

2024 BMO Wine Market Report

U.S. Wine Industry Partnership

BMO WINE & SPIRITS GROUP
BW166 AND GOMBERG, FREDRIKSON & ASSOCIATES
WINEBUSINESS ANALYTICS
FULL GLASS RESEARCH



BMO





2023 was a challenging year for the U.S. wine industry, but more than half of all U.S. wineries met or exceeded their sales goals.

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Wine is a delight and passion to many, but it’s also a business going through unique and significant changes. Generational tastes, distribution channels, cost structures, anti-alcohol trends, and the climate are just a few factors affecting the U.S. wine industry, including its value chains—from grapes to glass.

During our decades of experience supporting the wine industry through change, we’ve found no shortage of trend spotters with a view on the fate of the wine business. Often only focused on boutique, premium wineries, or a particular region, for them the wine glass is always half full or half empty.

These perspectives can be interesting but not always helpful for wine’s most dedicated workers and decision makers – our clients, in other words. They deserve an authoritative source of information about the state of the entire U.S. wine industry. That’s exactly why we formed the **U.S. Wine Industry Partnership**: Produce a seminal report based on accurate historical data providing context about what is happening today, as well as a comprehensive survey analysis on the future of the wine business.

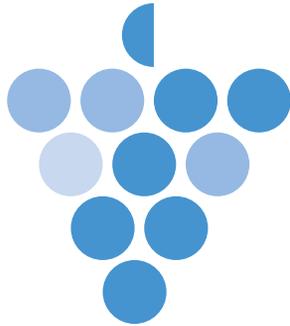
Leading a wine company right now isn’t easy, but there are opportunities ripe for picking. We believe providing our clients with the most relevant information and analysis combined with the entirety of BMO’s breadth of expertise and full-service solutions across North America can lead to success for wineries at any stage.

On behalf of the **U.S. Wine Industry Partnership**, we’re proud to present the inaugural **2024 BMO Wine Market Report**. With it, you can decide for yourself whether the glass is half full or not. Cheers!

Introduction



With a total value of more than \$107 billion, the U.S. wine market is the largest and most dynamic in the world. Today there are more than 11,600 wineries spread across all 50 states and as the domestic industry grew by leaps and bounds, the United States also became the number one export market for the world's top wine regions. Wine is now enjoyed by more American drinkers than at any other time in history, and the quality and diversity of winemaking have also never been previously matched. Prior to the pandemic the industry saw a flattening in total sales growth followed by a significant run-up in sales and now a retraction. The U.S. wine industry offers myriad opportunities for proactive companies leveraging data to retain or increase their share of the market. The intention of this report is to provide accurate, total market data about the U.S. wine market, the American wine consumer and sentiment among those working at domestic wineries.



10%

Most U.S. wineries remain optimistic about the future and expect to see sustained sales growth over the next five years and the total market to grow 10% over the next decade.

Organized into three sections, the report will first examine the total market and how recent trends have affected the wine business in 2023 and what that portends through 2025. The report will then review decades of data on U.S. wine consumers ranging from infrequent imbibers to its most ardent fans. Lastly, the report features findings from a comprehensive winery survey that captured insights from those guiding the largest and smallest wine companies across the country producing wines at all prices. The most relevant findings are shared in this report, but the survey examined several other areas of the business including the grape market, bulk wine trade, winery marketing efforts and demographic data on tasting room visitors and direct sales. Participants in the survey received an additional report with complete survey results.

Rather than focus on the wine business in a particular region or the performance of only luxury estates, this report is intended to provide a complete look at all aspects of the industry. The total beverage alcohol market, like the rest of the U.S. economy, has gone through a transformative period in the past four years. These changes have brought new challenges for wine, but understanding what is driving change remains the single best strategy for uncertain times. This report is intended to provide the knowledge needed to understand and navigate the new U.S. wine business.

That new state of business offers opportunities for wineries willing to commit the resources to be competitive at higher prices and lower volumes in direct sales and on-premise. Despite the uncertainty regarding the lower end of the market — specifically wines priced less than \$10 per 750ml — an abundance of affordable bulk wine and uncontracted vineyards offers opportunities for new brands and product innovation. If the value side of retail can't be revitalized with innovation, then the removal of vineyards throughout the Central Valley of California will likely accelerate as the industry finds a new equilibrium between the growing premium side of the business and higher-volume, lower cost production.

Key findings



Retail sales of higher priced wines, **generally more than \$10 per 750ml bottle, have remained stable** and are likely to grow through the end of 2024 and into next year.



A significant portion of the total market volume declines were driven by retailers, wholesalers and even consumers reducing excess inventory. As inventories normalized this year, **the market is expected to revert to levels seen prior to the pandemic.**



The volume of traditional spirits **dropped by 8% in the past year, revealing that declines in 2023 were not unique to wine** and indicative of disruptions across the total beverage alcohol market.



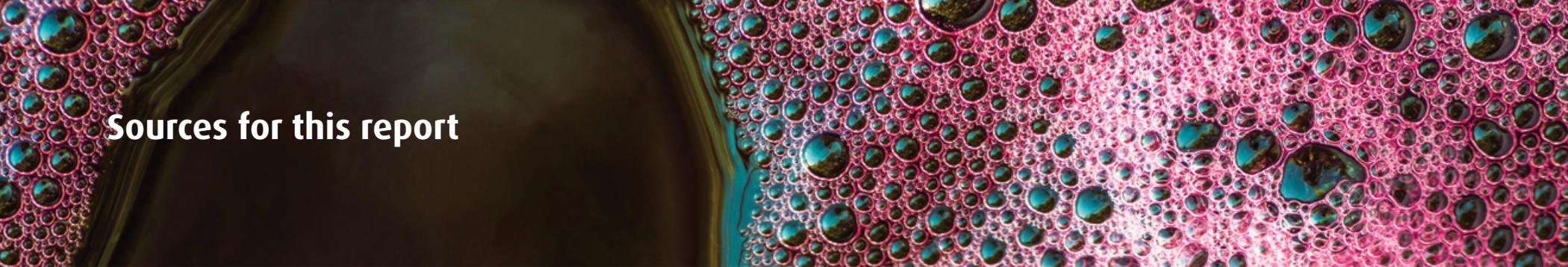
Wine drinkers account for **35% of the entire U.S. legal drinking age population**, and while that share is less than before the pandemic, it corresponds to the average since 2005. While the Baby Boomer generation still accounts for a significant portion of those drinkers, the Gen X, Millennial, and Gen Z cohorts now claim **61% of all wine drinkers.**



Nearly **30% of wine consumers say they purchase a wine priced more than \$20 monthly** if not more often. Wine drinkers are, on average, more affluent and better educated than non-wine drinkers and are also much more diverse than in the past.



Direct sales through the winery tasting rooms or wine clubs already account for a significant source of revenue for smaller wineries, which are also planning — and expect — **to increase** that business this year. Larger wineries also plan to increase their direct sales as well.



Sources for this report

Based in Napa, Calif., the **BMO Wine & Spirits Group** is one of the largest commercial lenders to the North American wine industry, providing counsel and capital to the entire ecosystem for decades. BMO helps wineries, vineyards, distilleries and key support industries such as distributors, cork and capsule producers, barrel coopers, and harvesting equipment manufacturers. The Wine & Spirits Group is able to draw on BMO's entire platform of more than 100 M&A professionals, including a team of 10 middle-market and large-scale wine M&A specialists, as well as sponsor finance and dedicated food and beverage coverage teams. BMO understands how industry and economic dynamics such as consolidation, commodity price fluctuations, and changing consumer tastes can affect wine businesses of all sizes and is able to provide guidance on navigating industry cycles, strategic advisory for buyers and sellers, and M&A finance. The **Wine & Spirits Group** is headed up by Adam Beak who has nearly three decades of experience in the business, including managing financing for some of the largest and most noteworthy M&A deals in the sector.

A comprehensive look at the total U.S. market requires accurate and objective sources of data that describe all facets of the business. At the core of this report is a bevy of economic data by the market research firms **bw166** and **Gomberg, Fredrikson & Associates**. This includes data on shipments of wine from bonded facilities as well as imported wine from the Tax and Trade Bureau and U.S. Customs. As California remains the source of nearly 90% of all domestic wine entering the market, the state's Board of Equalization (BOE) provides further information on total market volume. The Census Bureau, Bureau of Economic Analysis and Bureau of Labor Statistics provide a wealth of data that is further bolstered by data from individual states. The compilation of this data provides a look at 100% of the wine market unlike most other data sources that are challenged to measure more than half the market. Bringing all this data together is Jon Moramarco who is the founder and managing partner of **bw166** and partner and editor of the Gomberg Fredrikson Report. Moramarco has spent his entire career in the beverage alcohol sector with a primary focus on wine. Prior to his current work in market research and consulting, Moramarco spent nearly two decades as the president and CEO of subsidiaries of two global wine and spirits firms and was the president and CEO of a top wine importer and distributor serving eight states.

Since 1994, the **Wine Market Council (WMC)** has been the leading source of forward-looking market research on U.S. wine consumer buying habits, attitudes, and trends.

The non-profit group regularly conducts a major benchmark study that segments the U.S. wine drinking population into key groups such as "core" and "marginal" consumers to help its members understand what is driving wine purchases and consumption. For this report, the WMC compiled and reviewed much of that research to track how sentiment has changed over the past two decades and how it is defined today. The surveys informing those benchmark studies have been conducted with rigorous and consistent methodology. Since 2015, the WMC's research has been executed using the Caravan platform, in multiple waves of 1,000 respondents each, with total annual samples ranging from 4,770 to 5,724.

The multiple waves increase the stability of the sample while also reducing the impact of news, social media, and temporary purchase patterns among specific demographics. Survey respondents are weighted to U.S. census data for gender, age, ethnicity, household income and education. This is the first time in nearly a decade that the WMC's longitudinal data has been systematically aligned and analyzed, and that work was done by Christian Miller who is the owner of Full Glass Research. Miller has more than 25 years of experience in wine industry consumer research and analysis and is also the director of research for the WMC.

Powering the comprehensive survey of U.S. wineries is the **WineBusiness Analytics** winery database that has been rigorously maintained for more than a decade. The database is the most complete, accurate and up-to-date accounting of wineries in the United States and North America. The survey for this report was conducted between Jan. 8 and Feb. 19, 2024. Participants included winery management and decision makers at wineries of all sizes and price points across the United States. The representative sample and responses are structured to enable reporting by winery size (annual production), geographic location and the winery average bottle price. The balanced, stratified sample ensures that all wine segments are represented enabling the survey, and this report, to accurately describe the total market. Accepted statistical techniques are employed to allow segmentation as indicated in the data presented. The stratification is based on three segmentation attributes which are key to ensuring the sample is representative of the total U.S. winery universe. WineBusiness Analytics is part of the leading B2B media group that publishes *WineBusiness Monthly* and produces a slate of integral industry conferences.

