Abstract

The article [Dallot, Bulletin de l’OIV avril 2013] supported the assumption –backed up by the data for 2010 – that mature vineyards’ market value (demand wise) for Champagne, Bourgogne and Bordeaux wines tended toward its embedded value (close to a 1 to 1 ratio), whereas other vineyards’ market value turned out to be substantially lower than its embedded value, with a ratio that ranged from 1-2 to 1-14.

The first part of today’s article highlights the same type of experience with the observation period being extended to these last 22 years – the objective is to put the said hypothesis to the test by comparing the different French vineyards’ market value with its embedded value. What clearly comes out of it is the explicit confirmation of the theory that had been established according to the figures for 2010. The notion of “embedded value” applied to vineyards is thus put into perspective by proving it reflects the vineyards’ “maximum and reasonable value”. It is also proven that a vineyard’s embedded value tends to equal its limit value, which put the stress on the two main variables of such a value. One is endogenous (average per hectare results) while the other is exogenous as it depends on the national and the international macroeconomic situation (interest rate i).

The confirmation of this theory brings about the second part of today’s article which deals with one derived aspect that matters to wine markers: that is, the financing of the vineyard whether it be loan-assisted or not.

The result – as important as it is to wine markers – turns out to be paradoxical: The best moment to fund a vineyard (with or without a loan) whose market value bends toward its embedded value is when interest rates at a peak.

The third part of the articles focuses on one of the two key variables of the embedded value: that is, interest rates and their fluctuation. A major attention will be paid to the evolution of these interest rates inside the eurozone where 4 out of the World’s 10 biggest wine producing countries are located (Italy, Germany, France and Spain). Interest rates in the main wine making countries of the eurozone that were observed from 1999 to 2007 abruptly skyrocketed as a result of the 2007 subprime crisis, with a ratio ranging 1 to 2 to 1 to 10.

Keywords: mature vineyard, vineyards’ embedded value and vineyards’ market value, financing of the vineyard, interest rates