



## MARKET SNAPSHOT

# Wine/Vineyard

Dec. 31, 2022

### Executive summary

AgWest Farm Credit's 12-month outlook sees the winery and vineyard industry as slightly profitable. Drivers include favorable grape crop quality and size, changing consumer behavior, mixed wine sales data and slightly improving crop input conditions.

### Industry drivers

#### Northwest crop large

While too early for official estimates, anecdotal reports suggest warm fall weather allowed for a large, good quality 2022 wine grape crop in the Northwest. Many Washington growers kept more grapes on the vine (rather than thinning to increase sugar content) to compensate for poor early season weather conditions. This may lead to a slight oversupply for growers and excess inventories for wineries. In Oregon, Pinot Noir should have a strong year in terms of crops size and quality as reports suggest secondary bud growth offset damage to first bud sets. Regional wildfires were much less impactful than 2021.

#### California crop small

Expected crop yields are reportedly mixed in the Inland Valleys, down 15%-30% in the North Coast and down 20%-25% in the Central Coast due to frost events, summer heatwaves and a cool wet fall. Overall, reports suggest a high quality crop.

#### Consumers respond to inflation

High inflation has reduced consumers' ability to maintain existing purchasing habits. While high income earners appear largely unaffected in terms of wine purchases, some lower to middle income consumers are trading down and/or consuming less. Restaurant visitations have not returned to pre-pandemic levels and growth appears to be tapering off. This may limit upside potential for on-premise sales despite gains in 2022. These trends will likely continue until wage growth exceeds broader price increases for food, energy and other consumer goods.

#### Wine sales data mixed

According to Wine Vine Analytics, wine sales (including bulk imports) are up 8% year over year by value in November; however, anecdotal reports suggest sales of domestic wine (excluding imports) are weakening. In 2022, increases in on-premise (restaurant) sales offset declines in off-premise (retail) and Direct to Consumer (DtC). While DtC sales are down nationally, they remain strong in the Northwest.

#### Crop input conditions improving

Transportation costs are falling due to lower goods demand. While fertilizer prices remain at historically high levels, they are trending down and should hopefully take some pressure off of growers next season. Energy prices remain volatile, but demand seems to be falling faster than supply for the time being. An emerging concern is political instability and rising COVID-19 infections and outcomes in China, a major supplier of agriculture parts, equipment and machinery. Please refer to our [Crop Inputs Snapshot](#) for a detailed analysis of crop input conditions.

### 12-Month Profitability Outlook



## Profitability

Northwest vineyards and wineries should be profitable in 2023. Overall, expected crop size and quality should support prices while ensuring sufficient throughput to cover input costs and capital expenses. If consumers continue to trade down towards \$10-\$20 bottle wines, large wineries in Washington should benefit from increased sales while smaller ones may struggle due to higher cost structures.

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](http://www.agwestfc.com/Industry-Insights)

**Oregon Wine Center**

[www.oregonwine.org](http://www.oregonwine.org)

**Turrentine Brokerage**

[www.turrentinbrokerage.com](http://www.turrentinbrokerage.com)

**USDA National Agricultural Statistics Service**

[www.nass.usda.gov](http://www.nass.usda.gov)

**Washington State Wine Commission**

[www.northwestfcs.com/Resources/Industry-Insights](http://www.northwestfcs.com/Resources/Industry-Insights)

**Wine America**

[www.wineamerica.org](http://www.wineamerica.org)

**Wine Business**

[www.winebusiness.com](http://www.winebusiness.com)

**Winegrape Growers of America**

[www.winegrapegrowersofamerica.org](http://www.winegrapegrowersofamerica.org)

**Wine Institute – The Voice for California Wine**

[www.wineinstitute.org/resources/statistics](http://www.wineinstitute.org/resources/statistics)

**Wine Market Council**

[www.winemarketcouncil.com](http://www.winemarketcouncil.com)

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