Wine is one of California’s best-known agricultural products. Cash receipts from the sale of grapes, including wine grapes, exceed $3 billion a year.

This special issue of ARE Update features research on the wine and wine grape industry by members of the Giannini Foundation of Agricultural Economics. Two articles provide overviews of recent trends in the grape and wine industry, another explores the effects of appellation and variety on the prices of California wines, and another addresses grape growers’ use of a pest management tool.

“Current Economic Trends in the California Wine Industry,” by Rachael Goodhue, Richard Green, Dale Heien, and Phillip Martin provides an overview of forces influencing California’s wine industry, including changes in consumers’ purchasing patterns, the evolution of the world wine market, and changes in the structure of the wine industry. Consumers are willing to pay for quality wines, but California faces increasing competition from imported wines, both from Old World Europe and New World producers in Australia and South America. Large and small producers are developing different strategies to maintain profitability, while medium-sized wineries face pressures to either grow or shrink.

“Recent Trends in the California Wine Grape Industry,” by Richard Volpe, Richard Green, Dale Heien, and Richard Howitt documents the evolution of wine grape production in California. Acreage has expanded, most notably along the Central Coast, and the major varieties have changed, with Cabernet Sauvignon and Pinot Noir accounting for more red wine acreage and Chardonnay a larger share of white wine acreage.

“Appellation, Variety, and the Price of California Wines,” by Oh Sang Kwon, Hyunok Lee, and Daniel Sumner, evaluates the effect of appellation and variety on wine prices. North Coast appellations have the highest prices, with important interaction effects between the appellation and the variety. For example, Pinot Noir wines from the Central Coast received a price premium well before the 2004 release of the movie “Sideways.”

“California Wine Grape Growers’ Use of Powdery Mildew Forecasts,” by Travis Lybbert and W. Douglas Gubler evaluates the factors that influence grower decisions about whether to use the Gubler-Thomas Powdery Mildew Index (PMI). PMI users tend to produce higher-valued wine grapes, which increases the benefit of the improved disease control associated with the index. Non-users are more influenced by the management costs of using the PMI.