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FINE WINE EXPORT PROSPECTS FOR AUSTRALIA

FINAL REPORT to

AUSTRALIAN GRAPE AND WINE AUTHORITY

Project Number: **AGT 1514**

Principal Investigator: **KYM ANDERSON**

Research Organisation: **UNIVERSITY OF ADELAIDE**

Date: **29 July 2016**

Final report on AGWA Travel Bursary

Fine wine export prospects for Australia

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July 2016

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Abstract

This Bursary enabled me to participate in the Annual Conference of the American Association of Wine Economists (AAWE), held at the University of Bordeaux during 21-25 June 2016, and to co-convene and present at a pre-conference workshop at the same venue (20-21 June), on Wine's Evolving Globalization. Several outputs are already available, others will become available by end-February 2017, and one other (a revision, update, and major backdate of our ebook *Global Wine Markets: A Statistical Compendium)* could be a further output should Wine Australia wish to fund its compilation during fiscal year 2016-17.

Executive Summary

This Bursary enabled me to participate in the Annual Conference of the American Association of Wine Economists (AAWE), held at the University of Bordeaux during 21-25 June 2016, and to co-convene and present at a pre-conference workshop at the same venue (20-21 June), on Wine's Evolving Globalization. Several outputs are already available, others will become available by end-February 2017, and one other (a revision, update, and major backdate of our ebook *Global Wine Markets: A Statistical Compendium)* could be a further output should Wine Australia wish to fund its compilation during fiscal year 2016-17.

Background

The Bursary was to enable me to participate in the Annual Conference of the American Association of Wine Economists (AAWE), held at the University of Bordeaux during 21-25 June 2016, and to co-convene and present at a pre-conference workshop (at the same venue, 20-21 June) on Wine's Evolving Globalization.[1]

The purpose of the pre-conference workshop (program in Annex 1) was to enable contributors to an international research project to get together to present and compare first drafts of country case studies of national impacts of wine globalization since the mid-19th century. This comparative research project (funded by each participant) is providing a series of empirically-based analytical narratives for key countries that shed light on why each national industry developed as it did leading up to and during the current and previous globalization waves, and how that affected the industry in other countries. By including annual data for all the significant producing and consuming countries in a global database, the project will also be able to assess their combined as well as national impacts on the world's wine markets. I contributed presentations on Australia and Asia, as well as leading the introductory and concluding sessions. (The Australia PPT file is attached.) Authors will now revise their papers for including in a volume to be edited by Vicente Pinilla and myself and published next year by Cambridge University Press (CUP).

Project Aims and Performance Targets

Planned Output A: To prepare a PPT for and present a draft chapter on Australia at a pre-conference workshop for authors of a forthcoming book on Wine's Evolving Globalization, and prepare and present a paper on 'Competitiveness of cool-climate regions in global wine markets' for possible presentation at the AAWE Conference. It turned out that I had the opportunity to present instead a PPT for a forthcoming paper for the book on Wine's Evolving Globalization, on 'Global wine markets in 2025: Impacts of new markets and free trade agreements'.

Planned Outputs B and C: These had to be abandoned since only half the requested funds were forthcoming and alternative funding was unavailable.

[1] My original application proposed also visiting Italy the following week for several other events, but only half the requested funds were provided and alternative funding was unavailable, so that extension was not possible. Hence Planned Outputs B and C have not been prepared. The bursary money covered approximately half the cost of my truncated trip.

Method

Write the papers and prepare the PPT files in advance of travelling, and present them at the pre-conference workshop and AAWE conference in Bordeaux, 19-15 June 2016.

Discussion

An additional output will emerge from the pre-conference workshop workshop: a global database of annual data from as early as 1835 to 2015, comprising an Excel file with more than 80 tables (listed in Annex 2). This will be completed during 2016 so as to enable authors to present their national data not only in comparative perspective but also relative to the world market as a whole.

This year's AAWE Conference, which followed our workshop, was the biggest ever: there were over 200 presentations (lots are available in Powerpoint at http://www.wine-economics.org/2016-bordeaux/program/). My presentation (PPT slides attached) was on *Global wine markets in 2025: Impacts of new markets and free trade agreements.* The preliminary projections to 2025 will form the basis of the final chapter in our CUP edited volume on *Wine's Evolving Globalization.* I had intended to present a paper on 'Competitiveness of cool-climate regions in global wine markets', following my presentation on that topic at the International Cool Climate Wine Symposium in Brighton UK a month earlier. Instead that issue – which has important implications for fine wine producers in particular – is the subject of a new paper that will appear in the September/October 2016 issue of the *Wine and Viticulture Journal.* A draft copy is available also as WERC Wine Brief 14, at http://www.adelaide.edu.au/wine-econ/pubs/wine_briefs/.

The final 2 days of the conference involved meeting with wine industry people in and near Bordeaux. It also included a tour of the new Cite du Vin museum which was opened by the President of France on 1 June 2016. One floor of that 8-storey museum is devoted to information on what winegrapes are produced in the various regions of the world. The data for that floor's presentation are from my book on *Which Winegrape Varieties are Grown Where? A Global Empirical Picture* (University of Adelaide Press, 2013, freely available at www.adelaide.edu.au/press/titles/winegrapes), following it receiving the OIV's 2014 Prize for one of the world's best viticulture books published in 2013.

