

## **Economic consequences of the AOC regulation system on the French wine Industry: the case of Burgundy**

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Today France can still be considered as the world leader for wine production:

- The whole vineyard represents about 2,25 millions acres (11% of the world acreage). As a comparison, the American vineyard represents today 1/3 of the French one.

- The wine production in France represents about 60 millions hl (20% of the world production).

- For the world exchange: France sells on foreign markets about 30% of the production that represented (in 1999) 4 800 millions USD.

If the formalization doesn't permit to describe the curve price/quality, it permits to specify one of its characteristics. It's appears that

- ? In free competition condition
- ? The quality diversity is non-compatible with equilibrium
- ? As soon as the quantity is related to the quality choice

This is compatible with our empirical observations:

- ? On the external market of an appellation the producers are incited to provide the highest level of quality
- ? It's always constraints that explain the choice of a low level of quality

The formalization shows clearly that the appellation system must be considered as a solution to solve the problem of imperfect information with maintaining the wine diversity. Therefore, the profit must be considered as a consequence of the solution chosen by the producers, and the consumer accepts that solution.

***In that context, the question of the legitimacy of the appellation system is not pertinent: It's the question of the efficiency of this system that we must view when we compare one system to another.***