The determinants of Cognac exports and their structure by quality

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In the past couple of decades Cognac export has been a booming sector of the French economy. Produced in a delimited region but marketed in more than 100 countries, it is over 90 percent of the total Cognac production that leaves the French territory. In 2013, 441 thousand hectoliters of pure alcohol were shipped worldwide, representing more than the double of the amount exported during the 1967/1968 campaign. Meanwhile, the value of Cognac shipments in real terms has quadrupled in the past forty-seven years reaching over 2 billion current euros in 2013.

The objective of this paper is to analyze the determinants of Cognac exports and their structure by quality. First, we describe the building of a unique dataset concerning Cognac shipments in volume and value terms to over 100 destinations during 1967/1968 – 2013. The originality of our dataset derives mainly from the categorization of exports by quality designations based on the minimum time in oak of the youngest eau-de-vie used in creating the blend: VS (Very Special) with a minimum age of two years; four years for VSOP (Very Superior Old Pale) and six years for XO (Extra Old). These quality designations are objective, invariant over time, subject to regulations and the ageing process is closely supervised by the Bureau National Interprofessionnel du Cognac (BNIC). We then use this dataset to construct descriptive statistics concerning the evolution of Cognac exports during nearly half a century. Second, we assess the determinants of global Cognac exports by destinations through an econometric model. We rely on standard variables such as the GDP, the GDP per capita, (or population), distance but we also include in our estimation variables regarding at the border trade barriers (ad-valorem and specific tariffs) and inequalities (Gini index...). Finally, we concentrate on the estimation of the impact of the above mentioned variables on the structure by quality of Cognac exports. We draw a particular attention to the influence of distance on VS, VSOP and XO shipments.

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While reports regarding Cognac exports evolution and main markets are published annually, this is the first study to exploit a large dataset whose time span encompasses (almost) the past five decades.

Our work may contribute to the economic literature on one hand, by providing more empirical evidence on the determinants of trade flows in gravity-like frameworks and on the other hand, on the determinants of the structure of trade by quality.