

Who Gains from Australian Generic Wine R&D and Promotion?*

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Abstract

A multi-sectoral partial equilibrium model of the markets for two types of Australian grapes and wine (premium and non-premium) is developed to study the aggregate returns from different types of research and promotion investments by the industry and their distribution across actors in the market (grapegrowers, winemakers, wholesalers/retailers, domestic consumers, the tax office and foreign consumers). The distinction is made between premium and non-premium, since half the market is non-premium and yet virtually all the R&D and marketing efforts are focused on just premium products in an attempt to raise quality as consumers continue to move up-market. The results show that most of the gains from cost-reducing R&D go to producers, with wineries faring better than grapegrowers; that producers get a far larger share of the benefit from promotion when it is targeted abroad than when it focuses on domestic consumers; and that foreign consumers of Australian wine enjoy a small share of the benefits.

Keywords: Economics of R&D, promotion, wine, equilibrium displacement modelling

JEL classification: C69, O33, Q13, Q16

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