

WINE BUSINESS MONTHLY



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WINE BUSINESS MONTHLY

Varietal Focus:

Cabernet Franc
Cabernet Sauvignon
Chardonnay
Grenache
Malbec
Merlot
Rhône Blends
Pinot Noir
Red Wine Blends
Riesling
Rosé
Sauvignon Blanc
Sparkling Wine
Syrah
Tempranillo
Zinfandel

Product Reviews

Accounting Software
Affordable Stemware
ATVs for Your Vineyard
Automated Cap Management
Automated Case Packers
Automated Stretch Wrapping
Barrel Management Software
Barrel Racks
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Digital Printing
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Mobile Bottling Services
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Wine Club Software
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Yeast for Cabernet Sauvignon
Yeast for Chardonnay
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Yeast for Red Blends
Yeast for Sauvignon Blanc
Yeast for Syrah
Yeast for Zinfandel
Yeast Nutrients

SALARY SURVEY Report

Survey
Reports

barrel & oak
closure
equipment
facilities
packaging
tasting room
technology
vineyard

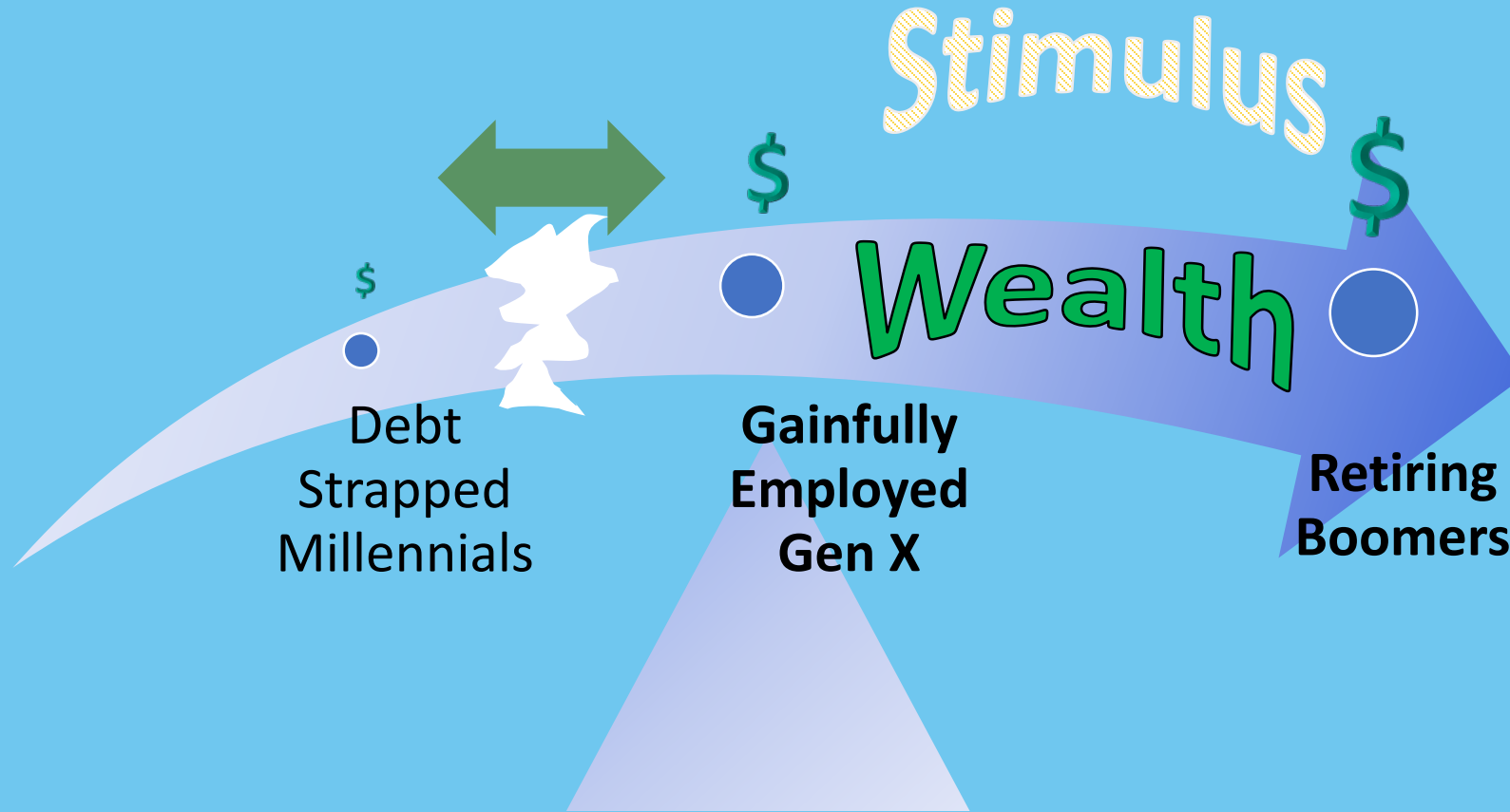
Total US Wine Market - Value vs. Volume Growth

