# Bordeaux 2016 Abstract Submission

## Title

The Bulk Wine Market. An Explorative Analysis of International Trade

## I want to submit an abstract for:

Conference Presentation

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## Keywords

Bulk wine, International trade, gravity-like model

## Research Question

What are the dynamics of international trade of bulk wine?

## Methods

Bulk wine will be studied relying on a gravity-like model (Anderson and van Wincoop, 2004). Data from UN COMTRADE database at the HS 6-digit level of disaggregation, 2000-2014

## Results

First and preliminary indications on the patterns of trade involving the Bulk wine

## Abstract

**Introduction**

In the last two decades the wine market has witnessed a great development and at the same time a deep change due to new patterns of production and consumption. Argentina, Chile, USA, Australia, and New Zealand entered in the wine international market modifying trade patterns, by increasing their exports not only to traditional European markets but also to other importing regions. At the beginning of this process, Old World producers have experienced declining market shares, whereas New World producers have seen rising market shares (Labys and Cohen, 2006). Afterwards the market has reached a new equilibrium thanks to a segmentation and new demand patterns driven by high incomes, finance, politics, and gourmet culture (Labys and Cohen, 2006). In the last years several countries (US, China, Russia, India, Brazil), which were only marginal...
importers, increased demand for wine and thus encouraging the globalization of wine market (Mariani A. et al. 2012; Anderson and Wittwer, 2013).

Although several papers in economics and business literature studied the wine market evolution analyzing different features and determiners of market, only few of them concentrated, or at least mentioned, bulk wine market (Labys and Cohen, 2006, Baritaux at al. 2006, Mariani et al. 2012, Steinschulte, M.E. 2014). Bulk wine is a relevant asset in the global wine market because it counts for more than 10% of the total value and about 38% in terms of volume, but in some importing countries the import share for bulk wine is much higher, like France, Germany, Sweden etc. (OIV, 2015). The bulk wine market has shown a progressive increasing in volumes together with a limited reduction in value (OIV, 2014).

Bulk wine plays a key role in particular among New World producers where the share of bulk is growing from 30% to almost 50% of wine exports.

The reasons which have determined the bulk wine success in the last years deal with a convergence of supply and demand patterns. In particular on the supply side:
• new improvement in technologies (e.g. flexy tanks) made shipping bulk wine more efficient, secure and cost effective.
• bulk wine transportation logistics has been developed and improved.
• wine suppliers can sell more wine at lower price.
• brand owners can save on transportation costs, import duties, glass and bottling costs, working capital, etc. (Rabobank, 2012, CBI, 2015).

On the demand side, the relevant increase in wine consumption in new countries compensates for the decrease in wine consumption in Europe, but the large and growing group of new wine consumers has influenced the styles of the wines produced. In fact these consumers prefer ripe-tasting, rich, full-flavoured wines with some oakiness at reasonable prices (Labys and Cohen, 2006). Bulk wine is generally cheaper, sweeter, with a less intense taste and a lower alcohol content, and these features generally meet the preferences of consumers in the entry level segment (CBI, 2015).

In general the success of bulk wine is the results of two converging phenomena: the “democratization” and the “commodization” of wine (Rabobank, 2012).

Bulk wine market is characterized by specific issues different from bottle wine market. The 17 countries importing the largest share of bulk wine currently represent 90% of world bulk wine imports and more than half the bulk wine imports are now concentrated in four countries. Between 2000 and 2011 all the major importers except for two, Portugal and Switzerland, have increased their imports although the individual growth rates differ substantially: six countries have more than doubled their imports, the United States of America has remarkably increased bulk imports (ten-fold) and Russia has experienced a five-fold increase in bulk imports (Mariani et al. 2012).

Another important issue in bulk wine market is the re-exporting activity. The largest re-exporters are the UK, Singapore, the Netherlands and Hong Kong. Taken together, the Baltic Republics and Scandinavian countries assume some importance (Mariani et al. 2012).

Bulk wine affects other relevant issues like the power and the value in the global value chain and the environmental impacts. In particular the distribution of the value in the supply chain moving the revenue at the source to the destination markets (Rabobank, 2012) and involving different actors (Baritaux et al. 2006, Montaigne and Coelho, 2012). Secondly, the decision of shipping wine in bulk rather in bottle affects the environmental impact of wine trade reducing the global warming potential (GWP) by 13%, equivalent to 27,000 t CO2 eq. annually (Amienyo et al., 2014).

In conclusion Bulk wine market is a peculiar, interesting and unexplored research field and given the lack of empirical evidence in the literature showing the patterns of trade involving the Bulk Wine, this paper aims at shed some light on the determinants of the world wide bulk wine trade.

Empirical approach and data
At this purpose, international trade flows of bulk wine will be studied relying on a gravity-like model following the well-known approach proposed by Anderson and van Wincoop (2004). In particular, the determinants of the bulk wine trade will be compared with those of the traditional wine shipped in bottle, in order to study whether there are some peculiarities distinguishing the trade flows under investigation. Among the potential trade determinants, particular attention will be paid to investigate whether the 2009 economic crisis has played an
effect in determining the rapid growth that the bulk wine has witnessed over the last years. Given the increasingly price sensitivity of the consumers and since the Bulk wine is characterized by a relative low price and good transportability, which make it a cheaper substitute of the traditional bottled wine, the diffusion of the economic crisis in the traditional “wine-drinking” countries could have had an important role in determining the increasing trade of Bulk wine.

Data needed to implement the empirical analysis are first of all information on bilateral trade flows, which will be collected from the UN COMTRADE database at the HS 6-digit level of disaggregation, over the period 2000-2014. An important element that has to be taken into account in the analysis is the presence of trade barriers. To address this issue, bilateral tariffs at the HS 6-digit level of disaggregation will be collected from the WITS - World Bank database, for the period under investigation. The implementation of a gravity-like model requires the use of other explanatory variables like international and intra-country distance, as well as other gravity-standard bilateral variables like common language and contiguity, which will be collected from the CEPII database.

Expected results
The expected results are meant to give the first and preliminary indications on the patterns of trade involving the Bulk wine. Given the lack of empirical evidence on this topic and the increasing importance that trade in bulk wine is assuming worldwide, the results of this paper will pave the way to the analysis of a topic that in the next years will likely become more and more studied.

References