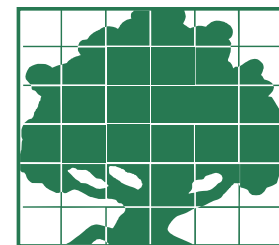


Agricultural and Resource Economics UPDATE



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Special Issue

The World of Wine: Economic Issues and Outlook

Notes from the Guest Editor: Daniel A. Sumner

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Daniel Sumner and the other authors of this special issue would like to express their appreciation to John Thomas Rosen-Molina for his valuable contributions to all four articles.

In conjunction with the 4th Annual Meeting of the American Wine Economics Association, the Agricultural Issues Center and the Robert Mondavi Institute for Wine and Food Science Center for Wine Economics held a one-day symposium on “Outlook and Issues for the World Wine Market.” Robert Smiley, wine industry expert and former dean of the UC Davis Graduate School of Management, chaired the event and coordinated the discussion among 150 wine industry participants. The articles in this special issue are based on the four main presentations made at the June 25th symposium held at the University of California, Davis.

Daniel Sumner highlights potential changes in world wine production and consumption that are likely to evolve from changing policy, population, income, and per capita consumption patterns around the world. He finds that the U.S. is soon likely to become the world’s largest wine market as consumption in the traditional regions of Europe declines.

Kym Anderson explains how the Southern Hemisphere industry has gone from boom to bust in the recent cycle with prices dropping as production has increased, especially in Australia where prices for bulk wines are now well below costs for many producers.

Étienne Montaigne considers the balance in Europe between reductions in government-created incentives to produce and reductions in government programs to take wine off the market. The EU is paying producers to remove

vines and reducing price supports, while phasing out its long-standing program to pay for distillation of surplus wines.

James Lapsley brings the world wine situation back to California. He analyzes the growing demand for wine among different demographic groups in the United States. He also shows that competitive challenges, in part from the success of the tree nut industry, may make it hard for wineries that use California winegrapes to remain competitive with low-cost wines produced elsewhere.

In addition to these presentations, the symposium featured remarks by two distinguished wine industry leaders. Jon Moramarco, former CEO of Constellation as well as several other major international wine companies and now president of Winebow, a major importer, provided insight especially about European and global issues. Tom Selfridge, former CEO of Hess Collection and other premium wine firms and now an industry consultant, opened the discussion of U.S. issues with perceptive comments about how he saw the U.S. wine market evolving.

The world of wine, especially in the lower price categories that dominate total volumes, faces many challenges for producers. The consumer base is growing and the quality of low-end wine may be better than ever. But, as often happens in agriculture, producers face periodic low prices and losses that must be made up during periods of higher prices. The current challenging period will end, but probably not before severe losses drive many producers to the edge.