Year	USD Billions Off Premise*	% Change	9L Cases All Channels Millions*	% Change
2002	23.3	5.6%	260.8	0.6%
2003	23.7	1.8%	267.3	2.5%
2004	25.0	5.2%	275.7	3.2%
2005	26.8	7.2%	287.9	4.4%
2006	28.4	5.9%	296.2	2.9%
2007	29.5	4.0%	312.5	5.5%
2008	30.0	1.7%	313.0	0.1%
2009	31.5	5.1%	323.0	3.2%
2010	32.6	3.5%	334.4	3.6%
2011	33.6	2.9%	356.4	6.6%
2012	35.1	4.6%	367.2	3.0%
2013	35.6	1.2%	379.3	3.3%
2014	36.6	2.9%	381.7	0.6%
2015	38.0	3.9%	387.7	1.6%
2016	40.2	5.8%	397.9	2.6%
2017	41.4	2.9%	403.0	1.3%
CAGR		3.9%		2.9%

* Excludes Cider

Indulgence Gap

10K Retiring Boomers Replaced by 10K Millennials Every Day



DOMESTIC MARKET UP 1% IN 2018 FOR ALL DOMESTIC & IMPORTED WINES

Market Grew Slightly Slower Than Ten Year Trend

- The U.S. Market saw growth of 3.8 million cases or just under 1%.

Wine Shipments to U.S. Market

(millions of nine liter cases)

Year	Still < 14%	Still > 14%	Sparkling	Total
2008	273.4	27.5	13.5	314.3
2009	283.1	26.8	13.9	323.8
% Change	3.6%	-2.6%	3.0%	3.0%
2010	292.0	28.4	15.3	335.6
% Change	3.1%	6.0%	10.0%	3.7%
2011	308.6	30.4	17.2	356.2
% Change	5.7%	7.1%	12.6%	6.1%
2012	320.3	29.2	17.5	366.9
% Change	3.8%	-4.1%	1.8%	3.0%
2013	328.0	29.8	18.4	376.2
% Change	2.4%	2.3%	5.1%	2.5%
2014	326.4	31.6	19.8	377.8
% Change	-0.5%	5.9%	7.6%	0.4%
2015	328.2	36.6	21.7	386.6
% Change	0.6%	15.9%	9.6%	2.3%
2016	334.9	38.3	24.4	397.6
% Change	2.0%	4.6%	12.6%	2.9%
2017	338.6	38.4	26.4	403.3
% Change	1.1%	0.3%	7.8%	1.4%
2018	352.1	27.7	27.3	407.2
% Change	4.0%	-27.8%	3.7%	1.0%
10 Yr CAGR	2.6%	0.1%	7.3%	2.6%

Source: TTB, BOE, GFA, Customs, bw166

Includes Domestic & Imports, Bottled and Bulk.

Excludes Cider, Bulk imports from Canada used in Spirits products & Exports

- The growth was primarily driven by domestic wines with a reduction in bulk imports bottled in the U.S.

Wine Shipments to U.S. Market

(millions of nine liter cases)

Source	2017	2018	Change	% Change
California Wines	238.3	245.3	7.0	2.9%
Other States	33.7	34.7	1.0	3.0%
Total American	272.0	280.0	8.0	2.9%
Bottled Imports	103.9	103.9	-	0.0%
Bulk Imports	27.4	23.3	(4.1)	-15.0%
Total Imports	131.3	127.2	(4.1)	-3.1%
Total All Wine	403.3	407.2	3.9	1.0%

- Overall Market growth slowed again in 2018. Some key observations include:
 - Wines produced from California grapes increased +7.0 million cases, +2.9%.
 - This was partially offset by a decline in bulk imports bottled in the U.S. of -4.1 million cases, -15.1%.
 - Packaged imports saw growth of Italian sparkling wines and French Rosé wines, but these were offset by losses in other categories.
- The growth over the last ten years has been driven by both domestic and imported wines.
 - California wines have experienced the largest volume growth however the share of California wines has seen a -5.5% share decline.
 - Wines from other states have gained +3.0% share over the past decade.
 - Bottled imports have maintained their share.

