

Analyzing cycles and shares in International wine trade

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Abstract: The global wine market has witnessed major changes in recent years. Some of these changes are structural in nature, while others are cyclical. The structural adjustments reflect changing trade shares due to long term forces, including preferences of importing countries, and also to possible inflexibility in production techniques and organization, particularly among co-operatives, in the traditional old-world wine exporting countries. In addition new producing entrants have appeared in Latin America, the United States, Australia and New Zealand. International trade patterns and shares have thus shifted with the new market entrants increasing their exports not only to traditional European markets but to other importing regions as well. The cyclical adjustments in wine markets are medium or shorter term in nature. These vary between the impacts of weather fluctuations on grape production to the influences of business cycles on wine trade, consumption and prices. The purpose of this paper is to employ statistical methods to analyze the global significance of these changes. We attempt to identify the stylized facts underlying the major shifts in world wine flows and to explain whether these are more of a secular trend-setting nature or of a temporary cyclical nature. The conclusions provide insights to future directions.