Why or 'wine-not' let New York groceries sell wine?

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(PhysOrg.com) -- A Cornell researcher has developed simulation models to predict the economic implications of selling wine in New York grocery stores. With a new law, the state could reap about $22 million a year.

Allowing supermarkets to sell wine would also benefit both in- and out-of-state wineries, reports Bradley J. Rickard, assistant professor of applied economics and management, who has conducted 21 simulation experiments to assess the likely implications of introducing wine into grocery stores.

Other likely consequences of a new wine policy are that wine consumption in New York could jump; research from other states and regions that have introduced wine into supermarkets have seen the demand for wine increase by as much as 300 percent. However, such an expansion in the number of outlets selling wine would lead to a decrease in wine sales by 17 percent to 32 percent among existing liquor stores.

Rickard's findings on the economic implications of selling wine in grocery stores are summarized in December's (No. 36) "Rural New York Minute," a publication of the Community and Rural Development Institute (CaRDI), and detailed in an October Working Paper of the American Association of Wine Economists.

Although previously submitted bills in 1984 and 2009 did not result in legislation to allow the sale of wine in New York's grocery stores, a new bill is currently being discussed, said Rickard, that would also provide compensation to liquor store owners to address their expected loss in revenues.

Considering that New York is the nation's second-largest wine consuming state and the third-largest wine-grape producing state, it is an important issue in New York, he added.

While the 1984 bill intended to increase market opportunities for the state's wineries, the 2009 bill's goal was to generate additional government revenue. Grocery stores favored it, liquor stores opposed it and wineries were divided: 35 percent publicly opposed the proposals.

Rickard's economic simulation models incorporate state-specific policy details and various market conditions to shed light on the implications of the potential legislation for stakeholders in New York.

His findings indicate "that future proposals need to carefully assess the benefits of provisions for liquor store owners, such as allowing liquor stores to sell beer and food, allowing liquor stores to maintain more than one sales outlet, or adopting a policy that facilitates a transfer of licenses from existing liquor stores to grocery stores," writes Rickard, who added that introducing wine into grocery stores may help jump-start the development of the growing grape and wine industry in New York.

"It could be an important marketing opportunity for many wineries in rural regions of New York state that currently have access to a limited number of sales outlets," he concluded.

Provided by Cornell University