



Revista
Técnico-Científica



THE INSTITUTIONAL HISTORY OF WINE IN BRAZIL

Carolina Miranda Cavalcante¹

¹Professor of Political Economy and Institutional Economics at the National Law School of the Federal University of Rio de Janeiro. Email: cmcavalcante@gmail.com

ABSTRACT: This article presents the history of wine industry in Serra Gaúcha and in Vale do São Francisco through the lens of the Institutional Economics. I suggest three institutional dimensions that are usually highlighted by Institutional Economics' seminal authors, namely, rules of the game, mental models, and organizations. This article's objective is to tell the history of wine in Brazil and to compare the different motives for wine production in those two Brazilian regions. The question proposed in this article is: which institutional dimension was more important for the emergence of a wine industry in Serra Gaúcha and in Vale do São Francisco? The hypothesis is that not only government policies were important for the emergence of a wine industry in Vale do São Francisco, but the know-how acquired in winegrowing in Serra Gaúcha was also substantial. Throughout this paper, other Brazilian wine producing regions may be also considered. This article is divided in three parts, besides the Introduction and the Conclusion. In the first section, the institutionalist theory and the three institutional dimensions will be presented. The second section tells the history of wine in the Serra Gaúcha. Finally, the third section presents the motives for a wine industry in São Francisco Valley.

INTRODUCTION

This article departs from an institutionalist point of view to trace a brief history of wine production in Brazil since its early efforts in the sixteenth century. Although the production of wine exists in many Brazilian states, the two most important regions in viticultural area, and in production of fine wines, are the state of Rio Grande do Sul and Vale do São Francisco¹. Of course, we have good fine wines produced in Santa Catarina, but its production is restricted to small canteens. For the sake of comparison, this article concentrates in the analysis of the wine industry in Rio Grande do Sul and in Vale do São Francisco, although some aspects of Santa Catarina wine production may be occasionally mentioned throughout the article.

The history of wine in Brazil dates back to 1532, when Brás Cubas tried to cultivate the vine in São Paulo coast. As we can imagine, it was not a very successful venture. Later, other efforts were made by Jesuits in the seventeenth century. In 1739 Portugal prohibited the production of grapes and wine in the colony and this prohibition lasted until the Independence of Brazil in 1822. Although it is interesting to mention those fledgling efforts to produce wine in Brazil, the decisive impetus for the Brazilian wine industry just took off with the Italian immigration in the late nineteenth century. Those immigrants from Veneto and Trentino Alto Adige settled in the Serra Gaúcha and received land from the government, for which they had to pay later. Some of today famous Brazilian wineries, like Miolo and Casa Valduga, began as small canteens initiated by Italian immigrants. Those immigrants did not have the intention to build a wine industry when they arrived in Brazil. The primary intention was to produce wine for their own consumption, since wine was considered as a food, a part of Italian culture and tradition, not simply an alcoholic beverage. Therefore, wine industry in Rio Grande do Sul emerged, although not intentionally, to supply a cultural demand of the Italian immigrants.

A different motive can be identified in the reasons of the implementation of a wine industry in Vale do São Francisco, backcountry of Northeast Brazil. We

¹ In 2020, the state of Rio Grande do Sul concentrated 62,51% of the national viticultural area, while Vale do São Francisco responded for 13,94% of the national viticultural area (Mello; Machado, 2021, p.3).

could say that the region became economically interesting since the development induced by investments in irrigation, conducted mainly by CODEVASF. Therefore, the drive for wine production in Serra Gaúcha was cultural, while the drive for Vale do São Francisco wine industry were the business opportunities engendered by institutional policies previously carried out in this region.

As mentioned before, the history of wine industry in Serra Gaúcha and in Vale do São Francisco will be assessed through the lens of Institutional Economics, initiated by Thorstein Veblen in the late nineteenth century, reworked by new institutionalists like Douglass North, and continued nowadays by authors like Geoffrey Hodgson and others. Three institutional dimensions that are usually considered by the seminal authors of Institutional Economics will be highlighted: (i) rules of the game, they are the formal and informal rules that structure human interaction; (ii) mental models, consistent of ideologies, habits of thought and all the internalized rules of the game; (iii) organizations, that are groups of individuals acting together with an at least temporary common purpose.

The objective of this article is to tell the history of wine in Brazil and to compare the different motives for wine production in those two Brazilian wine's producing regions. The question proposed in this article is: which institutional dimension was more important for the emergence of a wine industry in Serra Gaúcha and in Vale do São Francisco? The hypothesis is that not only government policies in Vale do São Francisco were important for the emergence of a wine industry in Brazilian backcountry, but also the know-how acquired in winegrowing in Serra Gaúcha.

This article is divided in three parts, besides this Introduction and a Conclusion at the end. In the first section, the institutionalist theory will be presented, based on the idea of the three institutional dimensions. In the second section, the history of wine in the Serra Gaúcha will be considered. In the third section, the motives for a wine industry in Vale do São Francisco will be presented.

The Institutionalist Framework: the three institutional dimensions

Usually, Institutional Economics is divided in two branches, the Old Institutional Economics (OIE) and the New Institutional Economics (NIE). Thorstein Veblen is considered the father of American Institutionalism, which latter received the denomination of Old Institutionalism in an attempt of the New Institutionalists to differentiate themselves from the Veblenian branch of Institutional Economics. In 1898 Veblen published the article "Why is Economics not an Evolutionary Science?", in which orthodox economics is considered as non-evolutionary and an evolutionary economic science is suggested to take its place. Veblen was considered a radical critique of orthodoxy of the late nineteenth century, but in this aspect he was not followed by his recognized disciples, namely, Wesley Mitchell and John Commons (Backhouse, 1985).

