

PORT WINE AND MADEIRA WINE (1932-1933 AND 1940-1972): A DIFFERENT PATH TO THE APPELLATION OF CONTROLLED ORIGIN (AOC) SYSTEM*

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Abstract: *The chapter examines the differences in the regulatory role of the State in two Portuguese fortified wines destined for export. We will analyse how the Estado Novo (dictatorial regime in Portugal 1933-1974) regulated Madeira wine and Port wine and how the impact on product differentiation was diverse. Given the product differentiation achieved by the Champagne sparkling wine sector, we will highlight the similarities between its regulation process during the interwar period and that of the Port wine sector. We will also show how Portuguese regulation owed much to the OIV's guidelines, which in turn were aligned with those of France. The study argues that the changes in regulation, by providing a means of avoiding imitation and creating standards, were important in a context where there was much adulteration. This had an impact on the long-term reputation of the industry and on the survival of the Port and Madeira wine companies, as well as explaining the resistance of the latter.*

Keywords: *regulation; differentiation; Appellation of Controlled Origin.*

Resumo: *O artigo examina as diferenças do papel regulador do Estado relativamente a dois vinhos fortificados portugueses destinados à exportação. Analisaremos de que forma o Estado Novo (regime ditatorial em Portugal 1933-1974) regulamentou o vinho da Madeira e o vinho do Porto e como o impacto na diferenciação do produto foi diverso. Dada a diferenciação de produtos conseguida pelo sector do vinho espumante Champagne, destacaremos as semelhanças entre o seu processo de regulamentação durante o período entreguerras e o do sector do vinho do Porto. Mostraremos também como a regulamentação portuguesa se deveu muito às diretrizes da OIV, que por sua vez se alinharam com as da França. O estudo procura demonstrar que as alterações na regulamentação, ao proporcionar um meio de evitar a imitação e criar normas, foram importantes num contexto em que a adulteração era frequente, o que teve um impacto na reputação do sector a longo prazo e na sobrevivência das empresas de vinho do Porto e da Madeira, bem como na explicação da resistência destas últimas.*

Palavras-chave: *regulação; diferenciação; Denominação de Origem Controlada.*

The Estado Novo (1933-1974) created corporatist organisations in the 1930s for Port wine and in the 1940s for Madeira wine, similarly to what it did in other export-oriented sectors. The comparative analysis of this process shows that there were negotiations and resistances that were responsible for differences in the framework of regulatory organisations in the two regions, but that some common rules were also imposed.

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In the second half of the 1920s, the overproduction and low prices of wine associated with the collapse of the international wine market from 1929 onwards made government intervention urgent in several wine-producing countries. The intervention of the Estado Novo is not dissociated from this context or from Portugal's adhesion to the Office International du Vin (OIV)¹, an intergovernmental organisation that was led by France, a country that, in the discussion of international protection of international property (related to industrialisation and later to globalisation in the 19th century), «pioneered GI (Geographical Indication) protection» and «sought to ensure that international regulation governing GIs imitated its domestic legislation»². The difficulties in articulating international and national legislation were partly responsible for a delay in the recognition of collective brands — (1890s) by countries that did not apply the Madrid Agreement — in the face of individual trademark laws that had been previously recognised³. The internal process for the protection of wine products in France occurred in the context of interwar, evolved from Appellation of Origin (AO)⁴ to the Appellation of Controlled Origin (AOC)⁵. For Stanziari the introduction of the AOC label «did not require unanimous agreement on the part of the economic actors, which was impossible to attain, but a consensus of the majority on rules that were acceptable but did not necessarily correspond to what each group considered optimal»⁶. In face of such difficulties «producers» were favourable to «State intervention» which required solutions for «the organization of quality controls» and for «the legal form of quality standards»⁷. In these terms, the State, which represented all parties involved, was entrusted with the control functions.

Bearing in mind the French influence on the OIV and Portugal's participation in this organisation, it is possible to sustain those French influences are plausible for the

¹ The OIV was created in 1924 by an arrangement of eight countries and was transformed into Office International de la Vigne et du Vin in 1958.

² IGOs as «collective ownership» serve a public interest which may deserve additional protection (HIGGINS, 2018: 26 and 16). For a definition of GI as equivalent to Appellation, see HIGGINS, 2018: 5-6 and 10. For how Globalisation after the end of the nineteenth century turned international protection of all forms of intellectual property «imperative» and how France established its protection system, see HIGGINS, 2018: 15-16, 18 and 26.

³ MOLLANGER, 2018: 1262; STANZIANI, 2012: 152; 2009: 268; 2004: 149-167.

⁴ AO means a legally defined and protected geographical indication used to identify the regional origin of the grapes included in the manufacture of a specific wine and was initially linked to the context of the late nineteenth and early twentieth century.

⁵ AOC concerns the implementation of controls and certifications to ensure initially that the wine was made from specific grapes, with «accepted techniques» and within the list of «delimitation of territories» previously established, and later, as the expression of its «terroir and its traditions» (STANZIANI, 2009: 286).

⁶ For the internal fight against opportunistic behaviour and the limitation of the entry to a selected group, see STANZIANI, 2009: 269.

⁷ STANZIANI, 2004: 164.

post-1930s regulations — as they were on the AOs⁸. In this sense, the French regulations on AOC and those for Champagne have similarities with those implemented for Port wine. It should be added that, in the search for legal regulation solutions, both the Champagne and Douro regions played leading roles in their respective countries⁹. Thus, both Port wine and Champagne reached a «consensus» on the rules of the game for the organisation of the quality control by different ways. In both countries the State functioned as an arbitrator between the representations of the economic agents. In Portugal, differently from France, the equilibrium between the groups was attained under a strict political control.

In the Portuguese case, this strategy was associated with the State's corporatist intervention in the economy that occurred after the 1930s. This was guided by limiting competition, implementing market regulation and protection. The specificity lay in the fact that, in theory, social agents should create understandings between themselves and with the State within corporatist organisations¹⁰. Restraining competition and stimulating collaboration between labour and capital presupposed implementing mechanisms of cooperation.

Corporatist regulation in the Port and Madeira wine sector faced different realities. The trade global value chains in each of the regions had similarities, however, between 1930 and 1973, the representation in the corporatist system of the various interest groups linked to wine took a different form. The corporatist structure adopted in Madeira wine, compared to that established for Port wine, being more limited, had repercussions on the negotiation capacity of its interest groups (winegrowers' and export firms)¹¹. This question is about evolution from a starting common point. Both regions in the beginning of the 20th century had a similar institutional and legal framework with similarities with AO but Port evolved to a regulation that included controls and certifications that in this sense it was close to an AOC while Madeira successfully resisted it¹². Particularly in the context between wars, the level of predisposition to create the «consensus» among the economic agents necessary for the creation of the later kind of regulation was different in the wine sectors of the two regions, which is why they diverged in terms of this creation. Thus, Porto adopted it and Madeira resisted it, which is the object of our research.

⁸ On the influence of the AO on Portuguese legislation between 1907 and 1913, see ALMEIDA, 2010: 161-162, note 615). On the influence on several foreign countries of the French government decree of 1935 that established compulsory specifications to obtain the right to use the name of appellation of origin establishing that it becomes «responsibility of the State to control» the application of the specifications of AO wine, see TEIL, 2017: 161. On «production control» and «recognition» by the «certifying entity» of the French AOC of 1935, see ALMEIDA, 2010: 113-18. For the quality control and certification on Port wine after the 1930s, see ALMEIDA, 2010: 152-153.

⁹ Champagne region was analysed by economic agents in the Porto region; see SIMÕES, 1932.

¹⁰ ALMODOVAR, CARDOSO, 2005: 344-345.

¹¹ For regulation theories and interest groups, see MAGNUSSON, OTTOSSON, 2001: 1-9. For interests represented by Portuguese corporatist institutions, see WIARDA, 1977: 143-144, LUCENA, 1999a: 659 and GARRIDO, 2004: 135-137.

¹² Madeira wine, only since 1985, has a similar regulation as Port wine (AOC); see PORTUGAL. Região Autónoma da Madeira. Governo Regional, 1985: 3442-3445; see also PORTUGAL. Ministério da Agricultura, Desenvolvimento Rural e Pescas, 2004 and PORTUGAL. Região Autónoma da Madeira. Assembleia Legislativa, 2006: 173-174. See notes 2 and 6.

In point one, we move from a comparison of current characteristics to the situation between the 1930s and 1970s of global value chains, the evolution of exports, and domestic consumption of Port and Madeira wines. Point two analyses the evolution of regulation between the beginning of the twentieth century and 1930s in the Port and Champagne wine sectors, which developed a strategy focused on differentiation based on collective standards and the actions of their companies and brands. Point three compares the corporate organisation in the Port and Madeira wine sectors, analysing the representation of the respective interest groups (farmers and Madeira wine exporting companies), the success of the resistance of Madeira wine exporters to the implementation of a guild and an AOC, and analyses the strategy focused on differentiation based on collective standards and the action of the companies and the brands in the Port wine sectors versus difficulties faced by Madeira exemplified in the marketing campaigns delivered in the 1950s. We conclude that especially in such contexts when trademarks laws still presented vulnerabilities, AOC and collective trademarks were called upon to fulfil a role conferring trust to the market against fraud and falsification and that Madeira wine, by persisting in competition based on price, did not take advantage of institutional changes as happened with Port wine.