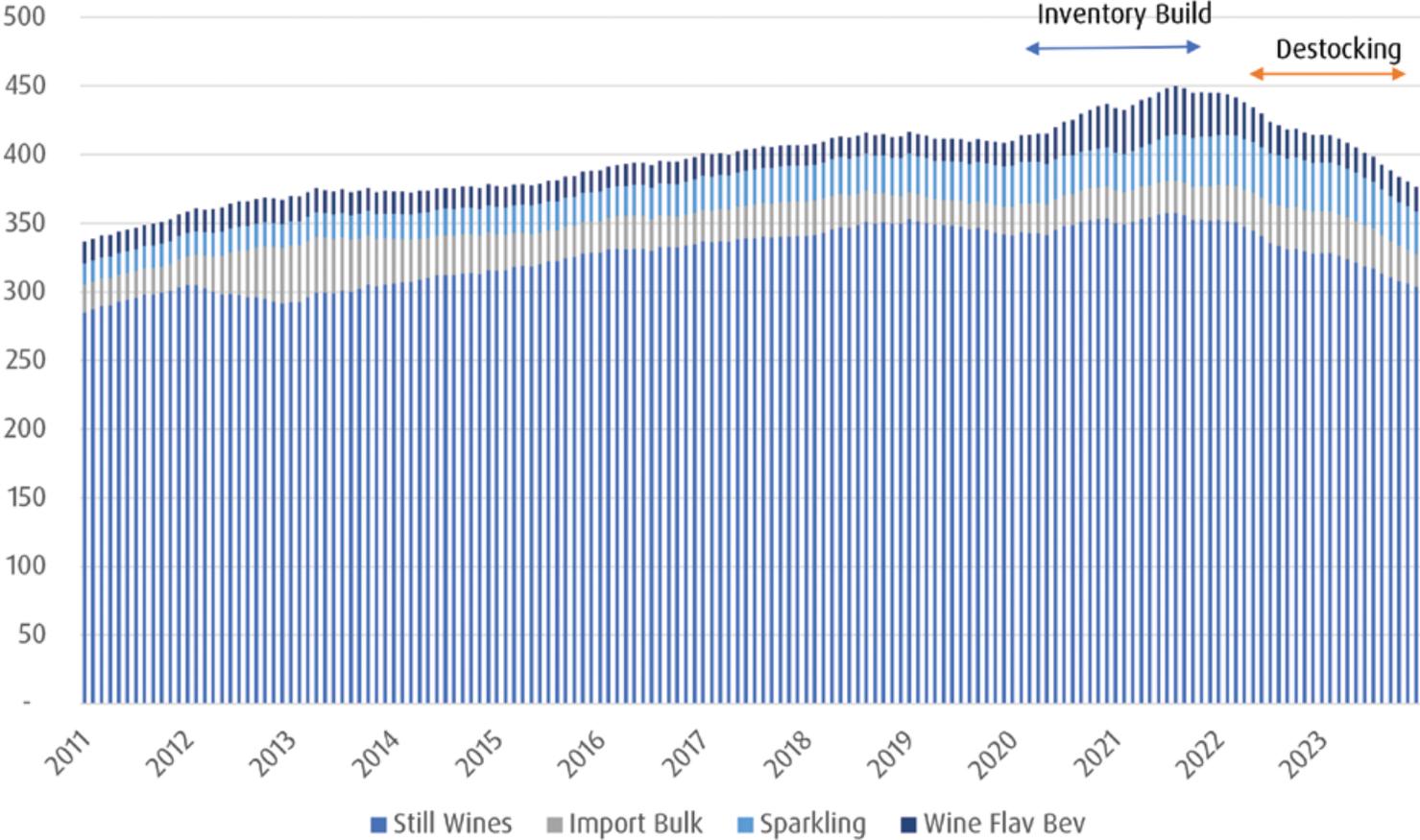
Andrew Adams, an editor and writer with the WineBusiness company, has been covering the wine industry for more than a decade and was the lead author of this report.

Headwinds persist but so do opportunities



Since 2018, total U.S. wine market value has risen steadily from more than \$73 billion to \$107 billion at an annual average rate of 6%. That simple arithmetic, however, doesn't begin to convey the momentous changes seen in the industry over those six years. In addition to the COVID-19 pandemic that largely shuttered an on-premise wine market worth \$26 billion in 2019, the period also saw the end of cheap money with the rise of interest rates, inflation and unprecedented disruptions to the global supply chain.

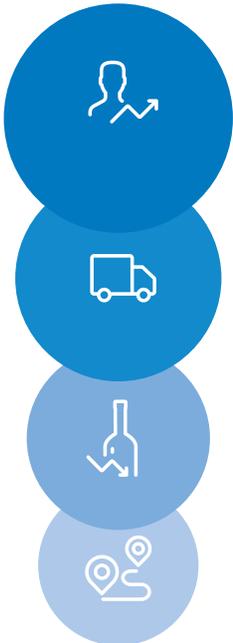
Wine shipments into US market-9L



Headwinds persist but so do opportunities

While the pandemic wrought obvious and dramatic changes to the beverage alcohol market, the other major trends have been less obvious until recently. Prior to the pandemic, the market was stable at about 410 million cases a year. Following a pandemic-fueled high point of nearly 445 million cases in the 12 months ended December 2021, total market volume has steadily declined to just over 377 million cases last year. The 10% decline in volume from 2022 to last year followed a 7% decline in total volume from 2021 through 2022. At the same time, total consumer spending grew 10% in 2022 and 5% last year.

Gomberg, Fredrikson & Associates has been tracking the flow of wine into the market since 1948. Throughout its history, the Gomberg Fredrikson Report has described a consistent relationship of winery shipments, wholesaler depletions and retail sales. The pandemic brought dramatic disruptions upsetting those consistent patterns and the effects of those are still being seen today.



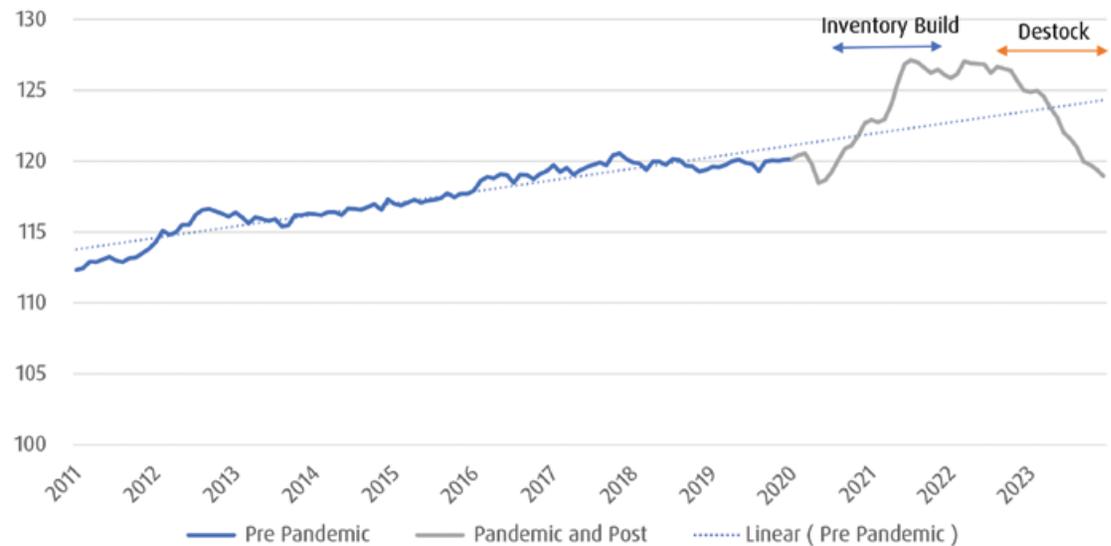
Consumers have increased spending on wine despite total volume declines

Case shipments, depletions and sales had been historically consistent until the pandemic

Relatively lower winery inventories may indicate relief for supply challenges

Exports and entrepreneurs may open new markets for premium wines

Total Beverage Alcohol Servings Index



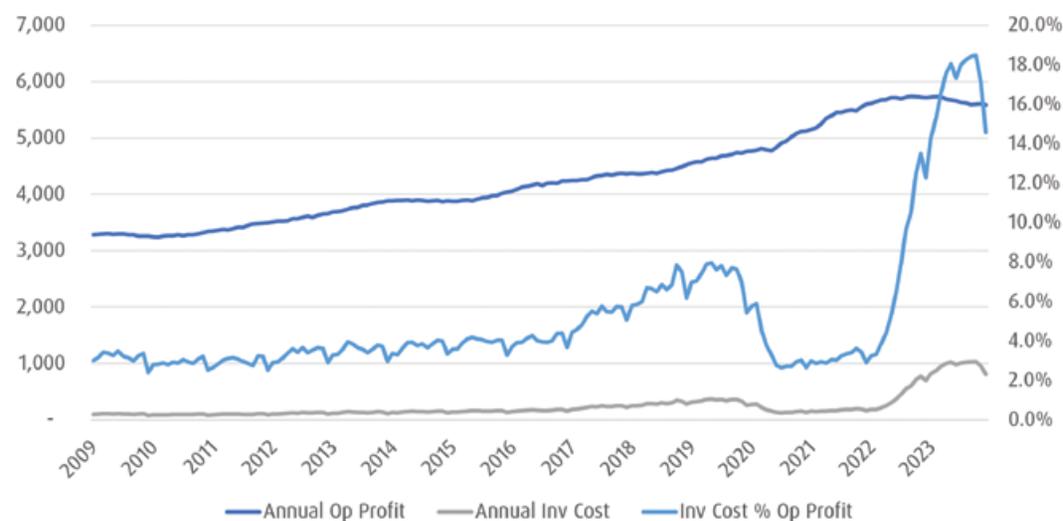
It is important to not conflate recent declines in market volume with possible changes in consumer perception. Actual consumer spending on beverage alcohol has, in fact, remained steady and grown slightly. Data from the U.S. Bureau of Economic Analysis show consumer spending on alcohol has grown in recent decades. In the past three years, inflation has elevated spending at a rate much higher than the historic norm. Personal consumer spending now accounts for nearly 68% of GDP, and beverage alcohol spending claims a 2% share. This share had fallen to a historic low of 1.8% in the previous decade.

Given the stability of consumption, the unprecedented increase in depletions that began during the pandemic appears to have triggered an equally dramatic increase of inventory by wholesalers, retailers and even consumers who filled their home pantries. As sales have reverted to “normal” trends, wholesalers and retailers shifted to destocking. This accelerated with the rise of interest rates. Prior to the pandemic, carrying costs ranged from between 5% to 6% of wholesaler operating profits, but had soared to nearly 16% by the end of last year.

One way to track inventories is by comparing total calculated servings based on product entering the market and legal drinking age (LDA) population. The LDA grew at a rate of .93% between 2019 and 2023 and the servings index tied to the LDA grew 1.2% in 2020 followed by

3.06% in 2021 and 1.2% the following year before plunging 4.6% last year. Anecdotally, the largest wholesalers reported wine depletions by retailers slowed dramatically through the key fourth quarter sales period of 2023 as they were still well stocked from previous years. The annual tasting room survey by *WineBusiness Monthly* also found more than 70% of wineries reported an increase in wine club attrition in the fourth quarter of 2023 as consumers continued to “destock” inventory by not buying more wine.

Distributor Profitability and Carrying Cost of Inventory USD (millions)



Headwinds persist but so do opportunities

Based on sales and depletion data, spirits had been outperforming total beverage alcohol and wine. This trend had started prior to the pandemic and gained momentum through it. Much of that growth in the past two years has been fueled by a new generation of ready-to-drink cocktails. In the past year, however, traditional spirits declined by 8% as the entire beverage alcohol market adjusts from excess stocks. For wine, that adjustment should see a return to total market volume of between 400 to 415 million cases by next year but then volume growth will likely flatten. Winery inventories have also fallen to levels similar to what was seen in the years prior to the pandemic.

