ASSIMETRIES OF WINE’S PRICES IN ARGENTINA. WHOLESALERS, MULTIPRODUCT RETAILERS AND THE EXERCISE OF MARKET POWER.

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ABSTRACT

Previous research have confirmed that the high level of concentration in distribution and retail sales of food and drink is an structural characteristic of the market, which creates conditions for the exercise of buying power in wholesale markets. In our case, the high concentration on the wines’ majorist offer, form it a bilateral oligopoly. Since both sides of the market are concentrated, both buyers and sellers affect the prices at which they trade. Results of this specific wholesale market have not been proved.

The aim of this paper is to find empiric evidence about the existence of assimetries in the prices’ movements of wine, majorist and consumer, as a sign of exercise on market power from some of the players.

In order to achieve this, different econometric methods have been applied. First of all, a Modelo de Rezagos Distribuidos Finitos, which allows to mesure the reaction of the price of majorist wine confronted with changes on the price of wine for consumer. On second term, the reaction is estimated to go on the inverse direction, this is, the response of consumer wine’s price to wholesale movements. Accumulative functions of adjust are elaborated for the period in study: january 1993 to june 2007. Finally, a Error Correction Model is applied.

The analysis realized presents evidence of assimetries. In case of a rise on the final product’s price, the price paid to producers of wholesale wine is increased in more magnitud and velocity that when it falls. This behaviour is consistent with exercise of seller power in the majorist market, in adition to retail’s competition.

This result can also be explained by the relationships between multiproduct retailers and whosalsers, which form the structure of the bilateral oligopoly. There is the necessity of the retailers to count on the presence of leader brands on their stands, and also the one of the bigger bodegas to offer on the principal retailers. However, the big whosalsers have their own distribution net, which constitute an important demand segment. This fact improves their bargaining power.

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