1. PORT AND MADEIRA WINE: CURRENT CHARACTERISTICS, GLOBAL VALUE CHAINS, EXPORT AND DOMESTIC CONSUMPTION

1.1. Current characteristics

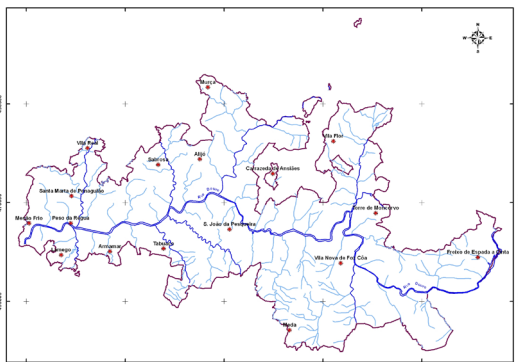
Fig. 1. Madeira Archipelago

Source: *Estatuto da vinha e do vinho da Região Autónoma da Madeira*, 2015 (PORTUGAL. Região Autónoma da Madeira. Assembleia Legislativa, 2015: 27)



Fig. 2. Douro Demarcated Region

Available at <<https://www.ivdp.pt/pt/vinha/regiao/limite-da-regiao-demarca-do-douro/>> [Consult. 12 Jul. 2021]



The grapes used to produce the DOP fortified wine are produced in the Douro demarcated region (DR) located in the north of Portugal with a total area of 250,000 hectares where the vineyard occupies about 17%. The DR of Madeira, a Portuguese archipelago located in the North Atlantic, has a total area of 732 square kilometres, where European vineyards occupy less than 500 hectares. Small winegrowers prevail in the supply of grapes to Port and Madeira wine firms. The average area of each winegrower in Madeira is 0.3 hectares and, in the Douro, is two hectares, distributed in scattered plots, with only large farms in the Upper Douro¹³.

Table 1. Exports of fortified Madeira and Porto wine PDO

	Madeira			Porto		
	Quantity (HL)	€ 1000	Average/ Price €/L	Quantity (HL)	€ 1000	Average/ Price €/L
2010	23165	11.488	4,96	663100	280999	4,24
2017	28249	17.049	5,77	640027	310289	4,99

Sources: IVV. Expedição/Exportação de Vinho Licoroso com DOP Porto, [s.d.] and Evolução das Exportações dos Vinhos DOP Madeira, [s.d.]

It was only after 1985 that Port and Madeira wines were subject to the same AOC-PDO regulation. The compared prices of the two wines attest that Madeira have recently regained consumer confidence.

1.2. Port and Madeira wine: farmers, intermediaries, and firms

The trade in Port and Madeira wine throughout its history has had aspects in common: the strong presence of foreigners (with a predominance of English) in the ownership of family firms that, since the 17th century, have sought to articulate production with trends in foreign markets and in the way these firms «depended on the activity and performance of a series of agents, all organized in a global value chain». In Madeira, farmers harvested the grapes and sold the must directly to the export companies or to the *partidistas*, that besides being internal traders stored samples of good quality wine with which they supplied the exporters when requested. Export firms produce Madeira wine by blending different portions of wine purchased from farmers or from *partidistas*, storing it, and aging it. They also sell through distribution channels (namely agents), which sell to the final consumer. In Douro wine farmers tasks involved growing the

¹³ For Madeira, IVBAM <<https://vinhomadeira.com/o-vinho-madeira/regiao>> and EUROVITISOS <<https://eurovitisos.com/pt/viticultura/>>. [Consult. 12 Jan. 2021]. For Douro IVDP, <<https://www.ivdp.pt/pt/vinha/regiao/regiao-caracteristicas/>>. [Consult. 12 Jul. 2021].

grapes, picking them, and selling them out of the vintage indirectly to intermediaries (*comissários*) or directly to the export firms in the case of big or middle landowners¹⁴. Port wine companies produce the wine for export by blending the wine purchased from intermediaries, fortifying it, storing it, aging, and bottling it, and then selling it «through different types of distribution channels, which then sell it to the final customer»¹⁵. Port commodity chain was more complex than the one of Madeira namely after the 1950s and 1960s with the inclusion of cooperatives¹⁶.

1.3. Evolution of exports and domestic consumption

Port and Madeira wines depreciated between 1925 and 1932, which followed a period of high exports between 1918 and 1925. Between 1926 and 1930, the Port wine sector had a significant increase in production, unaccompanied by export¹⁷. Between 1930 and 1939, Madeira exports did not keep up with the drop in Port wine exports.

Table 2. Exports of wine (hectolitres)

	MADEIRA	PORT
1920-24	33282	398580
1925-29	38238	481960
1930-34	39500	410042
1935-39	42249	419887
1940-44	13908	158519
1945-49	26836	208961
1950-54	28732	228743
1955-59	30423	229702
1960-64	40620	260882
1965-69	46675	319240
1970-74	47294	413319

Sources: *Anuário Estatístico de Portugal*, 1923-1935; *Comércio Externo*, 1936-1964; IBVM. Mapas de Exportação, 1965-1973; IBVM. Mapas de Exportação (1965-1973), files 797-800; *Estatísticas de Comércio Externo, Continente e Ilhas Adjacentes*, 1974; MARTINS, 1990: 228

¹⁴ DUGUID, 2005: 502-508.

¹⁵ LOPES, 2019: 165-166.

¹⁶ PEIXOTO, 2011: 101-103. The complexity of Porto commodity chain also included the producer-merchant and, since 1978, bottlers-producers.

¹⁷ MARTINS, 1990: 117-118, 171-175 and 245; see also FREIRE, 1998: 111-113.

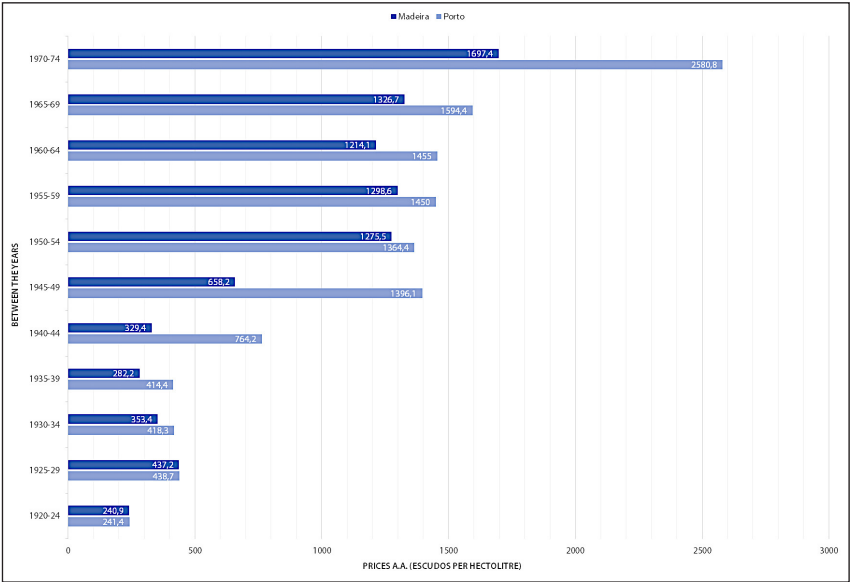


Fig. 3. Export prices of Port wine and Madeira wine (a.a. price escudos/hect). Source: Table 2

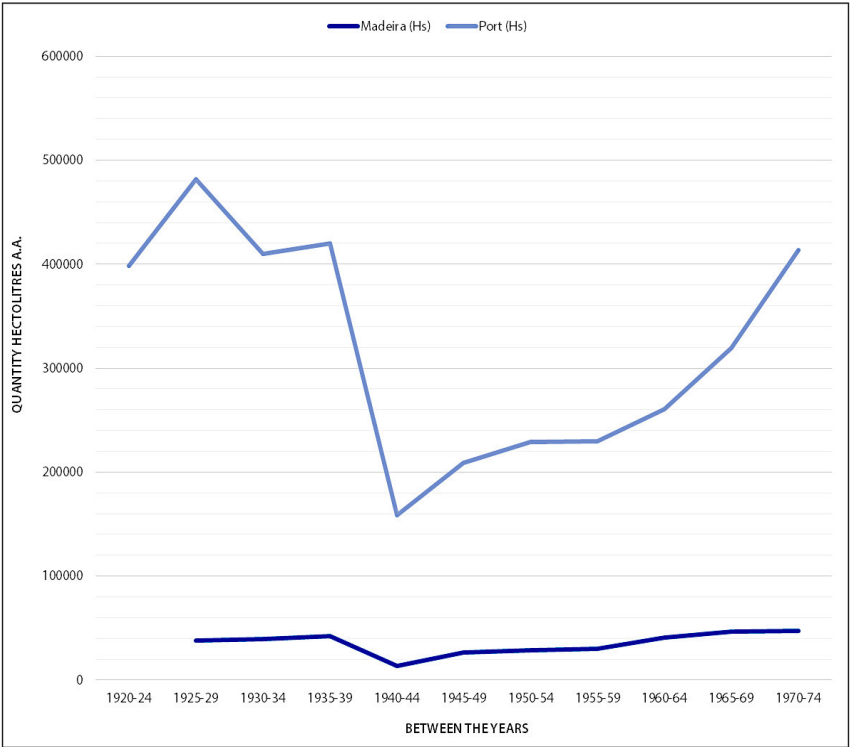


Fig. 4. Exports of wine hectolitres (a.a. between the years unity hectolitres). Source: Table 2

After the drop in exports from Porto in the 1930s and 1940s, the recovery in the 1950s and early 1960s was weak, with the trend being reversed between 1965-1969 and 1972-1974. The Port wine trade continued to grow in absolute terms after World War II with an average annual growth rate higher than that of the first half of the 20th century. Although Madeira wine had recovered in quantitative terms between 1965 and 1974, Port wine presented comparative advantages relatively to Madeira. Bottled Port wine increased its export market share between 1964 and 1974. In 1974, bottled Madeira represented 14% of export quantity and 22% of export value (106,211 thousand escudos)¹⁸. In the 1970s bottled Port wine exports were double the percentage of bottled Madeira exports (28%), in terms of average annual amounts, but the most significant change was that from 1977-1978 on, bottled Port wine exports surpassed bulk Port wine exports both in quantity and value¹⁹ — a situation not matched with Madeira because of by exporters²⁰.