Veblen's radical ideas called attention in the American Academy in the interwar period, declining after the Second World War. Several factors may be identified as causes of the American Institutionalism decline, like the abandonment of an instinct/habit approach by psychologists, the separation of Sociology from Economics, the rise of Keynesianism and the appearance of New Institutionalism itself. In 1937, Ronald Coase published an article entitled "The Nature of the Firm", which gave impetus to this new branch of institutionalist thinking, namely, the New Institutional Economics. Coase developed the idea that the use of market mechanism had its costs, which he called transaction costs. Oliver Williamson developed further this idea in the context of the theory of the firm. Douglass North conjugated transaction cost idea with other concepts – like bounded rationality, ideology, a theory of the State and institutions – to build an institutionalist approach to economic history and economic growth. Of course, institutional economics is not limited to these two simple branches and those mentioned authors, but what has been said is enough to give a quick overview of the place of Institutionalism in Economics.

Now, we may define the three institutional dimensions: rules of the game, mental models and organizations. It is through those dimensions that I will present, in the two following sections, a comparative history of wine in the two major producers of fine wine in Brazil, namely, Rio Grande do Sul and Vale do

São Francisco.

Veblen advocated an evolutionary approach considering an understanding of human nature based on a theory of instincts. The idea was that instincts would drive individuals for action and this action involves an interchange with material life, where the repeated action creates patterns of behavior crystallized into habits of thought. Then, Veblen defines institutions as habits of thought:

The institutions are, in substance, prevalent habits of thought with respect to particular relations and particular functions of the individual and of the community; and the scheme of life, which is made up of the aggregate of institutions in force at a given time or at a given point in the development of any society, may, on the psychological side, be broadly characterized as a prevalent spiritual attitude or a prevalent theory of life. (Veblen, 1899, p.88)

Further, Veblen continues:

Any community may be viewed as an industrial or economic mechanism, the structure of which is made up of what is called its economic institutions. These institutions are habitual methods of carrying on the life process of the community in contact with the material environment in which it lives. (Veblen, 1899, p.89)

Veblen is defining institutions as ways of thinking and doing things inherited from the past, so, we have patterns of behavior that became habitual, in other words, habits of thought. In the conception of habits of thought we may observe two dimensions of institutions: (i) mental models: ways of thinking and doing things, where this dimension can be said to live inside the mind of individuals; (ii) rules of the game: patterns of behavior previously engendered by past actions, where this dimension rests outside the mind of individuals provided that individual present action take those rules as given.

North also suggested an alternative conception of human nature based on the idea of bounded rationality, elaborated by Herbert Simon.

Bounded rationality is simply the idea that the choices people make are determined not only by some consistent overall goal and the properties of the external world, but also by the knowledge that decision makers do and don't have of the world, their ability or inability to evoke that knowledge when it is relevant, to work out the consequences of their actions, to conjure up possible courses of action, to cope with uncertainty (including uncertainty deriving from the possible responses of other actors), and to adjudicate among their many competing wants. Rationality is bounded because these abilities are severely limited. (Simon, 2000, p.25)

It is important to note that an individual driven by instincts is different from an individual driven by some principle of rationality. In North's conception, institutions are defined as the rules of the game of a society, where the institutional matrix provides incentives to individual rational choices. These rules of the game are clearly outside the mind of individuals.

Institutions are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. (North, 1991, p.97)

Therefore, institutions deliver a set of rules of the game within which individuals can interact. North (1990, p.4) compares this institutional framework where human interactions take place with the "rules of the game in a competitive team sport". In the game of society we have, likewise in soccer, a judge – the state –, the players – economic agents – and the soccer teams – organizations. The state has the function of guaranteeing the respect of the rules of the game, punishing those that do not comply with those rules. The state is at this position because it is "an organization with a comparative advantage in violence" (North, 1981, p.21). Note that here the state is not an institution, but an organization, and

institutions and organizations are different kinds of elements in the social world in North's perspective².

Another feature of North's theory is the concept of ideology. North recognizes that sometimes individuals will not behave opportunistically, and it is not irrational. They do so, because sometimes the individuals' conceptions about the world prevent them from acting opportunistically, even if it is not rational do so.

By ideology I mean the subjective perceptions (models, theories) all people possess to explain the world around them. Whether at the microlevel of individual relationships or at the macrolevel of organized ideologies providing integrated explanations of the past and present, such as communism or religions, the *theories* individuals construct are *colored* by normative views of how the world should be organized. (North, 1990, p.23)

Thus, ideology refers to a self-policing set of conceptions that individuals possess about the world. In this sense, we can understand ideology as mental models. In a more recent book, North (2005) embraces the developments of cognitive science, considering more closely the idea of mental models. But as we may note, the idea of a cognitively apprehended reality already existed in North's thinking through the concept of ideology. If we understand these mental models as selectively internalized rules of the game, once ideas cannot come from nowhere, and ideology as a mental model provides restrictions to human behavior, we can also understand ideology as a kind of institution. Furthermore, ideology are the rules inside the mind of individuals, they are mental models.

Dequech (2002) pointed out that a demarcation between the Old and the New Institutional Economics has become more and more difficult; one reason is that the idea of mental models in North approximates his theory from Veblen's idea of habits of thought, although these conceptions are not quite the same. The dimensions of mental models and rules of the game seem to be more entangled

² In a recent dialogue with Hodgson (2006), North clarifies his point of view, establishing that although he uses the idea of an organization as a player, an organization can also be seen as an institution.

in Veblen's conception, while in North this separation between these two dimensions of institutions appears more clearly. In Veblen it is possible to observe what Hodgson (2003) denominated as "reconstitutive downward causation". The patterns of behavior that may become rules are not absolute restrictions to human action, but they are temporally seem as constraining in the sense that individuals cannot voluntarily and instantly alter crystallized habits of thought. It takes time and the result is not identical to what individuals had intended at first.