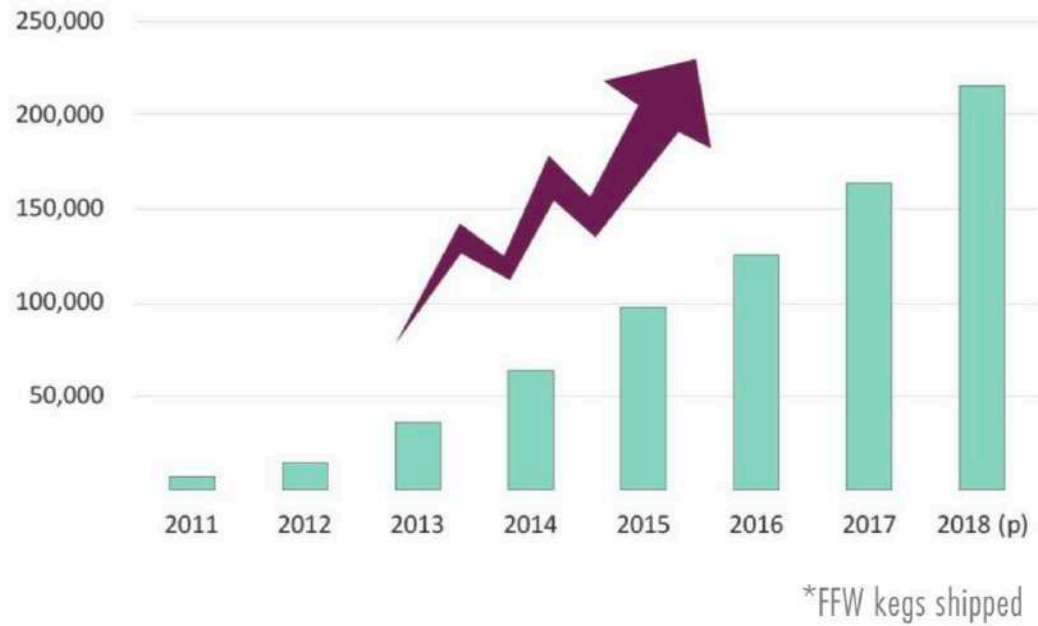
SUMMARY OF 2017 & 2018 SHIPMENTS, TWELVE MONTHS TO DECEMBER

Selected California Wineries, Ranked by Size

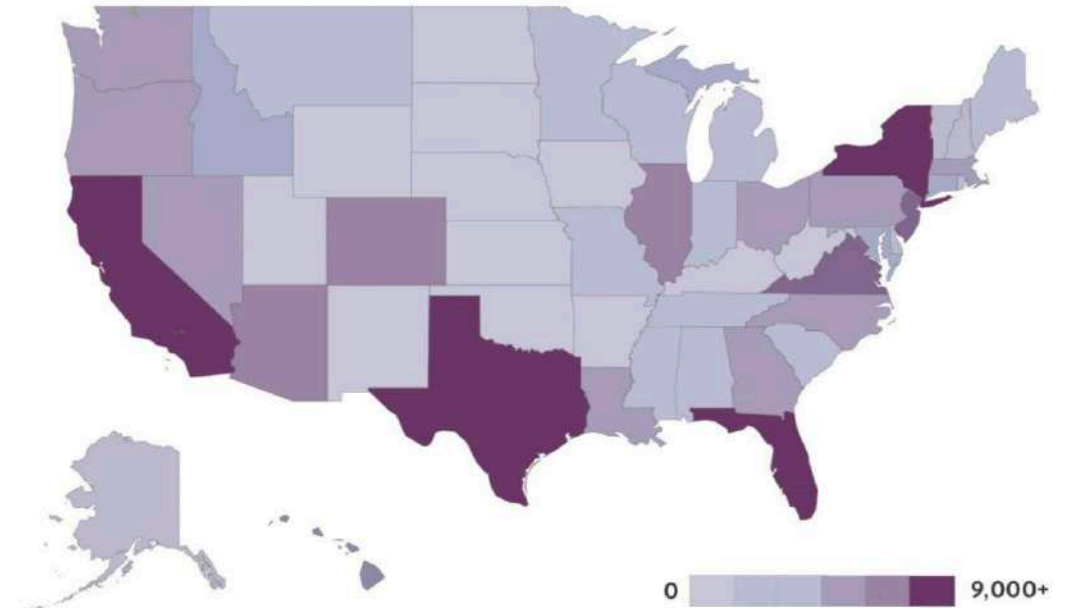
Expressed in Thousands of Gallons and Nine Liter Cases

