Introduction to the Issue

This issue of the *Journal of Wine Economics* opens with “Brettanomics I: The Cost of Brettanomyces in California Wine Production” by Julian Alston, Torey Arvik, Jarrett Hart, and James Lapsley (Alston et al., 2021). The authors explore the various costs induced by the yeast *Brettanomyces bruxellensis*, short *Brett*, on red wine. While some winemakers and consumers may tolerate (and may even like) low levels of *Brett*, it is generally deemed a quality defect, in particular in premium wines.

Drawing on data of three wineries in California, the authors find a trade-off between the cost associated with preventing the risk of *Brett* infections on the one hand and treatment of infected wines and lost value from wines being downgraded to lower-valued blends on the other hand.

Further, a *Brett* survey among wine industry professionals from different regions, including from abroad, shows that all respondents most commonly report some *Brett*-induced negative quality effects; however, some also see benefits. Within the sample, “respondents from California—particularly Sonoma—are more likely than respondents from other regions to find an improvement in quality owing to *Brett*” (p. XX). While all respondents from different parts of the United States control *Brett*, respondents from outside of California are more likely to pursue a more rigorous anti-*Brett* course.

In “Merging One’s Way to the Top: AB Inbev v. Heineken,” Minh Phuong Doan and Piet Sercu examine and compare the effects of AB Inbev’s and Heineken’s takeovers (Doan and Sercu, 2021). While AB Inbev SA has become the world’s largest brewing group by far, critics claim it overpaid for its acquisitions and overdid the leveraging and subsequent cost-cutting. In contrast, the industry’s number two, Heineken, has not attracted similar criticism. The authors employ an event-study methodology to analyze whether AB Inbev overpaid.

Analyzing monthly data shows that AB Inbev takeover announcements caused a 1.3–2.5 percent price drop in the market. However, the devaluations were reversed and offset about one month later. For Heineken, similar patterns occurred but with a shorter reversal time of only one week. “Such V-reactions may actually reflect a temporary rise in uncertainty rather than overpaying” (p. 32).

In the third paper of this issue, Jackson Barth, Duwani Katumullage, Chenyu Yang, and Jing Cao examine the “Classification of Wines Using Principal
Component Analysis” (Barth et al., 2021). The authors want to produce an efficient classifier to shed light on the important features of wines in the classification. They draw on a dataset of 178 wines with various chemical measurements (alcohol, malic acid, ash levels, alkalinity of ash, magnesium levels, total phenols, flavonoids phenols, non-flavonoid phenols, proanthocyanins, color intensity, hue, OD280/OD315, and proline) made from the varieties Nebbiolo, Grignolino, and Barbera. They employ principal component analysis (PCA) in the k-nearest neighbor (kNN) classification to deal with multicollinearity issues among the explanatory variables. PCA can identify the underlying dominant features and provide a more succinct and straightforward summary over the correlated covariates. The study suggests that a combination of kNN and PCA yields a simpler and more interpretable classifier than kNN based on all 13 variables. “Our final classifier is based on only two principal components, which can be interpreted as strength of taste and level of alcohol and fermentation in wines, respectively” (p. 56).

Ursula Landazuri-Tveteraas, Frank Asche, and Hans-Martin Straume analyze the “Dynamics of Buyer-Seller Relations in Norwegian Wine Imports” (Landazuri-Tveteraas, Asche, and Straume, 2021). Drawing on specific Norwegian wine importing companies and their foreign partners, the authors analyze how the duration of firm-to-firm trade relationships are affected by different factors in an 11-year period stretching from 2004 to 2014. The study finds that most trade relationships are short-lived, that is, more than 75% of trade relationships end after less than two years. In addition, the authors’ findings suggest a positive relationship between wine price and trade partnership durations. “Deeper firm-to-firm trade relationships for more exclusive wines are likely due to higher search costs for high-quality products” (p. 83).

In the last paper of this issue, entitled “Do Whisky Investors Read the Bible? The Effect of Expert Ratings on the Vintage Single Malt Secondary Market,” David Moroz and Bruno Pecchioli find that quality scores of Jim Murray’s Whisky Bible are not powerful price predictors for whiskey ask prices (Moroz and Pecchioli, 2021). Their findings are similar to those in the wine literature (e.g., Ashenfelter and Jones, 2013) “in the sense that expert ratings are not efficient in explaining the price and can be improved. We show that distillery and bottler name, as a proxy for their respective reputations, are more accurate than ratings” (p. 99).

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References

