



Unified Wine & Grape Symposium

State of the Industry – 2024

Wine & Grape Supply

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Allied Grape Growers
January 24, 2024

Presentation Themes....

- Uncertainty (2021)
- Recovery (2022)
- Apprehension (2023)
- Reaction (2024)

We are where we are because of..... reaction....

- » Reaction to what?.....
 - » The reality of our situation, which includes:
 - » Waning demand
 - » Average-plus crop
 - » Unwanted production
 - » Undesired Inventory
 - » Carrying cost of inventory (interest rates)

Two Parks...

Reaction



**Initial Response
(Defensive)**

**How do we process
the issue?**

**Eventual Action
(Offensive)**

**What do we do
about it?**

What's in Store?

- Providing context
- 2023 Vine Sales & New Plantings
- Segment Reviews:
 - Forecasting supply trends
 - Propose/suggest equilibrium scenarios
(As suppliers, what should our offensive reaction be?)
- Summary and Conclusions



Providing Context....

Estimating '23 Crop Size

- **Factors indicating large 2023 crop (what was on the vine):**
 - W.I.P. (Winegrape Inspection Program) inspected 10% more grapes during the 2023 crush than in 2022.
 - Common for growers to brush up against (or exceed) contract max tons.
 - Large volume varieties like Colombard, Rubired, Chardonnay, Zinfandel and Cabernet all experienced larger yields than in 2022.
 - Late season reds did not "shrivel" much in efforts to achieve high brix.
- **Factors tempering crush size (what is in the crush report):**
 - Significant grapes were rejected for mildew, rot or lack of maturity.
 - Some crop-dropping was necessary to meet quality standards/maturity.



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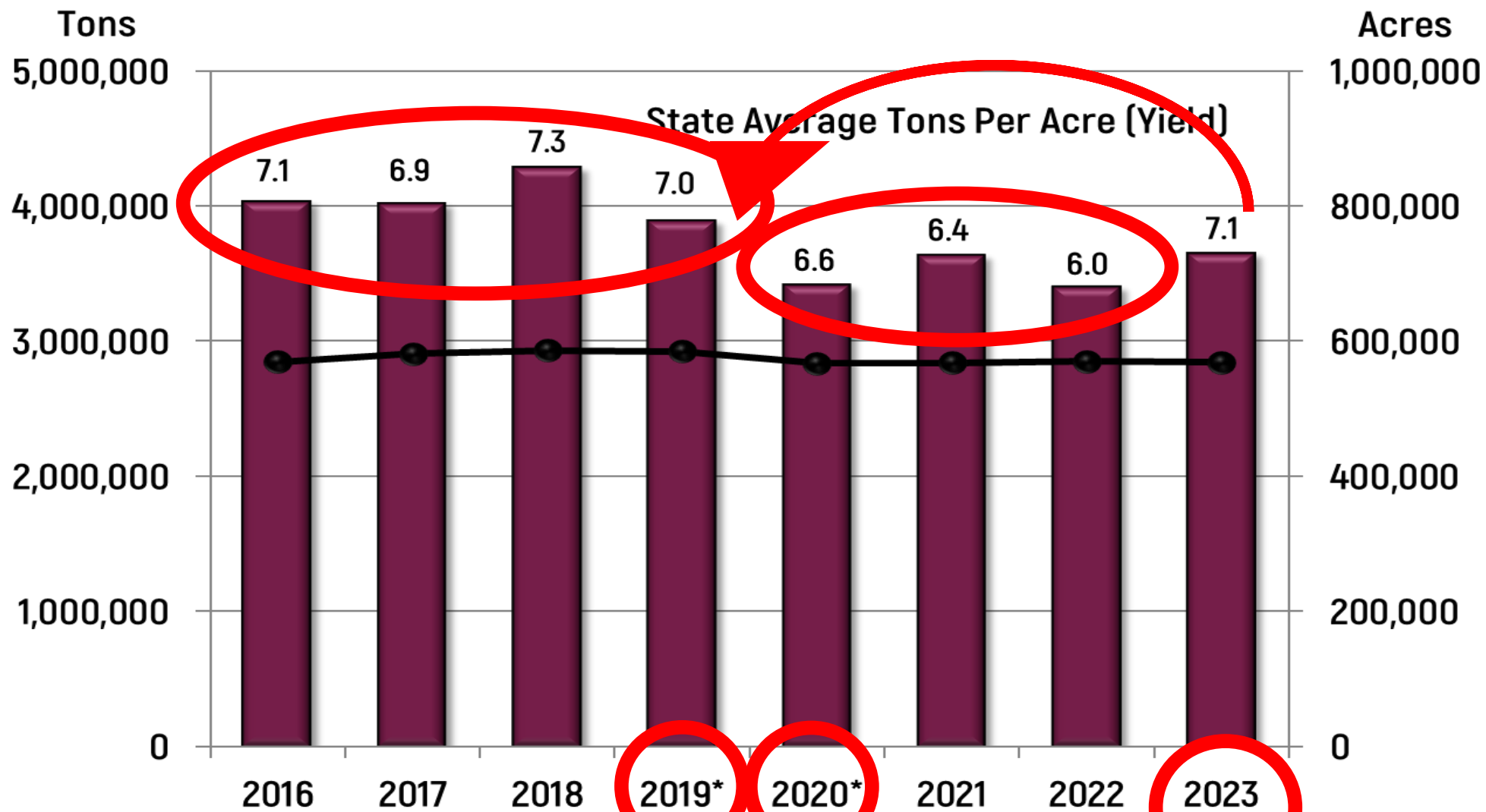


