CIEE Global Institute – Cape Town

Course name: Economics of Wine
Course number: (GI) BUSI 3011 CTSA
Programs offering course: Open Campus
Open Campus Track: Business
Language of instruction: English
U.S. semester credits: 3
Contact hours: 45
Term: Spring 2020

Course Description

Wine economics has emerged as a growing field within agricultural economics but also in other fields such as finance, trade, growth, environmental economics and industrial organization. As such, this course takes an immersive and experientially based approach to explore basic knowledge about the key factors in the production of wine making, including relevance of a vineyard's natural environment, grape growing, winemaking, maturation and bottling, always considering the host environment context. Other aspects covered in the course include label terminology and design, food and wine pairings and how to analyze wine to account for style and quality using a systematic approach. Basic business management for agriculture is also addressed and students will examine the impact of wine production in the local agri-food sector.

Learning Objectives

By completing this course, students will:

- Examine recent copyright and trademark issues and how to protect a winery name and image.
- Synthesize the key aspects of food and wine paring for marketing wine brands.
- Analyze quality assurance and product development methodologies.
- Examine the different components of a successful wine brand to assist in creating sustainable profitability.
- Apply budgeting and forecasting as part of planning a wine business operation.
- Create a system of procedures for producing meaningful and accurate reports for a wine business.

Course Prerequisites

Students should have completed a level 2000 class in Business.
Methods of Instruction

The course will be taught using lectures, seminars, case study discussions, student presentations, as well as field trips to local venues, businesses or organizations. Classroom activities will involve group work and critical discussion. Invited guest speakers will add to the learning objectives of this course.

Assessment and Final Grade

1. Mid-term Exam 20%
2. Group Presentation 15%
3. Photographic Essay 20%
4. Final Paper 25%
5. Class participation 20%

TOTAL: 100%

Course Requirements

Mid-term Exam, 90 min, 20% of total grade

The mid-term exam will take place during week 3. The exam will consist of 15 short answer questions and one extended response question, which will all relate to course content and readings. The exam is a closed book exam, meaning that students may not access their notes or readings. Students will have 90 minutes to complete the exam.

Photographic Essay, 1500 words, 20% of total grade

Each student will compose a photographic essay that compares two local vineyards as case studies. The essay should consist of 12-15 images, sourced from the public domain or with permission of any people appearing in the images. Up to 3 images of this photo essay can be ‘data slides’. A minimum of 1500 words total should accompany the images, detailing aspects about geographic location, placement of vines and design of processing plants for wine production at each vineyard. The photo essay must address any sustainability actions, or lack thereof, especially with regards to growth, production and environment. Furthermore, it should comment on copyright/ trademark issues and speculate on the success of the winery name, image and the wine’s label. The total word count for the component will be 1500-words, including annotated descriptions to elaborate on what is
represented in each photo. Also included in the 1500 words is a closing 250-word reflection about ‘wine as a window into place, culture and time.’ Important to note (!), students may select any case study in the world EXCEPT the two wineries to be studied for the final paper.

**Group Presentation, 15% of total grade**

For the final paper, students will be assigned one of the 5 South African wineries listed below and one winery in the USA, South America, Europe or Australia. For the group presentation assignment, students form groups according to which South African winery they were assigned to. Each group will research as much as possible historical and statistical background about their winery. Furthermore, they must collaboratively figure out how to articulate the winery’s business plan and marketing strategy. This will then amount in a presentation during week 4. Each presentation should be a maximum of 15 minutes long. While it is not required, each group is encouraged to visit their winery in order to find out first-hand how the vineyard operates. Criteria for evaluation include students’ ability to consider multiple factors in setting up and managing a vineyard, ability to effectively draw from required readings and other relevant sources, and overall quality of presentation.

**Final Paper, 2500 words, 25% of grade**

The final paper is a research paper that requires each student to draw from at least two readings of the course in addition to at least 5 additional sources. 3 of these additional sources must be peer-reviewed academic articles or excerpts from peer-reviewed books. Other sources can include film, webinar, newspaper, social media, etc. All sources must be properly referenced and cited. The goal of the final paper is to comparatively study one South African winery (listed below) and one other winery from either Europe, the U.S., South America or Australia. Firstly, the paper should compare the environmental, political, legal and cultural contexts in which the two wineries operate. Secondly, the paper must demonstrate a thorough understanding of each winery’s business strategy, including its branding, promotion/marketing approach, export pattern, and competitive advantage. The paper should be enriched with the use of photos of the labels and vineyard. Criteria for evaluation will include the student’s ability to apply evaluative language consistent with the required readings of the course, the ability to apply one or more of the frameworks introduced during the course, and the ability to compose a well-organized and cohesive report that takes both, social and environmental sustainability into account.

