Cluster Sources of Wine Competitiveness: Understanding the Potential Role of Tacit Knowledge in the Case of California

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The US wine industry offers a fascinating possibility for comparing cluster life cycles over time, in order to understand what effects, if any, policy interventions can have in promoting clusters. Going by the list of American Viticultural Areas, wine is produced in 32 different US states. The wine industry is dominated by California production, where 86% of all US wine is produced. Within California, the concentration of wine production is equally striking, despite some of the highest land prices in the state being in Napa and Sonoma. In fact, returns on wine grapes are about $3500/ton in Napa and $2200 in Sonoma; every other area is below $1500/ton. About 1/3 (300) of California’s wineries are located within Napa. Therefore, there seems to be strong prima facie evidence that there is something special about being in Napa and Sonoma that brings and keeps winemakers there, despite the proliferation of wine growing areas across the state over the last 3 decades. In this paper, I use cluster theory to examine the potential pull of the following factors:

- timing
- locational advantages in regard to suppliers and proximity to large markets and to tourist arrivals
- support institutions: industry, public, educational/R&D
- social capital

Of all these factors, social capital around tacit learning seems to be the most important. My research will try to examine the nature of social capital around Napa, with a view to try to understand if and how it could be reproduced in other wine producing areas.