If the total market volume does bounce back to more than 400 million cases in the next two years, it will go a long way toward alleviating the current oversupply between winegrape production and wine demand. In 2023, California growers produced more than 4 million tons and industry estimates are that up to 375,000 tons went unpicked because of scant demand. The state’s largest grower co-op has been urging the corrective removal of thousands of acres, and while vines are being pulled, total market volume growth would provide even more immediate relief to a grape market burdened by oversupply. The unfortunate reality of growing grapes today is that climate change has exacerbated extreme weather while wildfires and smoke contamination have become routine, seasonal risks in every major grape region on the West Coast. Such events do help bring the grape and wine markets into balance as seen during the wildfires of the 2020 vintage. A catastrophic freeze in British Columbia earlier this year has led to increased demand for grapes and bulk wine from Washington state.

Table wine in US food stores 9L–under \$10.00

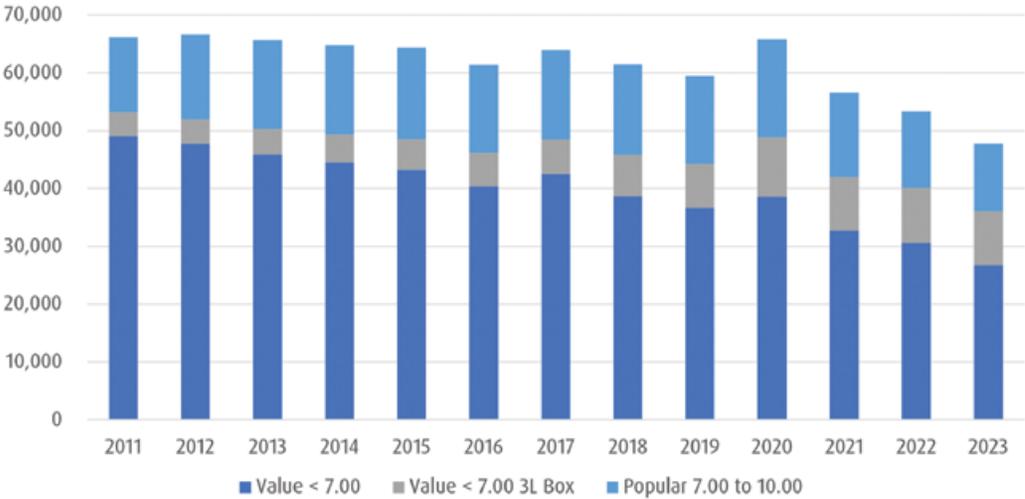
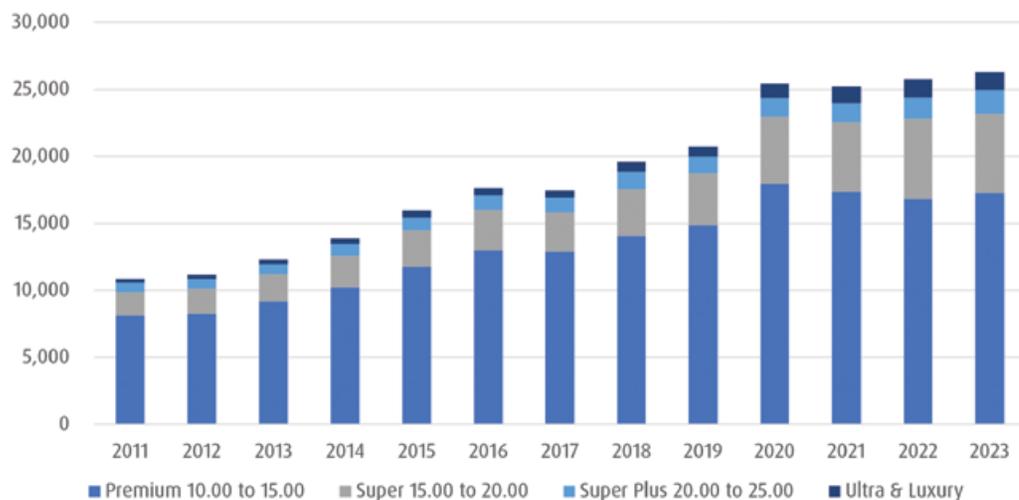


Table wine in US food stores 9L–over \$10.00



Increased retail sales would also go a long way toward fixing oversupply, but the value end of the retail market likely won't be the source of that growth. Over the past decade, sales of wine priced \$7 to \$10 per bottle via food stores have declined from \$1.6 billion to \$1.2 billion. All wines priced less than \$10 in food stores have declined by more than 22% by volume since 2014. This side of the market has long been supported by those of the Baby Boomer generation who are increasingly reducing their drinking as they grow older. Price increases and product innovation have also made this a much more competitive market while also making wine more vulnerable from other categories. Consider that popular retail wine brand Josh has an average cost, according to suggested retail prices, per serving (5 ounces) of \$2.56 while the Modelo lager comes in at \$1.50 and White Claw seltzer averages \$1.58 per serving (12 ounces). Jack Daniel's from a 1.75L bottle plus mixer works out to \$1.19 per serving (1 ½ ounces and 4 ½ ounces).

Sales growth has, however, occurred for wines priced more than \$10 per bottle. In 2023, sales of all wines in food stores priced more than \$10 came to \$4.8 billion, which is 34% more than in 2019. While much of that growth came in 2020, sales value and volume have remained steady unlike wines priced less than \$10. Declines among value priced wines have come in step with a similar increase in competitively priced beverage alcohol products. As inventories stabilize, wineries need to focus on maintaining or building market share with products that are made and priced appropriately for current opportunities in retail.

While the United States remains the market of ambition for wineries around the world, there is room for more U.S. wineries to send wine in the opposite direction. According to the survey, 29% of all wineries sell to export markets and many of those planned to increase that trade this year. Partners here and abroad can help facilitate those sales, and foreign direct sales is an option too as the long-lasting legacy of Prohibition has made it easier to legally ship wines directly to consumers in foreign countries than some U.S. states.

Excess grape supply should spur innovation either by small startups taking advantage of uncontracted, high-quality grapes from well-known appellations to launch brands targeted toward younger consumers or larger producers that have the sales and distribution network to create a wine cooler for the 21st century. Wine-based RTDS, sparkling wine in innovative packaging and bold, flavor-forward winemaking and marketing have performed better than wine overall and could continue to spur trial by all consumers in near-term. The on-premise market, especially in states such as Michigan and Virginia where regional wine industries are thriving, is another fertile area for innovation to recruit new wine drinkers.

Understanding the wine consumer



Attitudes toward drinking have changed yet consumption stable



Core wine consumers remain loyal



Higher priced wines are a regular purchase for most wine drinkers



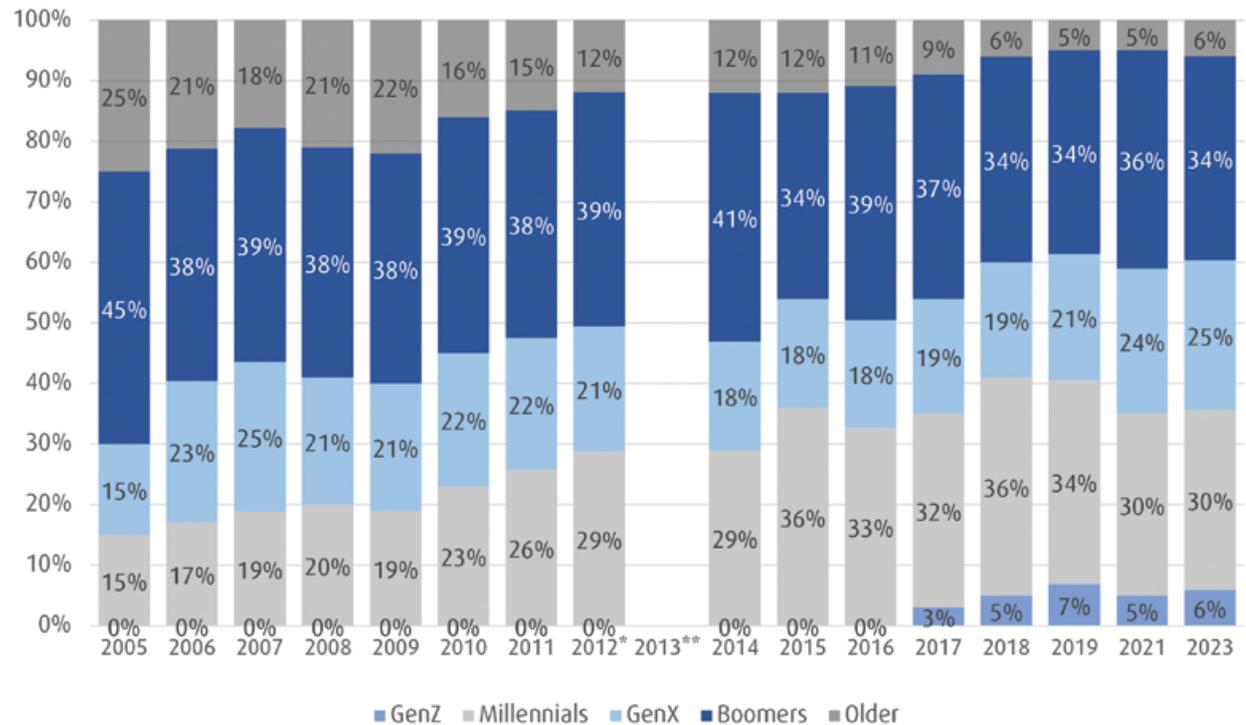
Wine drinkers becoming more diverse

61%

of all wine drinkers are comprised of Millennial, Gen Z and Gen X while Baby Boomers are still a significant portion of wine drinkers.

According to Gallup data, the share of Americans who view moderate drinking as bad for their health is 39% and that is the highest it's been since tracking began in 2001. Over the same period, the share of Americans who think moderate drinking is good for their health has fallen to 10% from 22%. Younger Americans, specifically those between the ages of 18 and 34, also tend to have a much more negative view of drinking with 52% saying they think moderate drinking is detrimental to health. Research by WMC found that Gen Z and Millennial wine consumers exhibit a higher rate of believing that alcohol is not part of a healthy lifestyle or diet. However, the greatest increase in rates of abstinence from alcohol since 2019 has been seen in consumers aged 60 and older.

