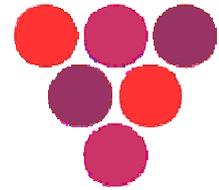




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A “Denomination of Origin” Red Wines: an Analysis of Hedonic Pricing for the Wines of Castilla la Mancha - Spain

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The wine market is extraordinarily heterogeneous and qualitatively segmented. When it comes to wine, differentiating between price and quality is extremely complicated since it is inherently difficult to assess the quality of a wine, unlike other goods such as houses or cars. Generally speaking, assessing the quality of a wine is based on subjective judgements, which prevents it from being measured with precision. However, most previous studies of hedonic pricing include measures of quality in their price functions. These studies draw their theory from Rosen (1974), who established models of perfect competition where the price of a product is determined by the interaction between the supply of and demand for its attributes. Consequently, it is assumed that consumer preferences might help to set market prices, as long as they possess some knowledge about the characteristics of each wine.

Hedonic price functions relate the price of a product to a range of qualitative or quantitative features. As far as wine is concerned, there is a wealth of economic literature applying these kinds of function to it, with studies of wine from Spain, Australia, Chile, Sweden, France, etc. One reason for this extensive bibliography lies in the difficulty we have in explaining the demand for quality wine by means of quantitative variables such as price or available income, which leads us to attempt to explain it through qualitative variables whose identification and estimation by the market might influence producers' decisions as to what to invest in and consumers' decisions as to what to buy.

The present study aims to follow the same line as previous articles from Oczkowski (1994) and Morilla & Martínez (2002) adapting their methodology to the analysis of Castilla-La Mancha's DO wines (“Denomination of Origin” red wines). The vast vineyards of this region, the great importance of wine both to its economy and to the sustainability of the rural environment, as well as the abundance of DOs and the massive production of table wine are all to be taken into account. Most of the wine produced in Castilla-La Mancha has traditionally been table wine, although this situation has progressively changed over the last few years, with the launch of DO wines and the restructuring of the varieties as well as the incorporation of cultural enhancements in the field of wine production. The improvement in the industrial winery process and the use of marketing techniques in the commercialization of wine have contributed to it. All this has led to the production of high quality wines and new territorial denomination systems such as “DO de Pago” or “Tierra de Castilla” wines, which have made it easier for consumers to recognise and perceive quality as well as providing clearer differentiation levels between wines.