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Wine's Belated Globalization, 1845 to 2022

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This summarizes and updates an article originally published as Anderson and Pinilla (2022)[1].
Until the 1970s, wine was produced and consumed almost exclusively in the Mediterranean region and the nearby Levant. Today it is enjoyed in a much broader range of countries. Yet notwithstanding the dramatic recent globalization of this product, the total volume consumed is very similar today to what it was in the 1960s. The apparent inconsistency between these two facts is explained by a huge decline in wine consumption in the most wine-focused countries, the rapid growth in wine production in and exports from New World countries, the gradual move by consumers from other alcoholic beverages to wine in previously beer- or spirits-consuming cultures, and most recently a dramatic rise of East Asia as a wine-importing region.

Anderson (2015)[2] provided a case study seeking to understand this slow development in Australia, but it lacked comprehensive data for other countries and the world prior to 1961 to make useful comparisons. So Pinilla joined Anderson and they brought together a team of scholars to explore empirically the wine market history of other key countries, and in the process compiled a global database that was recently summarized and updated to 2022 [3] [4] [1] [5]. That database reveals a surge in international wine trade during the latter half of the first globalization wave (late 1840s to 1913), but that was mainly because the tiny phylloxera insect migrated from the United States to Europe and devastated the majority of Europe's vineyards, starting in France in the mid-1860s. It led to French vignerons importing raw material from other European countries to supplement their diminishing grape supplies while they built new vineyards in colonial Algeria (which to the French Government was part of France). But then during 1920–1960 global wine exports fell back to its pre-1870 average of no more than 5 % of the volume of global wine production (Figure 1).

Global wine exports were almost fully accounted for by the top ten exporters (all European) at both the start and end of the first globalization wave, and their share was still 92 % by the early 1960s. The volume of exports of the top three continued to grow on a per capita basis through to the end of the 20th century (and Spain's even longer). However, that was mainly because their domestic wine consumption was rapidly shrinking: their combined annual consumption fell by 4 billion litres (from a little over 12 billion) over the two decades to 1990, while their annual exports rose from 1 to 3 billion litres. Meanwhile, from the early 1990s Australia and Chile, and then Argentina, New Zealand and South Africa, suddenly took off as wine exporters (Figure 2).

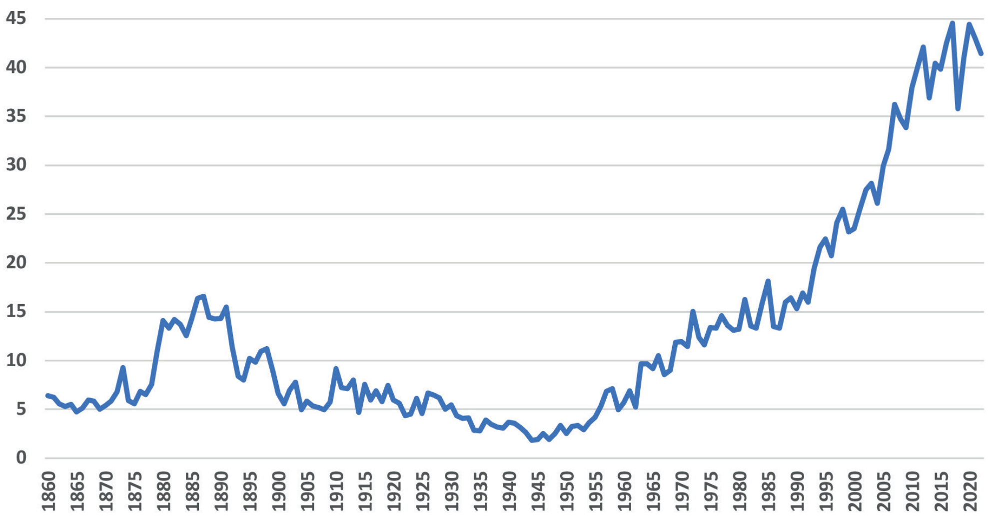

FIGURE 1. Share of global wine production volume exported, 1860 to 2022 (%, excl. Algerian exports pre-1963).

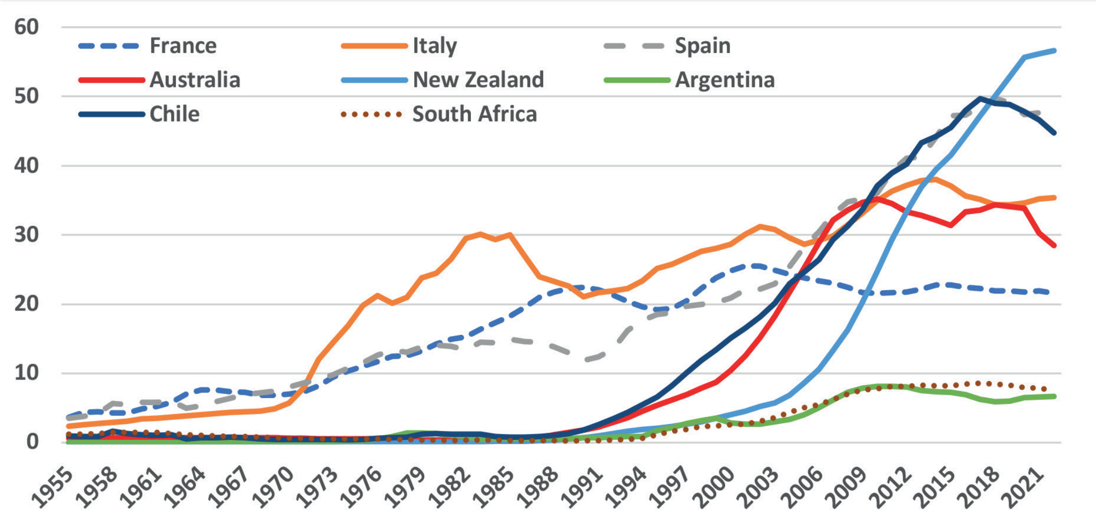

FIGURE 2. Volume of wine exports per capita, key Old World and New World countries, 1955 to 2022 (litres, five-year average to year shown).

The New World's surge began in Australia from the late 1980s, helped by a very low value of the country's currency at that time. A large real devaluation in late 2001 triggered the wine export take-off in Argentina, aided by declining domestic consumption there, just as in Spain and Italy. Then Australian wineries' international competitiveness over the 2010s declined because of the real exchange rate appreciation associated with Australia's massive mining investment boom. That appreciation relative to the currencies of other wine-exporting countries enabled the latter to expand their sales in third countries at Australia's expense. New Zealand especially benefitted, including by exporting more white wine to Australia[6]. This is a clear example of how, in a globalized world, temporary misfortune to an industry in one country – especially from economic forces outside that industry – can be a boon to the industry in other countries.

In the 1960s, all three alcoholic beverages had a similar share of the global recorded alcohol market, but in the subsequent three decades the share of wine in that overall market halved and is now less than one-third of the shares of beer and spirits which have each risen to a little over 40 %. Globally, the total volume of wine consumption has changed little while beer and spirits have nearly trebled[7] [5].

The 21st century has seen East Asia become a significant wine importing region as its economies continue to grow and its consumers embrace more western habits[8]. China dominated that growth until the mid-2010s but its market has since halved. It is not yet clear how temporary that downturn in China will be because, even with the end of restrictions imposed during 2020–22 in response to the COVID-19 coronavirus, that market has remained flat[9]. ■

***Sources :** Sourced from the research article: "Wine's belated globalization, 1845 to 2025" (Applied Economic Perspectives and Policy, 2022).*

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