Commons is also considered a member of the American Institutionalism, but he had an alternative comprehension of institutions. The ideas of scarcity and transaction made him the most important American Institutionalism in New Institutionalists' point of view (Furubotn; Richter, 2005, p.41). Commons (1931) takes the Humean idea that scarcity is the source of the conflict of interests, and, without restrictions to individual action, those conflicts would be resolved through physical force. Those restrictions to individual action are provided by the institutions, defined as the "collective action in control, liberation and expansion of individual action" (Commons, 1931, p.648).

Collective action ranges all the way from unorganized custom to the many organized going concerns, such as the family, the corporation, the trade association, the trade union, the reserve system, the state. The principle common to all of them is greater or less control, liberation and expansion of individual action by collective action. (Commons, 1931, p.649)

Institutions are made of working rules that are "expressed by the auxiliary verbs of what the individual can, cannot, must, must not, may or may not do" (Commons, 1931, p.650). Thus, working rules impose restrictions to human action in dispute for scarce resources, making institutions an instance of conflict resolution, or a mechanism of conflict resolution in this struggle for scarce resources. On this institutional mediated struggle, the idea of transaction is central, and Commons (1931, p.652) made the transaction the "ultimate unit of economic investigation". A transaction is an original agreement between individuals and is closely related to property rights, being defined as "the alienation and acquisition, between individuals, of the *rights* of property and

liberty created by society, which must therefore be negotiated between the parties concerned before labor can produce, or consumers can consume, or commodities be physically exchanged” (Commons, 1931, p.652). Further, every transaction has three implicit social relations, namely, conflict, dependence, and order; wherein what makes the order possible are the working rules established by the institutions.

This distinct comprehension of institutions implied a different view on the nature of social conflicts. In Veblen’s conception, the conflict between individuals emerges because they have different habits of thought and, in Commons’ conception, the conflict emerges because the economic environment consists of scarce resources, and it engenders conflicts of interests between individuals struggling for these scarce resources. Furthermore, the association of a transaction with property rights and the idea of institutions as mechanisms of conflict resolution, a conflict that ultimately emerges from scarcity, makes his comprehension of institutions closer to new institutionalists like Coase than to American Institutionalists like Veblen.

Coase (1937, p.390) suggests “that there is a cost of using the price mechanism”. Those “marketing costs”, defined as “the cost of carrying out a transaction by means of an exchange on the open market” is also named as “transaction costs” in the literature (Coase, 1990, p.6). Transaction costs are all those costs involved in an economic transaction, like price survey, contracts, and the knowledge of the market itself. The existence of positive transaction costs implies that the market is not the only mechanism of resource allocation, leaving to individuals the choice between competing mechanisms of resource allocation, namely, the market, the firm and/or the state (Coase, 1937; 1960). The author also identifies markets with institutions, “that exist to facilitate change, that is, they exist in order to reduce the cost of carrying out exchange transactions” (Coase, 1990, p.7). Therefore, it is possible to define an institution as a mechanism of resource allocation, where firms, state and markets are all institutions.

Williamson (1985, p.15) also comprehends institutions as firms, markets and contractual relations, agreeing with Commons’ suggestion of the transaction as the basic unit of analysis of economics and developing Coase’s idea of transaction costs in the theory of the firm. The author also adopts Simon’s idea

of bounded rationality, alongside the idea of opportunism, defined as “a deep condition of self-interest seeking that contemplates guile” (Williamson, 1993, p.92). Bounded rationality does not imply that individuals are irrational; it means that individuals have computational limitations to process the information available in the economic world.

In Coase and Williamson, and in Commons, we can see a comprehension of institutions as organizations – firms, the state, corporations, trade unions, etc. We can understand an organization as a group of individuals acting under some common rules of the game and, in some sense, shared mental models. Hodgson (2006, p.8) defines organizations based on three aspects: “(a) criteria to establish their boundaries and to distinguish their members from nonmembers, (b) principles of sovereignty concerning who is in charge, and (c) chains of command delineating responsibilities within the organization”.

To summarize, the three dimensions of institutions found in the seminal authors of institutional economics are: rules of the game, mental models and organizations. The rules of the game are those rules that are outside the mind of individuals, referring to the level of social framework, structuring individual interaction. The mental models are those rules that are inside the mind of individual, referring to an individual level, molding individuals’ perceptions about the world, where those perceptions can be shared or not with other individuals. Finally, organizations are made of a group of individuals engaged in a commons purpose, where the organization has its internal rules of the game and shared mental models.

The first steps towards a Brazilian wine industry

Winegrowing is in great part the outcome of migration, once it is an activity embedded in the culture of people that takes the habit of cultivating the grape and producing wine when moving geographically, and many people consider wine as a food. Therefore, wine culture is part of the mental models of some individuals, being transmitted from one generation to another through informal rules that guides the production and consumption of wine. It was through European immigration that wine culture arrived in Brazil.

Although some attempts to cultivate the *Vitis vinifera* in Brazilian soil was endeavored since the sixteenth century, those attempts were marginal and without much success provided that modern technologies, that make possible the production of quality wines in Brazilian soil and climate conditions, were not available yet. After some mishaps, the Italian immigration at the end of the late nineteenth century provided the decisive impetus to winegrowing in Brazil. The Italian immigrants who settled in southern Brazil intended to reproduce their way of life, and the wine culture were strongly embedded in their mental models. Wine was part of the culture of Italian immigrants, it was a memory of their life in homeland, in short, it was embedded in their feeding habits. As Blume and Specht (2008) said, they not only brought vines seedlings, but they also brought “the spirit of the wine”.

In 1875, immigrants from Veneto and from Trentino Alto Adige arrived in Brazil, bringing along Italian grapes varieties like Barbera, Bonarda, Moscato and Trebbiano. They also used a grape variety called Isabel, a kind of American grape variety brought from the USA by an English dealer, Thomas Messiter. One characteristic of the Isabel grape is its good adaptability to Brazilian soil and climate, being resistant to plagues. As a negative point, Isabel grape is not a *Vitis vinifera* specie, producing wines without the organoleptic characteristics of a wine made from *Vitis vinifera* grapes. But that is what Italian immigrants had available at that time, and they made wine from Isabel grape, naming it as “*vinho de colônia*”³. Thereafter other varieties distinct from *Vitis vinifera* were brought to Brazil, like Catawba, Concord, Martha and Delaware.

