

MARKET SNAPSHOT Wine/Vineyard

March 31, 2023

Executive summary

AgWest Farm Credit's 12-month outlook sees the winery and vineyard industry as slightly profitable. Drivers include decreasing demand, a below average 2022 crop size in California, declining import volumes and excess capacity for wine grape production.

12-Month Profitability Outlook



Industry drivers

Lower demand will challenge smaller Northwest producers

Demand for wine is gradually falling and smaller Northwest producers will find it difficult to compete. Alcohol consumption is declining. Younger generations are increasingly choosing spirits, seltzers and beer. On-premise sales are up 10% year over year, but remain 9% lower than pre-pandemic levels as fewer restaurants now offer wine. Off-premise wine sales are down 5% year over year, with declines across most categories except the \$15-\$25/bottle range. Smaller producers have higher production costs and will struggle to compete in this price range.

Smaller 2022 domestic crop supports higher grape prices

California's wine grape crop was 3.35 million tons, 7% smaller than the previous season and 13% below its five-year average due to frost, hot weather, drought and vineyard removals. The Central Coast, the largest producing region, experienced the most decline. Official production statistics for Washington and Oregon are not yet available, but anecdotal reports suggest large, good quality crops. California's small crop reduced grape supply relative to demand and this is supporting prices, with those of red and white varieties up 7.2% and 1% year over year.

Wine import quantity decreased in 2022, but the total value rose

Wine imports in 2022 decreased in volume and increased in value, largely driven by trade patterns with Europe and Canada. While the dollar strengthened throughout much of the year, import prices rose due to higher production and transportation costs. Australia, New Zealand and Argentina were exceptions where volumes increased, and values decreased.

U.S. Wine Imports by Country

Trade Partner	2022 Import Data			Year Over Year Change		
	Cases	Value	USD / bottle	Cases	Value	USD / bottle
Italy	47,981,067	\$2,488,076	\$4.32	-7.0%	-1.5%	5.9%
Canada	29,120,811	\$183,061	\$0.52	-9.4%	0.8%	11.2%
France	23,291,444	\$2,697,900	\$9.65	0.0%	5.2%	5.2%
Australia	15,811,444	\$312,072	\$1.64	30.6%	5.3%	-19.3%
Chile	15,677,333	\$227,043	\$1.21	-12.7%	-5.3%	8.6%
New Zealand	11,320,167	\$587,584	\$4.33	16.6%	6.3%	-8.9%
Spain	9,776,933	\$418,847	\$3.57	-7.4%	-4.7%	3.0%
Argentina	8,273,789	\$284,406	\$2.86	14.4%	7.1%	-6.4%
Other	22,618,944	\$689,887	\$2.54	-22.5%	-8.2%	18.5%
Total	183,871,933	\$7,888,876	\$3.58	-5.1%	0.9%	6.1%

Source: U.S. Census Bureau. Value: thousands of U.S. dollars. Cases: 9 liter equivalent. Bottle: .75 liter equivalent.

Disclaimer: This material is for informational purposes only and cannot be relied on to replace your own judgment or that of the professionals you work with in assessing the accuracy or relevance of the information to your own operations. Nothing in this material shall constitute a commitment by AgWest FC to lend money or extend credit. This information is provided independent of any lending, other financing or insurance transaction. This material is a compilation of outside sources and the various authors' opinions. Assumptions have been made for modeling purposes. AgWest FC does not represent that any such assumptions will reflect future events.

Price risk due to excess wine grape production

Prices could fall and compress grower margins. As demand declines, many in the industry are concerned there is an oversupply of planted wine grape acres on the West Coast. Prices improved over the last several years due to a temporary surge in demand and reduced California supply. This incentivized growers to keep more acres in production than might be appropriate considering the long-term demand outlook. While still early, improving reservoir and soil moisture conditions are increasing the likelihood for higher yields in 2024.

Profitability

Northwest vineyards and wineries should be slightly profitable over the next year. A relatively small 2022 crop in California is supporting wine grape prices despite large, good quality crops reported in Washington and Oregon. Large wineries will likely fare better than smaller producers in a declining demand environment due to their ability to compete in the \$15-\$25/bottle range. Excess capacity for wine grape production may eventually lead to lower prices if 2023 yields are average to high.

Share your feedback! [Click Here](#) to complete a two-minute survey about this Snapshot.

Additional Information

AgWest Business Management Center

www.agwestfc.com/Industry-Insights

Oregon Wine Center

www.oregonwine.org

USDA National Agricultural Statistics Service

www.nass.usda.gov

Washington State Wine Commission

www.washingtonwine.org

Wine America

www.wineamerica.org

Wine Business

www.winebusiness.com

Winegrape Growers of America

www.winegrapegrowersofamerica.org

Wine Institute – The Voice for California Wine

www.wineinstitute.org/resources/statistics

Wine Market Council

www.winemarketcouncil.com

Learn More

For more information or to share your thoughts and opinions, contact the Business Management Center at 866.552.9193 or bmc@agwestfc.com.

To receive email notifications about western and global agricultural and economic perspectives, trends, programs, events, webinars and articles, visit www.AgWestFC.com/subscribe or contact the Business Management Center.