ANOTHER EVENING WITH SOME ITALIANS: AMARONE!

The Economics of Luxury Wine: Amarone

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5:00 – 7:30 pm, Monday September 14, 2015
Evolution of EU surface area under vine in the main wine countries (1,000 ha)

Evolution of European production in the main producing countries

Over the last six years, total production levels fell by 10.22 thousand hectoliters: France (−19%), Italy (−8%), Spain (−5.6%).

Source: Authors’ own creation from Eurostat, 2014. The wine production corresponds to the marketing year running from August 1 of year n−1 to July 31 of year. For example, for 2010, the harvest mentioned is for 2009 (marketing year August 1, 2009–July 31, 2010)
## Main global wine-importing countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Export (1000 hl)</th>
<th>Var.% ‘12/11</th>
<th>Var.% ‘13/12</th>
<th>Export (1000 €)</th>
<th>Var.% ‘12/11</th>
<th>Var.% ‘13/12</th>
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</thead>
<tbody>
<tr>
<td>France</td>
<td>13,530</td>
<td>14,191</td>
<td>14,982</td>
<td>15,650</td>
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<td>6,334</td>
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<tr>
<td>Italy</td>
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<td>21,200</td>
<td>20,700</td>
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<td>22,549</td>
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<tr>
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<td>21</td>
<td>17</td>
<td>15</td>
<td>-20.4</td>
<td>125</td>
</tr>
</tbody>
</table>

**Total WORLD** | 96,339 | 103,800 | 101,374 | 102,254 | -2.3     | 20,497 | 22,772 | 24,597 | 26,652 | 8.0       |

## Main global wine-importing countries

<table>
<thead>
<tr>
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<td>511</td>
<td>541</td>
<td>569</td>
<td>5.8</td>
<td>5.1</td>
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</tbody>
</table>

PDO (DOC – DOCG – AOC) and PGI (IGT) wines in EU 28

PDO and PGI Average production (Hl from 2010-2013)

France: 22,516,500 --- **396 PDO** and 12,797,000 --- **158 PGI**

Italia: 11,516,500 --- **496 PDO** and 9,954,000 – **135 PGI**

Spain: 11,665,250 --- **97 PDO** and 2,718,750 – **45 PGI**

% Weight of PDO and PGI /Total Production (Hl)

France: 75%

Italia: 48%

Spain: 37%

*Source: Authors’ creation from Eurostat, 2014 and E-Bacchus (EU Commission) database, 2014.*
QUALITY WINES IN DIFFERENT REGION

Source: ISMEA, 2014
### THE VALUE OF LUXURY WINES

<table>
<thead>
<tr>
<th>Region</th>
<th>Wine</th>
<th>Million of Euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VENETO</strong></td>
<td>Amarone</td>
<td>160</td>
<td>8.2</td>
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<tr>
<td><strong>PIEMONTE</strong></td>
<td>Barolo</td>
<td>180</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>TUSCANY</strong></td>
<td>Brunello</td>
<td>168</td>
<td>8.7</td>
</tr>
<tr>
<td></td>
<td>Chianti Classico (Gran Selection)</td>
<td>25</td>
<td>1.30</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>Veneto – Piemonte - Tuscany</strong></td>
<td><strong>533</strong></td>
<td><strong>27.54 %</strong></td>
</tr>
<tr>
<td><strong>TOTAL PDO and PGI</strong></td>
<td></td>
<td><strong>1.935</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: ISMEA, 2014 – Forecast*
Amarone: The Patriarch of Valpolicella
The structure of VALPOLICELLA quality pyramid

- **Recioto della Valpolicella**
  - DOCG
  - Wine made from dried grapes, complex and full-bodied.
  - Best served with dark chocolate or as a dessert.
  - $40+ per bottle.

- **Amarone della Valpolicella**
  - DOCG
  - Made from grapes that are dried on the vine to create a concentrated, rich wine.
  - Usually aged for 20-30 years.
  - Can sell for $50+.