In the late nineteenth century, wineries like Casa Valduga (1875) and Miolo (1897) came into place. Nowadays, they are important wineries in Brazil. Upon arriving in Brazil, each settler received a lot of 20 hectares from Brazilian government and each lot had a number; later they had to pay for this land (Dalcin, 2008, p.57). One of the most famous wines produced by Miolo is called “Lote 43”, in honor of the 43 lot that Giuseppe Miolo bought with his economies when he arrived in Rio Grande do Sul.

Thus, the production of grapes and wine in Brazil was established initially

³ In English, something like “wine of the colony”.

for immigrants' own consumption, and then the surplus began to be sold in other Brazilian states, like Rio de Janeiro and São Paulo. In the 1960s the first export experiences took place. In the following table we can observe the phases that Brazilian wine industry has experienced.

Table 1: Evolutionary stages of winegrowing in Brazil (1870-2010)

Period	1870-1920	1930-1960	1970-1990	2000-2010
Stage	Implementation of winegrowing	Product diversification	Quality improvement	Identity to Brazilian wine
Wines	Wines made from American grape varieties	Wines made from hybrid grapes and <i>Vitis vinifera</i>	Varietal wines made from <i>Vitis vinifera</i>	Quality wines produced in demarcated regions

Source: Table drawn from the information obtained in TONIETTO (2003) *apud* Blume; Specht (2008).

The production of wine using non-*Vitis vinifera* grapes was not a choice but instead an imposition of the environment. Nowadays, the so called “*vinhos de colônia*” are recognized in the Brazilian wine legislation⁴ as “table wines”, meaning those wines made from non-*Vitis vinifera* grapes. Brazilian legislation determines that to be named as “fine wine”, the wine must be produced using only *Vitis vinifera* grapes. According to EMBRAPA’s statistics⁵, Brazil produced, in 2010, 321,410,393 liters of wine and other by-products of grape like grape juice, grape spirits, etc. Of this total, table wines are about 60% (195,267,980 liters) and fine wines are just over 7% (24,805,713 liters); sparkling wines did not represent even 1% (713,518 liters)⁶. Grape juice represented about 15%

⁴ The so called wine law, or “lei do vinho”, is the law 7.678 from 08/11/1988. It suffered some modifications through time, but nothing which concerns the distinction between “fine wine” and “table wine”.

⁵ EMBRAPA is a Brazilian organization aimed at the promotion of research and data about agriculture. Source: <https://www.embrapa.br/uva-e-vinho> (Access: 31th January 2023).

⁶ The most recent data available comprises only the Rio Grande do Sul production. The preliminary data for 2020 shows a total production of 409.084.368 liters of wine and other products of grape, in which it was produced 124.170.412 liters of table wines, 32.343.593 liters of fine wines (*Vitis vinifera* grapes), the

(50,125,944 liters) of this total. Although Brazilian table wines are not the same kind of wine produced from the *Vitis vinifera*, it has a quantitative significance in Brazilian wine production.

In the attempt to improve the quality of Brazilian wine, the government of Rio Grande do Sul imported seedlings of the European vine, the *Vitis vinifera* grape. The government also founded the *Estação Experimental de Agronomia*, which conducted the first analysis of the wines produced in the region, instructing the settlers about the correction of the must and wine conservation measures (Farias, s.d., p.12). This organization remained active until 1910. In 1921, the *Estação Experimental de Viticultura e Enologia* (EEVE) was launched in Caxias do Sul. These governmental actions intended to encourage the permanence of the settler in their lands, since immigration was important to the settlement of land in the Southern Brazil. This combination of the wine culture brought by immigrants and the organizational support of the Southern government turned a subsistence activity into the greater wine producing region in Brazil.

Besides governmental organizations, the settlers also gathered in organizations. The first one was the *Sindicato Vinícola*, a union that in 1926 became the *Instituto Riograndense do Vinho*, aimed at the improvement of wine quality (Farias, s.d., p.13). This organization also intended to establish a minimum price to the grapes used in the wine production (Cassiolato; Vargas, 2005, p.9). The cooperatives were also present, mainly in the 1930s wine producers joined around the first wine cooperatives, receiving support from the Rio Grande do Sul government (Rosa; Simões, 2004, p.74). Date from this time important cooperatives like *Cooperativa Vinícola Forqueta* (in 1929), the *Cooperativa Vinícola Garibaldi* (in 1939) and the *Cooperativa Vinícola Aurora* (in 1931). Until recently Aurora was one of the major wine producers in Brazil and pioneered in exporting wine in bulk to the USA. In 2009 Miolo Wine Group brought Almadén winery and became the Brazilian's largest winery.

The first steps in business terms were given by Mênaco winery in 1908, Salton in 1910, Dreher in 1910 and Armando Peterlongo in 1915. Those wineries were focused on the quantity over quality. At that time the so called “*vinhos de*

remaining production consisting in grape juice and other wine products. See Mello and Machado (2021, p. 10).

garrafão” were largely produced⁷. Wine production was no longer only for families’ consumption, from now on wine production became an economic activity capable of generating income. According to Farias (2009, p.66), the organizational presence of the State was essential to the growth of the wine industry in Rio Grande do Sul. Grandó (1987) mentions the case of Pelotas, where French settlers was unsuccessful in developing a wine production because of the lack of organizational mechanisms to defend their interests. They also faced a strong competition of more developed wine regions besides the relatively better transport conditions in the northeast of Rio Grande do Sul. Thus, many factors determined the concentration of wineries in the northeast of Rio Grande do Sul, like the presence of organizations, as well as a better distribution channels to the Brazilian Southeast.