Shipments in Gallons		Shipments in Cases		% Change	% Domestic	
2017	2018	2017	2018			
Big Three Commercial Wineries:						
207,684	196,390	Gallo (wines only)*	87,353	82,602	-5%	82%
115,857	113,859	The Wine Group*	48,730	47,890	-2%	81%
96,539	88,246	Constellation Brands*	40,605	37,117	-9%	94%
420,081	398,494	Group Subtotal	176,688	167,608	-5%	84%
57.82%	54.72%	% of Total CA Winery Shipments	57.82%	54.72%		
Annual Shipments Over 1 million Cases:						
42,452	44,266	Trincherro Family Estates*	17,856	18,619	4%	97%
26,816	28,478	DFV Wines*	11,279	11,978	6%	91%
29,924	28,397	Treasury Wine*	12,586	11,944	-5%	92%
21,935	21,400	Bronco Wine Company*	9,226	9,001	-2%	78%
14,618	17,685	Jackson Family Wines	6,148	7,439	21%	95%
5,995	6,331	Fetzer Vineyards*	2,522	2,663	6%	80%
6,125	5,983	Bogle Vineyards	2,576	2,516	-2%	100%
5,338	5,171	Francis Coppola Winery	2,245	2,175	-3%	100%
5,852	5,021	ASV Wines	2,461	2,112	-14%	80%
3,988	4,776	O'Neill Beverages Co	1,677	2,009	20%	85%
3,810	3,805	J. Lohr	1,603	1,600	0%	86%
2,471	3,413	Vintage Wine Estates	1,039	1,436	38%	96%
3,773	3,344	C. Mondavi & Family	1,587	1,407	-11%	100%
3,481	3,191	Korbel	1,464	1,342	-8%	99%
2,636	2,892	Foley Family	1,109	1,217	10%	96%
2,213	2,655	Duckhorn Wine Co.	931	1,117	20%	94%
2,498	2,507	Don Sebastiani & Sons	1,051	1,054	0%	86%
1,783	2,445	Ca' Mommi / Da Ve Winery	750	1,028	37%	96%
185,707	191,761	Group Subtotal	78,109	80,656	3%	92%

