

Investing in Cognac Producing Vineyards to Hedge Wealth While Receiving High Returns

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Abstract

The general trend over the last decade for investments has been moving towards emerging markets, where investors are promised high returns for risky investments. These kind of investments favor the brave and bold, but are frightening for the risk averse. In this paper I will be presenting the opportunities that an investment into cognac producing vineyards can offer. High return and relatively low risk investment opportunities that exists in France. Included in the paper will be examples of large investments made recently into the industry. I will analyze the trends in the market over the past 8 years for the prices of land, cognac itself and the ease of sales of such products. There will also be an in-depth explanation of why cognac is today's least risky product to invest into, comparing it to the Champagne regions' similar historic trends. The findings show that land prices have increased at an average of 10% while simultaneously the price of cognac, has grow at an average of 14%. This product also has a unique hedging opportunity for investors. In short, excluding the growth of cognac prices in general the product itself gains value the longer it is stored, by an average of 12%. In this industry there are 5 big players that compete with each other on quality and also access to future stocks. This reality gives an investor the unique ability to sign futures contracts for 100% of their production over a 5 year period (standard market contract). Similar contracts can be signed with cooperatives who manage the lands for the investor, making the investment hassle free. This allows for an assured projection of both costs and returns for an unprecedented length of time compared to any other industry today. In conclusion, cognac producing vineyards are an investment that can potentially bring high returns, while being able to hedge the investment and see capital gains over the course of time. There will be a final simulation of a 5 year investment into vineyards of 10 Hectares. The only issue left is to find vineyard owners that are willing to sell.

Keywords: *Cognac, Vineyard, Hedge wealth, Economy, Law.*

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