

The Worlds Wine Markets by 2030: What do we know about Price and Income Elasticities of Demand for Wine?

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The demand for wine and the forces that change the national and regional consumption and production of wines are importantly determined by the price and income elasticities of demand for wine. A number of interesting econometric studies have been carried out on the demand for wines for specific markets which are limited to specific regions and to specific types of wine. In addition, many of these studies are for different time periods and incorporate various parameters that have differential effects on the magnitudes of the elasticities. Finally, most demand studies do not take into account the numerous studies that have been carried out on consumer characteristics and attitudes that affect the demand for wine.

What if we knew the real factors that influence the demand for wine? Do elasticities change over time? And if they do, how does that affect our view of the changing production and consumption of wine in the future?

This paper takes a two-pronged approach to examining the factors that influence the demand for wine. First, we examine the various studies that have been carried out on the demand for wine and attempt to extract some general themes that emerge from those studies. There is of course a recognized trade-off between the detailed data availability at the regional level with little comparison between regions, and the broader cross country/time comparison with fewer ad hoc variables. Second, we examine many of the various studies that have been carried out on consumer characteristics and attitudes of wine consumption and attempt to refine the list of parameters that emerge from our examination of the econometric demand studies. These consumer studies give us a much more focused picture of the different types of wine consumers and the factors that characterize their demand for wine. From these we hope to lay out a more detailed theory of the demand for wine and clarify the rather murky picture that currently surrounds this question. Finally, we apply our findings to a generalized model of world wine consumption and offer our views on what world wine consumption could look like in 2030.