RAPID EXPANSION OF THE WINE-ON-TAP CATEGORY



KEGS SALES



KEGS SOLD PER MARKET

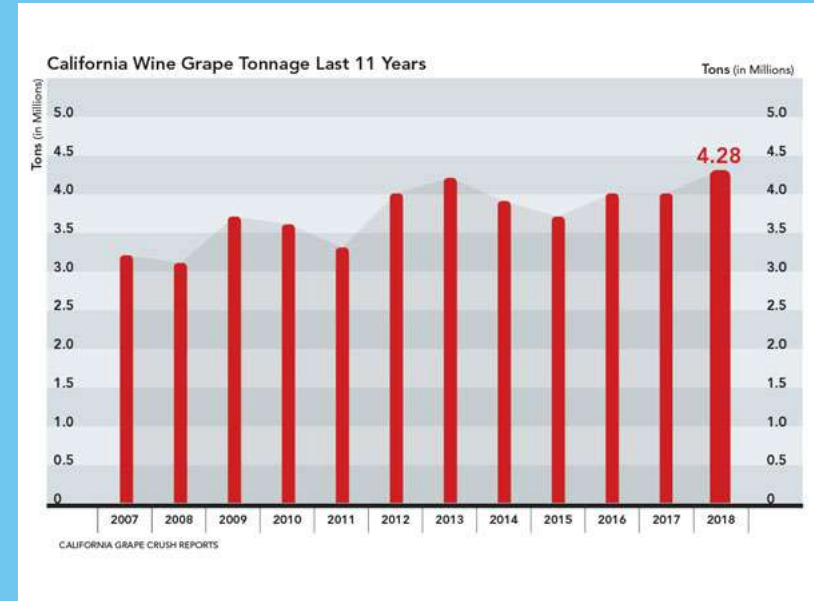
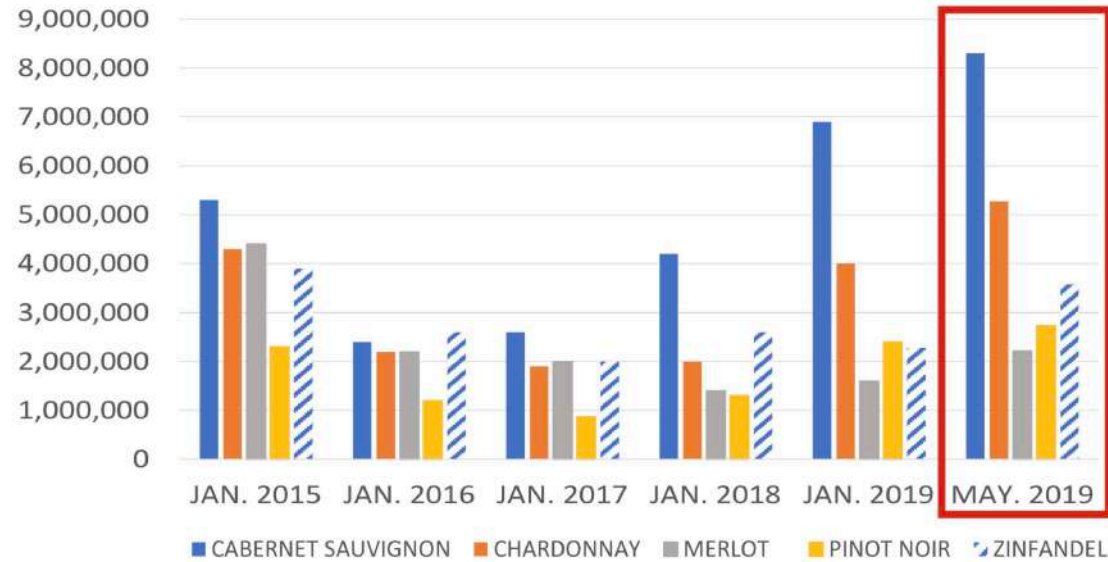
WHAT'S ON THE SHELF?



Takeaways

- If you're planning to enter the U.S. market, don't necessarily think about 750 ml bottles
- Keg wine is increasingly interesting to restaurants
- Private Labels are a big opportunity
- You need a sales organization on the ground to reach gatekeepers
- Find a small business where you can bring in 3K cases at a time and bottle 3-4 times a year
- Some of the most successful brands now launch regionally – before they ramp up into national brands

