

MARKET SNAPSHOT
Wine/Vineyard

January 24, 2024

Executive summary

AgWest Farm Credit's 12-month outlook sees wineries as slightly profitable and vineyards as breakeven. Drivers include good quality on the 2023 vintage, lower expected production in Washington, excess wine supply across the West Coast and strong Direct-to-Consumer sales.

Industry drivers

Good quality on 2023 vintage

Anecdotal reports suggest the 2023 vintages in both Oregon and Washington are of high quality. Strong quality may help to support consumer demand.

Washington growers expected to reduce production

Washington's wine grape production capacity exceeds demand and some analysts estimate 15%-20% of planted acres may need to be removed to achieve balance in the market. In 2024, some growers are likely to remove diseased vines, uncontracted acres, those planted in suboptimal areas and/or those with marginal production. Other growers may farm some of their large commercial production acreage more intensely in hopes of selling to smaller, ultra-premium wineries.

Excess wine supply across the West Coast

Excess wine supply across the West Coast could lower prices, particularly for bulk wines. California experienced higher-than-expected yields for the 2023 crop and with consumer demand down, bulk inventories are very high. Supply of red varietals are higher than whites due to greater production and lower demand. Washington also faces excess bulk inventories heading into 2024 following a sharp reduction in demand from the state's largest winery. Oregon has excess bulk wine for the first time in three years, but most expect inventories to find buyers.

Direct-to-Consumer sales support industry

Oregon and Washington wineries with strong wine clubs and Direct-to-Consumer (DtC) sales appear to be outperforming their peers. Year-over-year total sales value for on- and off-premise wines generally held flat while DtC was up 7%. Off-premise sales below \$15/bottle are falling while those above are generally flat.

Profitability

As a whole, Northwest wineries should be slightly profitable, and vineyards breakeven over the next year. The 2023 vintage appears to be of high quality. Production capacity exceeds demand in Washington and in response, some growers are likely to reduce vineyard acres and/or manage for premium wineries in 2024. The West Coast has excess wine supply and this may lower prices, particularly for bulk wines. Oregon and Washington wineries with strong DtC sales appear to be outperforming their peers.

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

12-Month Profitability Outlook



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.

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