

<sup>11</sup> Johnson H., 2003

<sup>12</sup> ICAP, 2004

<sup>13</sup> [www.greekwine.gr/frames/regions/macthrac/index.html](http://www.greekwine.gr/frames/regions/macthrac/index.html)

## **5. The research**

### ***5.1. Research questions***

The European rural development policy from the first CAP until today influenced and established the organization and development of various sectors in rural areas. It tried to lead the development of rural areas by promoting a series of alternative models, which include the protection and promotion of products of superior quality (geographical indications and designations of origin) developing relevant institutional framework and promotion of relevant international trade agreements. Wine is among the products included in this scheme.

In order to investigate what is the growth potential of winemaking, entrepreneurship, the dynamics of companies operating in VQPRD zones and degree of implementation and fulfilment of these areas in 2009 an empirical research has been conducted in two areas of Greece that specialize in VQPRD wine production.

### ***5.2. The scope of research and the data***

The region of central and western Macedonia in northern Greece has been selected as the basis of the research, and in particular the region of Naoussa and Amyndeio, which produce the wine named "Xinomavro".

These bands were preferred because they are in less developed regions, they had been important economic centers in the past and have a declining economic performance.

For the purposes of the empirical research four wineries have been selected, two in the region of Naoussa and two in Amyndeio .

### ***5.3. The area***

In the above regions the VQPRD wine is called "Xinomavro".

It is a noble red variety of wine in the northern Greece area, which occupies an area of more than 18,000 acres.



Xinomavro shows considerable variability particularly with regard to oenological characteristics (sugar content, color, aromatic potential), which is exacerbated by the different soil and climatic conditions under which it is cultivated.

Maturing occurs after September 20.

In areas with an altitude where it can be grown in suitable soils and with low yields per vine, it can give wonderful red, dry wine with good color, typical aromas, good acidity, top, rich in tannins and capable of aging.

In areas of high altitude can give valuable rose, calm and sparkling wines, featuring aromas of red fruits, especially strawberries.

It can also give white wines (Blanc de noirs), with characteristic colour and flavour, and lively flavour.

The Amindeon Vineyards are located at the winemaking village of Aghios Panteleimon at the shore of Lake Vegoritis, defined by the Kaimaktsalan and Vitsi mountains. Thanks to the endless energy and efforts of the famous winemaker Yiannis Boutaris, Amindeon, once a neglected wine region, is today recognised as one of the most promising Appellation d'Origine Quality (AOC) zones of Greece. The region is characterised by a unique microclimate, due to the high altitude and the four neighbouring lake

### **Naoussa**

The Appellation of Origin of Superior Quality Naoussa recognized in 1971 relates to red wines produced from grapes Xinomavro, cultivated in the communities Trilofos-Fytia, Stenimaho, Kopano, Lefkadia, Marina, Giannakochori and the city of Naoussa in the Imathia prefecture, an area of approximately 7,000 acres.

The growing area of Naoussa, characterized by the cold north winds that blow in winter, and abundant rainfall, which occurs throughout the year except in the summer months, during which there is often drought. The soil in the mountainous areas of the zone is ammoargilo-mud (Giannakohori, Fytia) and in the lowlands sandy clay. The soils of this type give the red wine "body" and good structure.

The vineyards are located in sunny and sheltered from cold winds south slopes of Mount Vermio at an altitude of 150-350 meters. In this ecosystem Xinomavro find the necessary water for its development and sunshine for its maturing.

### **5. 3. Methodology -Questionnaires**

#### **Structure of the questionnaire**

The questionnaire consists of five modules whose content is summarized as:

Module 1: Questions aimed at collecting information on the production of raw material. It includes five questions that attempt to capture data for the cultivars and areas, the quantity produced and the raw material producers

Module 2: In the second part the set of industrial relations is recorded. It contains five questions dealing with family time, the number, specificity and origin of permanent and seasonal staff

Module 3: In this section the economics of the businesses are recorded with three questions.

Module 4: The purpose of this section is to depict the technological equipment and production technology. It examines the technology used, the country of origin, etc.

Module 5: This section shows the identity of the owner such as age, education, etc.

#### **Structure of the interview:**

The interview was structured into four sections:

1 section: The introductory phase of the interview, with reference to the relation of respondent to the study area in order to investigate whether business activities are undertaken by local people.

2 section: This section explores the career paths of winemakers till today. The information generated by this section will highlight whether the wine producers were involved in the activity in recent years in order to exploit the advantages offered by the Guidelines or follow an ancestral profession

3 section: This section examines the degree of familiarity of the winemaker with the operating system of PDO / PGI and VQPRD wine.

4 section: In this section the VQPRD system is evaluated by the winemaker. The advantages and disadvantages of the system are marked.