After World War II, in the case of Port wine, the four export markets France, Belgium-Luxembourg, the Netherlands and Portugal grew rapidly, and the British market declined²¹. Madeira wine, already characterised by the diversification of markets, differentiated itself from Port wine by a slight increase in the markets of Great Britain and Germany, and a fall in the largest market located in the Nordic countries. Domestic consumption remained irrelevant.

Port wine represented a significant percentage of Portuguese exports until World War II but has lost predominance since then due to changes in the national export structure, which now includes more value-added products. Madeira wine also lost predominance in the structure of exports in the region due to the incorporation of labour-intensive activities such as embroidery²².

¹⁸ ARM. IVBAM, file 800 (the table refers to exports of wine according to certificates of origin).

¹⁹ LOPES, 1998: 26-27 and 153.

²⁰ Since 1974 all «vintage» Port wines must be bottled in Portugal; and since 1996 exports in bulk have been suspended.

²¹ LOPES, 2019: 168-172.

²² Exports of port «by 1930-39 port still accounted for 20 percent of total exports from Portugal, down from 30 percent in the 1870-79» (LAINS, 2018: 188). In 1910-1914 the percentage of exports of Madeira wine over the total exports of the archipelago (minor reports of coal) was 63,21% (CÂMARA, 2002: 102, table 15). In 1926 exports of wine over exports (760,000 £ excluding Tourism, Emigration, and receipts of the port of call) corresponded to 34,2% and 22,41% over total exports (1,160,000 £) (TRANCOSO, [s.d.]: 38). In 1950-1952, relatively to the value of the exports of the set of embroidery, fruits, wicker works, and wine corresponded to 85% but the value the former alone corresponded to 54% (RODRIGUES, 1955: 191-192). In 2013, the exports of wine corresponded to 15% of the total exports €83.174.000 (CAMACHO, 2015: 59, 63).

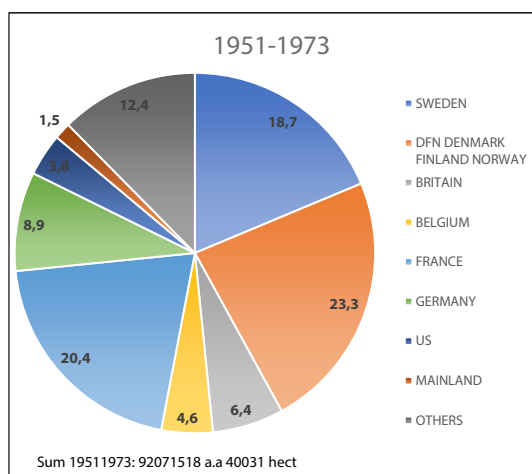
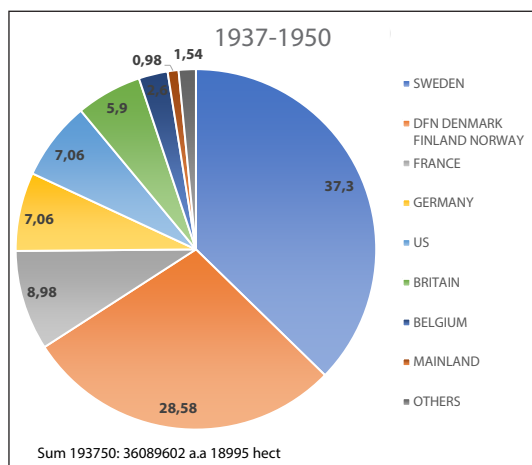
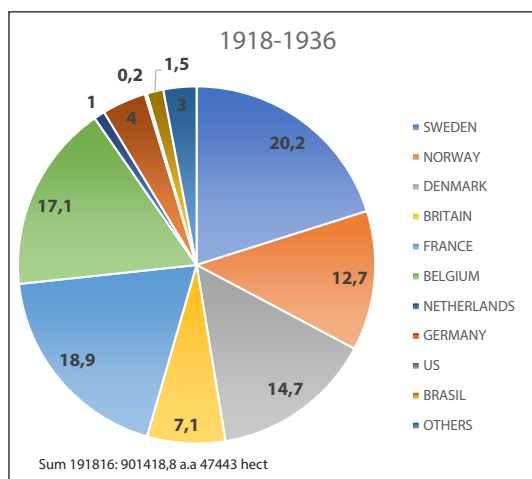


Fig. 5. Diversification of markets – exports of Madeira wine (quantity)
Source: INE, *apud* VIEIRA, 2003: 532-533; IBVM. Exports/Firms; IBVM. Exports/Firms

2. FROM AO TO AOC IN PORT AND CHAMPAGNE WINES

2.1. From AO to AOC

The wine regions faced challenges in the period after the phylloxera transition from the 19th to the 20th century. Internally, innovations in agricultural technique and in chemistry namely through fermentation technology with repercussions on winemaking namely by the production of artificial wines or the mixing of cheap wines with others from regions with high agricultural production costs. «Vine diseases, technological change, and market integration altered the distribution of power in the commodity chain, weakening the positions of most growers while strengthening that of the merchants»²³. Many governments were then called upon to implement supply-side measures and give winemakers a political voice that would empower them in dealing with tradesmen²⁴.

In the Douro and Madeira regions, winegrowers also asked for government intervention. Between 1907 and 1913, viticulture commissions were created in these regions, with the legal authority to register production declarations, certify the origin of wines and spirits and control exports. These included only vine growers and excluded traders from among their representatives and voters²⁵.

Internationally, preventing the misuse of geographical indications (GIs) by producers and traders was a slow process. Negotiations to defend the GIs — industrial or agricultural — from mass production entailed slow articulations between the legal systems in which those relating to GIs in wine were no exception, always with a predominance of France. As an example, in a legal action brought in 1900 by companies exporting Madeira wine against Spanish stockholders, in an international court, the implications arising from the Madrid Agreement of 14-4-1891 on the use of GIs were defended by analogy to French court judgments relating to Champagne²⁶.

In France the legal system on wine regarding the AO²⁷ mainly protected the producer and consumer of internationally recognised premium wines, responding to the political concern known as *La Fraude* by strengthening the power of winegrowers' associations and unions. The process of geographical demarcation for production initially followed an

²³ SIMPSON, 2011: 58 and 59-64. For the difference between fraud and manipulation, see LOPES, LLUCH, PEREIRA, 2020: 349.

²⁴ SIMPSON, 2011: 58 and 59-64. For the difference between fraud and manipulation, see LOPES, LLUCH, PEREIRA, 2020: 349.

²⁵ On the deficient instruments of discipline, administrative supervision, and instruments of intervention in the market and assistance of the Comissão de Vitivinicultura da Região do Douro (CVRD), see MOREIRA, 1996: 77-94. For the classification of these commissions as horizontal structures for the representation of interests, see LUCENA, 1999b: 332.

²⁶ At issue was an action against Spanish wholesalers who defended different understandings of the norms contained in the Madrid Agreement (FAUSSES INDICATIONS, 1900: 13-14, 22, 27). About art. 198th. Sole § of the Madrid Agreement of 14-4-1891 which stipulates that «the geographical names that apply to wine products cannot be considered as generic names» (ALMEIDA, 2010: 130).

²⁷ See note 5. In France the main laws are dated from 1905, 1908 and 1911 and in Portugal from 1907, 1908, and 1909/1913.

administrative decision — causing revolts among the excluded — and in 1919 a court decision was adopted for the arbitration of conflicts. The definition of AO was then expanded to include, in addition to product qualities arising from natural factors, human factors and further stipulated that the producer was authorised to own the name of the place²⁸.

The request for protection for the Port wine sector, made since the last quarter of the 19th century, included the resumption of the historical regulation dated 1756 that included the demarcation of the production area circumscribed to the Alto Douro, the defence of the regional brand exclusively for wines produced there and the restriction of the Douro River bar for its export and the creation of the Gaia warehouse²⁹. The 1907-1908 legislation defined a wider delimitation of the production area in the Douro region than the one of 1756 but enshrined the exclusivity of both the Port brand for fortified wines from this region and the Douro bar and Leixões Port. This regulation had points in common with what happened in France during the phase that led to the AO, namely in the Champagne wine sector, in the sense that a fight emerged after 1910 about the geographical definition of this wine production. A «strict delimitation, corresponding to the historical birthplace of the first sparkling wines, the Marne, stood in contrast to a wider delimitation including the vineyards of the Aube». After a long way in 1925 a wide-growing region was accepted against receiving the designation and «on condition that Aube area use the traditional grape varieties of the Marne»³⁰. In both regions the production area was established, the power of winegrowers' representation was considered, and it was legally defined and protected a geographical indication used to identify the regional origin of the grapes³¹.

The context after 1919 was characterised by overproduction resulting from the reduction in *per capita* consumption, the closure of markets, new vineyard areas and increased productivity in traditional vineyard areas. The French government started in 1923 an international action inviting the exporting countries of the world to meet in Paris and suggested them «to plan the creation of an international wine organisation». In the following year, the intergovernmental organisation called Office International du Vin (OIV) was created, which supported French wine policies «to handle overproduction, firmly rejecting competition via prices and emphasizing the necessity of quality and supply controls to increase consumption». «Cooperation among small viticulturists, self-regulation and State intervention were continuously advocated» and in addition «OIV became one of the most active ambassadors of the idea of the *appellation*». After 1929, the international wine trade came to a standstill and the wine sector in all European

²⁸ HUMBERT, 2011: 95-98.

²⁹ SEQUEIRA, 2011: 261-262, 79-80, 119, 213, 219.

³⁰ BARRÈRE, 2010: 7- 9.

³¹ See note 6.

wine-exporting countries came under pressure, so the OIV (under the leadership of the French government) was able to suggest them «a wide menu of regulations and a very concrete model of appellations»³² to face the situation.

