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Minimum Alcohol Pricing Could Cut Harmful Drinking and Aid Small Wine Producers

Study finds minimum unit price reduces consumption among heavy drinkers, stabilizes tax revenue, and benefits mid-sized wineries over large firms

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A new study by French economists Céline Bonnet, Fabrice Etile, and Sébastien Lecocq examines the effects of different alcohol pricing policies in France, a country where wine production and consumption are deeply rooted in culture and economics. The research, conducted at the Toulouse School of Economics and Paris School of Economics, uses detailed household purchase data to simulate how minimum unit pricing (MUP) and ethanol-based volumetric taxes would impact consumer behavior, industry profits, and public health.

The study addresses a longstanding challenge in wine-producing countries: current alcohol price regulations often reflect the interests of domestic producers and cultural traditions rather than public health priorities. In France, for example, specific taxes on wine are nearly zero, even though wine accounts for more than half of household ethanol purchases. Spirits and beer face much higher tax rates. This structure has made it difficult to implement reforms aimed at reducing alcohol-related harm.

To evaluate potential reforms, the researchers developed a model that incorporates both consumer preferences—covering quantity and quality across six alcohol categories—and the strategic pricing decisions of firms. They calibrated this model using 2014 scanner data from over 11,000 French households, which included detailed information on prices, product attributes, and purchase volumes.

The team compared several policy scenarios: replacing current taxes with uniform or progressive volumetric taxes based on ethanol content; introducing a minimum unit price of €0.50 per standard drink (about 10 grams of ethanol), similar to the policy adopted in Scotland; and combinations of these approaches. Each scenario was assessed for its impact on overall alcohol purchases, consumption patterns among heavy drinkers, industry profits, and government tax revenues.

The results show that implementing a minimum unit price alongside existing taxes would reduce average household purchases of pure alcohol by 15%, outperforming even high progressive tax scenarios (which achieved a 10% reduction). The effect was especially pronounced among heavy-drinking households, where consumption dropped by 17%. The MUP policy also shifted market dynamics: profits for small and medium-sized wine producers increased by nearly 40%, while large manufacturers and retailers

saw profits fall by a similar margin. Tax revenues remained stable under the MUP scenario because higher value-added tax receipts offset reduced sales volumes.

In contrast, reforms based solely on volumetric taxation produced mixed results. Low-rate uniform or progressive taxes sometimes led to unintended increases in pure alcohol purchases as consumers substituted toward higher-alcohol products that became relatively cheaper. Only high-rate progressive taxes achieved significant reductions in consumption but did not target heavy drinkers as effectively as MUP.

The study also found that the current French system is regressive: lower-income households pay a higher share of their income in alcohol taxes than wealthier households. Both MUP and high progressive taxes would reduce this disparity by focusing price increases on cheaper products favored by heavy drinkers.

From an industry perspective, the introduction of a minimum unit price would benefit small and medium wine producers who typically sell mid-range products. These producers would gain market share as entry-level wines—often produced by large firms—became less competitive due to mandatory price floors. The policy would also discourage the sale of low-quality, high-alcohol wines that currently dominate the mass market.

The researchers note that any reform must comply with European Union rules prohibiting discriminatory taxation between domestic and imported products. Policies targeting ethanol content across all categories are more likely to meet these legal requirements if they can be justified on public health grounds.

France’s unique position as the world’s second-largest wine producer means that any change to alcohol pricing policy is politically sensitive. The sector supports hundreds of thousands of jobs and is closely tied to national identity. Previous attempts to introduce minimum pricing have faced strong opposition from both industry groups and political representatives.

Despite these challenges, the study provides evidence that minimum unit pricing could be an effective tool for reducing harmful drinking without harming small producers or government revenues. The authors argue that such ex-ante analysis is crucial for

informing debates about alcohol regulation in wine-producing countries where cultural and economic factors have historically outweighed public health concerns.

The findings align with evaluations from Scotland and Wales, where minimum pricing has led to reductions in alcohol purchases among heavy drinkers without significant negative effects on moderate consumers or overall tax receipts. However, the French context differs in important ways: wine is more integrated into daily life and meals than in countries with stronger traditions of beer or spirits consumption.

The study’s modeling approach allows for detailed analysis of both demand- and supply-side responses to policy changes. It accounts for consumer substitution between product types and qualities as well as strategic price adjustments by manufacturers and retailers. This level of detail helps identify which segments of the market would win or lose under different regulatory regimes—a key consideration given the political influence of various industry stakeholders.

While the research focuses on at-home consumption (due to data limitations), it suggests that minimum unit pricing could be a viable strategy for reducing alcohol-related harm in France without undermining the economic viability of its diverse wine sector. The authors recommend further investigation into how such policies might affect consumption away from home or interact with other public health measures.

As policymakers across Europe continue to grapple with rising healthcare costs linked to alcohol use, this study offers new insights into how targeted pricing strategies can balance public health objectives with economic realities in countries where wine is more than just a beverage—it is part of the national fabric.