

# **On the Expertise of Experts**

## **Determinants of Mosel wine Prices in a Pooled Model**

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Wine prices are determined by an array of factors. We can distinguish two groups: (1) hidden factors and (2) publicly accessible factors.

On the one hand, wine critics and the "wine press" claim the existence of hidden price determinants. This claim may, of course, be self-serving because if it is true consumers must rely on the expertise of a wine expert to judge the "real quality" of a wine and its price. And, it may be pointed out, this expert knowledge is for sale, i.e., insider knowledge can be turned into public knowledge.

On the other hand, there is plenty of readily available public information about the potential determinants of wine quality. From a cross-sectional point of view, i.e., for a given vintage, it was shown that prices are mainly determined by the physical traits of the vineyard site (Ashenfelter and Storchmann, 2002). From a times-series perspective, climate (long run weather patterns) and weather (short run patterns) seem to be the crucial factors. In the long run, a beneficial climate will lead to an increase in the area under crops leading to declining prices (Ashenfelter and Storchmann, 2002). In the short run, beneficial weather will lead to a positive deviation of quality from this negative trend, which leads to extraordinary vintages and high prices (Ashenfelter, 1995).

In this paper we evaluate the relevance of both public and private potential wine price determinants. For this purpose we use price data published in the "Gault Millau Wine Guide for Germany" for about 8000 wines made by different producers from both the same and different vineyard sites. These cross-sectional data were pooled for the years 1993 to 2003 to expand the data set. We study the determinants of the retail price using data on critic evaluations (which vary across wines and vintages), weather data for each vintage (which varies over time) and physical data on the characteristics of each vineyard site (which varies cross sectionally).