Guest Editor’s Introduction to the Special Issue:
Wine, Macroeconomics, and Finance

This special issue of the *Journal of Wine Economics* is based on a workshop entitled “Wine, Macroeconomics, and Finance” jointly organized by INSEEC U., INFER, and LAREFI (University of Bordeaux), and sets out to contribute to various macroeconomic aspects of two domains of wine economics, the international wine trade, and the role of wine as a financial asset.

The rapidly growing body of literature has examined wine predominantly from a microeconomic angle, with the hedonic pricing model as its most commonly employed work horse. While hedonic analyses indirectly consider demand but do not explicitly take into account macroeconomic variables, various authors have shown that wine prices and the wine trade follow the same macroeconomic determinants, such as exchange rates, incomes, or economic cycles, as do traditional financial assets (e.g., Cevik and Sedik, 2014; Jiao, 2017; Cardebat and Jiao, 2018).

Economic analyses of the international wine trade are mainly based on works by Anderson (e.g., Anderson, Norman, and Wittwer, 2003; Anderson and Pinilla, 2018). Relevant questions include the understanding of trade’s determinants (Bargain et al., 2018), analyzing trade barriers (Anderson and Wittwer, 2017; Mariani and Pomarici, 2019), or predicting the evolution of export flows in an uncertain world with fluctuating exchange rates (Cardebat and Figuet, 2019). The international wine trade has been subject to rapid changes, such as an increase in volumes traded, rising competition and product diversity, and growing protectionism. In this special issue, three papers highlight various trade-relevant issues.

Olivier Bargain analyzes French wine exports to China, France’s third largest wine export market by value (Bargain, 2020). Bargain draws on a dataset of 100 different types of bottled wines shipped to China between 1998 and 2015. Disaggregating French wine exports by color and growing region shipped to China between 1998 and 2015. He finds a wide range of income and price effects across French regions—a range of values similar to those found by studies examining multiple countries. Bordeaux wines, particularly at the high end, exhibit the largest Chinese income elasticity. Price elasticities are generally significantly lower than income elasticities and appear to be particularly low for reputable premium wines.
Similarly, Anthony Macedo, Sofia Gouveia, and João Rebelo examine “Horizontal Differentiation and Determinants of Wine Exports: Evidence from Portugal” (Macedo, Gouveia, and Rebelo, 2020). The authors draw on data of Portuguese wine export to 89 countries for the time from 2006 to 2016. They estimate various gravity models distinguishing between fortified and still table wines, as well as the designations Douro, Vinho Verde, and Port. The results suggest that exports of fortified wine are more affected by the importing country’s income and by tariffs than are still table wines. On the other hand, fortified wine exports are more sensitive to real exchange rate changes.

In the following paper, Albert Lessoua, Mihai Mutascu, and Camélia Turcu examine “Firm Performance and Exports: Evidence from the Romanian Wine Industry” (Lessoua, Mutascu, and Turcu, 2020). Drawing on various firm-level datasets for 207 wine producers from 2009 to 2017, the authors show that winery exports are positively affected by regional wine productivity, the share of red wine produced, growing season temperatures, vineyard size, as well as by firm agglomeration. In a next step, they find evidence of a significant positive correlation between exports and financial performance.

The last two papers of this special issue are devoted to wine as a financial asset. Whether or not wine outperforms common stock has been discussed controversially in the literature. Recent analyses have agreed that wine returns may have become less favorable to those of traditional assets such as stocks or bonds since around 2010. In addition, the correlation with traditional financial markets may be increasing, thus reducing possible diversification benefits (see, e.g., Fogarty and Sadler, 2014; Le Fur and Outreville, 2019).

Philippe Masset, Jean-Philippe Weisskopf, and Clémentine Fauchery employ the classic CAPM method and analyze “Last Frontier Investments: The Case of Alpine Wines” (Masset, Weisskopf, and Fauchery, 2020). Drawing on a 2002–2017 auction price sample of wines from Austria, Germany, Switzerland, Northern Italy, and the Rhône Valley, which are all situated within the perimeter of the Alps or along Alpine rivers and lakes, the authors find that the trade frequency and value of these frontier investments have significantly increased over recent years resulting in above-inflation secondary market prices. Their analysis suggests that Alpine wines have been a favorable investment, particularly in terms of risk-adjusted returns and volatility.

The last paper of this issue, entitled “Looking Beyond the Wine Risk-Adjusted Performance,” co-authors Frantz Maurer, Jean-Marie Cardebat, and Linda Jiao examine secondary market prices of the most liquid wines, that is, the top five classified growths of the Médoc (Maurer, Cardebat, and Jiao, 2020). They employ a Copula-GARCH model on daily data and, compared to common stock, find subpar returns on these wines for the time period from March 2010 to March 2018. Nevertheless, wine may still serve as an interesting diversification instrument.
particularly in view of its lower risk in terms of volatility, extreme events, and asymmetry.

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References