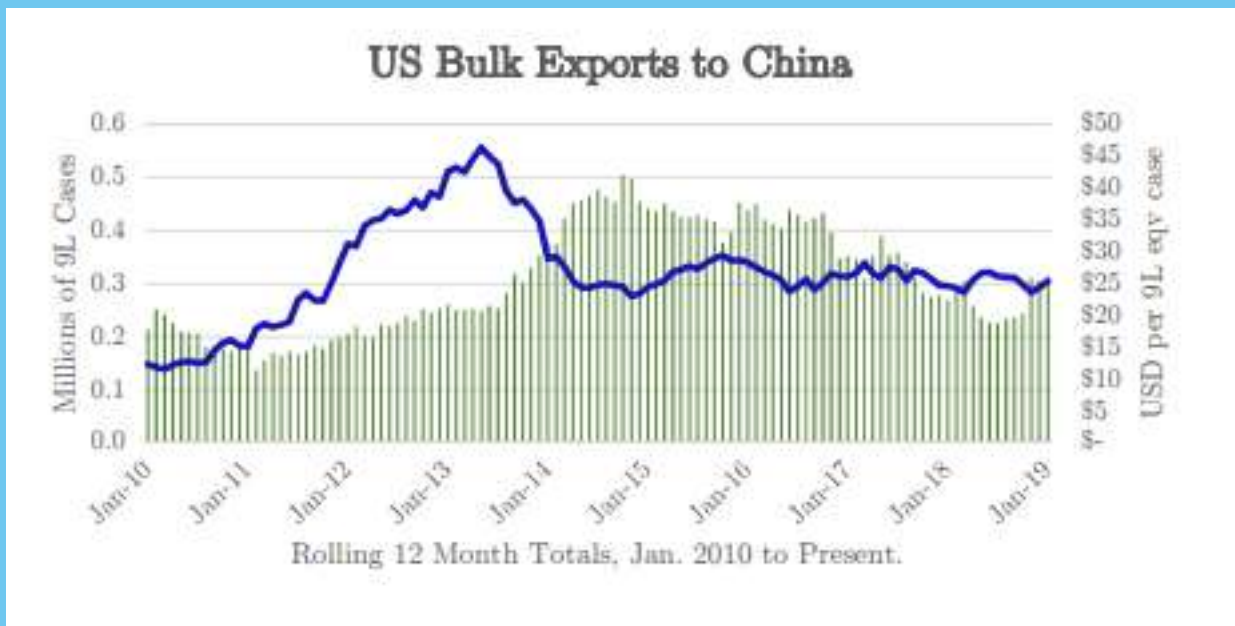
Ciatti California Bulk Wine Inventory



China's Wine Market Growing

China is set to overtake Britain and France to become the world's second-largest wine consumer by value behind the United States by 2020 as consumers turn to more middle-range wines, the International Wine & Spirit Research organization said in a study commissioned for wine fair Vinexpo. It forecast Chinese wine consumption by value would rise by 40 percent between 2016 and 2020 to nearly \$22 billion, still below the United States where demand is forecast to grow by 12 percent over that period to \$39 billion.

US Bulk Exports to China



Last year, the U.S. shipped \$1.1 million of wine versus \$1.3 million in 2017. The value was \$52 million versus \$72 million the year before, down 28 percent



“In 2018, U.S. wine exports to Asia experienced a softening compared to the healthy growth rates of the prior two years. A nearly 25% decline in exports to China by value was the largest contributor to the softness, primarily the result of trade issues between the U.S. and China and the increased tariffs on U.S. wines imported into Mainland China. The long-term prospects for California wine sales in China, however, remain very strong. Exports to Hong Kong are a bright spot, growing 10% to \$130 million in 2018. Clearly some of these wines are being re-exported to other countries including Mainland China. Exports to Vietnam increased by 51% from a small base. Vietnam is a promising market”

- Christopher Beros, Wine Institute Trade Director for China and Pacific Rim.

Cultivating Relationships:

France – has a long history selling wine in China and via joint ventures/partnerships

Chileans – have cultivated relationships, made inroads based on price

Australia – has cultivated relationships and are a shorter distance – last in but have taken advantage of Chile being out of the market because of short harvests in 15,16, & 17' ...

U.S. Behind in terms of Free Trade

Summary of Bulk Wine Exports by Country YTD (Excludes bulk wines and grape musts)

Description	9L Cases LYTD	9L Cases YTD	Case Change	% Change	Value LYTD	Value YTD	Value Change	% Change	USD per Case LYTD	USD per Case YTD
United Kingdom	625,925	939,926	314,001	50%	6,290,128	10,157,229	3,867,101	61%	10.05	10.81
Japan	89,698	42,151	(47,548)	-53%	1,427,071	1,227,225	(199,846)	-14%	15.91	29.12
Germany	77,498	78,164	665	1%	758,765	899,790	141,025	19%	9.79	11.51
Belgium	69,227	99,401	30,174	44%	750,516	866,676	116,160	15%	10.84	8.72
Canada	75,181	43,276	(31,905)	-42%	1,187,913	853,236	(334,677)	-28%	15.80	19.72
China	15,054	21,816	6,762	45%	347,125	787,558	440,433	127%	23.06	36.10
France	28,955	87,856	58,901	++	307,245	747,809	440,564	143%	10.61	8.51
Poland	10,059	37,838	27,780	++	170,448	659,061	488,613	++	16.95	17.42
Norway	29,333	64,000	34,667	118%	246,478	552,960	306,482	124%	8.40	8.64
Hong Kong	13,426	8,586	(4,840)	-36%	460,508	411,241	(49,267)	-11%	34.30	47.90
Cayman Islands	-	2,626	2,626	++	-	360,721	360,721	++	++	137.37
Denmark	26,686	19,884	(6,802)	-25%	433,050	262,217	(170,833)	-39%	16.23	13.19
Netherlands	2,357	11,667	9,310	++	24,396	177,710	153,314	++	10.35	15.23

Source: U. S. Department of Commerce.