Internally, France developed a thirty-year program (1905-1935) that ended with the implementation of the AOC. The French law of 1927 was the first to allow production standards within each appellation, define suitable areas for AO wines, prohibit hybrid vine varieties or direct products. Between 1930 and 1935, several laws were passed (*Statu du vin*) in which the first concern was not the quality, but the protection of small producers, the management and scaling of supply to avoid price drops, penalties for high productivity, destruction of vineyards and prohibition of new plantations. In the meantime, the misuse of AO-related provisions prompted calls for more effective regulation. In 1935, the Comité National des Appellations d'origine (CNAO) legally replaced the courts, in this issue and, after 1936, began the codification of the AOC in which the Champagne sector played an active part³³.

In the interwar period the regulation adopted for Port wine also had to handle overproduction. Portugal, as a member of OIV, was attuned to measures that would lead to supply control. So, the Portuguese Government did not lose sight of international regulations, particularly inspired by the French ones, in order to respond to the specific problems of the wine that weighed heavily on the trade balance, such as Port wine. In the case of Port the aspiration to restore a regulation of a historical nature differed from the path taken by Champagne between the AO and the AOC as «its experience did not conform to a previous model» as a «process of production of institutions by institutions» was «original and singular»³⁴.

Alessandro Stanziani underlined that it was necessary to wait for this context of the interwar period in order to achieve the conditions for the implementation of the AOC, since several legal rules and defined uses were based on the result of a «consensus» reached by the majority of the producers who managed to agree on various procedures that allowed the establishment of coordination between the actors involved³⁵. Solutions for the organisation of quality controls and for the legal form of quality standard were reached in Champagne and in Porto. This occurred despite the differences in the dynamics involving

³² PAN-MONTOJO, MIGNEMI, 2017: 251-252. OIV proved to be influential due to its publications and to its regular meeting of politicians, diplomats, and senior bureaucrats.

³³ The CNAO (1935-1939) included delegates of ministries of agriculture, finance and justice and presidents of viticulture syndicates. It was renamed Institut national de l'origine (INAO) living between 1945-1967 and then Institut National de l'Origine et de la Qualité (see WOLIKOW, HUMBERT, *dir.*, 2015 and HUMBERT, 2011).

³⁴ BARRÈRE, 2010: 20. The controlled denomination of origin regulation model was adopted in the case of the Douro/Port wine since 1756, being interrupted in 1834, resumed in 1838, reformulated in 1852, extinguished in 1865, resumed and reformulated in 1907-1908, and reformulated again in 1932-1933, under the corporative model (MOREIRA, 1998: 15, 31, 67-34). For the claim of protectionist legislation for the Douro region after the end of the nineteenth century, see SEQUEIRA, 2011.

³⁵ STANZIANI, 2006: 69.

economic agents on the path to «consensus» in the sense advanced by Stanziani. This was the reason why they became leaders, within their respective countries, in the process of lobbying for setting up the legal form on quality standards and on the collective trademark of their regions. These conditions did not exist in the case of Madeira.

2.1.1. Port and Champagne wines

Port and Champagne have some similarities. Champagne as a luxury wine benefitted from the first globalisation era (1870s-1914), as its production growth during the nineteenth century was accompanied by the organisation of the commodity chain favouring the Champagne houses over British retailers. Notwithstanding the crisis after phylloxera, «the Champagne producers were more successful than those in other wine regions in controlling the quality of their product». A central role was unquestionably played by «the major Champagne *maisons*, or houses», that «successfully exploited three interconnected features to achieve this growth»: «new wine-producing methods», attention to the «growth of global economy» and «modern marketing methods, which allowed» them «to exploit major economic scale in marketing»³⁶.

Exports of Port wine were not favoured by the first globalisation as had happened with Champagne. But, since the end of the 19th century, Port wine firms exported the so-called *vintage* Port³⁷ apart from the wine also targeted for immediate consumption both sent in casks. The *vintage* Ports were selected from wines from distinct vineyards and vatted together after a particularly good year and then kept separate from other wines. Each exporter used to decide whether to declare a harvest a «vintage», knowing that this would affect the reputation of his own firm³⁸. The Port wine *vintage* tended to become sold under the respective export brand. Although in Champagne wine the projection of the brands was stronger than the Port wine ones, the vintages in the latter and the *cuvées* in the former were both tied to quality, giving consistency to the respective brands that produced them.

After the end of nineteenth century until the 1930s, the Champagne and Port wine sectors faced difficulties in a context when brand law still presented vulnerabilities, and collective trademarks were called to fulfil a role conferring trust to markets against fraud and falsification. Both wine regions in a sense interpreted «standards» as «collective goods set by the winemakers but enforced by government to protect consumers

³⁶ SIMPSON, 2011: 133. For the economics of scale, brands and marketing, see SIMPSON, 2011: 138. See also GUY, 1999: 212-239; 2003: 10-39.

³⁷ Description of «Modern Port Vintages» between 1917 and 1963 in SIMON, 1967: 439.

³⁸ SIMPSON, 2011: 160-161, notes 28 and 29. For the division of port in the 1870s into the classification of «vintage» and «tawny», see DUGUID, 2005: 524. In the London market, some Champagne firms advertised their brands in the 1850s, whereas important port firms, like Sandman, only started doing it in the 1880s. Since the end of the 19th century, the international framework regarding competition on wine trade played a part on the formation of the branding law (DUGUID: 2003: 437, 425, 427, 431-433).

from adulteration, on the one hand, and to limit competition on the other»³⁹. They also have in common companies that owned important brands, winegrowers' organisations, and blend wines (a sparkling and a fortified). After 1935, Champagne lobbied for the implementation of the process of certification of collective brands at national level. At local level, big firms and winegrower's unions tended to be represented under a parity system in the organisations that created the AOC legislation of Champagne⁴⁰. Based on cooperation winegrowers' associations controlled their peers to comply with the standardisation rules and companies negotiated a stable system to fix the grapes price and worked it out between 1935-1945 and 1972⁴¹. However, there was a marked difference between these two countries in this process. While in Champagne the major companies were the main players in the process leading up to the regulation, in Port this role fell to the winegrowers, their associations and personalities belonging to the regional elite who defended their interests. In France, institutional reform was based on self-government structures of the bodies representing the interests of economic agents, while in Portugal the corporative system imposed tight control over the sector's bodies.

Concerning Port marketing evolution from a situation where only a few companies invested in advertising to a situation after the 1960s, where «port wine firms became aware of the value of the brand as an intangible asset» and «started to invest systematically in marketing» in a macroeconomic environment that had changed in terms of trade arrangements, economic growth and purchasing power, and were characterised by the concentration of international alcoholic beverage companies. Thereafter, Port created «several new brand extensions» and «firms started to rationalize the number of brands they used to sell their beverages, focusing on the ones that added more value»⁴². After the 1960s, Port and Champagne were both increasingly integrated into the international drink business through different strategies, and both owned important global brands⁴³. In summary, both gained substantial advantages from an early collective branding and company branding.

3. PORT AND MADEIRA WITHIN CORPORATISM

In the interwar period, there was an ideological debate about the economic role of the State. Corporatists supported the principles of market protection and regulation. State intervention sought to avoid excessive competition and bring supply and demand into

³⁹ KINDLEBERGER, 1983: 380. See note 317.

⁴⁰ Chalon commission in 1935 and the Comité interprofessionnel du vin de Champagne (CIVC) after 1941-1946.

⁴¹ For Champagne, see FORBES, 1972: 151-152, 219-32; BARRÈRE, 2003, 2007 and 2010; WILSON, 1998: 64-8 and WOLIKOW, 2009: 1. For the protection by the trademark, see BARRÈRE, 2000: 604-607.

⁴² LOPES, 2019: 169-170. For the investment of port in specific brands, see also LEITÃO, 2013: 36-40; 2019: 45-61.

⁴³ Concerning the answer to globalisation and liberalisation, in Champagne, firms «integrated both horizontally and vertically by acquiring other beverages business and creating wide portfolios of different beverage brands. They also invested in different markets considered to be strategic. In contrast, Port firms expanded by integrating horizontally within Portuguese Port wine and disintegrated from the few distribution channels they had in other markets» (LOPES, 2019: 182).

sync by controlling production. It also included agreements within corporatist institutions⁴⁴. In Portugal, corporatism put its stamp on many sectors of the economy. The institutions of economic coordination were not part of the corporatist hierarchy; however, they created the conditions for its implementation. The Juntas, amongst other entities, served to control production and exportation in those sectors lacking a corporatist organisation or having an incipient one. The institutes were intended to provide an official guarantee of quality⁴⁵.

Corporatist intervention in the Port and Madeira wine sectors occurred at different points in time⁴⁶. The Douro in the 1930s and 1940s had an excess of wine production that regulation sought to control by giving incentives to grow vines that produced must of high quality but characterised by low productivity. Differently, the production of must in Madeira during the 1930s and 1940s was below demand. This explains in part the postponement of similar measures proposed.

In terms of organisation, Port regulation of wine assumed a peculiar complex framework within the corporatist system. Casa do Douro (CD) in its original form was a professional self-regulatory association of winegrowers, regionalist in nature (1931) and became after 1932 a compulsory association of all winegrowers of the Demarcated Douro wine region, one of the pillars of the «corporatist triangle»⁴⁷, together with two institutions that represented specialised interests — growers (CD) and exporters (guild) and at the top, the Wine Institute of Port (WIP) focused both on coordination and on quality⁴⁸.

To justify the corporatist intervention in Madeira, the government scrutinised the local conditions. In 1931, Salazar, declared that the Madeira wine production was not of concern to him⁴⁹ but a few months later, the local commission of the sole political party requested State intervention to oversee the wine trade to rein in uncontrolled exportation and unfair price competition abroad⁵⁰. On May 10 1933, the Minister of Commerce and Industry ordered the Governor of Madeira to undertake an investigation about the adaptation of the Douro Wine legislation to Madeira (legislation that created the CD,

⁴⁴ ALMODOVAR, CARDOSO, 2005: 343-344. For the introduction of the corporatism in the economy and for the representation of interests, see SCHMITTER, 1999: 122-124 and 110-111.

