

Tbilisi 2022 Abstract Submission

Title

Competitiveness-based comparison of the old and new world wine producers

I want to submit an abstract for:

Conference Presentation

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Keywords

wine market, wine production, competitiveness, Balassa index

Research Question

How is the competitiveness of old and new world wine producers related to each other? Based on the Balassa index, which one performs better?

Methods

Market analysis (production, consumption, export, and import); revealed comparative advantages

Results

The market position of the old world wine producers is still larger than that of the new world wine producers. Larger producers are generally more competitive.

Abstract

The global wine market can be characterized by high rivalry. One of its special aspects is the competition between the old (i.e. mainly France, Italy, and Spain) and new world wine producers (most notably the USA, Chile, Argentina, South Africa, China, Australia, and New Zealand). The market position of the old world wine producers is still greater than that of the new world wine producers. This is explained by the much longer tradition in viticulture and winemaking, as well as the much larger production. Moreover, this also implies that the average wine prices

produced in the traditional wine producer countries are generally higher compared to the new world wine producer countries. Especially France performs outstandingly in this competition. As higher prices are often translated as higher quality, higher average prices offer the tradition wine producer countries the use of price discrimination, i.e., setting up different prices for the regionally different markets.

Regarding wine production, Italy, France and Spain are the main producers followed by the USA, Argentina and China. Global wine production fluctuates around 270 million hectoliters, where Europe has the largest share, about 60%, followed by America and Oceania. The largest difference between the old and new world wine producers is that the vineyard area generally decreases in the former countries while increases in the latter. In terms of wine consumption, it shows a decreasing trend globally with a large difference regionally. For example, America is the only continent where consumption has increased in the last couple of years. However, Europe is still the largest wine consumer by far. This represents roughly 60% of global consumption. This is completely in line with wine production data. It should be highlighted that keeping existing consumers is as crucial as recruiting new ones. In accordance with the production and consumption data, Europe is the main exporter of wine, representing about 70% of international wine trade. The global export of wine has exceeded 100 million hectoliters in the last few years. The order of the major wine exporting countries is slightly different from that of wine producers, as Spain is followed by Italy and France, while Chile, Australia and South Africa are the major new world exporters. With respect to wine imports, Germany, the United Kingdom, and the United States are by far the main markets. The United Kingdom is a special reference market, as that country, unlike the other two, does not have significant wine production.

The Balassa index or the revealed comparative advantage (RCA) index is a widely used tool for market analysis. As this is based on export side data, less distorted by import side rules and restrictions. It compares the relative share of the given product in the given country's portfolio to the same share calculated using the world data. This refers purely to revealed comparative advantages and shows a clear picture of market specialization; however, it can be interpreted as a marker of competitiveness. The higher the value of the RCA index, the greater the significance of the country analyzed on the global wine market. In general, larger wine producers are generally more competitive. The use of the Balassa index provides a deeper insight into the world market of wine. It helps to identify the most competitive wine export countries, and based on that old and new world wine producers can be compared. Connected to this, the main research questions of this analysis are as follows. How is the competitiveness of old and new world wine producers related to each other? Based on the Balassa index, which one performs better? How has it developed over the last few years?

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