

## Padua 2017 Abstract Submission

### Title

Toward Valuing Willamette Valley Pinot Noir as a Cultural Good

### I want to submit an abstract for:

Conference Presentation

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### Keywords

Willamette Valley Pinot noir; cultural good, cultural value, willingness to pay

### Research Question

What are the attributes of Willamette Valley Pinot noir that are consistent with it being a cultural good? How can we assess its cultural and economic value?

### Methods

Matching attributes of Willamette Valley Pinot noir to criteria for cultural goods. Attitudinal analysis and expert appraisal to assess its cultural and economic value.

### Results

Willamette Valley Pinot noir displays Throsby's cultural value attributes. Expert appraisal suggested an upper bound for its economic value. The attitudinal analysis showed value increases with increases in aesthetic value.

### Abstract

The modern Oregon wine industry began in 1961 in the southern part of the state and in 1965, in the Willamette Valley in the north. It now includes over 700 wineries and over 1050 vineyards. In 2015, Pinot noir represented 62% of planted acreage and 67% of vineyard production (SOURC, 2016), over 82% of which is in the Willamette Valley. Many consider Willamette Valley Pinot noir to be the best expression of the grape outside of Burgundy.

On a flight back to Portland, Oregon, the first author finished reading the last chapter of Marks' Wine and Economics (Marks, 2015) entitled "Wine as a cultural good" at the same time as another passenger was giving wine advice to a flight attendant. He commented on being in the wine club of Artesa Vineyards and Winery in Napa Valley and pointedly noted that its Pinot noir was less expensive than those from Oregon. It turns out that the range of prices for Artesa Pinot noirs is \$28 to \$80 for a 750 ml bottle less 20% for club members (<https://shop.artesawinery.com/SHOP.AMS?LEVEL=MID&CAT=PINOTNOIR>), comparable to the prices of Willamette Valley Pinot noir (see, for example, [http://store.domainedrouhin.com/Current\\_Release\\_Wines](http://store.domainedrouhin.com/Current_Release_Wines)). Nevertheless, the

comment illustrated the widely held perception that Willamette Valley Pinot noir is among the costliest in the New World. Undeniably, higher quality Pinot noir, regardless of its source, falls squarely into the ultra-premium category of wine and, for many examples, is a luxury product. Particularly for Willamette Valley Pinot noir, is the higher price, generally well above the total cost of production, reflecting its value as a cultural good?

Throsby is credited with developing the idea of a cultural good. He makes the case that “economic and cultural value stand as distinct concepts which need to be separated in the valuation of cultural goods and services in the economy and in society” (Throsby, 2001, p. 31). He then goes on to argue “that willingness to pay is an inadequate or inappropriate indicator of cultural value” (Throsby, 2001, pp. 31-31). Determining cultural value, however, represents a significant challenge.

Throsby (2001) enumerates six cultural value characteristics that are used to assess Willamette Valley Pinot noir.

- Aesthetic value: While there is some debate as to whether Willamette Valley Pinot noir is a work of art or an artisanal product, it is renowned for aesthetic properties including elegance, balance, complexity and attractive structure.
- Spiritual value: Willamette Valley Pinot noir can inspire an emotional connection to the wines themselves and to the sites from where they come.
- Social value: From its earliest days, the Willamette Valley wine industry has been a model of cooperation among growers and producers. That the word “competitor” is rarely if ever used evidences the collaborative culture. Most producers practice some form of sustainability and embody a green perspective.
- Historical value: Many of the pioneers of Willamette Valley Pinot noir have looked to Burgundy for guidance and so exemplify a continuity with the past, albeit transplanted to the New World. After over 50 years, members of the second generation have taken over a few of the first wineries.
- Symbolic value: Perhaps the best evidence is that memorable Willamette Valley Pinot noir honors both the winemaking traditions of the Old World and the modern methods of the New World. The term “Oregundian” is apposite. For example, Domaine Drouhin Oregon was established in 1987 with tagline “French Soul – Oregon Soil.”
- Authenticity value: Willamette Valley Pinot noir comes from a number of American Viticultural Areas (AVAs) within it, each of which can yield different characteristics of which some are arguably unique. There are significant stylistic differences among the producers, as well, that produce distinctive expressions of the variety. Cross, Plantinga and Stavins (2006) demonstrated that “Buyers and sellers of vineyard parcels in the Willamette Valley...attach a significant premium to sub-AVA designations...”