Summary of Bottled Exports by Country YTD (Excludes bulk wines and grape musts)

Description	9L Cases LYTD	9L Cases YTD	Case Change	% Change	Value LYTD	Value YTD	Value Change	% Change	USD per Case LYTD	USD per Case YTD
Canada	481,562	538,927	57,364	12%	30,975,238	33,727,693	2,752,455	9%	64.32	62.58
Hong Kong	119,234	108,635	(10,599)	-9%	7,521,582	17,103,080	9,581,498	127%	63.08	157.44
United Kingdom	77,159	100,513	23,355	30%	3,657,361	5,566,180	1,908,819	52%	47.40	55.38
Japan	58,322	81,058	22,735	39%	4,385,000	5,325,824	940,824	21%	75.19	65.70
France	6,865	111,413	104,548	++	276,246	4,195,692	3,919,446	++	40.24	37.66
China	42,877	67,502	24,625	57%	2,567,942	3,351,503	783,561	31%	59.89	49.65
Korea, South	40,018	50,331	10,314	26%	2,335,884	2,341,281	5,397	0%	58.37	46.52
Vietnam	2,073	15,207	13,134	++	212,627	1,794,367	1,581,740	++	102.56	117.99
Denmark	30,751	26,914	(3,837)	-12%	2,494,086	1,781,347	(712,739)	-29%	81.11	66.19
Sweden	22,743	33,379	10,636	47%	1,166,503	1,473,099	306,596	26%	51.29	44.13
Mexico	63,641	59,575	(4,066)	-6%	1,954,177	1,437,539	(516,638)	-26%	30.71	24.13
Dominican Republic	11,893	30,611	18,718	157%	880,023	1,433,416	553,393	63%	74.00	46.83
Netherlands	24,647	20,490	(4,157)	-17%	1,303,477	1,255,960	(47,517)	-4%	52.89	61.29

Source: U. S. Department of Commerce.

Wine Institute Statement: Latest China Tariff Increase on U.S. Wine

May 13, 2019

Updated May 17, 2019

SAN FRANCISCO — The Chinese government announced that it would be increasing the tariff on U.S. wines in response to the ongoing trade dispute between the U.S. and China. Effective June 1, China will add another 15% tariff on U.S. wine imports to their country. The additional 15% tariff is on top of a previous 15% tariff increase implemented in April 2018 and another 10% increase in September 2018. When compounded, the new total tax and tariff rate will be 93%.

“This is the third Chinese tariff increase on U.S. wine in the past 14 months, and with each additional round, it becomes more and more difficult to compete in the fastest-growing wine market in the world,” said Robert P. “Bobby” Koch, President and CEO of Wine Institute. “It is imperative to resolve this dispute as soon as possible, so that our wineries do not suffer long-term market loss. Despite these challenges, the California wine brand remains strong with Chinese consumers and we are committed to doing everything we can to ensure this does not change.”

China is one of the fastest growing wine markets in the world and will soon be second only to the U.S. in the total value of wine sales. U.S. wine exports to China and Hong Kong have grown 450% in the past decade. However, U.S. wine exports to China were down 25% in 2018. U.S. wine exports to all markets abroad, more than 90% from California, reached \$1.47 billion in winery revenues and 375 million liters (41.7 million cases) in 2018.

Tariffs slow Lodi's reach into China wine markets

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Eliza Garza set to become Stockton's next city clerk

Most Popular



1 Thunderstorm brings hail, heavy rain to north Stockton



▲ HIDE CAPTION

In March 2018, Stefan Jolley, Tom Azevedo and Farrah Felten-Jolley with Klinker Brick Winery, and Ken Ching, Todd Chu and Carl Yu with Wine to China bid bon voyage to Klinker Brick's first shipment to China. [BOB HIGHFILL/RECORD FILE 2018]



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