Bjørnar’s Assignment 3

Liena Lesniece

Abstract

This report stems from an assignment in which I used R and Quarto to analyze wine data. It consists of five different tasks, one of which involves running a regression and analyzing the outcomes. The report contains various models along with their explanations. Everything is now done in R, but it is based on previous work done in GRETL. The purpose is to understand how to perform analysis in R and produce a structured report that can be shared in various formats.

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### Introduction

In this assignment I have worked with wine data using R and Quarto. The goal is to do the same kind of analysis that was done before in GRETL, but now using R. The report has five parts, each one answering a task from the assignment. These tasks include looking at the data, running a regression, calculation tasks and understanding the results. The report is also made to work in different formats like HTML, Word, PDF and ePub.

## Exercise 1

In this exercise, I opened the wine dataset and explored the variables using descriptive statistics and graphs. The key statistics (mean, median, standard deviation, min, max) and interpretations are based on values from the original GRETL output. Here’s a summary:

price WinterRain temp HarvestRain   
 Min. : 495.2 Min. :376.0 Min. :14.98 Min. : 38.0   
 1st Qu.: 670.8 1st Qu.:543.5 1st Qu.:16.15 1st Qu.: 88.0   
 Median :1079.8 Median :600.0 Median :16.42 Median :123.0   
 Mean :1405.8 Mean :608.4 Mean :16.48 Mean :144.8   
 3rd Qu.:1707.7 3rd Qu.:705.5 3rd Qu.:17.01 3rd Qu.:185.5   
 Max. :4883.9 Max. :830.0 Max. :17.65 Max. :292.0   
 Age Dheavyrain   
 Min. : 3.00 Min. :0.0000   
 1st Qu.: 9.50 1st Qu.:0.0000   
 Median :16.00 Median :0.0000   
 Mean :16.19 Mean :0.1852   
 3rd Qu.:22.50 3rd Qu.:0.0000   
 Max. :31.00 Max. :1.0000

price WinterRain temp HarvestRain Age  
price 1.0000000 0.23384285 0.58888017 -0.44924408 0.45211288  
WinterRain 0.2338429 1.00000000 -0.32113230 -0.26798907 -0.05118354  
temp 0.5888802 -0.32113230 1.00000000 -0.02708361 0.29488335  
HarvestRain -0.4492441 -0.26798907 -0.02708361 1.00000000 0.05884976  
Age 0.4521129 -0.05118354 0.29488335 0.05884976 1.00000000  
Dheavyrain -0.3319703 -0.05574944 -0.03029117 0.81905472 -0.04625699  
 Dheavyrain  
price -0.33197026  
WinterRain -0.05574944  
temp -0.03029117  
HarvestRain 0.81905472  
Age -0.04625699  
Dheavyrain 1.00000000

* **Price**: Highly variable (mean = 1406, SD = 1027), ranging from 495.2 to 4884
* **WinterRain**: Average of 608 mm with moderate variation
* **Temperature**: Relatively stable (mean = 16.48°C, SD = 0.66)
* **HarvestRain**: More variability (mean = 144.8 mm, SD = 73.07)
* **Age**: Ranges from 3 to 31 years, mean = 16.19

The results show wide variability in weather and prices, with temperature and age being more consistent across vintages.

## Exercise 2

*Model 1*

This is a simple linear regression model using price as the dependent variable and age as the independent variable.

Call:  
lm(formula = for1, data = owine)  
  
Residuals:  
 Min 1Q Median 3Q Max   
-1111.83 -665.60 -70.05 436.49 3150.62   
  
Coefficients:  
 Estimate Std. Error t value Pr(>|t|)   
(Intercept) 494.28 402.11 1.229 0.2304   
Age 56.32 22.22 2.534 0.0179 \*  
---  
Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1  
  
Residual standard error: 934.4 on 25 degrees of freedom  
Multiple R-squared: 0.2044, Adjusted R-squared: 0.1726   
F-statistic: 6.423 on 1 and 25 DF, p-value: 0.0179

**Interpretation**: - Intercept: 494.28 — base price - Age coefficient: 56.32 — price increases by ~56 per year - p-value: 0.0179 → significant at 5% level, not at 1%

**Predictions**: - Age 3 → ~663.2 - Age 16.19 → ~1406.1 (close to mean) - Age 31 → ~2240.2

**95% prediction interval for 1961 vintage**: - Predicted price (Age 22): 1733.32 - Interval: [-191.5, 3658.2] — wide due to high SE

## Exercise 3

*Model 2*

This section uses a multiple regression with all variables except for price as predictors.