## **6. The research findings**

By the elaboration of the questionnaire responses and correlation with the answers in the interview it is noted that:

Organised wineries in Naousa have begun in 1908, by private enterprise (John Boutaris). The region currently has eleven (11) wineries, two of them with a long history and large size. Six wineries are visitable. Three of the eleven wineries are owned by families with a long tradition in wine making (Boutaris, KirYianni, Tsantalís), while others are new entrants in the industry

Organised wineries in Amindeo opened in 1959 with the establishment of a Winery by the Union of Agricultural Cooperatives of Amindeo. The region now has ten wineries, of which five were established in the last decade. Four wineries are visitable. Two of the ten wine firms are owned by entrepreneurs with a long tradition in wine production (KirYianni Amindeon, TDC) while the others are new entrants in the industry.

Wineries in both areas are founding members and participate in the 'Wine Roads of Northern Greece', together with hotels and restaurants of the region and give a serious impetus to rural tourism. The VQPRD zone and the operation of winemaking facilities in the region created a basis for the development of wine tourism.

The **Wine Producers Association of the Northern Greece Vineyard** was set up in 1993 by the name 'Wine Producers Association of the Macedonian Vineyard' as a not-for-profit non-stock corporation by the joint efforts of the 15 visionary members of the Association. The Association's aim was to support the vine-growing and wine-making tradition and give the opportunity to Greek and foreign visitors to discover the hospitality of the vineyards of Northern Greece.

### **The Wine Route of Naoussa**

The Wine Route of Naousa is geographically the most central route among the Wine Roads of Northern Greece, because in Naousa there is a significant amount of wineries open to visitors, since from a wine-making point of view - at least as far as

the quantity is concerned - it is the most important oenological area in Northern Greece. Travellers to the Wine Route of Naoussa have a choice among 7 wineries, all definitely worth a visit: Argatia, Boutari Winery, Domaine Foundi, KirYianni Winery and Vaeni Naoussa.

### **The Wine Route of the Lakes**

The Wine Route of the Lakes geographically coincides with the viticultural areas of Western Macedonia. The climate is characterised by low temperatures and significant snowfalls during the winter, whereas in the summer, there are frequent strong winds from the north. The wineries at the Wine Route of the Lakes are: the **Amindeon Co-op**, **KirYianni** and **Pavlou Estate** in Agios Panteleimonas and **Alpha Estate** in Amindeon.

A Museum of Wine and Vine also operates in Naoussa, run by the Municipal Cultural Organisation of Naoussa. The museum is based in the renovated I. Boutaris building, a neo-classical building which was built in 1908 by Ioannis Boutaris, as it can be seen on the marble stone at the facade. The building was constructed to be used as the first organised wine factory in Naoussa. The built tank with the bronze gates can still be found on the ground floor. In the Museum there are exhibits presenting the whole process of producing wine traditionally - from the vineyard till its storage in barrels - as well as small objects necessary to the production and consumption process. There is an indicative display of buckets, patokades, a wine-press, vaenia, 500-pound bombs, barrels, tsipouro vases, sprinklers and sulphurators which are placed on the back, pruning-knives, wooden and iron taps, flagons, funnels, bottles made of glass, caps - corks, corkscrews - drills, jugs and decanters, wine glasses etc. Thanks to the Museum of Wine and Vine, one more element is added to the polymorphic local puzzle, enriching the wine-related tourism infrastructure of the area.

## 7. Conclusions

- All the wine business apart for their own production, they purchase raw materials from local producers and local cooperatives, and they maintain stable partnerships with suppliers of raw material. They often have contracts with producers and they regularly monitor the quality of the raw material of associate producer at various stages. They maintain strict limits on the quantity of grapes produced per acre both in their vineyards and the vineyards of cooperating producers and they control the pesticide use.
- All four companies are employing the owner's relatives to the production unit, while all of them have permanent as well as seasonal staff. The seasonal staff is often immigrants, usually from Albania and engaged more in farming and the grapes collection.
- All companies are employing enologists, part-time in the Amindeon area and full-time in the Naoussa area.
- Both areas use modern methods of wine production and modern technology, which for the most part comes from the Italy. All businesses have increasing rates of production and implement a differentiation strategy for their wines.
- Local businesses in Amindeon exhibit a lower degree of export orientation than those of Naoussa.
- The turnover in the last three years exhibits a wide variation and financial results are widely varied and unequal from year to year.
- Distribution is made through personal contacts and private networks at local level, with representatives primarily to national and international markets.
- The producers are well familiar with the VQPRD system, however they all agree that it is highly bureaucratic and has tedious requirements.

- The positive points are that the consumer feels safe and confident about the product, knowing that the system imposes limits on the volume of production and standards in the production process.
- The negative point is that there has never been a wide campaign for the VQPRD zones in Greece and the consumers are not well inform. As a result the consumers are often not differentiating their buying attitudes according to quality criteria. Thus, the VQPRD wines have not fully exploited their comparative advantage in quality.
- All respondents feel that the VQPRD model should be redefined and modernize.

Finally, they all express doubts about the future prospects of their companies due to increased international competition in the industry and the economic crisis.

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