The wine quality at that time was not comparable to what we have today. Modern technologies that enabled the adaptation of *Vitis vinifera* to Brazilian climate and soil conditions were not available at the beginning of the twentieth century. An important step towards the improvement of the quality of Brazilian grapes, and consequently the quality of wines, was the foundation of the *Colégio de Viticultura e Enologia de Bento Gonçalves*, created by the federal law 3646 of 22/10/1959. In 1985 this organization changed its name to *Escola Agrotécnica Federal Presidente Juscelino Kubtschek*, and in 2002 it was renamed as *Centro Federal de Educação Tecnológica de Bento Gonçalves* (CEFET-BG). In 2008, this organization became part of the *Instituto Federal de Educação, Ciência e Tecnologia do Rio Grande do Sul* (IFRS) as *Campus Bento Gonçalves*⁸. Nowadays, this organization develops research jointly with EMBRAPA UVA E VINHO, aiming at the better adaptation of *Vitis vinifera* to Brazilian climate and soil, also investing in training winemakers to improve the quality of the wine. Another organization dedicated to the development of wine sector in Rio Grande do Sul was the *União Brasileira de Vitivinicultura* (UVIBRA). Created in 1967, this organization has more than a thousand associated wineries.

The 1970s were marked by a massive entry of international wineries in

⁷ The “*vinhos de garrafão*” are wines sold in large bottles of 4.6 liters. They are wines produced from non-wine grapes, they are cheaper and have not the same quality of a fine wine.

⁸ See the website: <https://ifrs.edu.br/bento/institucional/historico/> (access: 31th January 2023).

Brazil. In 1973, the Uruguayan winery Carrau settles in Caxias do Sul, producing the Château Lacave. In this year, Dreher was bought by the American enterprise Heublein, cultivating their vineyards in Pinheiro Machado. In the following year, the most significant investments were made with the arrival of four multinationals, namely, the Italian winery Martini Rossi, producing the wine Baron de Lantier, the French winery Moët & Chandon, producing the sparkling wine Chandon in Caxias do Sul, the Canadian winery Seadram's, producing the wine Forestier in Garibaldi, and the American winery Almadén, producing the wine Almadén in Santana do Livramento.

The arrival of multinationals spurred investments in the quality of wines by inducing the competition with the national wineries. In this decade, Miolo winery planted its first European varieties. Other small wineries like Miolo began to expand their business. In 1975 a special unit of EMBRAPA was created, the *Unidade Experimental de Pesquisa de Âmbito Estadual* (UEPAE), being named as *Centro Nacional de Pesquisa de Uva e Vinho* (CNPUV) in 1985⁹. This organization was essential to the improvement of wine quality through the implementation of better equipment, better technology in the processing of grapes and the introduction of new grape varieties (Cassiolato; Vargas, 2005, p.9).

In the 1980s small canteens arise, like Miolo, previously selling wine in bulk for other wineries and now producing their own wine. The small canteens that took place in this decade were engaged in producing quality wines from *Vitis vinifera* grapes and were attentive to the *terroir*. As we shall see in the next section, in this decade, the first wineries came up in the Vale do São Francisco. Even more, in this decade we saw the emergence of the *Associação Gaúcha de Vinicultores* (AGAVE). This organization participated in the discussions that preceded the creation of the *Fundo de Desenvolvimento da Vitivinicultura* (FUNDOVITIS) and the *Instituto Brasileiro do Vinho* (IBRAVIN) – launched in 1990 –, being part of the deliberative Council of these organizations.

The nineties represented an important turn in Brazilian economy. The two major economic events of this decade were the international trade liberalization

⁹ Today the CNPUV is known as EMBRAPA UVA E VINHO.

and the *Plano Real*. The opening of the market for imported products raised the competitiveness faced by national industries, including wineries. The *Plano Real* is considered the most successful monetary stabilization plan in the Brazilian economy. By controlling inflation families had a relative raise in their income, previously swallowed by inflation. The increase in credit facilities also encouraged consumption. Besides, with dollar below 1 real the imported good became relatively cheaper. All that increased competitiveness in Brazilian market, which would have encouraged national wineries to invest in the improvement in the quality to face the competition of imported wines¹⁰. In the 1990s also came into scene some research that proved fine wine benefits to health¹¹, changing slightly the consumer preferences in favor of fine wines. First specialized publications about wine also helped in changing consumer preferences.

From the twenty-first century wine industry can be characterized by an effort to increase the quality of wines, with some wineries focusing only in the production of fine wines, some of them winning national and international awards. In 2002 the wine region of *Vale dos Vinhedos* obtained an Indication of Origin, the *Indicação de Procedência Vale dos Vinhedos* (IPVV). In 2012, the first Designation of Origin to a wine producing region in Brazil was granted to *Vale dos Vinhedos* by INPI¹². Nowadays, we have two regions stamping the Designation of Origin – Vale dos Vinhedos and Altos de Pinto Bandeira –, and ten regions stamping the Indication of Origin – Vale do São Francisco, Vinhos de Bituruna, Vinhos de Altitude de Santa Catarina, Vales da Uva Goethe, Capanha Gaúcha, Antos Montes, Farroupilha, Monte Belo, Pinto Bandeira, and Vale dos Vinhedos¹³.

The region of *Serra Gaúcha* in Southern Brazil gave rise to a national wine industry, producing most of the wine – both table wine and fine wine – elaborated

¹⁰ See Aguiar (2000), Blume; Specht (2008), Campos; Brigatte (s.d.), Rosa; Simões (2004), Souza (2009) and Franco (2007, p.19).

¹¹ See Rosa; Simões (2004) and Nique; Freire (2002).

¹² In Brazil, the *Intituto Nacional da Propriedade Industrial* (INPI) is responsible for granting Indication of Origin to Brazilian products. More information about Indication of Origin and the Designation of Origin to wines from *Vale dos Vinhedos* can be found on INPI website – <https://www.gov.br/inpi/pt-br> – and on *Vale dos Vinhedos* website – www.valedosvinhedos.com.br (access: 31th January 2023).