⁴⁵ LUCENA, 1976: 208-227, 305-311.

⁴⁶ For Port 1932-1933 and for Madeira 1940 and 1957.

⁴⁷ PEREIRA, 1999: 241; MOREIRA, 1998: 106, 108-109; PEIXOTO, 2011: 93; SEQUEIRA, 2011: 354-355.

⁴⁸ The unions included until 1930s organisations of agricultural owners (MOREIRA, 1996: 79, note 3). See also PEREIRA, 1996: 193.

⁴⁹ ANTT. AOS/CO/IN 4 of 7/2/1931.

⁵⁰ District Committee of the National Union on 19th of December of 1931 (ANTT. AOS/CO/IN fls 202-204).

the Port wine exporters' guild, and the Port Wine Institute)⁵¹. In result three reports and two petitions were sent⁵².

The first report expressed the view of the main firm and signed by Mullins (Madeira wine) vastly praised the idea of creating an Institute and two guilds (exporters and winegrowers) with mandatory memberships. The institute would function in the moulds of the CD: buying excess musts, fixing minimum prices, and accumulating wine stocks when international demand fell decisively. State financing would be required to establish a credit fund and the financial support would be guaranteed by a warrant system. Of the own funds proposed, the winegrowers' participation exceeded that of commerce. The goal was to bring these interests into equilibrium without creating excessive operational costs. Most of the resources and potential State subsidies would have been allocated to publicity in foreign markets. The proposal was undersigned by a petitioner (the agricultural trade union of Funchal).

The second report was written by a civil servant agronomist. He proposed a strong commercial organisation (exporters' guild) but based on a mandatory winegrower trade union (as in the case of the CD). An expensive governmental structure complemented by winegrower investment (experimental fields and winegrowing advisory services) differentiated it from the first proposal. A credit fund intended to defend producers from speculators and economic downturns was expensive but included more generous short-term governmental financing than the first scheme. The credit issued to members of the winegrowers' labour union would be organised under a system of warrant discounts.

The third one was authored by a commercial employee's association (Commercial Athenaeum) in conjunction with the Madeira winegrowers and exporters' association, it rejected the adaptation of the legislation without a previous evaluation of the results. The costs of the structure were judged to be excessive, and the unionisation of agriculture seen as unfeasible given the high level of illiteracy amongst the population, the small landholdings, and the unique characteristics of land exploration. Mandatory unionisation of commerce was rejected and the maintenance of the current legislation (Decree 218, 8 November 1913) was defended with minor adjustments, such as: prohibition of the sale of acidic wine, the creation of experimental fields, soil analysis and winegrowing research. These critiques were undersigned by the second petitioner (a group of winegrowers).

⁵¹ Those institutions were respectively created by decrees number 21:883 of 19th of November 1932 (PORTUGAL. Ministério do Comércio, Indústria e Agricultura. Gabinete do Ministro, 1932: 2252-2261) and numbers 22:460 and 22:461 both of 10th of April 1933 (PORTUGAL. Ministério do Comércio, Indústria e Agricultura. Gabinete do Ministro, 1933a: 636-641 and PORTUGAL. Ministério do Comércio, Indústria e Agricultura. Gabinete do Ministro, 1933b: 641-644).

⁵² The local newspaper «Diário de Notícias da Madeira» published the Decrees for Port wine and Douro after 10 of May of 1933 and in a brochure *A Legislação*, 1933. The reports of the commission (started in 24th of May) were published between 5 and 22 of August (5: 1; 6: 1 and 3; 8: 1; 9: 1 and 3; 10: 4; 11: 1 and 4; 12: 1 and 3; 13: 4; 15: 1; 17: 4; 18: 4; 19: 4; 20: 4; 22: 1 and 4). Criticisms were presented in a document dated the 6th of September: 1 and 3.

In 1935, in answer to a letter from the president of Madeira's administrative institution (Junta Geral), Salazar stated that he was awaiting the «opportunity to gather more support» for the regulation because «the best has not yet realized that this is the path towards salvation», as «good Madeira wine does not exist anywhere else in the world; but ordinary Madeira can be found anywhere, without even coming from Madeira»⁵³.

The decree of 1934 stated potential measures regarding Madeira. First on the agenda was the regulation of the organisation of the export trade and, secondly, the organisation of production, to ensure fair returns. The last item was supposed to be the creation of the Madeira Wine Institute. This entity would have the authority to coordinate activities and defend and expand the regional brand abroad⁵⁴. Differently, six years later, a mere delegation of the Junta Nacional do Vinho (DJNV) was established with a intervention supposed to be temporary — to set up of a specific entity, gather statistical information and offer credit to winegrowers⁵⁵. It was directed by a president nominated by the government who reported to the Junta Nacional do Vinho (JNV) presidency in Lisbon and included at the local level an Advisory Council (AC) composed by the Funchal Customs director, an agronomist that represented a corporatist agricultural organisation, one winegrower representative and two export representatives⁵⁶.

3.1. Agricultural organisation and representation of vine growers

The AC of the DJNV had a mixed representation that contrasted with the specialised representation of interest in the CD. Between 1907 and 1913, in Douro and in Madeira vine growers were organised in two regional institutions under a horizontal shape (Comissões de Viticultura)⁵⁷. During the first Republic (1914-1926) and in the early years of the dictatorship (1926-1928), some important members of winegrower's associations of Douro were also politicians and fought for solutions to regional problems⁵⁸. Differently, in Madeira the variety of short-lived associations and winemaking co-operatives that emerged between 1892 and the early 1920s showed less claiming power and influence than the Douro ones.

The specialised of the interest groups in case of Port illustrates how institutional arrangements affect the capacity of interest groups to organise themselves as much as the

⁵³ ANTT. AOS/CO/IN-4 A, fl. 88. Letter of Salazar to João Abel de Freitas dated of 23rd of May 1935.

⁵⁴ PORTUGAL. Ministério do Comércio e Indústria. Gabinete do Ministro, 1934: 674 - 676.

⁵⁵ PORTUGAL. Ministério do Comércio e Indústria. Conselho Técnico Corporativo do Comércio e da Indústria, 1940: 689-690 and JUNTA NACIONAL DO VINHO, 1941: 35, 54-56. See PORTUGAL. Ministério do Comércio e Indústria. Gabinete do Ministro, 1937: 852-857.

⁵⁶ Winegrowers were represented by the Director of the delegation of the Bank of Portugal and by a lawyer and landowner. The exporters were represented by the chairman of Madeira Wine Association (Thomas Mullins) and the president of the wine table of the Commercial Association of Funchal (PORTUGAL. Ministério do Comércio e Indústria. Conselho Técnico Corporativo do Comércio e da Indústria, 1940: 689-690).

⁵⁷ MOREIRA, 1998: 102-103.

⁵⁸ For Douro, see SEQUEIRA, 2011: 304-320, 334, 360. For Madeira, see PACHECO, 2007: 150-152.

institutions create distributive effects⁵⁹. The framework that governed the winegrowers of the Douro Valley (CD) conferred power upon them and the tensions that arose within it proved the existence of distribution effects. The power held by the CD was reallocated and the entity lost the ability to control the yearly quota of wine authorised to be made into Port fortified wine (*benefício*) to the I.V.P.⁶⁰. However, it maintained the key responsibility for allocating the yearly *benefício* amongst the winegrowers. After 1935, the criteria were related to land altitude and quality. To do so, from 1937 to 1945, the CD prepared an inventory of vineyards in the demarcated area of Douro and after 1947, adopted a classification criterion based on a meticulous scoring system that included low productivity vine varieties and a classification of land based on *terroir*⁶¹. The allocation of higher scores to vineyards was intended to encourage winegrowers to grow high-quality vines⁶². Significant advantages (price and trade possibility) accrued to the musta *beneficiário*. The CD by having to implement the classification and the prementioned scores to select the wine authorised to be made into Port fortified wine had to discipline its members and specially to arbitrate conflicts, by so doing created distributive effects.

In the Douro, there were compensation for the torn up of vines and fines for the commercialisation of the wine of direct producers⁶³, and no similar financial incentives were offered in Madeira. Nevertheless, the topic was frequently debated. Salazar in 1935, in answer to a letter from the president of Madeira's administrative institution (Junta Geral), stated that: «We cannot continue to allow the quality of our exports to be debased with direct producers vine varieties». The solution was «paying the best prices for wine made with traditional grape varieties» and «establishing a decreasing percentage over a period» in which «wine for export may include wine from a direct producer»⁶⁴. In 1959, a responsible for JNV mentioned that Salazar himself inspired the articles regarding the growing of excellent varieties⁶⁵ and in 1968 it was still presented the solution required for the vines grown in Madeira with the promise that the JNV was willing to finance the necessary research⁶⁶.

⁵⁹ PIERSON, 2000: 251-267.

⁶⁰ The yearly allotment of the wine authorised to be made into Port fortified wine was set according to merchant or producer stocks; domestic consumption in the previous year; previous year's export volume and the predicted exports in the current year. For data, see *Elementos Estatísticos* [...], 1964, Quadro A.

⁶¹ FONSECA, 1952; FONSECA *et al.*, 1991: 73. *Terroir* means «a sense of place» and embodies the sum of effects that certain characteristics of the local environment (geography, geology, and climate) confers on a product manufacture. It can also include elements that are controlled or influenced by humans, such as viticultural and oenological practices.

⁶² ESTEVES, 2008: 46-47; *Comunicados sobre a vindima de 1956: bases da distribuição de benefício*, 1956.