% of wine drinkers by generation 2005-2023

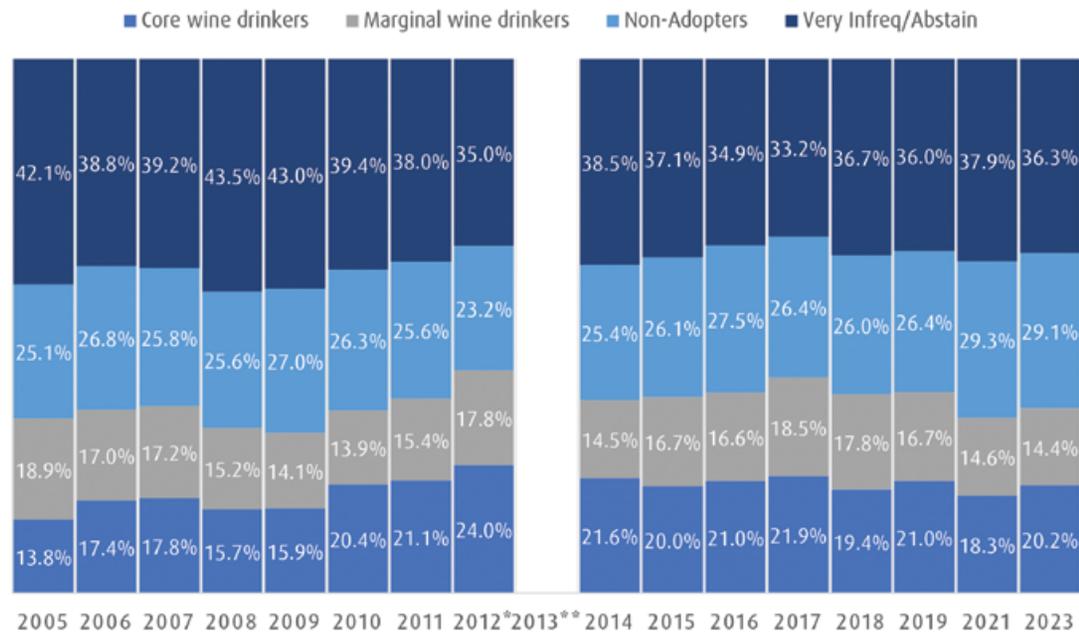


* Reduced Cores & Marginals 1% each, to reflect change in wine drinker definition encompassing sparkling wine drinkers who don't drink table wine (2% of LDA).

**Transitioned to ORC Caravan methodology in Jan 2014

Understanding the wine consumer

Consumer segmentation 2005–2023



Long-term trends based on the U.S. legal drinking age population and total market data, however, show that total consumption per capita has remained largely stable since the mid-90s. Since 1996, the consumer survey data by Gallup indicates Americans enjoy three to four alcoholic drinks a week. The calculated number of servings based on product entering the market, LDA population and other factors suggest actual consumption is four times these figures. From another perspective, spending on beverage alcohol as tracked by the Bureau of Economic Analysis shows a significant increase over time while the estimated spending based on Census Bureau data has stayed much more stable. In 1985, what Americans estimated they spend on beverage alcohol accounted for 68% of actual consumer spending. By 2022, the share of estimated spending had shrunk to just 36% in 2022. Americans appear to understate their beverage alcohol consumption and spending when surveyed much like when their doctor asks about their drinking. The current cultural trendiness of being “sober curious” provides another incentive for the average consumer to understate consumption.

According to the WMC, wine drinkers account for 35% of the total U.S. legal drinking age population. While that corresponds to the average since 2005, wine’s share of the LDA population has fluctuated and ranged between 36% and 42% from 2014 to 2019.

Wine drinkers have historically, and continue, to skew female. However, the gap in proportion of females vs. males who drink wine has widened since 2014. In 2023, 33% of males surveyed drink wine compared to 38% of females. In contrast, since 2014, males have constituted the highest share, typically more than 60%, of non-adopters, or people who drink beverage alcohol but eschew wine.

Core wine drinkers — defined by the WMC as enjoying wine at least once a week or more — are the key drivers of demand. An increasing share of these drinkers are also defined as “high-end” consumers who spend \$20 per 750ml at least once a month. Core wine drinkers accounted for 58% of all wine drinkers in 2023. While that share has increased in recent years, it’s primarily from the decline in marginal wine drinkers rather than growing numbers of core wine drinkers.

Wine drinkers are more affluent than the total LDA population, with 53% of wine drinkers earning more than \$100,000 a year compared to just 34% for non-wine drinkers, according to the WMC. Fifty-two percent of wine drinkers have a college degree and 71% own a home.

* Reduced Cores & Marginals 1% each, to reflect change in wine drinker definition encompassing sparkling wine drinkers who don’t drink table wine (2% of LDA).

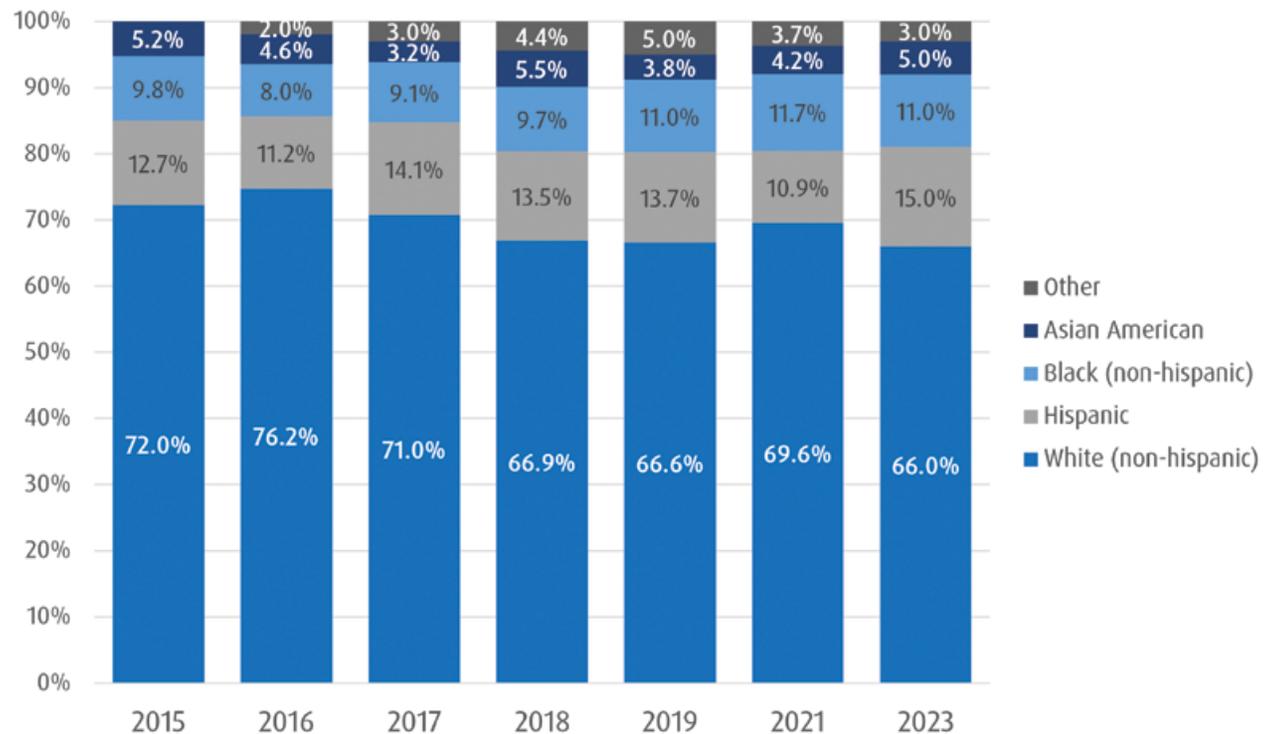
**Transitioned to ORC Caravan methodology in Jan 2014



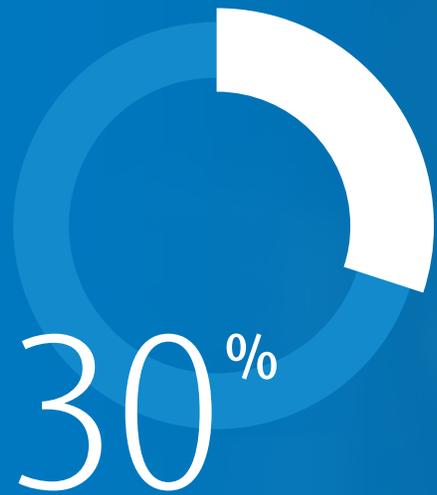
By ethnicity, the share of wine drinkers who are white, non-Hispanic has declined steadily since 2015 and the group accounted for 64% of all wine drinkers in 2023. Other ethnic groups have increased in share, with Hispanic drinkers accounting for 13% of all wine drinkers in 2015 and 15% in 2023. Black wine drinkers accounted for 11% of all wine drinkers in 2023, up from 10% in 2015. Asian-Americans accounted for 5% of all wine drinkers in 2023 and “other” groups claimed 3%. This has been driven mainly by shifts in the population; non-Hispanic whites still account for a somewhat higher share of wine drinkers than of the adult population.

While the changes among wine drinkers are in line with that of the wider U.S. population, WMC research shows the gap in proportions drinking wine has shrunk considerably for Black and Asian-Americans versus non-Hispanic whites. In addition, Hispanic Americans are the fastest growing ethnic segment; so the key trend is a diversification by many ethnicities.

% Share of wine drinkers by ethnicity 2015–2023



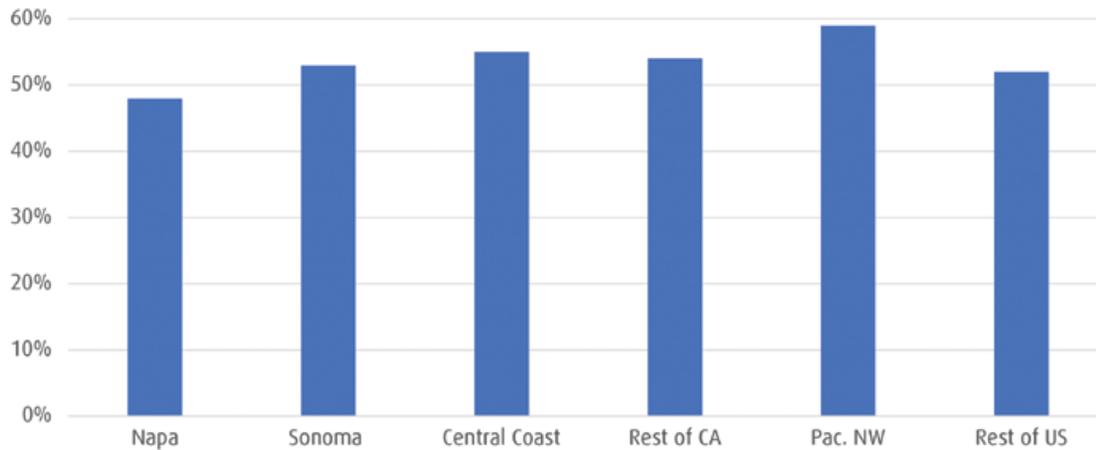
Direct insights from U.S. wineries



of wine consumers say they purchase a wine priced more than \$20 monthly if not more often.



Share of reporting wineries reporting 2023 sales increase or even with 2022



Despite unprecedented increases in the cost of doing business, growing concerns about the next generation of drinkers and a less than stellar tourism season, most U.S. wineries reported 2023 was as good as, or better than, expected. According to the winery survey, 55% of all wineries experienced sales growth or held even with 2022.

To segment by geographical region, the survey used Napa and Sonoma counties, the Central Coast of California, rest of California, the Pacific Northwest, and the rest of the United States. By region, the Central Coast and Pacific Northwest both reported the highest number of wineries with sales growth at 48% each. In Napa County, 31% saw a sales increase while Sonoma County wineries enjoyed a slightly better year with 38% reporting an increase and that was similar to the rest of California at 35%.



