

## Chapter 10

### Factors that affect the price of wine

#### Production costs

##### Grape growing

Costs: land/soil prep/vines/trellis/labour (largest cost)

**Labour - mitigate costs with seasonal workforce/mechanisation/shared equipment**

Steep slopes - more expensive/mechanisations not possible

Long time before ROI for GG

##### Winemaking

Expenses

- **Equipment - expensive** (even small wineries must pay a lot relative to size)
  - Some possibility to share equipment (ie, bottling facilities)
- **Maturation - space taken up by barrels/bottles/vats**
- **Money tied up in stock** (not profit straight away) - factored into costs

#### Packaging

Cost: bottles/caps/closures/cartons

Unusually shaped/heavy bottles = cost more

Large producers can bottle wine in market where it will be sold

#### Transport, Distribution and Sales

Sell in domestic/international market

Choose distribution partners who offer value for money/reliable sales

#### Taxes

All governments tax alcoholic beverages (varies globally)

Adds to price of wine

Important revenue stream for Government/essential in controlling alcohol consumption

#### Retailers

Restaurant - more expensive wines - cost considers occasion/environment/level of service

## Market forces

Production/packaging/distribution/retail costs - taken into consideration

Wine worth what market is willing to pay; high demand/low supply - costs rise (ie, premium estate Bordeaux)

Opposite also true - ie, Mosel producers - costs high, consumer demand low.

## Types of wine producers

- **Cooperatives**
  - Wine businesses owned by their members (usually GG - grape growers)
  - Growers deliver grapes to winery - team for winemaking/marketing employed by coop.
  - Good for grower - guarantee buyer/bad for WM - no control over grape quality
  - Common in Europe/ less common elsewhere in the world (New World)
- **Merchant (negociants)**
  - Merchants buy grapes, juice or wine from either grape growers or coop
  - Have contracts with suppliers - have greater control over source material
  - Can reject low quality grapes. In areas high demand/limited supply - difficult to guarantee supply.
  - Operate both premium and high volume
  - Common outside of Europe
    - Grape growers have larger holdings/producer deals with fewer growers
  - Many large wine brands made this way
- **Estates (domaine)**
  - Only make wines from grapes they grow
  - Small scale/responsible for best wines
  - Blending options fewer
    - Can be challenging in poor condition years
  - Common throughout world