⁶³ PORTUGAL. Ministério da Agricultura. Secretaria Geral, 1927a: 1478-1479 and PORTUGAL. Ministério da Agricultura. Secretaria Geral, 1927b: 1719-1720.

⁶⁴ ANTT, AOS/CO/IN-4 A, fl. 88. Letter of Salazar to João Abel de Freitas dated 23rd of May 1935. This letter answers a letter dated 28th of May 1935 (ANTT. AOS/CO-122 fl. 84-135).

⁶⁵ ARM. IVBAM, book 738, 164, 23-1-1959, fl. 72. The obligation was stipulated in the *Decree-Law n° 41:166*, June 25, 1957 (PORTUGAL. Ministério da Economia. Comissão de Coordenação Económica, 1957: 658-661).

⁶⁶ ARM. IVBAM, book 739, 188, 2-10-1968, fl. 26.

In Madeira, positive differentiation of quality grapes by exporters started in 1940, with a suggestion that exporters should increase prices of the good varieties to at least 5% and purchase a minimum of 60%⁶⁷. This average between 1944 and 1947 was above the prescribed minimums (between 65 and 75%), but in the 1950 it fell short of the minimum (47%)⁶⁸ and notwithstanding the introduction of a different form of payment to stimulate the purchase of good variety grapes during the 1960s the situation got worse due to expansion of the vineyard area with the reinforcement of direct producers⁶⁹.

Following the referred consultation made in the 1930s, twenty years later, the Funchal Chamber of Commerce asked the government to invest in viticulture⁷⁰. The issue of direct producers has been raised and debated repeatedly since the beginning of the CC. The DJNV in Madeira never had the means to intervene in the agricultural area, limiting itself to the solution of positive discrimination in the price that exporting companies should attribute to the grapes of «good varieties». The exporter member of AC of DJNV that belonged to Madeira Wine Association Lda stated in the 1960s that the firm bought all grapes of good varieties that were offered to them. Then, he insisted that the government should promote the planting of the «traditional vines»⁷¹.

One piece of striking evidence of the lack of negotiating power of Madeira's farmers was the scarce availability of wine storage capacity at their disposal. In 1965, a plan for cooperative wine cellars was drawn up in order to contribute towards «an adequate organisation of winegrowers»⁷² which was only finalised in the early 1970s. Unlike the CD, the structure created in Madeira did not make it possible to reach the consensus among the economic agents involved necessary for the establishment of AOC.

3.2. Export firms organisation and representation of interests

The high entry of firms in the export business during the period before corporatism was common to Port and Madeira. Their traditional export firms were harmed by the characteristics of the newcomers because they contributed to reduce export price of wine and by extension their stocks of wine of high prices. This can explain that it existed a possible common initial predisposition of some traditional export firms in favour of regulation. Relative to Port wine, the *miliciano* — an agent with low levels of stock and capital

⁶⁷ ARM. IVBAM, book 736, 27-8-1940, 3, fl. 11; 2-9-1940, 4, fl. 13-14; 31-1-1941, fl. 77; 67, 30-11-1945.

⁶⁸ ARM. IVBAM, the table of predicted sales and prices and IVBAM (excel provided), based on files IVBM, files 796-800 *Estatística de Produção de Mosto, Exportação e diversos Mapas*.

⁶⁹ In 1970, the percentage of good varieties was 18.78% — higher than the average for the decade (ARM. IVBAM, book 737, 197, 29-12-1970, fl. 44) and in the following year it was 25% (Book 737, 200, 30-12-1971, fl. 48).

⁷⁰ ARM. IVBAM, book 737, 121, 25-11-1950, fl. 107-9. The number of winegrowers increased between 1950 and 1960.

⁷¹ ARM. IVBAM, book 737, 190, 3-10-1968, fls. 30-31 and 182, 22-11-1965, fl. 16v.

⁷² ARM. IVBAM, book 737, 182, 22-11-1965, fl. 16v. The wineries were in the implementation phase in 1970 (Book 737, 195, 24-3, fls. 39-41 and 188, 2-10-1967, fl. 26).

invested — increased their exports of cheap and low-quality wine⁷³. In Madeira, between 1913-1920 and the 1930s, among the new wave exporters⁷⁴ prevailed the internal trader called *partidista*. The *milicianos* and the *partidistas* were both submitted to rules within corporatist regulation.

Previously to corporatism, a movement towards horizontal integration of firms occurred in Madeira. In 1913, The Madeira Wine Association Company was created based on three founding firms. In 1925, thirteen export firms were from then on integrated in a new limited company called Madeira Wine Association. In 1934, another company was created, and more firms joined ending with a final composition of twenty-eight British and Portuguese firms. After the regulation of the 1940s this firm was tailored to play a leading role in the negotiations within AC of the DJNV⁷⁵.

The corporatist control over export sector of Port wine started with the requirements for registering as an exporter (1932-1933) and were copied in 1939 for Madeira namely by establishing a link between each firm's annual purchases of must and its annual quantity products exported⁷⁶. The establishment and recording of the normal reserve were also regulated in both regions.

In 1941, the AC analysed the legislation in force regarding the Madeira wine trade and the export firms drew up an opinion on an exposé on the subject⁷⁷ which was subject to successive alterations drawn up by the JNV and counterproposals from the exporters until the final wording of the Decree-Law in 1957. Rather than the definition of the amount of the minimum permanent deposit, what generated the most controversy was the requirement that it be composed of fortified wine (ready for export) as was required in port regulation⁷⁸. For Madeira, the minimum permanent deposit that each exporter had to maintain was stipulated in 600 hectolitres but for registered groups of firms a mandatory minimum required should be the result of the multiplication of 600 hl by the number of members of the group, but upon request to the JNV it could be substituted by the average of exports carried out by the group in the last three years, without ever being

⁷³ MARTINS, 1990: 117-118.

⁷⁴ In the 20th century, British merchants controlled the exports of Madeira wine (MACVITTIE, 1955: 84). For the growth of the number of firms between the 1910s and 1920s, see PACHECO, 2007: 94.

⁷⁵ In 1925, each firm «maintained a separate legal identity but became a shareholder in the Association. [...] its wines [...] became property of the Madeira wine. [...] their brands were produced in conformity with established styles but were blended from common stocks». LIDDELL, 1998: 70-71. For 1925 firms, see ARM. IVBAM. Notários, Book 6207, fl. 47v.

⁷⁶ PORTUGAL. Ministérios do Comércio e Indústria e da Agricultura, 1939: 1076-1077. The Decree-Law 23:910, 25-5-34 established that production and to exports of Madeira wine was temporarily supervised by other entities pending the creation of the corporatist organization (PORTUGAL. Ministério do Comércio e Indústria. Gabinete do Ministro, 1934: 674-676). The Decree 13:990, 26-7-1927 determined the requirements for registration as an exporter (PORTUGAL. Ministério da Agricultura. Secretaria Geral, 1927a: 1478-1479).

⁷⁷ ARM. IVBAM, book 736, 8, 8-1-1941, fl. 22; book 737, 146, 28-4-1955, fls. 178-186.

⁷⁸ ARM. IVBAM, book 737: 147, 8-6-1955, fl. 189-191; 149,27-7-1955, fl. 197-200; 152, 18-11-1955, fl. 9-14.

inferior to 1200 hl. As had been predicted by the vice-president of the JNV, this measure led to a reduction in the number of firms⁷⁹.

Regulation contributed to the fall of the number of export firms in both wine regions. The Port wine firms fell from 113 in 1935 to 79 in 1944, but after the 1960s other factors interfered⁸⁰. In 1939 the number of export firms of Madeira wine registered were 119, in the 1950s were 29, thereafter, the evolution in Madeira is very much determined by the Decree of 1957, in 1960 they were 14 and in 1972 they were 11⁸¹. Looking at the data of export per firm of Port wine there an increase both in percentage of export of the top firm and of the top six firms. In Madeira wine export firms' concentration was higher. In 1933, within the commercial activity of 57 shippers of Madeira wine, 40% of merchandise was exported by two firms⁸². In 1965, within a total of 11 firms, the main firm alone exported 56,17% of the total exports and the two main firms exported 68% and in 1970 the main firm exported 50,9% and the top six firms 93,06%.

Table 3. Exports of Port and Madeira wine (total quantity of exports, number of firms and % of exports per 1st firm ad top firms)

Year	Port wine				Madeira wine			
	Total	Firms number	1 st Firm	Top 13 Firms	Total	Firms number	1 st Firm	Top 6 Firms
1935	383300	113			33917	119		
1944	156590	79	7,98	49,84	23925	26	24,1	83,1
1956	246125	79	16,21	50,55	31964	23	45,3	85,91
1960	227517	74	16,23	56,93	44144	12	45,8	90,76
1970	350530	61	15,55	66,09	46525	10	50,9	93,06

Sources: MARTINS, 1990: 230 and MD. AHIVP. *Registo Mensal de Exportações por Firms* PT/MD/AC/IVDP/F-B/055/021; PT/MD/AC/IVDP/F-B/055/033; PT/MD/AC/IVDP/F-B/055/037; PT/MD/AC/IVDP/F-B/055/046 and IBVM. *Mapas de Exportação por Firms* (excel based on IVBM, File 796)

⁷⁹ ARM. IVBAM, book 738, 153, 24-2-1956, fl. 17. The project of the JNV (of the Decree-Law, 41:166, 25-6-1957; PORTUGAL. Ministério da Economia. Comissão de Coordenação Económica, 1957: 658-661.) was presented in ARM. IVBAM, book 738, 155, 3-5-1956, fl. 24-30, and discussed in book 738, 156, 10-5-1956, fl. 31-33; 157, 20-6-1956; fl. 40; 158, 26-6-1956, fl. 41-49.

⁸⁰ See note 44.