Many wineries did well in 2023 despite total market challenges

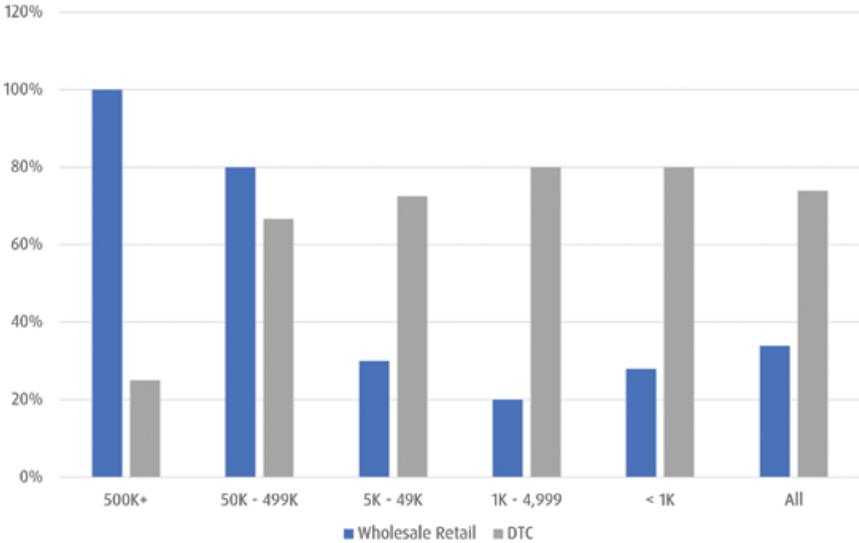
Wineries at higher prices looking to expand

Economy and cost remain top concerns

Larger wineries are looking to brand expansions, smaller remain focused on DTC

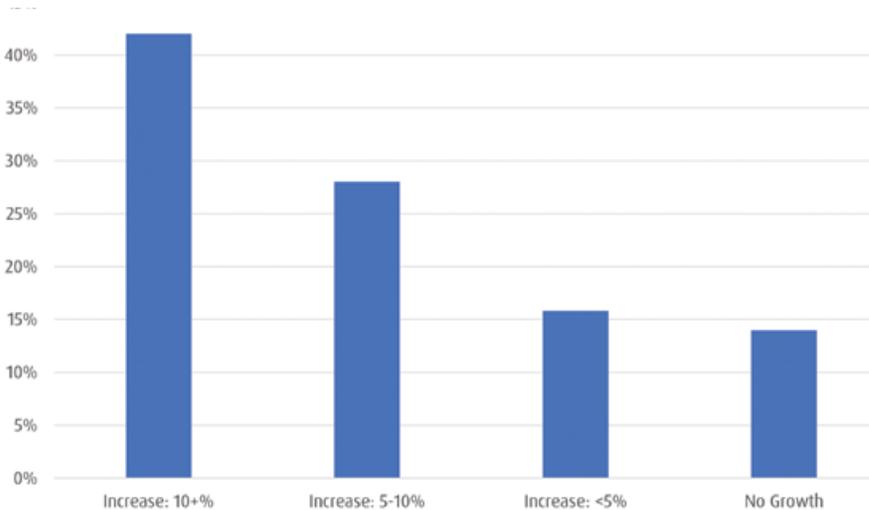
Direct insights from U.S. wineries

Source of 2023 sales increase vs 2022



In addition to geographic location, the survey also organized results by winery size based on average annual case production and the average price of all SKUs. For all wineries reporting a sales increase in 2023, the median was 10% growth. These sales increases occurred in the DTC channel for 74% of all wineries followed by retail and wholesale channels. Larger wineries did the best in wholesale sales while the highest number of small wineries reported DTC increases.

Sales expectations next five years

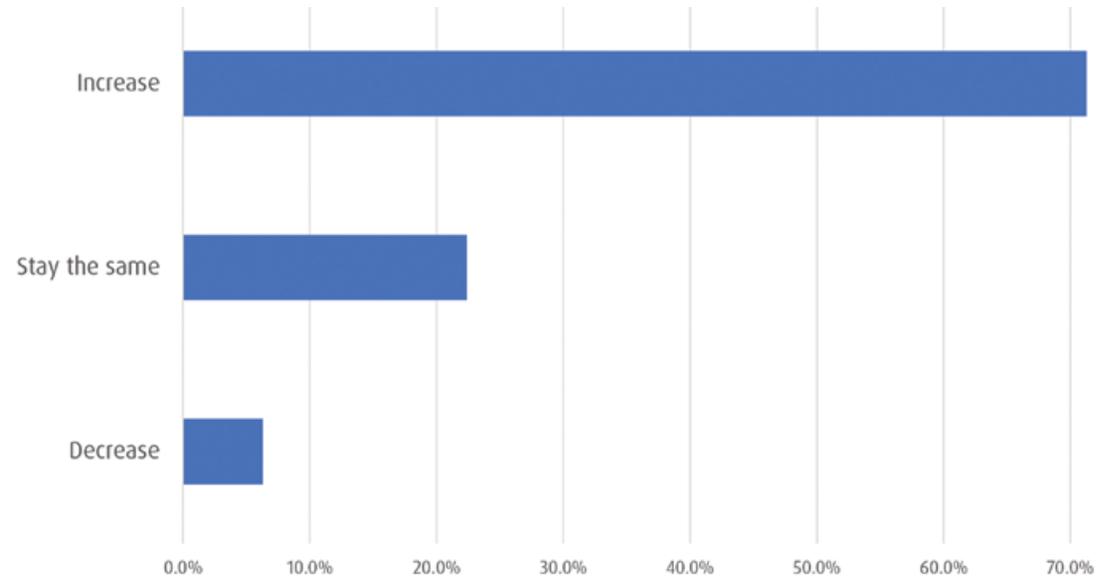


Smaller, premium wineries are also much more optimistic with 40% of those producing between 1,000 and 5,000 cases expecting growth of more than 10%, and 34% of wineries with an average price of more than \$50 having similar expectations. Optimism here can also be attributed to the ongoing recovery of the on-premise sector. Rather than having to shift product back into the direct sales channel or retail, wineries were able to plan on a balanced sales year because of a fully reopened restaurant sector no longer burdened by inventory that went unsold during the pandemic.

Over the next 10 years do you expect the total value of US wine market to

increase 10%+	12.7%
increase 5-10%	25.9%
increase 0-5%	23.7%
stay the same	1.0%
decrease 0-5%	18.5%
decrease 5-10%	12.7%
decrease 10%+	5.5%

Do you expect sales compared to 2023 to



When reporting expectations for their winery over the next 5 years, 26% of the largest wineries predict their own sales will grow by more than 10% and that is the same as wineries with an average price of less than \$20. Forty-two percent of wineries with an average price of between \$20 and \$50, however, expect their sales to increase by more than 10%, and 49% of wineries producing between 50,000 and 500,000 cases do expect their sales to grow by between 5% and 10%.

Direct insights from U.S. wineries

Choose primary approach to increasing total revenue

Increase club sales and members	23.4%
Increase wholesale sales or accounts	17.5%
DTC	14.7%
Expand into new markets	11.1%
Digital marketing	9.5%
Raise prices	6.6%
New brands or line extensions	5.2%
New distributor(s)	3.6%

From where will these increased sales come? Most wineries appear to be planning on growing sales in the channels where they already are enjoying growth.

Nearly a quarter of all wineries are planning to increase their wine club sales and number of wine club members. Another 15% plan on increasing DTC sales as a proportion of their total revenue. This focus on DTC is offset by more than 17% of all wineries looking to increase their wholesale sales or points of distribution while 11% of U.S. wineries are planning to expand into new markets.



When presented with a list of the issues widely perceived as the biggest challenges to the wine industry and asked to rank their top concerns, the wider U.S. economy and slowing sales are the biggest worries for wineries of all sizes, across all regions and at every price point. Bringing a white wine to market in the same year as the vintage is possible but red wines can require several years before they are ready to be sold. That delay compels most wineries to rely on lines of credit or asset-backed debt to pay for operations and materials such as bottles and corks. Rising interest rates have made that regular borrowing considerably more expensive, creating even more margin pressure in an industry that has never been known for exceptional profits.

Larger wineries are more concerned with anti-alcohol sentiment among consumers and as part of health advisories issued by government groups. This is much less of a concern for smaller wineries that are instead more concerned by government regulations that directly affect their business. Neither large nor small wineries see environmental issues such as water availability as a major challenge to their business.

Choose primary approach to increasing total revenue by size

Annual case production	New distributor(s)	New markets	DTC	Club sales	Digital marketing	Raise prices	New brands or line extensions	Wholesale sales
500k+	0.0%	5.3%	5.3%	0.0%	5.3%	5.3%	36.8%	26.3%
50k - 499k	0.0%	15.2%	9.1%	6.1%	3.0%	12.1%	3.0%	42.4%
5k - 49k	4.2%	9.2%	17.6%	20.4%	8.5%	5.6%	5.6%	21.1%
1k - 4,999	6.0%	12.0%	16.7%	30.7%	9.3%	7.3%	2.7%	8.7%
< 1k	1.0%	12.4%	11.3%	26.8%	14.4%	5.2%	3.1%	15.5%

Considering strategies for increasing revenue this year and beyond, wineries large and small are looking to direct sales and distribution. Nearly a quarter of all wineries are planning to increase their wine club sales and number of wine club members while another 15% plan on increasing DTC sales as a portion of their total revenue. More than 17% of all wineries are looking to increase their wholesale sales or points of distribution while 11% of U.S. wineries are planning to expand into new markets.

Nearly 40% of wineries producing more than 500,000 cases a year planned to increase revenue this year with new brands or line extensions, while more than 42% of wineries making more than 50,000 cases a year are hoping to increase wholesale sales. Wineries with the lowest average prices are similarly focused on increased wholesale sales or distribution, while those with an average price of more than \$50 are looking to increase their club business.

Only 7% of all wineries are considering price increases this year, which makes sense given the increases in wine prices in the past two years.

Conclusion



The reality of the U.S. wine business in 2024 is that it is stronger than many assume and continues to provide opportunities for growth for most wine producers. The previous two decades were a period of remarkable expansion that lifted wineries of all sizes. While the pandemic may seem like an inflection point, the change in the total market began well before 2020. The rising tide may have ebbed, but the tempests of the past four years have come to an end and wineries must now chart a course through a competitive market. While the fight for market share will be challenging, the wine industry remains supported by loyal consumers who are still purchasing high-quality wines at premium prices.

The implication is that the low end of the U.S. wine industry may be approaching an existential moment. The largest U.S. wine companies account for more than 80% of all wine production and nearly all the grapes supporting this part of the market are grown in the Central Valley of California. If these companies cannot, or won't, innovate and create a new market for these grapes, the vineyard removals already begun in earnest may become permanent rather than a short-term, corrective measure.

While transformed by the pandemic, the on-premise sector offers another route to directly engage with consumers while also expanding the profile of one's brand regionally and nationwide. The ongoing strength of cocktails in this sector could be an opening for wine-based mixed drinks. More affordable by-the-glass options facilitated by new packaging formats could serve existing wine drinkers and entice new ones. A consolidated and competitive national retail market will be harder to support sales growth for wineries in the challenging middle tier of producing more than 50,000 cases, yet that amount of production could well serve a strategic shift to expand on-premise distribution and new DTC markets.

Increasing sales from DTC does not preclude wholesale sales. For mid-tier and larger wineries, a strong hospitality program can lead to increased retail sales, especially when wineries can create a memorable and approachable experience for wine country visitors who in turn buy wines at their local stores when they return home. A two-pronged sales approach may require tough choices as maintaining and expanding wholesale growth increasingly requires a commitment by wineries to expand and train sales teams to support their partners in distribution.

With the total market likely to remain flat or decline slightly and consumers at their limit for price increases, wineries need to take steps now to proactively protect their business in the coming year and foreseeable future.