- **Valpolicella Superiore Ripasso**
  - DOC
  - Aged for an additional 6 months in Amarone barrels.
  - Good for full-bodied, rich, and complex flavors.
  - $20-$25 per bottle.

- **Valpolicella Superiore**
  - DOC
  - Aged for at least 2 years.
  - Suitable for roasted meats and aged cheeses.
  - $15-$20 per bottle.

- **Valpolicella Classico**
  - DOC
  - Lighter bodied, suitable for pizza, pasta, and light meats.
  - $12-$15 per bottle.

**Legend**
- **SINGLE VINEYARD**
- **DOC**
- **DOCG**
- **“Controlled designation of origin”**
- **“Guaranteed controlled designation of origin”**
- **Top Wine of Italy**

**Key Terms**
- ABV: Alcohol by Volume
- DOC: Denominazione di Origine Controllata
- DOCG: Denominazione di Origine Controllata e Garantita
AMARONE: HISTORY

• **Amarone** is a really well known wine, but with a very recent history. Amarone started with a mistake around seventy years ago when a winemaker lost track of a barrel of **Recioto**: the natural yeasts started fermentation again and all the remaining sugar was converted into alcohol.

• As a result, the wine had a stronger, slightly bitter taste. “Amaro” is actually the Italian word for bitter.

• Until that time Recioto was historically the most prestigious wine. The “mistake” now makes **Amarone** the more famous and well known!
Geographical map depicting Valpolicella area
Valpolicella and Amarone neighboring regions
VALPOLICELLA AND PLACE OF ORIGIN

• Valpolicella area is characterized by a series of valleys crossed by “progni”.

• Valpolicella includes three valleys cut by three different ravines coming down from the Lessini mountains, located west of Verona; naming them from the west to the east: the ravine of Fumane, of Marano and of Negrar.
The historical area referred to as “Valpolicella Classica”, lies within the boundaries of five towns: Sant’Ambrogio di Valpolicella, San Pietro in Cariano, Fumane, Marano and Negrar.

The territory of Valpolicella extends for some 240 km\(^2\) (92 mi\(^2\)) and the surface area dedicated to vineyards totals 7,282 hectares.
CARACTERISTICS

• The hills of the Valpolicella offer red and brown soils covering cretaceous marble, basalt, and Eocene limestone.

• These small valleys are abundant with small creeks that are almost always dry, since the water table is almost always lower than the streambed.

• Every valley offers geographic conditions that are slightly different, but all are characterized by favorable levels of calcium, rocky clay.
Rocks and Soils stratigraphy of Valpolicella
• The climate is particularly mild in winter, due to the thermal effect of Lake Garda.

• The are usually somewhat higher than the areas further inland, important is as well the big temperature excursion especially in autumn. These climatic conditions favor early ripening of grape, leading to wines that are highly perfumed, flavorful, and fresh.

• The presence of many valleys, the proximity of Garda Lake and the various vineyards orientations to sun exposure has generated areas with specific microclimates.
• The most important vineyards of Valpolicella are located on the valley slopes between 200-450 meters of altitude.

• Older vineyards tend to be smaller, terraced, Pergola trained, and may be planted to several varieties (as described above), while younger vineyards are larger, more likely to be Guyot trained, and planted with single variety parcels.
Pergola Veronese
Pergola Trentina
Guyot
Grapes:

• The vineyards dedicated to the production of Valpolicella’s wines: Amarone, Recioto e Valpolicella are the same.

• Corvina Veronese (Cruina or Corvina) between 45% and 95%

• It is nevertheless allowed a percentage of Corvinone up to 50% in substitution to a similar percentage of Corvina. Rondinella between 5% and 30%.
• It is possible to include in the production of Amarone up to a maximum of 25% of grapes coming from:

• Non aromatic red grapes allowed to be grown in the province of Verona up to 15%, with a limit of 10% for each single grape varietal. Classified as Italian autoctonous grapes allowed to be grown in the province of Verona up to 10% of the total amount.