¹³ See the website: <https://www.embrapa.br/uva-e-vinho/indicacoes-geograficas-de-vinhos-do-brasil> (access: 31th January 2023).

in Brazil. *Vale dos Vinhedos* was the first wine producing region that had the Designation of Origin stamp in Brazil. All of that was the result of the efforts of local winegrowers, originally oriented by mental models that saw wine as part of their culture, allied to governmental support. From the beginning, the organizational aspect was important to the construction of a wine market in Rio Grande do Sul. Nowadays, the vine is cultivated in many Brazilian states, like Rio Grande do Sul, Santa Catarina, Paraná, Pernambuco and Bahia (São Francisco Valley), São Paulo and Minas Gerais. In the next section we will see how wine production has expanded to other Brazilian regions, where our attention will be concentrated on the case of the São Francisco Valley.

The expansion of winegrowing in Brazil

The expansion of fine wine production to other regions is related to a market strategy of exploring a new *terroir* and the search for cheaper costs in wine production. The expansion to Vale do São Francisco and Santa Catarina are examples of this strategy advanced in this century. The search for a new *terroir* is related to business strategies of product differentiation but also concerns the existence of good conditions to the production of grape and wine¹⁴.

Likewise the Rio Grande do Sul case, the winegrowers in Santa Catarina also built organizations, founding the *Associação Catarinense dos Produtores de Vinhos Finos de Altitude* (ACAVITIS) in 2005. Winegrowing in Santa Catarina takes place in areas with altitudes of 900 and 1400 meters in São Joaquim, Campos Novos and Caçador. The wines produced in those regions are known as “*vinhos de altitude*” (altitude wines)¹⁵. The winegrowing in São Joaquim started with the research on wine grapes conducted at the *Estação Experimental da Empresa de Agropecuária e Extensão Rural de Santa Catarina*. According to

¹⁴ Sparkling wines, specially those produced with Moscatel grape, are a good example of success in wine production in Brazil. For more about Moscatel sparkling wine case of success, see Wurz (2019).

¹⁵ See the website: https://www.embrapa.br/busca-de-noticias?p_p=id=buscanoticia_WAR_pcebusca6_1portlet&p_p_lifecycle=0&p_p_state=pop_up&p_p_mode=view&p_p_col_id=column-1&p_p_col_count=1&buscanoticia_WAR_pcebusca6_1portlet_groupId=1355300&buscanoticia_WAR_pcebusca6_1portlet_articleId=63617901&buscanoticia_WAR_pcebusca6_1portlet_viewMode=print (Access: 31th January 2023).

Cordeiro (2006), São Joaquim is the largest wine producer and the third apple producer of Santa Catarina. There we have wineries like Villa Francioni, Quinta da Neve and Sanviti. The cold weather, with the possibility of frost, and the stony ground makes the production costs in region around 30% higher than in other regions (Blume; Hoff; Pedroso, 2007, p.16).

The vineyards of Santa Catarina are located thousands of kilometers from Vale do São Francisco vineyards. While the Southern vineyards are located between parallels 26 and 28 South, the Northeast vineyards are in parallel 8 South. In the backcountry of Northeast Brazil, the weather is warm all year round, with irregular rainfall, standing 300 meters above sea level. With the correct application of the available technology it is possible to produce 2.5 crops per year. In 2003 was created the *Instituto do Vinho do Vale do São Francisco* (VINHOVASF), aimed at the development of research, teaching and technological innovations, as well as actions aimed at preserving the environment (Maciel, s.d.).

The history of wine in Vale do São Francisco¹⁶ began in the 1970s with the initiative of some local winegrowers associated to technicians from Rio Grande do Sul, subsequently receiving Rio Grande do Sul wineries in expansion like Miolo. At that time, Cinzano produced vermouth in Floresta. A former federal deputy – Milvernes Cruz Lima – produced grapes, the Spanish José Molina was producing grapes in Coripós, today Santa Maria da Boa Vista and the Pésico-Pizzamiglio group was cultivating vines in 185 hectares at the Milano Farm in Santa Maria da Boa Vista, in Pernambuco. Only grapes for fresh consumption were produced in the São Francisco Valley at that time. An impulse to winegrowing in Brazilian backcountry had place after the establishment of the *Companhia de Desenvolvimento dos Vales do São Francisco e do Paraíba* (CODEVASF) in the 1970s, the cration of EMBRAPA Semi-Árido in 1975 and the inaguration *Faculdade de Ciências Aplicadas e Sociais de Petrolina* (FACAPE) in 1976. The development of irrigation by CODEVASF and the improvement in research and development of new technologies in the region allowed, in the 1980s, the cultivation of *Vitis vinifera* grapes.

¹⁶ About winegrowing in the São Francisco Valley see Crisóstomo; Sicsú (2009), Lima (s.d.), Oliveira; Rigo; Carvalho (2009), Ferreira (2003), Santos (2005), Souza; Corrêa; Melo (2009) and Carneiro; Coelho (2007).

Some attempts to cultivate the *Vitis vinifera* were conducted at Milano Farm, which initiated the production of fine wines in 1984, in partnership with Maison Forestier. In 1986, José Molina produced the first Botticelli wines. In the 1990s, two new wineries came into scene, the *Vinícola Lagoa Grande*, owned by Jorge Garziera, and the *Vinícola Bianchetti Tedesco*. In the 2000s, the São Francisco Valley was established as an important wine producing region. In addition to the modernization of the existing wineries in the region – Garziera, Bianchetti Tedesco and Bianchetti –, new wineries settled in the backcountry, namely, *Vinícola Ducos*, *Vinícola Ouro Verde* and *Vinibrasil*. These wineries were located at Lagoa Grande (Pernambuco), except the *Vinícola Ouro Verde*, that was located at Casa Nova (Bahia). They were about 60 kilometers from Petrolina (Pernambuco), the most developed city of the Northeast backcountry. The mentioned wineries had different objectives and strategies when they decided to start their business in this region.

