Journal of Wine Economics, Volume 12, Number 3, 2017, Pages 219–220
doi:10.1017/jwe.2017.42

Introduction to the Issue

This issue of the *Journal of Wine Economics* opens with an outlook entitled "U.K. and Global Wine Markets by 2025, and Implications of Brexit" by Kym Anderson and Glyn Wittwer (Anderson and Wittwer, 2017). First, the authors use a model of the world's wine markets to provide a prediction to 2025 without Brexit, which serves as a reference scenario. They then contrast this with forecasts assuming the occurrence of Brexit. In various scenarios they assume different changes in bilateral U.K. – E.U. tariffs, United Kingdom's income growth and its currency exchange rates and compute their impact on the wine trade. "The results suggest that the impact outside the United Kingdom will be minor compared with other developments in the world's wine markets. Inside the United Kingdom, however, the effect of Brexit on incomes and the British pound are likely to have non-trivial initial impacts on the domestic wine market and to be far more consequential than the direct impact of changes in bilateral tariffs."

In "An Examination of Tail Dependence in Bordeaux Futures Prices and Parker Ratings" Don Cyr, Lester Kwong, and Ling Sun employ the copula-function methodology to analyze bivariate distribution nonlinearities of Bordeaux wine futures prices and Parker barrel. They find a significant nonlinear relationship characterized by significant positive tail dependence and a strong correlation between high ratings and high *en primeur* prices. However, the correlation between *en primeur* prices and Parker scores is much less pronounced elsewhere in the distribution of ratings.

Based on Robert Hodgson's seminal papers that suggest that winning a gold model at a wine competition is greatly influenced by chance alone (Hodgson, 2008, 2009), Jeffrey Bodington develops a statistical framework for analyzing randomness in wine tasting (Bodington, 2017). In particular, he introduces a conditional-probability model that yields maximum-likelihood estimates of judges' latent consensus, idiosyncratic, and random assignments of scores to wines. "Applying the notion of conditional probability may lead to better methods of assigning awards to entries in wine competitions and of assessing the capabilities of wine judges."

In "Terroir in the New World: Hedonic Estimation of Vineyard Sale Prices in California," Robin Cross, Andrew Plantinga and Robert Stavins analyze the value of terroir in California's Napa and Sonoma Counties by drawing on data of vineyard sales between 1991 and 2007 (Cross, Plantinga, and Stavins, 2017). Similar to their prior paper on Oregon vineyard sales (Cross, Plantinga, and Stavins, 2011), they find that both intrinsic site attributes and designated appellations influence vineyard prices. However, the appellation effect appears to be significantly stronger. "This finding indicates that terroir matters economically, even if the designated appellations have relatively less connection in reality with terroir."

In the last paper of this issue, Jean-Marie Cardebat, Benoît Faye, Eric Le Fur, and Karl Storchmann analyze "The Law of One Price? Price Dispersion on the Auction Market for Fine Wine" (Cardebat, et al., 2017). They draw on auction prices from eight auction houses at various locations worldwide covering the period from 2000 to 2012. A hedonic model reveals the existence of significant price premiums in particular in Hong Kong and price differences between auction companies, independent of location. These premiums by far exceed the expected transaction costs casting doubt on the existence of the strong version of the LOOP in the fine wine market. "Our results suggest that heterogeneity in buyer preferences may crucially contribute to the observed price dispersion. In particular, while counterfeit suspect wines are sold at discounts in western markets, they fetch price premiums in Hong Kong."

Karl Storchmann
New York University

References

Anderson, K., and Wittwer, G. (2017). U.K. and global wine markets by 2025, and implications of Brexit. *Journal of Wine Economics*, 12(3), 221–251.

Bodington, J. (2017). Disentangling wine judges' consensus, idiosyncratic, and random expressions of quality or preference. *Journal of Wine Economics*, 12(3), 267–281.

Cardebat, J.-M., Faye, B., Le Fur, E., and Storchmann, K. (2017). The law of one price? Price dispersion on the auction market for fine wine. *Journal of Wine Economics*, 12(3), 302–331.

Cross, R., Plantinga, A.J., and Stavins, R.N. (2011). The value of terroir: Hedonic estimation of vineyard sale prices. *Journal of Wine Economics*, 6(1), 1–14.

Cross, R., Plantinga, A.J., Stavins, R.N. (2017). Terroir in the New World: Hedonic estimation of vineyard sale prices in California. *Journal of Wine Economics*, 12(3), 282–301.

Cyr, D., Kwong, L., and Sun, L. (2017). An examination of tail dependence in Bordeaux futures prices and Parker ratings. *Journal of Wine Economics*, 12(3), 252–266.

Hodgson, R.T. (2008). An examination of judge reliability at a major U.S. wine competition. *Journal of Wine Economics*, 3(2), 105–113.

Hodgson, R.T. (2009). An analysis of the concordance among 13 U.S. wine competitions. *Journal of Wine Economics*, 4(1), 1–9.