Title

"WINERY’S LOCATION, NEIGHBORS, REPUTATION OR TERROIR? WHAT REALLY INFLUENCES WINE PRICES OF BRITISH COLUMBIA, CANADA VQA WINES?"

I want to submit an abstract for:

Conference Presentation

Corresponding Author

Kate Pankowska

E-Mail

katepankowska@gmail.com

Affiliation

University of British Columbia

Keywords

Terroir, British Columbia, Canada, Wine, Geographical Information System (GIS), Wineries, Demand, Spatial Analysis, Spatial Econometrics,

Research Question

Research Question 1: What is the value of terroir in different areas of the Okanagan and Similkameen Valleys?

Research Question 2: Not enough space to fit it it-please see abstract.

Methods

For research question 1: The classic regression modeling with Ordinary Least Squares (OLS) estimation method.
For research question 2: The spatial regression modeling with MLE estimation method.

Results

Following elements will be estimated: 1. The value of terroir in BC Wine Country, 2. Wine price-grapes origin-estate location-famous winery neighbours-distance from wine route related spatial relationships influencing wine prices.

Abstract

There exists an agreement in wine related literature that distinctive features of a location where wine yielding grapes are grown combined with vineyard’s specific agro-management practices influence the quality of wine and endow it with distinguishable flavor attributes. Some of the previous wine related scholarly studies pursued analyses of terroir and its influence on wine sensory characteristics like taste; investigated the value of terroir in terms of land prices, or examined wine pricing versus wineries clustering under the assumption that grapes used for wine production were grown in the same place as the location of the estate winery. What seems to be troubling is that scholarly studies rarely analyze terroir versus wine pricing, wine quality, wineries’ clustering and land pricing relationships jointly or even in comparison. Too large extent such approach has been dictated by problems in obtaining necessary data or/and data deficiencies. This is why, there still exists a gap in literature that is associated with poor understanding of relationships between wine pricing, wine marketing, individual and
collective reputation, exact terroir characteristics and peculiarities of agro-management practices for vineyards that cater grapes for specific wines, estate winery location, estate wineries’ clustering as well as wine pricing impacts associated with geographical proximity to recognized winery neighbors. This research that analyzes Canadian second biggest wine producing region, the British Columbia (BC) Wine Country introduces the first attempt for such joint analysis of wine industry. Canada belongs to the group of winemaking countries like Argentina, Chile, and US, for example that are defined as “new wine regions.” The geographical location of Canada that is usually associated with rather cold climate, its relatively small wine industry, comparatively low production volumes and pertaining poor wine industry specialization (“fruit salad approach”), keep Canadian made wines on the periphery of the world wine production and exports. Despite the fact that Canada produces domestically wide range of table wines to the majority of people worldwide, Canadian icewine still remains the most frequently if not the only wine type that is recognized in the world as Canadian-made and associated with Canada. The BC Wine Country that is the subject of this analysis is composed of two main wine producing regions: The Okanagan and Similkameen Valleys. Out of these two areas the Okanagan Valley is known as British Columbia’s biggest grapes’ growing region with about 82% of total grapes acreage in the whole BC province. Both valleys combined have 145 wineries on their territories: 131 in the Okanagan Valley and 14 in the Similkameen Valley. Therefore, the analysis based on these two valleys will be representative for the whole wine industry in this province. Specifically, this study intends to analyze following aspects of the BC wine industry:
• Spatial relationships between wine pricing and exact characteristics of vineyards that source grapes for selected wines (terroir-grapes-wine-winery/brand-wine price COMBOS);
• Clustering and spatial factors influencing wineries’ choice for estate location;
• Wine pricing and the importance of the distance from a famous winery neighbor;
• Wine pricing and the role of a distance of the estate winery from the wine route or/and main route.
The aforementioned research tasks will be pursued via analysis of two hypotheses and finding answers for the following two research questions:

Hypothesis 1: Geographical location and specifics of terroir influence land prices.
Research Question 1: What is the value of terroir in different areas of the Okanagan and Similkameen Valleys? (The classic regression modeling with Ordinary Least Squares (OLS) estimation method will be used in this analysis).

Hypothesis 2: The proximity of a recognized winery neighbor and accessibility /proximity to wine route/main road influence wine prices, wine sales and wineries’ clustering.
Research Question 2: How do proximity to a well-established winery neighbor/neighbours and distance from the wine route/main road influence wine prices, wine sales and wineries’ clustering? (The spatial regression modeling with Maximum Likelihood Estimation (MLE) method will be used in this analysis).

For the purpose of this research, following datasets have been collected and will be used:

1. Actual provincial wine sales (monthly prices and quantities sold for each BC produced wine that has BC appellation certificate (Vintners Quality Assurance-VQA). It is a scanner data set for which BC VQA wine sales are available for years 2011-2015. In this data set each wine is additionally characterized by various hedonic attributes: vintage year, grape type, colour, wine brand, alcohol content, sweetness.

2. Data set on exact locations (GIS positioning) of vineyards where grapes for specific BC VQA wines from provincial sales scanner data were grown. This data comes from BC wineries that agreed to cooperate and provide detailed data on the origin of their grapes (wine price-grapes-terroir matching). This data, when combined with GIS data from provincial agricultural research center will disclose all terroir elements associated with growing conditions and agricultural management practices that yielded grapes used for these specific BC
VQA wines.

3. Time series data sets on 2003-2015 real estate land sales (assessed as well as actual land sales values), with specific emphasis on vineyards sales in the Okanagan and Similkameen Valleys of BC. This data will be closely matched with GIS related terroir characteristics coming from the provincial agricultural research center.

4. Data set on grapes growing acreage, production volumes and time series on prices of grapes in BC.

5. GIS data for location of selected estate wineries (addresses with zip codes).

The rationale and research questions that are subjects of this analysis as well as their importance for the BC wine industry and provincial policymaker have been consulted with BC wine industry representatives: wineries, provincial agricultural research center and provincial government.