The history of Botticelli wines began in the *Vinícola Vale do São Francisco*, that produced the Milano wine within the first irrigation project in the São Francisco Valley. In 1986, the winery launched the brand Botticelli, a line of varietal wines. This winery pioneered the production of grapes and wines in the region, having been benefited by the first irrigation projects of the 1970s. This winery originated from the projects of local agents politically connected to the government.

Bianchetti Tedesco winery is owned by a couple of winemakers from Rio Grande do Sul, the Italian descendants Ineldo Tedesco and Izanete Bianchetti Tedesco. Ineldo Tedesco graduated in Oenology and has worked at the Maison Forestier winery, participating in the production of the Milano wine. With experience in the grape growing and wine production, Ineldo Tedesco and his wife bought some land in the São Francisco Valley and started to elaborate the Bianchetti wine. This winery was born through the initiative of a couple of winemakers that found an opportunity to raise their own winery in the region.

The Ducos winery was born from the initiative of the Italian Lorenzo Ramolini and the French winemaker Hubbert Pommier. This winery was focused only on the production of fine wines using grape varieties like Syrah, Cabernet Sauvignon and Petit Verdot. The Lagoa Grande winery, owned by Jorge

Garziera, produced fine wines and table wines, distributing its products mainly in the region.

The largest wineries in the region were the Vinibrasil and Fazenda Ouro Verde, having greater national visibility. The history of Vinibrasil began in 2003 when the Portuguese winery Dão Sul joined the Raymundo da Fonte group, from Pernambuco. In 2005, Dão Sul bought the part of the business owned by Raymundo da Fonte group and joined the Expand Store, an importing company in the wine sector. In 2008, Dão Sul takes control of the entire company. The winery produced the Rio Sol and Paralelo 8 wines, amongst others.

The history of Fazenda Ouro Verde began in the 1970s when Mamoro Yamamoto was trying to cultivate tropical fruits in his farm, at that time denominated Solar do São Francisco. Yamamoto was also trying to cultivate grapes in his farm, but he faced the lack of tradition in winemaking in the region. Financial problems lead the farm to be auctioned by Banco do Brasil in 1992. The property was bought by a partnership between Miolo and Lovara wineries, starting the history of Miolo Wine Group in Vale do São Francisco. Fazenda Ouro Verde produced the brandy Osbourne in a partnership with the Spanish Osbourne, the wine Terranova, amongst other products. Miolo Wine Group expansion to Vale do São Francisco aimed to develop the project of *terroir* expression, which concerned to the production of wine in distinct producing regions, letting the soil and climate aspects of the region to be expressed in the organoleptic characteristics of wine.

CONCLUSION

The history that has been told about winegrowing in Rio Grande do Sul, Santa Catarina and São Francisco Valley can be interpreted in the institutionalist terms suggested in the first section of this article. Brazil is a country that merges the lack of tradition in wine consumption with problems of adaptability of the *Vitis vinifera* grapes. Despite those problems, many efforts has been made to increase the production of quality wines, especially by those wineries committed to the production of fine wines. Foreign companies also played an important role in the investment and the modernization of winemaking techniques in the seventies.

Besides, the organizational capacity was fundamental not only in nurturing a wine industry in Rio Grande do Sul but also in developing a wine industry in the backcountry of Northeast Brazil. Organizations like EMBRAPA have an important role in developing research and new technologies in wine production and in the adaptation of European grapes to Brazilian soil and climate. The specialized media also plays an important role in the education of the wine consumer.

The history of wine in Brazil shows the role of formal and informal rules in the development of the national wine industry. The first attempt to produce wine in Rio Grande do Sul was guided by a desire to reproduce a homeland culture in Brazil. Italian immigrants brought the culture of wine with them, launching the foundations of the current Brazilian wine industry. The wine production spread to other Brazilian regions like Santa Catarina and Vale do São Valley. Unlike the South experience, the wine industry in Vale do São Francisco was induced by other reasons, like the opportunity to start its own business, the opportunities generated by the irrigation projects and the business strategies related to *terroir* expression. While in Rio Grande do Sul we had an endogenous drive to winemaking, in Vale do São Francisco there we saw an exogenous drive to the production of wine. In the backcountry of Brazilian Northeast, we can observe primarily a private interest in winemaking, but all the agricultural activities carried out in the region was possibly only in virtue of the irrigation projects conducted mainly by CODEVASF.

Institutions play an important role in social life, in which production is embedded. It was not different in the wine production. Wine production and consumption as a culture, or simply as merchandise, involves the knowledge of the product. To build a wine industry from nothing is not an easy and simple task provided it is not only a matter of developing production technologies, but it also involves the building of a certain kind of consumer. As Galbraith (2012, p.42-49) emphasizes, advertising can create tastes that we have not even dreamed of. Therefore, the wine industry in Brazil has not only the problems of the competition with imported wines and the high taxes, mainly it faces the challenge of building a consumer market, that is also potentially high.

Bibliography

AGUIAR, Fernando Bianchi de (2000). A internacionalização do mercado vitivinícola. Available at: <<http://www.agroportal.pt/a/baguiar.htm>> Access at: 08/30/2010.

BACKHOUSE, Roger (1985). *A History of Modern Economic Analysis*. Oxford: Basil Blackwell.

BLUME, Roni; HOFF, Débora Nayar; PEDROSO, Eugenio Avila (2007). Potencialidade competitiva e recursos essenciais à produção de vinhos finos: um estudo da vitivinicultura em São Joaquim, SC. In: XLV CONGRESSO DA SOCIEDADE BRASILEIRA DE ECONOMIA E SOCIOLOGIA RURAL. Londrina (PR), 22 a 25 de julho.