Throsby identifies five assessment methods of which two, expert appraisal and attitudinal analysis, are applicable in the case of wine. For the former, an analysis of 681 scores assigned to Willamette Valley Pinot noirs by Rusty Gaffney (2016), the Prince of Pinot, and their retail cost was performed. His guidelines are: 94-100 Extraordinary, 90-93 Outstanding, 86-89 Very good, 80-85 Good and 75-79 Decent. The range of score assigned was 85 to 98 with an average of 90.7. The retail price per bottle ranged from \$15 to \$175 with an average of \$48. The curve for Gaffney score (y) vs retail price (x) is  $y = 79.938x0.0331$  with  $R^2 = 0.2523$ . The mean of  $(x-15)/(y-85) = \$6.37$ . Since  $R^2 = 0.2523$ ,  $.7477 * \$6.37 = \$4.76$ /Gaffney point above 85 is explained by something other than the Gaffney score. Might it include a monetization of part of its economic value as a cultural good?

Our attitudinal analysis is based on a survey (Table 1) we developed to elicit estimates of the cultural value of Willamette Valley Pinot noir and the willingness to pay (WTP) value from visitors to four tasting rooms modeled after Throsby and Zednik, (2013). Each respondent tasted 2 Willamette Valley Pinot noirs and completed the survey form for each. Table 2 lists the wines sampled at each winery. The results were analyzed as described in Throsby and Zednik, (2013).

Specifically, we examined via regression which cultural values, as measured by the survey, were and were not associated with economic value, as measured by the subject’s WTP value assessed for each sampled wine. We found, as did Throsby and Zednik for paintings, that Aesthetic value is most strongly associated with WTP ( $p < .0001$ ), even after accounting for demographic factors of the tasters and all the other cultural value scores. The increase in WTP was about \$5 per aesthetic scale point (on a 1-5 Likert scale expressing agreement with the sentiment “I find this wine beautiful”). For Oregonians, the representativeness of the wine as an Oregon Pinot noir was also associated with higher WTP after accounting for other effects. The increase in WTP was about \$3.50 per scale point on this item ( $p = .024$ ). For non-Oregonians, there was no evidence of this effect. The remaining measures of cultural value did not provide additional predictive power of WTP. (However, several of the measures

were highly correlated with these two items, and in their absence would have been predictive.)

For two questionnaire items, the tasters were asked to separately assess the cultural value of the wine to themselves and to others (cultural and emotional significance). Their average values differed for self and others. And in both cases, the value for others was found to be higher, on average than for self. This paralleled the findings of Throsby and Zednik, who concluded that this was consistent with the hypothesis that people are capable of expressing “a ‘disinterested evaluation of the cultural value... that they recognize as accruing to others, separately from the value that they assess as interpreted for themselves personally.”

Gender (circle one) Male Female

Age yrs

Oregon Resident? (circle one) Yes No

Annual Income Level (circle one) \$100,000

Educational Level (circle one) No degree Undergraduate degree Graduate degree

Wine #1:

Next to each statement in column 1 put an “X” in the appropriate box

Disagree Strongly Disagree Neither Agree or Disagree Agree Strongly Agree

I find this wine beautiful

This wine helps us understand ourselves better as human beings

For Oregonians only: This wine helps us understand ourselves better as Oregonians

This wine reflects the conditions of the Oregon wine industry at the time it was created and provides a sense of continuity to the past

This wine has cultural significance to me

This wine could have cultural significance to others

I made an emotional connection to this wine

Others could make an emotional connection to this wine

This wine is a genuine representative of Oregon Pinot noir

Your knowledge of wine (circle one) None Minimal Knowledge Knowledgeable Very Knowledgeable Expert

Your assessment of the retail value of a bottle of this wine \$

Table 1. Survey Form Used to Collect Data for Attitudinal Analysis

Number The Pinot Noir (Gaffney score) Winery AVA Retail Price Single Vineyard or Blend

1 2013 The Neo-Classical Objective (90, 91-92) White Rose Estate Dundee Hills \$80.00 Blend

2 2014 Anderson Family Vineyard White Rose Estate Dundee Hills \$95.00 Single Vineyard

3 2009 Jamsheed (Very good -) Maysara Winery McMinnville \$28.00 Single Vineyard

4 2007 Delara Maysara Winery McMinnville \$75.00 Single Vineyard

5 2013 Rastaban (92-93) Brooks Wines Eola-Amity Hills \$55.00 Single Vineyard

6 2014 Big Cheese (89) Brooks Wines Eola-Amity Hills \$48.00 Single Vineyard

7 2014 Classico Ponzi Winery Willamette Valley \$43.00 Blend

8 2013 Reserve (91) Ponzi Winery Willamette Valley \$60.00 Blend

Table 2. The Wines Sampled at Each Winery

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