Each student will be assigned to one of the following South African wineries:

- Soms Delta: [https://www.solms-delta.co.za/](https://www.solms-delta.co.za/)
• Diemersfontein: https://www.diemersfontein.co.za/
• Aslina Wines: https://www.aslinawines.co.za/
• Seven Sisters: http://www.sevensisters.co.za/
• Spier: https://www.spier.co.za/

Participation

Participation is NOT the same as attending. Participation is valued as meaningful contribution to tangible learning, utilizing resources and materials as part of the course. Meaningful contribution requires students to be prepared in advance of each class session and to have regular attendance. Students must clearly demonstrate they have engaged with the materials as directed, for example, through classroom discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities. Since this course requires students to browse several internet sites, it might be helpful to note that where it says “required browsing” students should expect to spend at least one hour on a given website while documenting what they learn. Since students will gravitate towards different aspects of a website, it is important to come to class prepared to not only report on what was read/viewed, but also why the student was drawn to explore certain material.

Attendance Policy

Regular class attendance is required throughout the program, and all unexcused absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for Open Campus and Short-Term programs, unexcused absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.
For CIEE classes, punctuation is critical to professional engagement in your studies. Students will be marked absent when 15-minutes or longer. Attendance policies also apply to any required co-curricular class excursion or event, as well as Internship, Service Learning or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent and unexcused. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate. Students risk being marked as absent if they fail to be present at the appointed time.

Unexcused absences will lead to the following penalties:

<table>
<thead>
<tr>
<th>Percentage of Total Course Hours Missed</th>
<th>Equivalent Number of Open Campus Semester classes</th>
<th>Minimum Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10%</td>
<td>1 content class, or up to 2 language classes</td>
<td>no warning or grade penalty, but participation may be impacted depending on the lesson format.</td>
</tr>
<tr>
<td>10 – 20%</td>
<td>2 content classes, or 3-4 language classes</td>
<td>warning letter must be sent, and the student gradebook is marked down by 3%. Participation may have an additional grade impact depending on the lesson formats.</td>
</tr>
<tr>
<td>More than 20%</td>
<td>3 content classes, or 5 language classes</td>
<td>student fails course and is notified in writing</td>
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**Weekly Schedule**

**Week 1**  **Orientation Week**

**Class 1:1**  **Introduction to the Course**

The opening lecture will provide an overview of the course and introduce the wine industry as an industry that differentiates itself from other finance, business and
agricultural economies in the South African context. Students will be exposed to a rudimentary history of wine in South Africa and an overview of global export trends. After watching the 15-minute documentary, “The Inconvenient Truth – The South African Wine Industry,” the class will generate a list of factors that uniquely affect South Africa’s wine industry, including the ramifications of the water crisis, financial pressures on the wine industry, trends in the pricing of grapes, global competitors, and how 1994 constituted a turning point in how South African wine was perceived and consumed globally.

**Required Viewing:**

Available at: [https://www.youtube.com/watch?v=eZVgasgnyYE](https://www.youtube.com/watch?v=eZVgasgnyYE)

**Class 1:2 Co-Curricular Excursion to Constantia Wine Estate**

Founded in 1685, Groot Constantia is one of South Africa’s oldest wine-producing farms. During this excursion students will receive a blended lesson of South African history and major aspects about viticulture. Through a visit to the Constantia Museum, students will gain an awareness of the circumstances that shaped the early Cape Colony and how the history of wine unfolded during 330+ years in the Constantia valley. The class will receive a guided tour, some wine tasting and a presentation on the basic differences between simple and premium wines, special late harvest and noble late harvests, port-style wines and sherry-style wines, ‘chocolate/coffee wines’ and Bordeaux blends, as well as the processes of fermenting, fortification and aging. Students will gain an understanding of the diversity of grapes and methods with which wine is made, paying particular attention to wines that are unique to the Cape such as the Cape Blends and the Méthode Cap Classique. The session concludes with a mini-lecture on food-wine paring.

**Required Browsing/ Reading**

Complete “Session 1: Introduction to South African Wine,” “Session 2: White Wines” and “Session 3: Red Wines” of the Online Wine Course offered through [https://wosa.co.za](https://wosa.co.za)

**Required Viewing:**
South Africa Wine Documentary: The Pink Grape, 2018 documentary
Available at: https://www.youtube.com/watch?v=fAfCuZOk610

Suggested Viewing:
Designer Wines (Full 2013 documentary by Footage Direct),
available at: https://www.youtube.com/watch?v=t3d2hC2dAJw

