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Introduction to the Issue

This issue of the *Journal of Wine Economics* opens with a wine finance paper by James J. Fogarty and Rohan Sadler. In "To Save or Savor: A Review of Approaches for Measuring Wine as an Investment," the authors compare various methods to estimate the returns to wine and possible portfolio risk diversification benefits. Drawing on auction data for Australian wine, they show that the estimation method has a decisive impact on the estimated wine return distribution, and that the type of diversification benefit test employed influences whether or not wine is found to provide a portfolio risk diversification benefit.

In "Changing Varietal Distinctiveness of the World's Wine Regions: Evidence from a New Global Database," Kym Anderson continues the work he has published in a prior article in this Journal (Anderson, 2010). The study is based on a new database of vine-bearing areas in 2000 and 2010 for nearly 1,300 DNA-distinct winegrape varieties, spanning over 600 regions in 44 countries that together account for 99 percent of the world's wine production (all data are freely accessible in our data section at http://www.wine-economics.org/data/). Among others, Anderson finds a rapid increase in varietal concentration on the international as well as on the national level. The top 35 varieties accounted for 59% of the world's winegrape bearing area in 2000, but by 2010 that share was 66%. 12 of the 44 countries have planted more than a third of their vineyard area only with their respective top variety.

In "An Update: Is Globalization Continuing to Benefit American Wine Drinkers?" Omer Gokcekus and Bernard Lee follow up on a prior analysis (Gokcekus and Fargnoli, 2007) and analyze whether wine consumers have continued to benefit from the globalization of the wine market from 2006 to 2012. By referring to the Wine Spectator 100 List, they find that prices have continued to decline without compromising quality. This development was primarily driven by wines from Spain, Italy, and Portugal.

In their paper entitled "Expert Opinion and Bordeaux Wine Prices: An Attempt to Correct Biases in Subjective Judgments," Jean-Marie Cardebat, Jean-Marc Figuet and Emmanuel Paroissien find that a large fraction of critical wine scores can be explained by "objective factors" such as weather, producer fixed effects, or vineyard site characteristics. Additional subjective score deviations influence the price mainly when they lie substantially above the objective component. Furthermore, they find a positive correlation between wine prices and score dispersion, suggesting that

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winemakers may use positive score outliers to market their wine and ask for a price premium.

Inspired by "The Judgment of Princeton" (Ashenfelter and Storchmann, 2012), Robert Ashton analyzes the influence of preconceptions on the sensory evaluation of wines in "'Nothing Good Ever Came from New Jersey': Expectations and the Sensory Perception of Wines." Drawing on two blind tastings, he shows that neither wine amateurs nor professionals can distinguish between New Jersey and California wines in terms of personal enjoyment. In contrast, in an experiment in which tasters were informed that some (though not which) of the wines were from New Jersey, Ashton finds that when a wine is believed to be from New Jersey it receives lower enjoyment ratings than when the identical wine is believed to be from California—regardless of whether the wine is actually from New Jersey or California.

The last paper of this issue, authored by M'hand Fares and Luis Orozco and entitled "Tournament Mechanism in Wine-Grape Contracts: Evidence from a French Wine Cooperative," analyzes the contractual relationship between a wine cooperative and its growers. In general, this relationship is plagued by moral hazard and adverse selection issues with respect to the grape quality provided by the growers. The cooperative may remedy these issues by implementing various incentive schemes. After presenting a theoretical model, the authors demonstrate for a specific French wine cooperative how promotion and demotion schemes help to overcome moral hazard and adverse selection problems.

Karl Storchmann
New York University

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