

## **SPANISH DEMAND FOR WINE AT HOME: A DOUBLE-HURDLE**

**MODEL{PRIVATE }**

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Spain is the third EU wine producer after France and Italy. Wine consumption in producer countries is decreasing while in traditional low wine consumers is increasing. Wine consumption in Spain decreased at a 4% annual rate from 1987 to 1995 while beer and spirits consumption increased (2% and 4%, respectively) until 1993 and, decreased (4% and 11%, respectively) since then. However, this trend is not homogeneous for all types of wines. While table wine consumption diminished at a 5% annual rate, quality wine increased slightly (2%, until 1994).

More than half of wine consumption takes place out of home. The share of quality wine consumed outside home is around 75% of total wine consumed out of home. However, quality wine consumed out of home is priced at least doubled than quality wine consumed at home. Therefore, recent evolution shows that quality wine consumption at home is increasing at a 3 % annual rate from 1992 to 1995, while quality wine outside consumption is slightly decreasing (2%). On the other hand, table wine shows the opposite trend: consumption at home is decreasing (6%) while consumption outside is increasing (4%) from 1992 to 1995. Wine producers and marketers should know which factors determine wine consumption at home in relation to total alcoholic beverages consumption to establish the appropriate marketing strategies.

The objective of the paper is to analyse alcoholic beverages consumption at home and which are their main determinants. Data comes from the latest Household National Survey (1990-91) which provide information on expenditure and quantities of different food products by household. It also gathers information on sociodemographic characteristics of consumers. Because household are interviewed only one week, a large number of zeros on alcoholic consumption have been recorded. Therefore, A Doubled-Hurdle Demand Model has been estimated for alcoholic beverages. This model assumes that a positive recorded consumption occurs when consumers must pass two hurdles or take two decisions. The first decision is whether or not to buy the product (participation decision) and, once they decide to consume, the second decision is the consumed quantity (consumption decision). Depending on the assumptions about the relationship between the two decisions (independent, dependent and dominance) different Double Hurdle Models may be specified. Factors affecting both decisions can be different and their effects can also differ. Various Double-Hurdle Models have been used to analyze the demand for different alcoholic beverages: table wine, quality wine, beer, spirits and cava in Spain. Results indicate that both decisions are dependent because the Dependence Double-Hurdle Model fits better the data. Different set of variables affects both, the participation and the consumption decisions: sociodemographic characteristics influences the decision to buy the product, while the quantity to be consumed depends on prices, income and age of the head of the household.

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