⁸¹ *Relatório da Associação de classe dos exportadores de vinho da Madeira*, 1933; ARM. IVBAM. Alfândega, Book 4, fls. 7, 11-12 and 40v; «Diário do Governo», 1926, 1939. For Port wine, see LOPES, 1998; MARTINS, 1990: 282, table 102 and MD. AHIVP. *Registo Mensal de Exportações por Firms* PT/MD/AC/IVDP/F-B/055/021; PT/MD/AC/IVDP/F-B/055/033; PT/MD/AC/IVDP/F-B/055/037; PT/MD/AC/IVDP/F-B/055/046.

⁸² Forty-two shippers shipped 9% of the total quantity of wine exported. *Relatório da Associação de classe dos exportadores de vinho da Madeira*, 1933.

The regulation stimulated horizontal concentration of firms in both regions notwithstanding its effects were stronger in Madeira wine, namely reinforcing the asymmetry between firms and creating conditions for that the exporters' resistance⁸³ to the regulation of an AOC and opposing or postponing the guild of exports firms in Madeira that existed in Port wine sector. The government interventionism and control explain the resistance to the guild⁸⁴. The exporters were represented at the CC by the chairman of the Board of Directors of the largest wine exporting company (Madeira Wine Association Lda) and by the president of the section of wines of the ACF that included as a member the Swedish state-owned former monopoly Vin & Spritcentralen⁸⁵. The wine section gave its opinion on all the questions that the JN posed to the sector, in certain cases having decisions approved at the ACF general assembly.

3.3. Quality strategy and collective standards versus resistance

The concern to control forgery on exports of wine was common to both regions — the minimum graduation and the minimum age of the wine exported were legislated. The theme of the loss of authenticity and reputation of Madeira wine dragged on until the 1970s. In 1934, a decree determined that no wine was exported without a chemical analysis, unless a fine be paid if it proved to be improper⁸⁶. In 1940, it was recognised the inexistence of means to make proper chemical analysis. In 1956, the vice-president of JNV recognised the need to provide a laboratory and a tasting room to DJNV. Ten years later, it was stressed that changes in analysis system did not allow to future «mask» the composition of the Madeira wine⁸⁷. Resources for oversight and control were more than 30 years behind those of Port wine.

The need to defend the Madeira wine brand emerged in the legislation of 1934 and 1939. Two years later, the vice-president of the JNV analysed the demands regarding the reappraisal that OIV was carrying out on wine regions with a recognised right to an AO.

⁸³ On concentration of benefits and overrepresentation versus diffuse majority of interest (OLSON, 1965).

⁸⁴ The president of the wine table of ACF opposed to the creation a Guild of Export Firms (ARM. IVBAM, book 737, 146, fls. 184, 187-189, 191, 8-6-1955; 147, 8-6-1955, fl. 101). For Corporatist guild, see LUCENA, 1976: 265-282).

⁸⁵ Vin & Sprit Centralen was a Swedish state-owned firm (founded in 1917, until 1994 was a national alcohol monopoly and in 2008 was sold to Pernod Ricard). This firm was registered in the Customs House in Funchal and made a deed in 1928 (ARM. IVBAM. Notary Frederico de Freitas, 1st March 1928). Initially its depositary in Funchal was Santos & C^a formed by two partners Koenig and Luís Portugal dos Santos. (ARM. IVBAM, book 738-740 and ARM. IVBAM. Alfândega, Book 4, fl. 36). This firm stopped buying wine due to liquidation of its branch and it was temporarily administered by the Swedish consul in Funchal (ARM. IVBAM, book 739, 172, 11-8-1961 fl. 1). Madeira Wine Lda was the main purchaser of its facilities and stocks, which were paid in a phased manner through wine supplies. Madeira Wine Lda continued to be the main supplier Vin & Sprit Centralen (ARM. IVBAM, book, 176, 27-2-1964, fl. 6).

⁸⁶ PORTUGAL. Ministério do Comércio e Indústria. Gabinete do Ministro, 1934: 674-676; PORTUGAL. Ministério da Agricultura. Secretaria Geral, 1927a: 1478-1479 and PORTUGAL. Ministério da Agricultura. Secretaria Geral, 1927b: 1719-1720.

⁸⁷ ARM. IVBAM, book 736, 20-11-1940, fl. 20, Book 738, 153, 24-2-1956, fl. 17; 188, 2-10-1967, fl. 26. See also JUNTA NACIONAL DO VINHO, 1941: 48-54. In 1970, Madeira total annual export average of Madeira wine was higher than the production of European vines; *Relatório do Grupo de Trabalho da Lavoura*, 1971: 12.

Hence it was required the modification of the manufacturing technique as a precondition to defend and guarantee the AO of Madeira. The composition of the exported Madeira liqueur wine contained prohibited elements: must from direct producers and alcohol and sugar extracted from sugar cane instead of alcohol or brandy and glucose extracted from grapes. The solution presented by the vice-president of JNV was based on a «barter scheme with the Continent» which would supply Madeira with brandy and concentrated must and in exchange the island would provide «equal quantities of alcohol from sugar cane». Exporters, by the voice of Mullins chairman of the Board of Directors of Madeira Wine Association Lda at the AC of the DJNV, inquired if this proposal were to materialise, if the wine could continue to be called Madeira wine⁸⁸.

In 1950, the wine table of the ACF signed a report and forwarded it to the Central Government (sub-secretary of State of Trade). Subsequently, it was defined that an Exporters Committee would meet with him, and Mullins in the CC expressed perplexity by the absence of a similar delegation of winemakers at the meeting. Thereafter, he reported having pointed out that the responsibility for solving such a complex problem had to be shared amongst the «exporters, winegrowers, wine makers, the sugar cane industry, and the government itself», so «a plan of true regional interest»⁸⁹ was required. This criticism addressed to the central government presupposes that traditional vine varieties was a priority (required since 1927 by ACF) and the solution could not only depend on the exporters overvaluing their price. The report of ACIF concluded that, as the technical change would increase costs, such initiatives to guarantee the enforcement of rules of the OIV — while agreeing that the steps to defend the continuity of the AO registration were of great utility and importance — should be assigned a lesser priority. In addition, they requested that the test period for the modified manufacturing process be lengthened⁹⁰. In result, the following year, the AC of the DJNV has been assured that there was no «intention of forcibly implementing any changes» in the manufacture techniques⁹¹, following exporters' warnings of the danger of implementing abrupt changes in the wines which were already well known in the market⁹².

The Decree-Law of 1957 omitted the expression «regional brand»⁹³ and focused on ensuring the genuine nature and quality of Madeira Wine. Simultaneously, it occurred

⁸⁸ ARM. IVBAM, book 737, 102, 17-02-1949, fl. 74-75.

⁸⁹ ARM. IVBAM, book 737, 102, 17-2-1949 fl. 81; 121, 25-11-1950, fl. 109. For the request of the request of ACIF for the resurgence of traditional vine varieties, see *Relatórios apresentados na sessão magna* [...], 1928: 14). Mullins worked for Blandys Wines before the merger of the firm Madeira Wine (COSSART, 1984: 50).

⁹⁰ ARM. IVBAM, book 737, 121, 25-11-1950, fls. 107-9.

⁹¹ ARM. IVBAM, book 737, 115, 4-5-1950, fls. 95-7. Penha Garcia (president of JNV) was vice-president of the National Commission for the Food Agricultural Organisation and was also President of the Portuguese delegation to OIV.

⁹² ARM. IVBAM, book 737, 102, 17-2-1949-fl. 71-78; ACF Report, Book 737, 121, 25-11-1950, fl. 106-108. In this report, JNV's proposals on the manufacturing process were challenged on the grounds of the foreseeable increase in production costs.

⁹³ PORTUGAL. Ministério do Comércio e Indústria. Gabinete do Ministro, 1934: 674-676.

the registration of the AO of Madeira in the name of the Madeira Wine Institute⁹⁴ (legally created in 1934 but never having worked), which presumably relates to the supplementary content of the 1940 Industrial Property Code, which provided that if an AO was not demarcated, it was responsibility of the existing local corporatist organisations to oversee it. Time went on, and the situation in 1972 simultaneously with the signature of Portugal agreement with EEC, reinforced the commitments with the OIV, making it imperative to modify the production of wine and reconvert the vineyard⁹⁵.

3.3.1. Advertising campaigns: quality and marketability of firms' brands

In that ACIF report, the exporters pointed out that the predictable increase in the price of wine production if the new production methods were adopted would aggravate the decline of the Nordic markets, so they called for effective advertising campaigns. These campaigns took place in the early 1950s (jointly run by the JNV and the Export Promotion Fund⁹⁶) and revealed the problem of the quality of Madeira wine.

The American company responsible for the campaign in the USA diagnosed the existing brands as being «too numerous». Hence the proposal to abandon private labels in favour of a «collective designation» — that of a «merchants' association» («free cooperative») — such as, for example, «Madeira Wine Association» and the presentation of three types of wine «which could be given the name of a grape variety» (traditional) according to the degree of sweetness. Of note was the fact that it was essential for quality control to be carried out by the JNV, which would affix a seal of guarantee to exported wine⁹⁷, in his words, this «institutional advertising campaign» would use a «generic label of Madeira» and «quality control to which the wine must remain attached». Even admitting later that each private «brand would survive and keep its label» indicating the location on the bottle, he reinforced that «a generic label would indicate that it is an authentic Madeira wine, guaranteed by the JNV»⁹⁸. At the same time, JNV, in a telegram to the ACF wine section, identified the «individualisation of commercial brands» as a «new modality». Those selected — through a survey to assess both their quality and their marketability — would benefit from the campaign free of charge⁹⁹. To implement this strategy, JNV gathered the list of registered Madeira Wine brands and stressed its «interest in

⁹⁴ Registration of Denomination of Origin. Notice of Application Den. Origem/Ind. Geográfica No. 2, Madeira, request in 19-09-1955 for application from Junta Nacional do Vinho, headquarters in Lisbon. «Boletim da Propriedade Industrial», 1955: 777. Registration (Type of verbal sign), authorization 21-11-1956 starting date in 15-01-1957. Owner Junta Nacional do Vinho, Lisbon. «Boletim da Propriedade Industrial», 1956.