While the fight for market share will be challenging, the wine industry remains supported by loyal consumers who are still purchasing high-quality wines at premium prices.

Appendix

Sources & methodologies

- Methodology – Survey of U.S. Wineries for the U.S. Wine Partnership
- The winery survey results cited in this report are from an online survey conducted by WineBusiness Analytics. The survey collected 2023 performance metrics and sentiment looking forward.
- Research was conducted between January 8 and February 19, 2024.
- The survey participants include winery management and decision-makers, including contacts at wineries of all sizes and pricepoints across the U.S.
- The sample participants and structure are obtained using the total universe of over 11,000 U.S. wineries maintained in the WineBusiness Analytics database.
- The representative sample and responses are structured to enable reporting by winery size (annual production), geographic location and the winery average bottle price.
- The balanced, stratified sample ensures that all wine segments are represented.
- This enables us to accurately report information for the total market. Accepted statistical techniques are employed to allow segmentation as indicated in the data presented.
- The stratification is based on three segmentation attributes which are key to ensuring the sample is representative of the total U.S. winery universe.
- A total of 630 questionnaires were received. This represents 5.4% of the universe. Results from over-sampled or under-sampled cells were weighted to accurately reflect the population of wineries.

2024 sample composition – U.S. Wine Partnership

Winery location	Sample %	Universe %	Universe
Napa	16%	11%	1,245
Sonoma	12%	8%	943
Central Coast	8%	8%	970
Rest of CA	14%	15%	1,729
Pacific Northwest	16%	15%	1,757
Rest of US	34%	43%	4,941
Total	100%	100%	11,585

Winery size (annual case production)	Sample %	Universe %	Universe
< 1,000	21%	50%	5,797
1,000 – 4,999	32%	32%	3,706
5,000 – 49,999	33%	15%	1,753
50,000 – 499,999	9%	2%	255
500,000+	5%	1%	74
Total	100%	100%	11,585

Winery average bottle price	Sample %	Universe %	Universe
Under \$20	20%	28%	3,192
\$20-50	62%	59%	6,842
Over \$50	18%	13%	1,551
Total	100%	100%	11,585

Methodology of WMC Benchmark Segmentation surveys

- The WMC Benchmark Segmentation survey has been run continuously since 2000. It originated in a 1997 survey of legal drinking age consumers that established fundamental benchmarks of wine consumption in the U.S. and attitudes of various consumer segments towards wine. In 2000 it was decided to produce a similar survey on a regular basis, to keep members and the industry in general informed on wine consumers. The survey was run annually in most years from 2000 to 2019, then on a biannual basis in 2021 and 2023. A number of core questions are asked in the same format every year, to provide tracking and trend data comparable between years. The WMC Benchmark Segmentation survey is the longest running substantial survey of wine consumers in the U.S. In any given year, it is typically one of the largest and most representative surveys of U.S. wine consumers.

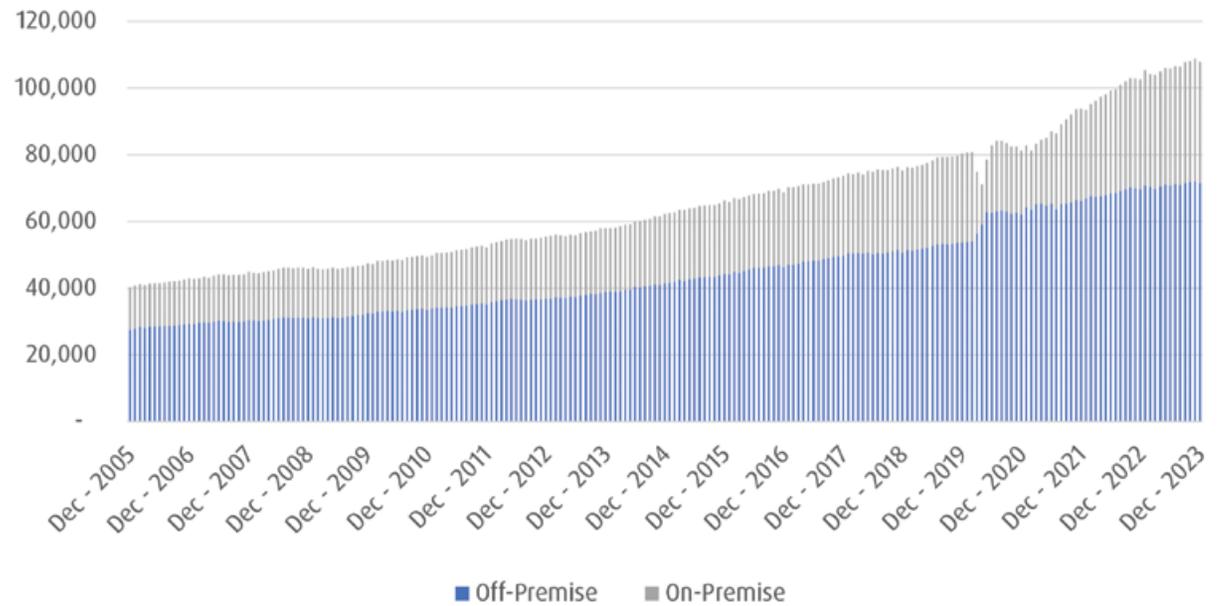
Sources & methodology market data

Provided by bw166 llc and Gomberg & Fredrikson.

- Sourced from multiple government data sources, many of which are outlined on page 5.
- In addition to government data, syndicated data such as Nielsen and IRI, industry reports, and industry news are used to supplement and validate data not available from government sources.
- The methodology measures the total market unlike most data sources that only measure a portion of the market.
- The aggregation of data uses proprietary algorithms to consolidate the data for the total market.

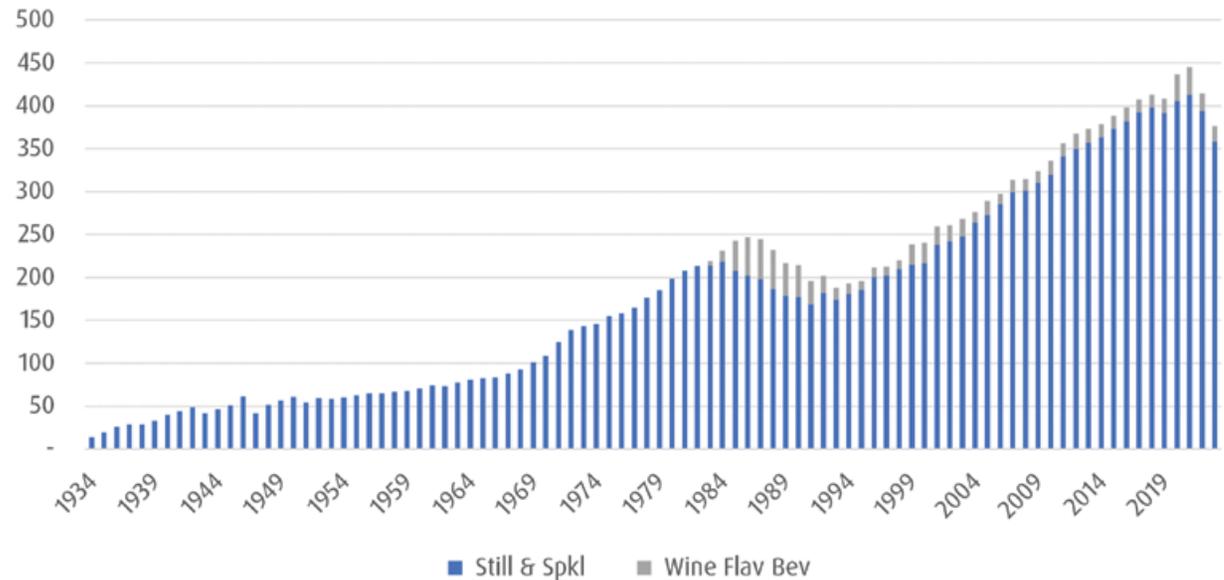
- The chart at right is more detail to the market value on page 6.
- Off-premise data is sourced directly from the Bureau of Economic Analysis.
- On-premise is an extract from the Bureau of Economic Analysis for Total Beverage Alcohol. The wine portion calculated by bw166.

US consumer spend on wine USD (millions)

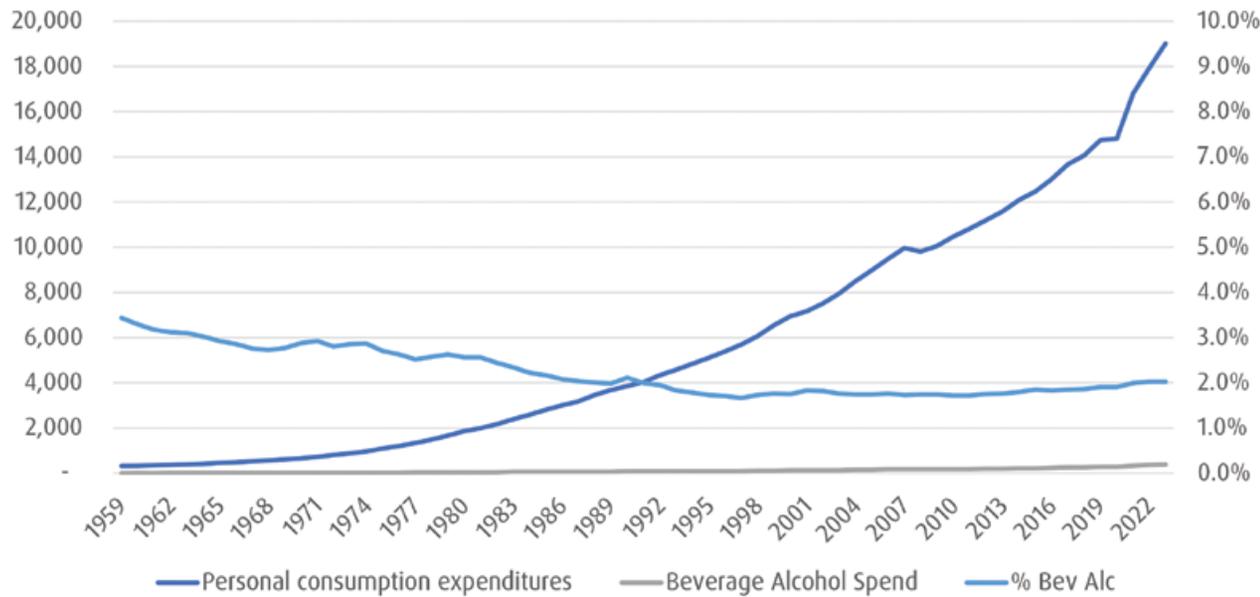


- The chart at right provides a longer-term perspective of the slide on page 7.
- Data sourced from the TTB and Customs data.