• The minimum amount of vines per hectare, except for those vineyards already registered, should be not inferior than 3,300, that can be reduced for those vineyards on terraced slopes, with the authorization of Veneto Region authority.
% Valpolicella grapes

Source: Author’s own elaboration from SIQURIA database, 2014
• **Maximum production** of grapes used for the production of Amarone della Valpolicella **wines should not exceed 8,000 kilograms per hectare.**

• Grapes should have a minimum natural alcohelometric title of 11%.

• For the production of Amarone, grapes selected for the drying process, should not exceed 65% of the maximum production reported above. Exceeding grapes can be used for the production of Valpolicella and Valpolicella Ripasso wines.
Grape Harvesting
Grapes for Amarone drying on traditional racks: ‘arele’.
• Wine output from grapes after the drying period should be less than 40%.

• At the end of the drying period, grapes should have a minimum natural alcoholometric title of 14%.

• Dried grapes for the production of “Amarone della Valpolicella” wine, cannot be processed before December 1st.

• Nevertheless, due to particular climatic circumstances, Veneto Region, upon request of Valpolicella Producers Consortium, can authorize wine production before December 1st.
Amarone Wine Characteristics:

- **Color:** deep red, possible garnet shades with ageing.
- **Nose:** typical, intense.
- **Palate:** full bodied, smooth, warm.
- **Minimum alcohol content:** 14%.
- **Maximum residual sugar content:** 12 g/l for an Amarone with alcohol content of 14%. (Every 0.10% of alcohol content increase above 14%, and up to 16% of alcohol, it is allowed an increase of 0.1 g/l of sugar. Above 16% of alcohol content, it is allowed an additional 0.15 g/l of residual sugar for each 0.10% of increase in alcohol)
- **Acidity:** 5.0 g/l minimum.
- **Dry extract:** 28.0 g/l and 32.0 g/l for Amarone “Riserva”.
About “ELEVA” and its wines

https://vimeo.com/89342326
The product:

RECIOTO
The product: Amarone
The product:

Valpolicella RIPASSO
The Economics of Amarone
VALPOLICELLA “SYSTEM”

• **2246** farms producing Valpolicella grapes
• **1495** farms producing grapes for Amarone and Recioto della Valpolicella
• **272** bottling companies
  – **213** Companies that transform grapes and produce wine (grape-wine-bottles Vertical Enterprises)
• **431** Fruttai for drying of grapes
Amarone Families

This group represents a significant portion GDP in the wine industry, with 2.5 millions of bottles of Amarone d’Arte
Evolution of Valpolicella surface area under vine (hectares – ha)

Source: Author’s own elaboration from SIQURIA database, 2014
Historical grape production from 1972 to 2013

Source: Author’s own elaboration from SIQUERIA database, 2014
Average grape prices €/Kg

Source: Author's own elaboration from SIQURIA database, 2014
Grape production from 2005 to 2013 (Tons of grapes)

Source: Author’s own elaboration from SIQURIA database, 2014
Evolution of wine bottled from 2005 to 2013

Source: Author’s own elaboration from SIQURIA database, 2014
Value: Million of bottles

Source: Author’s own elaboration from Valpolicella Consortium
Value: euro, €

Source: Author’s own elaboration from SIQURIA database, 2014
Amarone della Valpolicella: QUINTARELLI

Average Price € 311 (EUR)

Average score across vintages: 93
Amarone della Valpolicella: VENTURINI

EUR € All Countries, Sep 2014 to Aug 2015

Average Price € 34 (EUR)

Average score across vintages: 85
Average agricultural value

Source: Authors’ creation
*Agricultural values refer to land considered to be free from agricultural contract commitments- collected from Revenue Agency (Agenzia delle Entrate) ND Veneto Region, Database.
THANKS !!

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