⁹⁵ Statement of the president of JNV (ARM. IVBAM, book 740, 201, 16-8-1972. In 1972 a Free Trade Agreement was negotiated between the European Economic Community and Portugal, which entered into force on 1 January 1973.

⁹⁶ Fundo de Fomento de Exportação (FFE).

⁹⁷ ARM. IVBAM, file 751, Proposal for a Madeira Wine advertising program in the United States submitted to the FFE by Wright Organisation, pp. 1 and 12-13.

⁹⁸ ARM. IVBAM. Letter from Hamilton Wright Organization to JNV, 10-5-1955.

⁹⁹ ARM. IVBAM. Telegram from Information section of JNV, 27-5-1955.

knowing the most representative brands of VM, due to their characteristics and possibilities in different markets»¹⁰⁰. Then established the general lines of the «competition-inquiry», made by a jury through analyses and blind tastings would identify the characteristics and value of the samples of wine supplied by the firms to DJNV¹⁰¹. «Under these conditions, the action» of the JNV «would be restricted to recognising a minimum of quality, for which it would make its classification»¹⁰².

In the Swedish campaign, a previous market study revealed the prevalence of consumers in smaller communities, older age groups and lower social classes. To halt the decline in consumption, it was proposed to introduce drier wines, give priority to Stockholm, the upper social classes, and young people¹⁰³. The company responsible for the campaign, according to information from the Swedish monopoly Vin & Spritcentralen, indicated that the most sought-after wines were the sweet and semi-sweet ones and the most consumed was Madeira Fine which this company bottled in Sweden or the pre-bottled imported St John brand (from the firm Leacock, a subsidiary of Madeira Wine)¹⁰⁴. Given the unfamiliarity with Madeira wine among the expanding middle classes, it was recommended that four types of wine be advertised, following a rationalisation strategy like the one used in the USA. The fact that the main competitor was South African wine, which was also bottled in Sweden, revealed that Madeira wine was competing on price¹⁰⁵.

The advertising campaign in Great Britain (1953-1954) was subsidised by the FFE but its guidelines were drawn up by the Madeira wine's exporters. Unlike the campaigns in Sweden or in the United States — where the FFE defined the strategy — there are no comparisons with Port wine. In relation to Sweden and concerning Port wine, the target of the campaign was directed towards the acceptance of urban and young consumers, in contrast to what happened to Madeira wine. In relation to the campaign in the United States of America, the two wines should support each other to address the scale of the market in that country, and it was crucial in the case of Madeira to find a solution to the lack of quality certification associated with a designation of origin. All campaigns seek to make known the wine and the region in a pedagogical way and not in a strictly advertising way. The campaign in Great Britain aims to remind Madeira wine to the

¹⁰⁰ The chief of information and the Chief of the Laboratory of JNV reported to DJNV (ARM. IVBAM, book 737, 145, 25-3-1955, fl. 173-175). A list of trademarks registered at the Ministry of Economy – Direção Geral de Comércio mentioned that 7 firms had 49 registered trademarks (3 incomplete process with a name but with no number and class). In the set of the Madeira Wine Association Lda there were 4 registered brands in the name of Madeira Wine, all complete, and in the name of its other 14 firms it had 22 trademarks. In total within the universe of this Association alone there were 26 brands within a total of 49 Document of ARM. IBVM, not classified.

¹⁰¹ JNV informs DJNV in Funchal, Lisbon, 27-5-1955 (ARM. IVBAM, file 751).

¹⁰² JNV informs DJNV in Funchal, Lisbon, 17-8-1955 (ARM. IVBAM, file 751).

¹⁰³ ARM. IVBAM, file 751, report from a Survey on Madeira wine consumption in Sweden, Stockholm, 30 May 1952, Leonard Flink from AB MARKNADSANALYS.

¹⁰⁴ ARM. IVBAM, file 751, Letter from AB MARKNADSANALYS to ACF 7-3-1954.

¹⁰⁵ ARM. IVBAM. Promemória sobre a Propaganda de Vinho da Madeira na Suécia, Estocolmo, 21-5-1953.

upper class who previously consumed wine by tradition but, above all, seeks to capture the «new middle class». Although there are data that define this class as an appreciator of sweet and fortified wines (sold at prices lower by a third or a quarter of the price for English wines), it was argued that the «appeal to snobbery» should be adopted by convincing this class that «it is chic to drink Madeira wine». It sought to convey the idea that Madeira wine was back in fashion¹⁰⁶.

The evolution of wine consumption in Sweden showed that the fall in Madeira wine was matched by a rise in Port. The comparison shows that while port gained advantages by having an early «collective branding» and a «firm branding», the Madeira wine sector, by being deprived of both, stagnated. The AOC was a way of avoiding imitation and creating collective standards in a period, such as this, subject to high adulteration. But it was also a way of creating differentiation and contributed to increasing power in international value chains.

CONCLUSION

At the beginning of the 20th century, the Government, in several countries, was called upon to intervene to protect premium winegrowers against falsification and adulteration that particularly benefitted merchants. From the end of the 19th century onwards, Portuguese wine firms, particularly those from Madeira, brought legal actions before international courts using the IG grounds provided for in the Madrid Convention. At this stage they were inspired by Champagne firms' legal actions fight against region name usurpation and the possibility that it falls in public domain. After Portugal joined the OIV, as France played a leading role in this organisation, there was a natural Portuguese adherence to the international policies promoted by France within that organisation. Portugal, as a member of the OIV, subscribed to the OIV's definition of wine and followed the OIV's enthusiasm in relation to the AO which, in turn, was indebted to the French internal regulation.

Port differed from Champagne in the process leading to the collective regulation of the brand. In the former, the interests of the winegrowers and regional elites, who expressed them in the political sphere, were in the spotlight. This regulatory project was inspired by a model dating back to the 18th century. From 1932-1933 it took on a formulation integrated into corporatist regulation. In the 1930s, some French regions embraced the AOC strategy. The large Champagne export companies led the pursuit of this regulation process in a creative way. Despite this difference the final organisation of quality control was arbitrated by the State both in Port and in Champagne regions.

¹⁰⁶ ARM. IVBAM. Projects, file 751, Voice and Vision, Publicidade para o vinho da Madeira, primeiro relatório, April 1951, pp. 1-7. The plan of the campaign is detailed: newspapers, type of articles, programs, social events, trips to Madeira and profiles of the participants (ARM. IVBAM. Public Relations on Madeira Wine, A Survey. Voice and Vision, 1st October 1953). See also Letter of the President of the Board of FFE to the President of JNV, 20-1-1954.

In addition, there were other points of rapprochement. Since a few decades earlier, Champagne, with its *cuvées*, and Port, with the launch of its *vintages*, had linked these investments to the names and reputation of their leading firms. In the 1930s, the strength of these quality-based investments was linked to the claim of defending the collective brand reputation of their respective wine regions. After the 1960s, Port and Champagne were both increasingly integrated into the international drinks business through different strategies, and both had important global brands. In short, both gained substantial advantages from early collective branding and corporatist branding.

Port and Madeira wines had been embedded in a similar law system, which gave several powers to their viticulture commissions to inhibit internal or external fraud. Similarly, a legislation empowered winegrowers of Douro and Madeira in horizontal representational structures (Comissões de Viticultura). Although both regions subsequently came to be introduced into vertical corporatist structures, interest groups in each region were organised under corporativism in different ways and both fought for different outcomes, with the Douro having had to face overproduction and Madeira not. The form of regulation adopted by the Douro maintained a specific organisation to represent interest of the winegrowers that afforded strong distributive power. The fact that an equivalent structure to the CD was not created in Madeira meant that no investments were made either in viticulture or in a farmers' organisation that regulated their peers to establish a collective standard, enforced by the State. An institution equivalent to the CD was demanded by most of the responses to the survey to this effect carried out in Madeira in the 1930s and requests for investments in viticulture was recurrent. The provision of financial means and agronomic knowledge to viticulture by the public authorities was insufficient between 1930s and 1970s.

In the face of an authoritarian regime and government, which attempted to implement a similar corporatist organisation in two regions that produced fortified wine for export, the resistance of the wine exporters' representatives to prevent the creation of a guild that would serve to reinforce control over this class becomes enigmatic. The regulations on commerce were transposed from Port to Madeira wine. In both cases, the measures strengthened the companies' holding stocks of wine and eliminated or promoted the merger of small companies with little capital to meet the legal requirements. The divergence took place from the sixties onwards, with Port wine companies being subject to takeovers, to mergers and were integrated in the portfolio of several multinationals in a context that registered strong changes in the alcoholic drinks market, with emphasis on distribution channels and customer tastes. Port firms were better prepared to face these changes in the external markets and new ways of competition because they had invested in a differentiation strategy. Then, compared to Port, Madeira wine still struggled to comply with the basic international norms (OIV) about the wine composition, and it lacked the conditions for the certification of a collective branding.

In terms of their private firms in the 1950s a survey prepared for international marketing campaigns concluded that there were too many trademarks, and a rationalisation was needed. Their companies opted for the postponement of AOC and directed investment in advertising towards traditional but shrinking consumers and linked these campaigns to the simultaneous fall in prices, and in the following decade lamented the reduction in advertising campaigns by central government.

The process of implementing «collective standards» shows the role played by institutions. The AOC was a way to avoid imitation and create standards very important in a period when there was much adulteration, but also a way to create differentiation and increase power in the international value chains. When we compare Port and Madeira wines, we can detect in the former the substantial gains for an early «collective branding» and «firm branding», and in the second the absence of both — a strategy based on prices — and very limited expansion of the export wine sector.

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