US wine market 9L (millions)

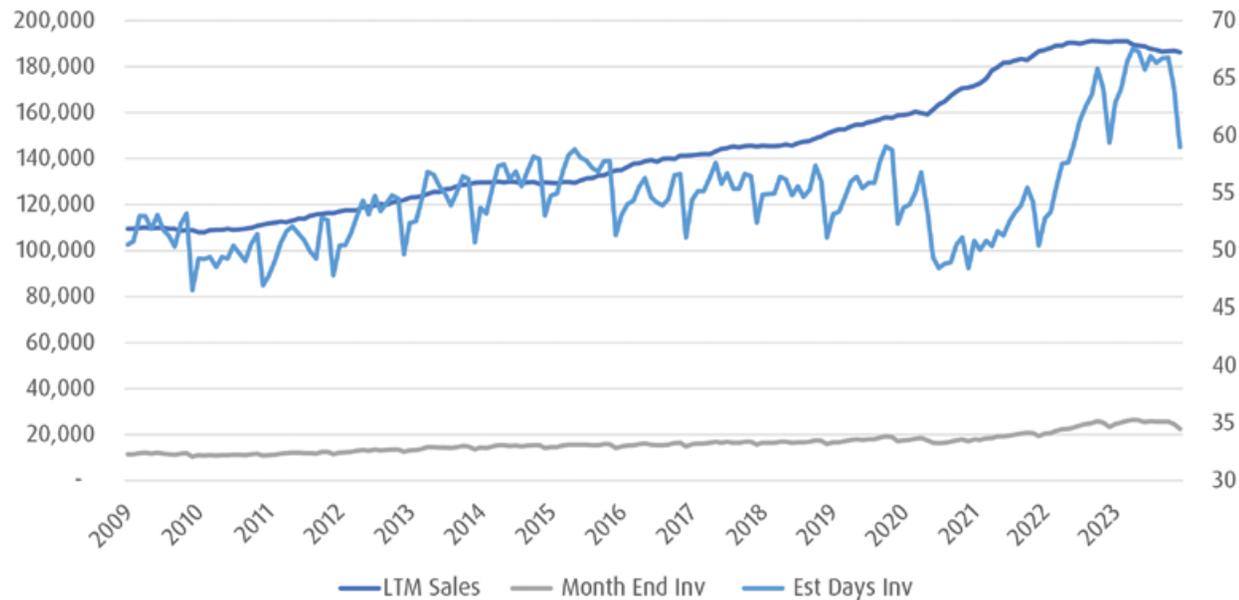


US consumer spending USD (billions)



- Page 9 Consumer spending on Beverage alcohol relative to Total Personal Consumption Expenditures.
- Source Bureau of Economic Analysis.

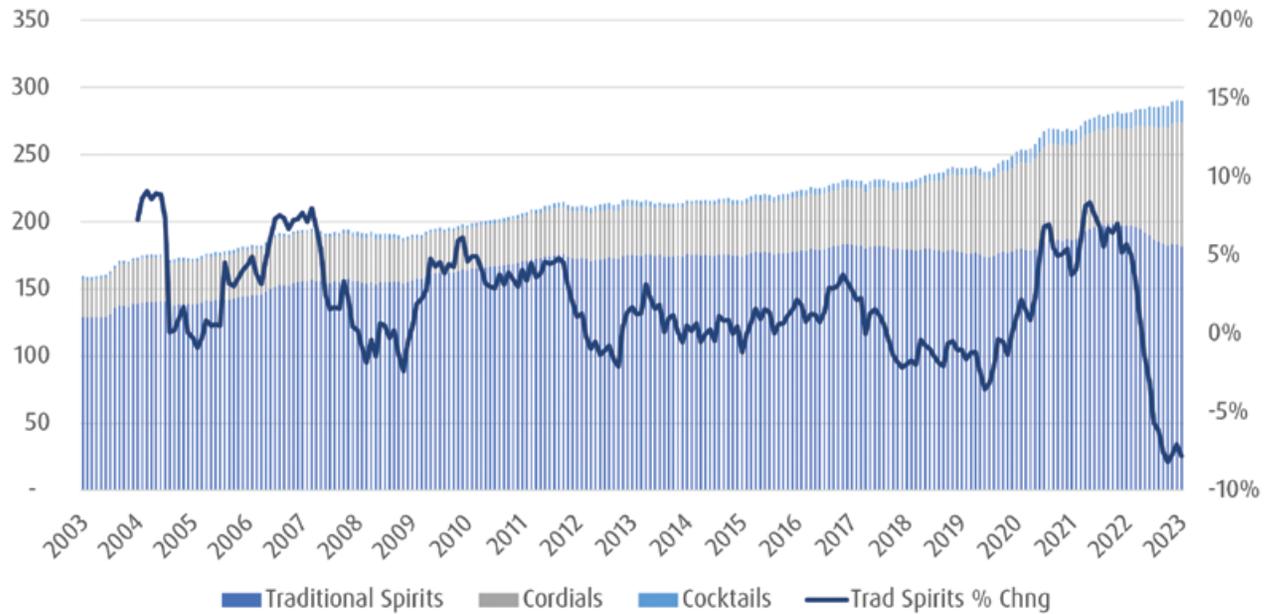
Beer, Wine, Spirits Wholesalers – USD (millions)



- Supplement to slide on Page 9.
- The source for both charts is the Census monthly survey of Beer, Wine, and Spirits Wholesalers.
- Last twelve month sales are used to smooth out monthly variations and assume a 25% gross profit margin to calculate days inventory.
- Also assumes carrying costs of inventory over 30 days is 2% over the federal funds rate, a 3% of sales operating profit for distributors.

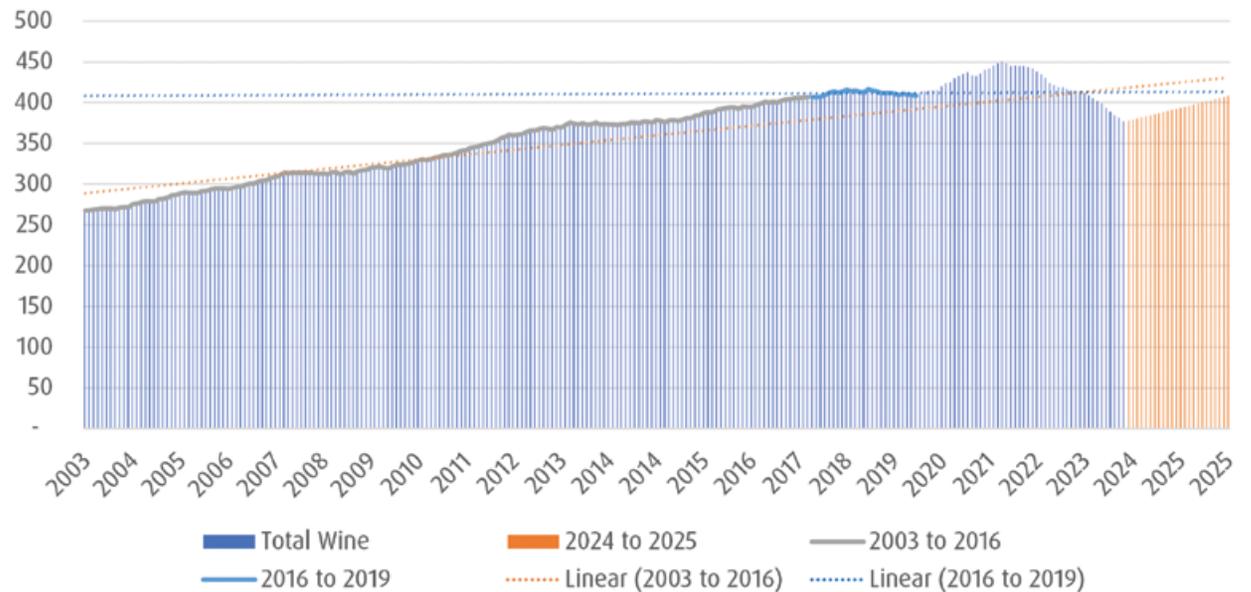
- Backup to 8% decline in traditional spirits on page 10. Source TTB and Customs data
- Note: TTB cocktail definition only includes cocktails that have gained trade and consumer recognition. This means that a Gin & Tonic RTD would be classified a cocktail by TTB. A Vodka Spritzer with lime juice is classified under cordial. Flavored Gin, Vodka, Whiskey, etc., are also classified as cordials.

US Distilled Spirits shipments 9L (millions)

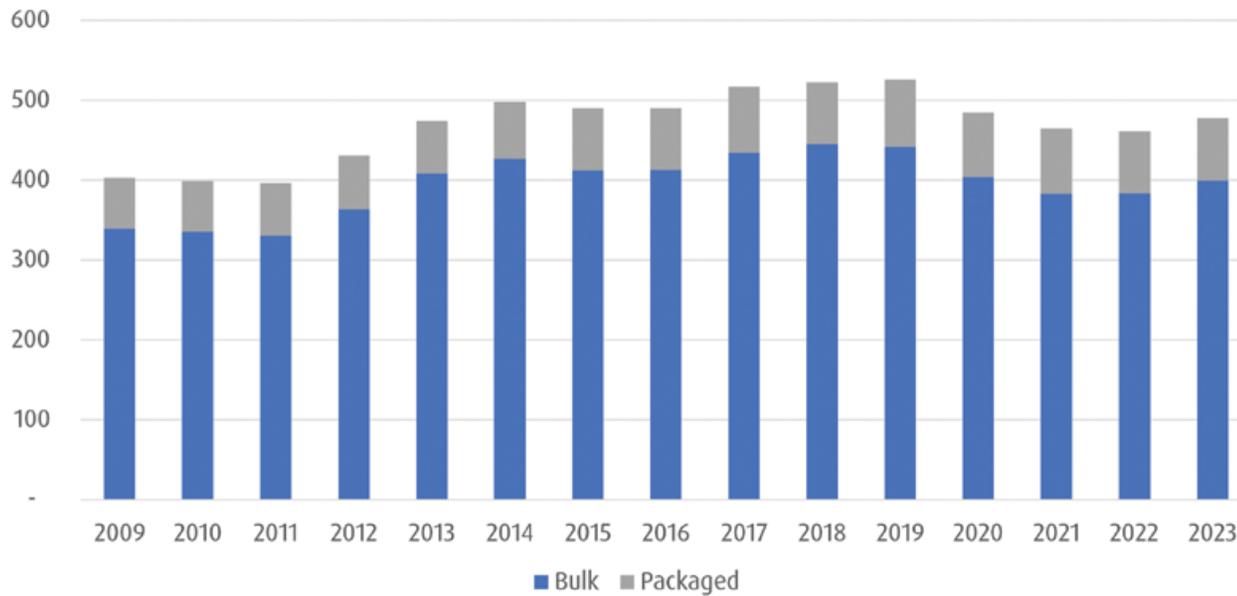


- Page 10 estimate of return to 400 Million plus case wine market.
- Assumes returns to 2018/2019 volumes and trends.