BLUME, Roni; SPECHT, Suzimary (2008). O uso da noção de *terroir* para a valorização dos vinhos e promoção do desenvolvimento da região da serra gaúcha, Rio Grande do Sul – Brasil. In: IV CONGRESSO INTERNACIONAL DE LA RED SIAL. Mar Del Plata, Argentina, 27 a 31 de outubro.

CAMPOS, Antônio Carvalho; BRIGATTE, Henrique (Mimeo). Demanda de importação de vinho no Brasil no período 1995-2007.

CARNEIRO, Wendell Márcio Araújo; COELHO, Maria do Carmo Silveira Gomes (2007). A Vitivinicultura no Nordeste Brasileiro: características e perspectivas da atividade para a região. In: XLV CONGRESSO DA SOBER. Londrina, 22-25 de julho, p.1-21.

CASSIOLATO, José Eduardo; VARGAS, Marco Antonio (Mimeo). Technological upgrading, learning and innovative strategies in the wine productive system of Serra Gaúcha in the South of Brazil, 2005.

CAVALCANTE, Carolina Miranda (2010). A Vitivinicultura no Vale do São Francisco: evolução institucional no sertão nordestino. Tese de Doutorado. Niterói.

CAVALCANTE, Carolina Miranda (2014). As três dimensões das instituições. *Revista de Economia Contemporânea*, v.18, n.3, p.373-392, set.-dez.

CRISÓSTOMO, Antonio Pires; SICSÚ, Abraham Benzaquen (2009). Inovação tecnológica competitiva no semiárido do Vale do São Francisco: um estudo das empresas vinícolas. In: I CONGRESSO DE DESENVOLVIMENTO REGIONAL DE CABO VERDE. Cabo Verde, 6 a 11 de julho.

DALCIN, Maria Stefani (2008). *Vale dos Vinhedos: história, vinho e vida*. Bento Gonçalves: MSD Empreendimentos Culturais; Gráfica Pallotti.

FARIAS, Claudio Vinícius Silva (2009). A indústria vitivinícola e o desenvolvimento regional no RS: uma abordagem neoinstitucionalista da imigração italiana aos dias atuais. *Revista Brasileira de Gestão e Desenvolvimento Regional*, v.5, n.2, p.64-93, mai.-ago.

FARIAS, Claudio Vinícius Silva (Mimeo). Formação da indústria vitivinícola do RS: da imigração italiana aos dias atuais.

FERREIRA, Amós Garcia (2003). *A Produção da Uva e do Vinho em Lagoa Grande – Pernambuco. Profissionalizante (Economia)*. Fortaleza: Universidade Federal do Ceará.

FRANCO, Saulo Henrique de Azevedo (2007). *Análise e perspectivas da produção, comercialização e exportação de vinhos no Brasil*. Trabalho de Conclusão de Curso. Juiz de Fora: UFJF.

GALBRAITH, John Kenneth (2012). *Galbraith Essencial: os principais ensaios de John Kenneth Galbraith*. São Paulo, Saraiva.

GRANDO, Marinês Zandavali (1987). Evolução e decadência da vitivinicultura em Pelotas. *Ensaios FEE*, Porto Alegre, vol.2, n.8, p.121-129.

HODGSON, Geoffrey (2006). What are Institutions? *Journal of Economic Issues*, vol.40, n.1, mar.

LIMA, João Policarpo Rodrigues (Mimeo). Cachaça artesanal e vinhos finos no Nordeste: desafios, potencialidades e indicações de políticas.

MACIEL, Gabriel Alves (Mimeo). Instituto do Vinho do Vale do São Francisco – VINHOVASF. Material para o *folder* institucional.

MELLO, Loiva Maria Ribeiro de; MACHADO, Carlos Alberto Ely (2021). Vitivinicultura Brasileira: panorama 2020. *Embrapa, Comunicado Técnico 223*. Bento Gonçalves, RS, Outubro. Available at: <https://ainfo.cnptia.embrapa.br/digital/bitstream/item/227610/1/ComTec-223-21.pdf> (Access: 31th January 2023).

NIQUE, Walter Meucci; FREIRE, Karine de Mello (2002). A preferência dos consumidores de vinhos tintos finos determinada por testes cegos de degustação. *REAd*, ed.26, vol.8, n.2, mar.-abr.

OLIVEIRA, Abdinardo Moreira Barreto de; RIGO, Ariádne Scalfoni; CARVALHO, Daniela Moreira de (2009). Financiamento e gerenciamento de capital de giro em empresas de fruticultura irrigada: um estudo de caso no Vale do São Francisco. *Revista Eletrônica de Gestão*, vol.2, n.2, mai.-ago., p.7-24.

ROSA, Sérgio Eduardo Silveira da; SIMÕES, Pedro Martins (2004). Desafios da Vitivinicultura Brasileira. *BNDES Setorial*, Rio de Janeiro, n.19, p.67-90, mar.

SANTOS, Jobson Alves dos (2005). Da água para o vinho, uma transformação sócioespacial (a geografia vitivinicultura em Lagoa Grande e Santa Maria da Boa

Vista – PE: um novo elo na rede global da produção de uvas nobres e vinhos).
Dissertação de Mestrado (Geografia). Recife: Universidade Federal de Pernambuco.

SOUZA, Sinval Oliveira (2009). A internacionalização como estratégia para o incremento da competitividade da cadeia vitivinícola gaúcha. *Internext – Revista Eletrônica de Negócios Internacionais*, v.4, n.1, jan.-jul., p.1-19.

SOUZA, Angela Cristina Rocha de; CORRÊA, Maria Iraê de Souza; MELO, Sérgio Carvalho Benício de (2009). Os desafios da constituição de uma rede organizacional no setor de vitivinicultura do Vale do São Francisco. In: V COLLOQUE DE L'IFBAE. Grenoble, 18 a 19 de maio.

WURTZ, Douglas André. Espumante Moscatel Brasileiro: um caso de sucesso. *Revista Científica Rural*, v.21, n.3, p.235-244, 2019.