Week 2
The Politics of Appreciating Wine

Class 2:1 Wine Tastings, Gradings and Pricings

Who says which wine is fine? And by what methods do we establish the quality of fine wine? During this session, students will learn about the fascinating history of appraising wine, using tools such as the General Wine Index, the Capital Asset Pricing Model (CAPM, for which William Sharpe, Merton Miller and Harry Markowitz received the 1990 Nobel Prize in Economics), the WSET Level 2 Systematic Approach to Wine Tasting, and the Hedonic analysis of wine prices. Brand reputation and the influence of regional origin of wines significantly determines consumer choice. This session will consolidate an understanding of the complex debates around appraising wines, which in turn affects the way labels are promoted and distributed. There are 4 required readings for this session. The Chalmers and Chernoff readings are short and easily understood. The Storchmann and Roberts & Reagans readings are quite comprehensive, and students will do a ‘guided reading’ activity during class. The required viewing for this session will further cement the incredible science and art of food & wine paring.

Required Reading

available at: https://winetitles.com.au/is-a-redesign-needed-for-your-wine-brand/

Available at: https://economistsview.typepad.com/economistsview/2006/10/sharpe_rethinks.html


Suggested Reading


Required Viewing

Chef's Table, Season 2, Episode 5: “Ana Ros,” available on Netflix.

Class 2:2 Wine Investment

In this class, students will learn about investment portfolios in order to examine risk, return and diversification benefits of fine wine as an investment, especially in times of financial insecurity and climate change. A guest-speaker from Wines of South Africa (WOSA) will highlight several case studies from the Cape Region, and compare their portfolios to major competitors in California, France and Australia.

Required Reading:


Suggested Reading

J.J. Fogarty, “Wine Investment and Portfolio Diversification Gains,” in World Scientific Reference on Handbook of the Economics of Wine, Volume 1: Prices,
Suggested Viewing

SOMM, 2013 documentary, directed by Jason Wise

Due: Photographic Essay

Week 3  Agriculture vs Viticulture

Class 3:1  Wine and the South African Economy

This session begins with the proctored mid-term exam, which will consist of quiz questions that pertain to all readings and viewings covered so far, including Session 3:1. After the exam, and a short break, the lecture will provide students with an overview of how viticulture fits into the larger picture of agriculture in South Africa. The discussion component will specifically focus on land use competition and how government policies and regulations have either advantaged or disadvantaged viticulture over the years. A guest-speaker from Stellenbosch University's Department of Viticulture and Oenology, will join us for the second part of this session to speak about water and irrigation politics in particular.

Required Reading:


Required Browsing:

Agricultural Research Council: http://www.arc.agric.za/arc-infruitec-nietvoorbij/Pages/Viticulture.aspx

VinPro (non-profit company that represents over 2000 South African wine-industry related businesses): http://vinpro.co.za/state-sa-wine-industry/

Class 3:2  Co-Curricular Excursion to Philippi Horticultural Area
During the visit to the Philippi Horticultural Area, students will gain an impression of the challenges faced by farmers in all sectors of agriculture. A representative of the Philippi project will give a lecture on how political insecurity in South Africa has affected agriculture, and how the tensions between viticulture and other agricultural activities partially stem from the fact that food security cannot be guaranteed for a majority of people living in the Cape region. Students will thus become familiar with the debates around what land should be used for and how the government is either failing or succeeding in regulating land and water use.

Required Reading:


Due: Mid-term Exam

Week 4  Sustainability

Class 4:1  Social Change and Economic Sustainability

The first part of this session will give students an overview of the massive social changes that took place within South Africa during the 1990s. As covered earlier in the course, the event of Mandela's release and the first democratic election in 1994 led to a lifting of sanctions and international boycotts, thus allowing for the 'explosion' of South African wines in the global market. 20+ years later, South Africa is still grappling with the legacies of apartheid and its devastating labor practices, but enormous strides have been made to correct the wrongs of the past. In order to present students with both sides of the story (i.e. the proverbial glass being half empty or half full), students will learn about one controversial 2016 documentary by Tom Heinemann that exposed the treatment of farm workers on vineyards and the responses to it within the wine industry. A representative from the Wine and Agricultural Ethical Trade Association (WIETA) will join the second portion of this session to offer more insight into the debates around Heinemann's documentary. The session will conclude with the WIETA guest speaker's presentation of sample business plans that exemplify adherence to ethical labor and trade practices.
Required Viewing

Book Discussion of Children of a Bitter Harvest, minute 6-14, available at: https://www.youtube.com/watch?v=CrlaJEJKXDO

Required Reading


Required Browsing

Please spend a minimum of one hour reading the articles, and watching at least one video, from the WOSA website on Social Sustainability: https://www.wosa.co.za/Sustainability/Socially-Sustainable/BEE/Introduction/

Suggested Viewing


Suggested Reading


**Class 4:2 Climate Change and Environmental Sustainability**

This session begins with a review of how climate change has affected the wine economy in the Cape in comparison to wine regions of California, France and Australia. Around the world, vineyards have had to adapt to increasingly unpredictable weather patterns. The lecture component will highlight how vineyards in the Cape region have invested in mitigated and adaptive actions in response to climate change and water crisis, and the resultant economic tradeoffs. This session will also cover the emergence and importance of organic wine-farming, the processes of accreditation, certification and marketing of environmentally and socially sustainable wines. During the discussion component the class will debate various performance measures that have become popular in the U.S. and South Africa.

