On Pricing Unconventional Prepaid Forward Contracts: Evidence from *en primeur* Fine Wine

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Abstract

An *en primeur* agreement is an unconventional forward contract. In this article, we provide a new conceptual framework for analyzing the properties of *en primeur* prices based on the cost of carry approach. The results, based upon Bayesian modeling, indicate that the cost of carry increases up to 0.9598 when *en primeur* and bottled wines are traded in parallel. Moreover, our findings confirm that price dispersion around the mean value is greater for *en primeur* wines (22.42%) than for standard bottled wines (8.2%) traded after the sale of *en primeur* wines has ended. (JEL Classifications: G12, G15, L66, Q02)

Keywords

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