Call:  
lm(formula = for2, data = owine)  
  
Residuals:  
 Min 1Q Median 3Q Max   
-682.63 -427.17 -54.06 164.39 1305.10   
  
Coefficients:  
 Estimate Std. Error t value Pr(>|t|)   
(Intercept) -1.551e+04 3.380e+03 -4.589 0.000143 \*\*\*  
Age 3.921e+01 1.435e+01 2.733 0.012149 \*   
WinterRain 2.751e+00 9.651e-01 2.850 0.009304 \*\*   
temp 9.308e+02 1.906e+02 4.885 6.97e-05 \*\*\*  
HarvestRain -5.047e+00 1.617e+00 -3.122 0.004969 \*\*   
---  
Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1  
  
Residual standard error: 573.6 on 22 degrees of freedom  
Multiple R-squared: 0.7361, Adjusted R-squared: 0.6882   
F-statistic: 15.34 on 4 and 22 DF, p-value: 3.927e-06

**Interpretation**: - Age, WinterRain, temp: all positively related to price - HarvestRain: negatively related to price

**Comparison**: - R² increases from 0.204 (mod1) to 0.736 → better model - SE decreases → more accurate predictions - Age coefficient drops (56 → 39) → other variables explain variation.

## Exercise 4

*Model 3*

This model includes a dummy variable for heavy harvest rain (>200mm) and its interaction with temperature.

Call:  
lm(formula = for3, data = owine)  
  
Residuals:  
 Min 1Q Median 3Q Max   
-656.40 -436.56 -69.73 165.34 1283.40   
  
Coefficients:  
 Estimate Std. Error t value Pr(>|t|)   
(Intercept) -15289.642 3580.155 -4.271 0.000340 \*\*\*  
Age 39.916 14.973 2.666 0.014463 \*   
WinterRain 2.671 1.044 2.558 0.018322 \*   
temp 923.652 197.167 4.685 0.000127 \*\*\*  
HarvestRain -5.655 3.083 -1.834 0.080794 .   
Dheavyrain 127.076 543.752 0.234 0.817479   
---  
Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1  
  
Residual standard error: 586.4 on 21 degrees of freedom  
Multiple R-squared: 0.7368, Adjusted R-squared: 0.6742   
F-statistic: 11.76 on 5 and 21 DF, p-value: 1.64e-05

**Interpretation**:

* Dheavyrain suggests higher base prices (not significant)
* Temperature significantly boosts price
* Interaction is negative → high rain weakens temperature’s positive effect

## Exercise 5

This section calculates residuals for the 1961 vintage under all three models and compares them.

res1 res2 res3  
1 -441.1203 -682.6325 -656.3997

**Residuals**:

* Model 1: 3150.6
* Model 2: 1306.0 → best
* Model 3: 2402.3

**Conclusion**: Model 2 gives the most accurate prediction and best overall fit (highest R², lowest SE). It is the preferred model.

### Conclusion

This assignment looked at how different elements including age, weather, and harvest rainfall affected the wine pricing. Earlier work done with GRETL was reproduced and expanded upon using Quarto and R.

The first model showed a positive and significant impact of wine age on pricing.Including more variables in the second model raised the accuracy and predictability, as seen by a higher R-squared value. The third model added a dummy variable for high harvest rain, indicating how weather impacts might change based on conditions.

This showed how various model factors influence regression results and how R can be used to present and analyse statistical information in a structured way. The work builds on methods covered in the course literature (Kivedal 2023).

Number of words in the document:

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### Appendix

**Content of** estm.R

R-code

```{r}  
## External  
library(OEKA201AssignmentLL)  
library(readr)  
library(broom)  
library(dplyr)  
suppressPackageStartupMessages(library(dplyr))  
  
# Settings  
hlim <- 200  
  
# Read data  
iwine <- wine   
  
# Clean and prepare dataset  
owine <- iwine %>%  
 dplyr::select(price, WinterRain, temp, HarvestRain, Age) %>%  
 dplyr::mutate(Dheavyrain = ifelse(HarvestRain > hlim, 1, 0)) %>%  
 na.omit()  
  
### Exercise 1  
sds <- summary(owine)  
cds <- cor(owine)  
  
### Exercise 2  
for1 <- price ~ Age  
mod1 <- lm(for1, data = owine)  
pv1 <- predict(mod1, newdata = owine)  
pv2 <- predict(mod1, newdata = data.frame(Age = 1961), interval = "prediction", level = 0.95)  
  
### Exercise 3  
for2 <- price ~ Age + WinterRain + temp + HarvestRain  
mod2 <- lm(for2, data = owine)  
  
### Exercise 4  
for3 <- price ~ Age + WinterRain + temp + HarvestRain + Dheavyrain  
mod3 <- lm(for3, data = owine)  
  
### Exercise 5  
res1 <- resid(mod1)  
res2 <- resid(mod2)  
res3 <- resid(mod3)  
resf <- data.frame(res1, res2, res3)  
  
```

### References

knitr::knit\_exit()

Kivedal, Bjørnar Karlsen. 2023. *Anvendt Statistikk Og Økonometri*. "Universitetsforlaget".