Required Reading:

Required Browsing:

Please spend a minimum of one hour reading the articles and links from the WOSA website on Environmental Sustainability:
https://www.wosa.co.za/Sustainability/Environmentally-Sustainable/Intro/

Required Viewing:


Class 4:3 Group Presentations

This session is solely devoted to the group presentations and, if time permits, a work-shop that will help students outline and begin their final paper (if they have not done so already).

Required Reading

To be assigned by each group, at least two days before presentation.

Due: Group Presentation

Week 5 Global Glasses

Class 5:1 Viewing wine economies from global North/ South perspectives

Problems linked to sustainability challenges are global. This session ‘zooms out’ to consider the economics of the wine industry from a global perspective. While there is fierce competition, there is also collaboration and collegiality around issues like best practices, sustainable solutions and appreciating the diversity of wine cultures around the globe. Considering the impact of globalization, the lecture will draw from a variety of sources to present students with an international bird’s eye view of wine economies, paying particular attention to import/export dynamics and access to
various markets. The impact of globalization is also discussed in view of how wines are promoted in the context of regulatory requirements, and both, regional and global value chains.

Required Reading


Class 5:2 Co-curricular Excursion to Brampton Wine Studio

DGB (Pty) Ltd is one of South Africa’s largest independent wine and spirit producers and distributors. The excursion to their Brampton Wine Studio will offer a glimpse of wine culture in South Africa, a wine tasting, and a lecture-presentation on marketing management and innovation, especially with regards to high profile international agency brands. Students will gain an impression of DGB’s unique campaigns and original trade promotions while also gaining a deeper understanding of the international wine economy.

Required Browsing/Viewing:

DGB homepage and Introduction video: https://www.dgb.co.za

Week 6 Consumers & Conclusions

Class 6:1 Wine Consumers and Tourists

Our final lecture will introduce students to Cape Town’s wine-tourism industry. Wine tourism, around the world, is a significant driver of economic and social development in rural areas. The lecture will re-visit Groot Constantia’s business model to take a closer look at how tourism is a vital aspect of the wine farm overall, but several rural examples will also be explored. Students are required to read one of the readings below and contribute to the final discussion by being prepared to summarize their
reading and also by evaluating how the case studies they are considering for their final paper incorporate tourism in their business model.

**Required Reading:**

Students will be divided into 4 groups. Each group is responsible for reading and preparing to summarize ONE of the below:


**Class 6:2 Conclusions**

For the final session, students will share some highlights from their research papers and reflect on the course as a whole. Wine and well-paired snacks will be served.

*Due: Final Paper*

**Course Materials**

**Required Readings**


**Resources for Research Papers**

**Australia:**


http://www.northbaybusinessjournal.com/opinion/8056787-181/3-tier-wine-distribution-change-up

https://grapegrowerandwinemaker.com/2018/04/19/is-a-redesign-needed-for-your-wine-brand/

https://www.agw.org.au/


**Europe:**

https://www.germanwines.de/about-us/who-we-are/

Association of the Portuguese Wine Industry: http://www.aevp.pt/


**U.S.A.:**

American Society for Enology and Viticulture: https://www.asev.org/

Wine Market Council: https://winemarketcouncil.com/

http://www.alcohol.law/digest/what-is-in-the-bottle

https://www.wineinstitute.org/
https://www.wine-economics.org/
https://www.craftwineassoc.org/index

**South America:**

http://www.enologo.cl/


Catena Institute of Wine: http://www.catenainstitute.com/

**Other Online Resources**

International Trade Federation of Wine and Spirits:  https://www.fivs.org/

Wine tasting systematic framework:  

Journal of Wine Research:  https://www.tandfonline.com/toc/cjwr20/current

International Journal of Wine Research:  https://www.dovepress.com/international-journal-of-wine-research-journal

The Journal of Wine Economics:  https://www.wine-economics.org/journal/

Journal of Wine Economics:  https://www.cambridge.org/core/journals/journal-of-wine-economics/all-issues


Agricultural Research Council:  http://www.arc.agric.za/arc-infruitec-nietvoorbij/Pages/Viticulture.aspx

VinPro (non-profit company that represents over 2000 South African wine-industry related businesses):  http://vinpro.co.za/state-sa-wine-industry/