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Conference Presentation

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Keywords  
Vintage, Ratings, Wine macroeconomics, France

Research Question  
Global ratings and vintage charts point up to several issues and fallacies. The purpose of this paper is to examine the vintage charts from 1930 to 2014 for the major

Methods  
Macroeconomic analysis, regression analysis

Results  
correlations and empirical validation of similarities and differences among vintage ratings in different regions of the same country.

Abstract  
A growing body of literature tends to explain the formation of wine prices with microeconomic factors such as age or vintage, climatic conditions, grape quality, and quality ratings. Historically, the central theme of Ashenfelter’s research published in Liquid Assets has always been the assessment of vintage quality for wines. In some wine regions with climate conditions fairly reliable from year to year (California, Australia, south of Spain or south of Italy), vintage matters less than in regions with more challenging climate conditions like Bordeaux and Burgundy, the Loire Valley, Piedmont in Italy or Mendoza region in Argentina.

What other information does a wine’s vintage provide to the consumer? A particular vintage might have a good reputation and generate a higher demand. Bordeaux and Burgundy are regions where vintage really matters although prices don’t always reflect the vintage quality. The quality of a vintage – or lack of it – is only partly dependent on the weather during the summer but wine-makers can get it right in bad years – and wrong in good ones.

Unfortunately, the closer you look at vintages or vintage charts, the more confusing the subject tends to become. Weather conditions can vary widely within the same country and even region. Grapes are radically different and vintage effects can vary widely depending on the ripening of varieties. Global ratings and vintage charts point up to several issues and fallacies.

The purpose of this paper is to examine the vintage charts from 1930 to 2014 for the major wine producing regions in France and derive statistical relationships to demonstrate some of these issues.

Data:
Vintage ratings and charts are published by the “Guide Hachette des vins de France” and are rated on a scale of 1 to 20 from 1930 to 2014 for the major wine producing regions of France (Alsace, Bordeaux, Burgundy, Champagne, Loire valley and Rhone valley).

Objectives:
- Present the set of data available in the Guide Hachette from 1930 to 2014 for major wine regions in France and compare the data with other international sources like Robert Parker and others.
- Develop some statistical analysis and tests on these data like the potentiality for cycles, Granger causality tests and cointegration between regions in France.
- Revisit the relationship between ratings, wine quality and weather conditions.
- Revisit the relationship between ratings, wine quality and prices.

Graphical analysis and correlations:
Looking at vintage charts for red Bordeaux and red Burgundy over the period shows very interesting patterns:
- Since the early 80s there have been more good vintages than bad in these two wine regions and fluctuations have decreased drastically due to probably more favorable weather (global warming is often mentioned) but also improved vineyard management and viticulture techniques that have mitigated the effects of bad weather.
- Correlations between the two series are higher prior to 1980 than after.
- One of the issues and fallacies of the vintage chart is the significant difference between regions that could be explained by the impact of external events. Look at the Bordeaux chart in the context of the 1982 vintage. After the cool 1975, the two drought years of 1976 and 1977, the partially successful 1978 when compared to Burgundy, the cold and wet 1979, the heat-affected 1980, and the rained harvest season of 1981, 1982 was the first chance for a "great" vintage since 1974. As such, there was much anticipation that the 1982s would be favored. Most journalists were starved for another "vintage of the century"...but only in Bordeaux. The same story was being repeated for the vintage 2000 again with a major difference between Bordeaux and Burgundy.
- There are many other issues with vintage charts. Correlations between regions point out to rating problems. Bordeaux reds and Bordeaux whites are highly correlated. However, grapes are radically different and the meaning is likely to be blurred by facts that do not evidence themselves. The same situation applies to Burgundy reds and whites.

Cyclical pattern, Granger causality tests and co-integration analysis:
The cyclical patterns observed in production and prices are common to most agricultural activities, due to relatively long production lags. The question whether the rating index follows a cyclical movement is an interesting one. We use the second-order autoregressive model.
Granger causality tests and co-integration models are used over the period of analysis for all the regions.

Macroeconomic factors and price analysis:
Weather conditions and price analysis are analyzed over the period for each region.

Conclusion and discussion:
The quality of a vintage – or lack of it – is only partly dependent on the weather during the summer. Weather conditions can vary widely within the same country and even region. So, a great year for Burgundy in the east of France may be a rotten one for Bordeaux, down in the south-west. Chablis can have markedly better weather than Chassagne-Montrachet, 100 miles further south - despite the fact that both are usually given the same “White Burgundy” rating on most vintage charts.
Different grape varieties react in different ways. In Bordeaux, for example, the Merlot – which is the predominant grape in St Emilion and Pomerol – ripens earlier than the Cabernet Sauvignon, which is the main variety in the Medoc. Great years for white Burgundy are often less impressive for red, partly because the Chardonnay is happier than the Pinot Noir in cooler weather, and partly because, unlike that variety, it has the capacity to produce good wine in heavily productive vintages.

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Macroeconomic issues on vintages in France since 1930

Proposal for submission to the American Association of Wine Economists (AAWE)
11th Annual Conference in Padua, Italy.

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