US wine market 9L (millions)

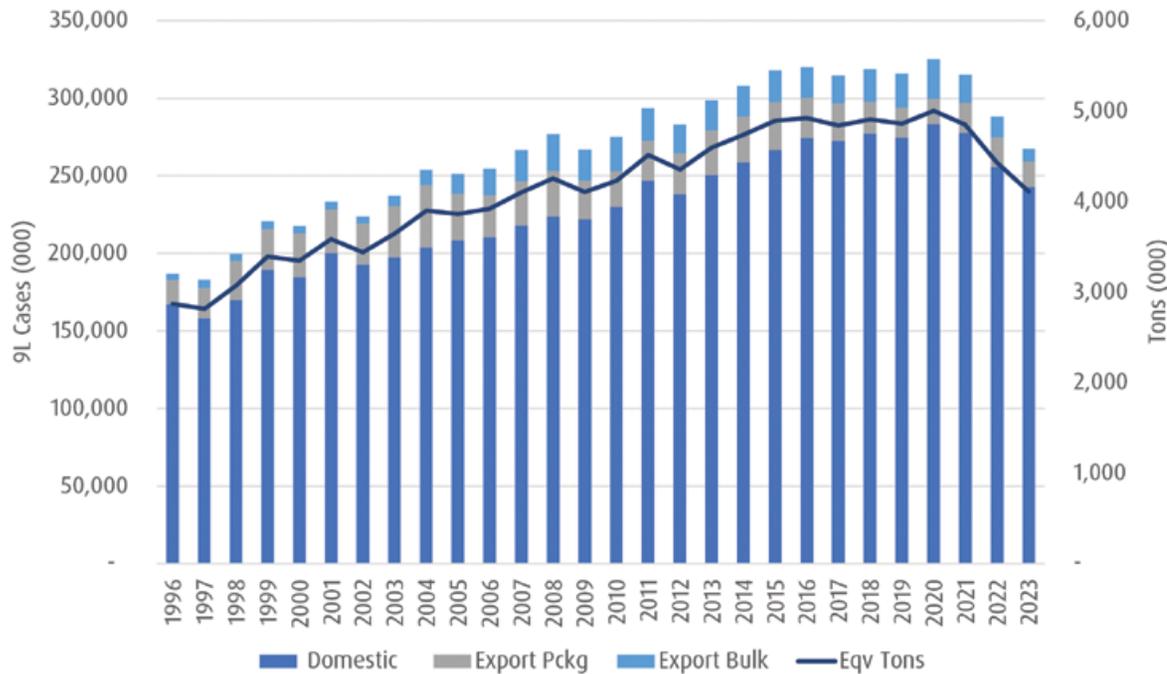


TTB December month end inventory 9L eqv. (millions)



- Page 10 winery inventory levels.
- Source TTB

Domestic winery shipments



- Page 10 Conversion of US winery shipments to grape tons.
- Excludes bulk imports and packaged imports.
- Assumes 65 9L cases per ton.

- Page 13.
- Gallup survey data on perceptions of moderate drinking.

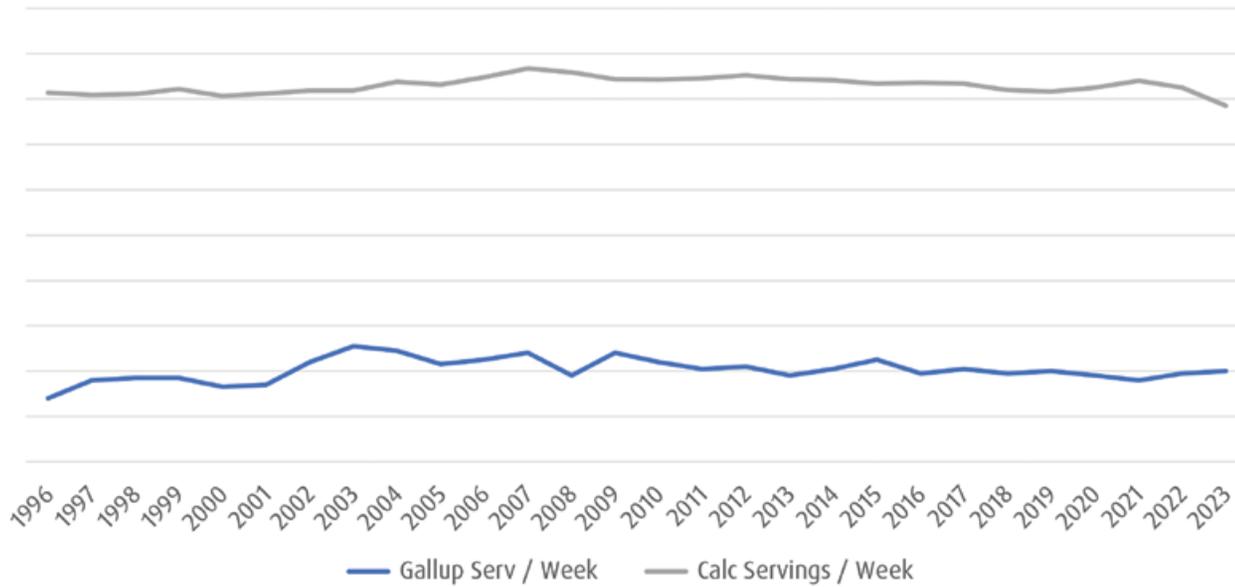
Gallup – More Americans view moderate drinking as bad for health

Year	% Good for health	% Makes no difference	% Bad for health	No opinion
2001	22	46	27	5
2003	24	49	25	2
2005	25	51	22	2
2007	22	49	25	4
2011	22	50	25	3
2015	17	52	28	3
2016	19	51	26	4
2018	16	55	28	1
2023	10	50	39	1

Gallup – Moderate drinking detrimental (percent of age band)

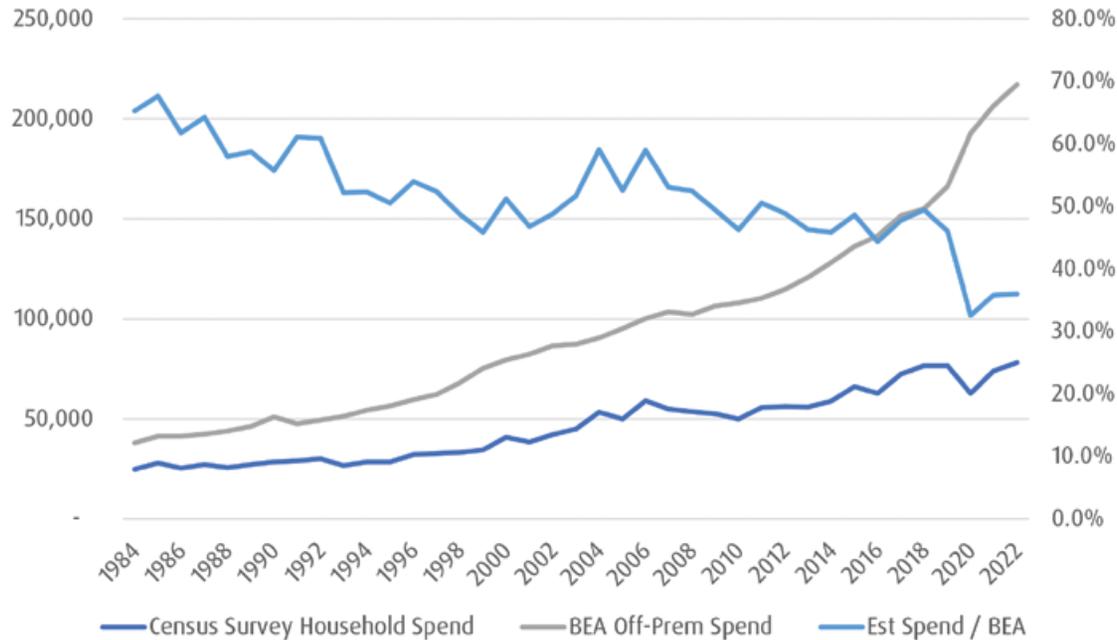
Age Band	2018	2023	% Change
18-34	34	52	18
35-54	26	39	13
55+	26	29	3

Servings per week per LDA



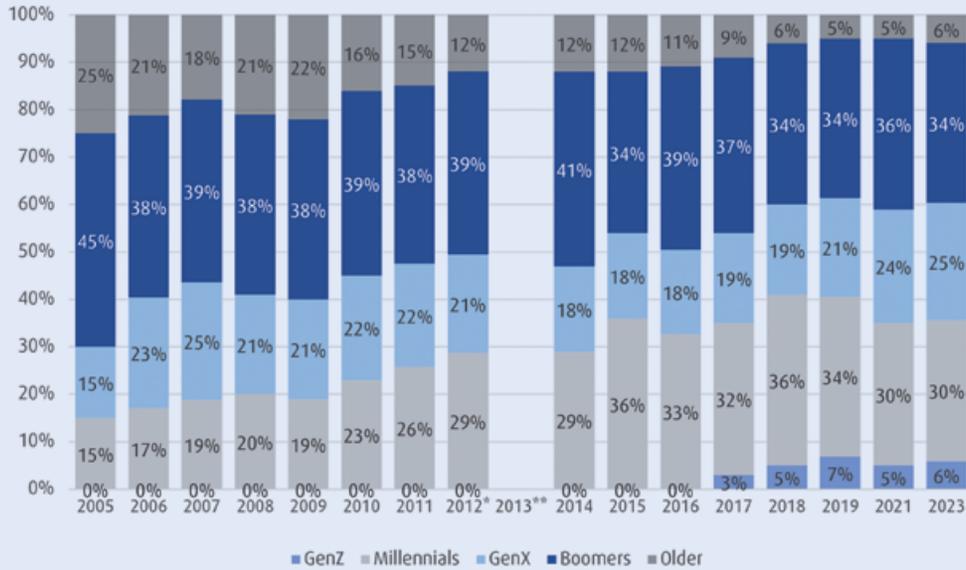
- Page 14 Servings per week.
- Gallup Survey data.
- Total servings of beverage alcohol per week divided by LDA population.
- One serving is generally 12 ounces of Beer, 5 ounces of Wine, or 1 ½ ounces of Spirits.

Consumer alcohol spending - USD (millions)

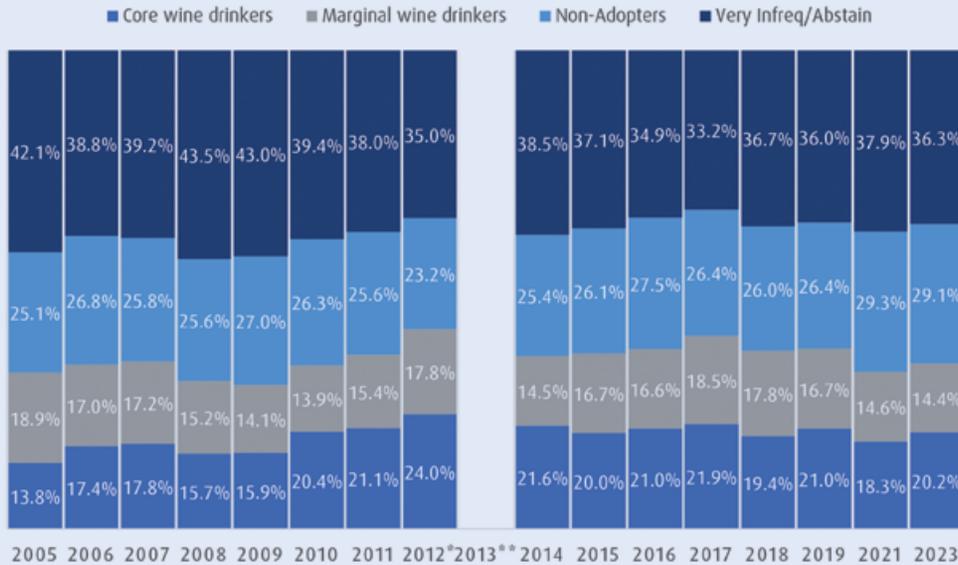


- Page 14 Consumer spending.
- Compares Bureau of Economic Analysis off-premise consumer spending to Census Bureau Household Survey of consumers spending on Alcohol.

% of wine drinkers by generation 2005-2023



Consumer segmentation 2005-2023



* Reduced Cores & Marginals 1% each, to reflect change in wine drinker definition encompassing sparkling wine drinkers who don't drink table wine (2% of LDA).

**Transitioned to ORC Caravan methodology in Jan 2014





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