Since returning to Adelaide I've been asked to present interim lessons from our wine globalization study at an Economic Society meeting of young economists on 4 August, in Adelaide.

The papers being prepared for our CUP book on wine's evolving globalization will provide a strong basis for me to subsequently write articles for Australian wine industry journals and present in Australian wine conferences (as was done under my GWRDC project UA0804 that was completed in 2014-15).

A second potential output from this research project, should Wine Australia wish to fund its compilation during fiscal year 2016-17, is a revision, update and major backdate of our *Global Wine Markets, 1961 to 2009: A Statistical Compendium* (University of Adelaide

Press, 2011), freely available at www.adelaide.edu.au/press/titles/global-wine. The coverage could include decadal averages from the 1860s as well as annual data from 2005 to 2015. The University of Adelaide Press is keen to publish such a compendium in 2017 to replace our 2011 one.

Conclusion

The aims of this bursary were achieved and the promised paper on 'Competitiveness of cool-climate regions in global wine markets' will be published as early as the September/October 2016 issue of the *Wine and Viticulture Journal*.

Summary of outputs to date:

- PPT file on *Australia,* from Globalization workshop;
- PPT file on *Global wine markets in 2025: Impacts of new markets and free trade agreements,* from AAWE Conference;
- Paper for *WVJ* on *Competitiveness of cool-climate regions in global wine markets.*

Summary of outputs still forthcoming:

- Excel file entitled *Annual Database of Global Wine Markets, 1835 to 2015* (to be completed 02/17);
- Book volume entitled *Wine's Evolving Globalization: A New Comparative History,* **e**dited with V. Pinilla and to be published by Cambridge University Press (due for completion 02/17).

Recommendation

A new ebook, entitled *Global Wine Markets, 1860 to 2015: A Statistical Compendium* (also with V. Pinilla), could be compiled and published by the University of Adelaide Press in 2017, together with Australian-specific papers for conference presentations and journals that would draw on that new database, if Wine Australia were to provide the necessary funding (mainly for research assistance).

Annex 1: Bordeaux Workshop program, 20-21 June 2016

Monday, 20 June

13.00-13.15 Registration

13.15-13.30 Welcome and introduction, *Kym Anderson and Vicente Pinilla*

13.30-14.15 France, *Jean-Michel Chevet, Eva Fernandez, Eric Giraud-Héraud and Vicente Pinilla*

14.15-15.00 Italy, *Giovanni Federico, Pablo Martinelli; Alessandro Corsi, Eugenio Pomarici and Roberta Sardone*

15.00-15.30 Coffee

15.30-16.15 Germany, *Karl Storchmann*

16.15-17.00 North Africa, *Giulia Meloni and Jo Swinnen*

17.00-17.45 South Africa, *Nick Vink, Willem Boshoff, Johan Fourie, Gavin Williams*

18.45 Depart for Workshop Dinner, Château Luchey Halde

http://luchey-halde.com/en/home-luchey-halde/

Annex 1: Bordeaux Workshop program, 20-21 June 2016 (continued)

Tuesday, 21 June

08.30-09.15 Spain, *Vicente Pinilla and Eva Fernández*

09.15-10.00 Portugal, *Dulce Freire and Pedro Lains*

10.00-10.45 Austria and Hungary, *Albert Stöckl, Stephanie Tischler and Peter Gál*

10.45-11.00 Coffee

11.00-11.45 Argentina, *Steve Stein and Ana Maria Mateu*

11.45-12.30 Chile, *William Foster and Oscar Melo*

12.30-13.30 Lunch

13.30-14.15 United States, *Julian Alston and Jim Lapsley*

14.15-15.00 Australia (and New Zealand), *Kym Anderson*

15.00-15.30 Coffee

15.30-16.15 Britain, *Chad Ludington*

16.15-17.00 Asia, *Kym Anderson*

17.00-17.30 Global overview and conclusion, *Kym Anderson and Vicente Pinilla*

17.30-20.00 AAWE Conference reception and registration

Annex 1: Bordeaux Workshop program, 20-21 June 2016 (continued)

Bordeaux Workshop presenters/authors:

Julian **Alston**, University of California, Davis

Kym **Anderson**, University of Adelaide and Australian National University

Willem **Boshoff**, Stellenbosch University

Jean-Michel **Chevet**, University of Bordeaux

Alessandro **Corsi**, University of Turin

Giovanni **Federico**, University of Pisa

Eva **Fernández**, Universidad Carlos III de Madrid

William **Foster**, Pontifica Universidad Catolica de Chile

Johan **Fourie**, Stellenbosch University

Dulce **Freire**, New University of Lisbon

Peter **Gál,** Eger University

Eric **Giraud-Héraud**, University of Bordeaux

Pedro **Lains**, University of Lisbon

Jim **Lapsley**, University of California, Davis

Chad **Ludington**, North Carolina State University

Pablo **Martinelli**, Universidad Carlos III de Madrid

Ana Maria **Mateu**, Universidad Nacional de Cuyo, Mendoza

Oscar **Melo**, Pontifica Universidad Catolica de Chile

Giulia **Meloni**, Catholic University of Leuven

Vicente **Pinilla**, University of Zaragoza

Eugenio **Pomarici**, Federico II University of Naples

Roberta **Sardone**, INEA, Rome

Steve **Stein**, University of Miami

Albert **Stöckl**, University of Krems

Karl **Storchmann**, New York University

Jo **Swinnen**, Catholic University of Leuven and Stanford University

Stephanie **Tischler**, University of Krems

Nick **Vink**, Stellenbosch University

Gavin **Williams**, University of Oxford

Annex 2: Variables included in global wine database, 1835 to 2015

Items with * are core variables, most others are derived from them

1. *Total grapevine area
2. Share of world grapevine area
3. Share of total agricultural crop area under vines
4. Grapevine area per capita
5. Grapevine area per $m of real GDP
6. *Volume of wine production
7. Share of world wine production volume
8. Volume of wine production per capita
9. Volume of wine production per $m of real GDP
10. *Volume of wine exports
11. Share of world wine export volume
12. Volume of wine exports per capita
13. Volume of wine exports per $m of real GDP
14. Exports as % of wine production volume
15. *Volume of wine imports
16. Share of world wine import volume
17. Volume of wine imports per capita
18. Volume of wine imports per $m of real GDP
19. Volume of net wine imports
20. Wine trade volume specialization index
21. *Value of wine exports (current US$m)
22. Share of world wine export value
23. Value of wine exports per capita
24. Wine's share of value of all merchandise exports
25. *Value of wine imports (current US$m)
26. Share of world wine import value
27. Value of wine imports per capita
28. Wine's share of value of all merchandise imports
29. Value of net wine imports (current US$m)
30. Wine trade value specialization index
31. Index of revealed comparative advantage in wine
32. Unit value of wine exports (current US cents/litre)
33. Unit value of wine imports (current US cents/litre)
34. *Volume of beverage wine consumption
35. Volume of wine apparently available for consumption
36. Volume of non-beverage wine uses and stock changes
37. Share of world beverage wine consumption volume
38. Volume of beverage wine consumption per capita
39. Volume of beverage wine consumption per $m of real GDP
40. Volume of beverage wine consumption (litres of alcohol)
41. Volume of beverage wine consumption per capita (litres of alcohol)
42. *Volume of beer consumption
43. Share of world beer consumption volume
44. Volume of beer consumption (litres of alcohol)
45. Volume of beer consumption per capita (litres of alcohol)
46. *Volume of spirits consumption (litres of alcohol)

47. Share of world spirits consumption volume
48. Volume of spirits consumption per capita (litres of alcohol)
49. Volume of total alcohol consumption (litres of alcohol)
50. Share of world alcohol consumption volume
51. Volume of total alcohol consumption per capita (litres of alcohol)
52. Volume of total alcohol consumption per $m of real GDP
53. Wine's share of total alcohol consumption volume (%)
54. Imports as % of beverage wine consumption volume
55. Net imports as % of beverage wine consumption
56. Wine self-sufficiency in terms of volume
57. *Total crop area
58. *Total population
59. Share of world total population
60. *Share of adults in total population
61. *Gross domestic product (GDP), real at 1990 prices
62. Share of world real GDP at 1990 prices
63. GDP per capita at 1990 prices
64. *Merchandise exports (current US$m)
65. Share of world merchandise exports
66. *Merchandise imports (current US$m)
67. Share of world merchandise imports
68. *Market (nominal) exchange rates per US$
69. Real exchange rates per US$
70. *Consumer price index
71. *Volume of British wine imports, total and per capita, 1323 to 1862
72. *Volume of British wine imports by source, and value, 1675 to 1940
73. Share of British wine import volumes by source, 1675 to 1940
74. *British wine import taxes, by source, 1660 to 1862
75. *British wine and spirits import taxes and beer and spirits excise taxes, ad valorem equivalents, 1827 to 1913
76. *Volume and shares of French wine exports, by destination, 1850 to 1938
77. *Volume and shares of French wine imports, by source, 1850 to 1938
78. *French import taxes on bulk wine, ad valorem equivalents, 1877 to 1934
79. *South African (Cape) vine area, wine production and wine exports, 1666 to 1909
80. *Consumer (excise) taxes on wines, beers and spirits, 2014
81. *Unrecorded wine and other alcohol consumption, 2010
82. *Volume of wine distillation, various countries, 1840 to 2015
83. *Volume of beer production, 1961 to 2013
84. *Volume of beer exports, 1961 to 2013
85. *Volume of beer imports, 1961 to 2013
86. Volume of beer net import, 1961 to 2013
87. Share of beer production exported, 1961 to 2013
88. Share of beer consumption imported, 1961 to 2013