Who Profits from Global Warming: Producer vs. Retail Prices in Germany

Karl Storchmann, New York University
Karl.storchmann@nyu.edu

This paper refers to the German wine market and analyzes how the gains from global warming are distributed. In particular, will warming-induced wine price increases benefit producers and retailers? Drawing on a data set of producer and retail prices for identical German wines I find that retail prices are significantly more sensitive to temperature increases than are producer prices. Therefore, retail margins, i.e., the difference between producer and retail prices, are positively correlated with growing season temperatures, especially in higher price brackets and in warm years. On the other hand, retail prices are not temperature-responsive in cooler years. This suggests that retailers profit from global warming more than producers do. While enjoying higher prices and margins for wines from warmer vintages, retailers do not decrease the prices for wines from cooler vintages.