

THE VALUE OF GOOD NEIGHBORS: A SPATIAL ANALYSIS OF THE CALIFORNIA AND WASHINGTON WINE INDUSTRIES

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Abstract: The fact that wineries tend to cluster in certain sub-regions can be partially explained by the terroir of those areas. However, a gap in our understanding of the spatial relationships among wineries remains. In this article, winery-level data with geographic information system (GIS) coordinates are utilized to examine the spatial relationships among neighboring wineries. Spatial effects for the California and Washington wine industries are assessed by performing clustering tests based on wine prices and tasting scores. A spatial lag model is then estimated to test the hypothesis that there are positive effects from neighbors when analyzing the hedonic price equations. The regression results indicate that there exists strong and positive neighbor effect.

Key words: GIS, clustering, spatial lag model, wine