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 - **Report, report, report – it's state law.**

California Winegrape Crush, Yield & Acreage

■ California Winegrape Crush ● Estimated California Bearing Winegrape Acres



*For crop years 2019, 2020 and 2023, yield was estimated due to material amounts of unharvested grapes.

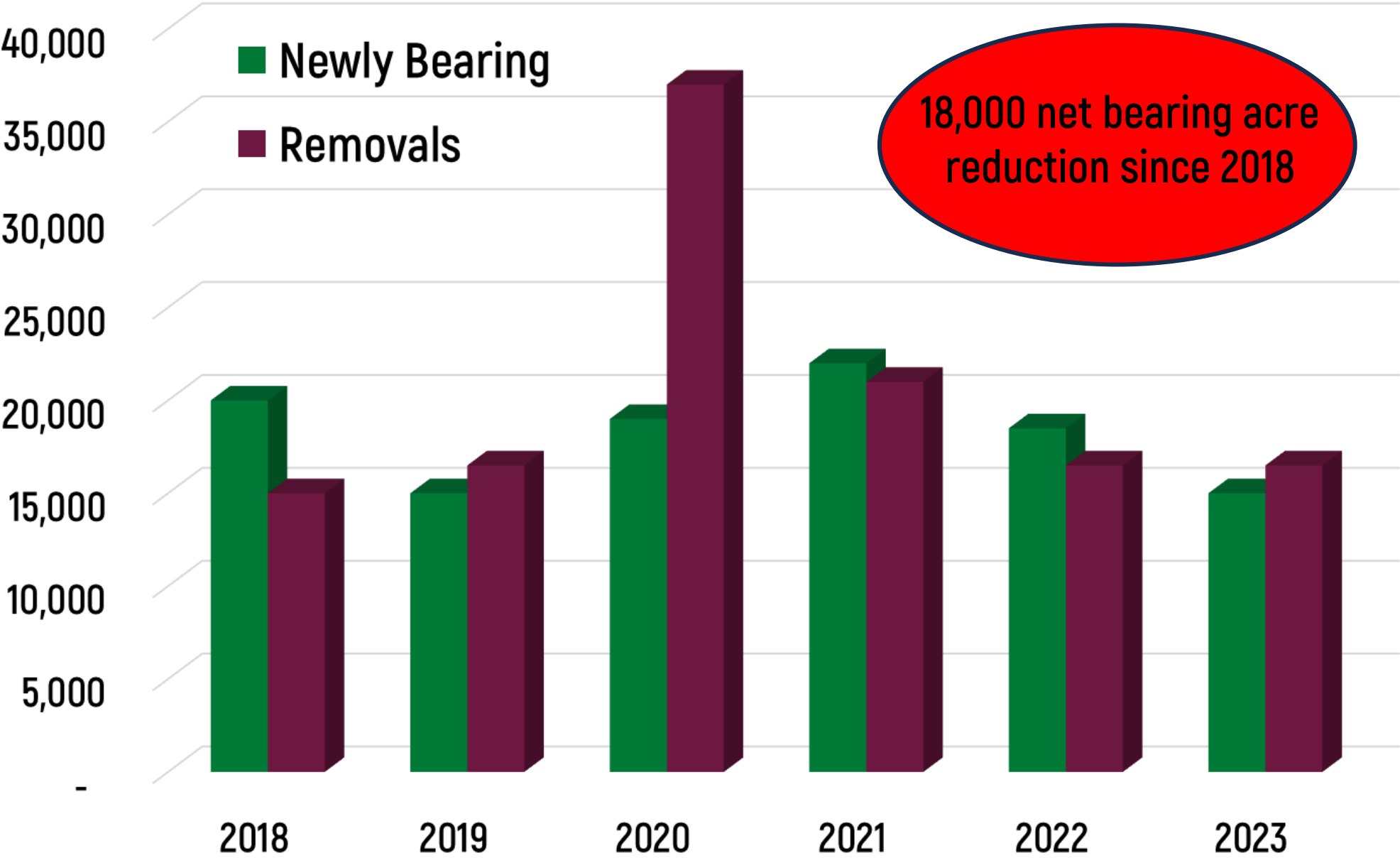


Estimated California Winegrape Plantings and Removals 2018-2023

Acres

Newly Bearing
Removals

18,000 net bearing acre
reduction since 2018



Estimated California Bearing Winegrape Acres

600,000

580,000

560,000

540,000

520,000

500,000



Bearing Acreage Target Range

2016

2017

2018

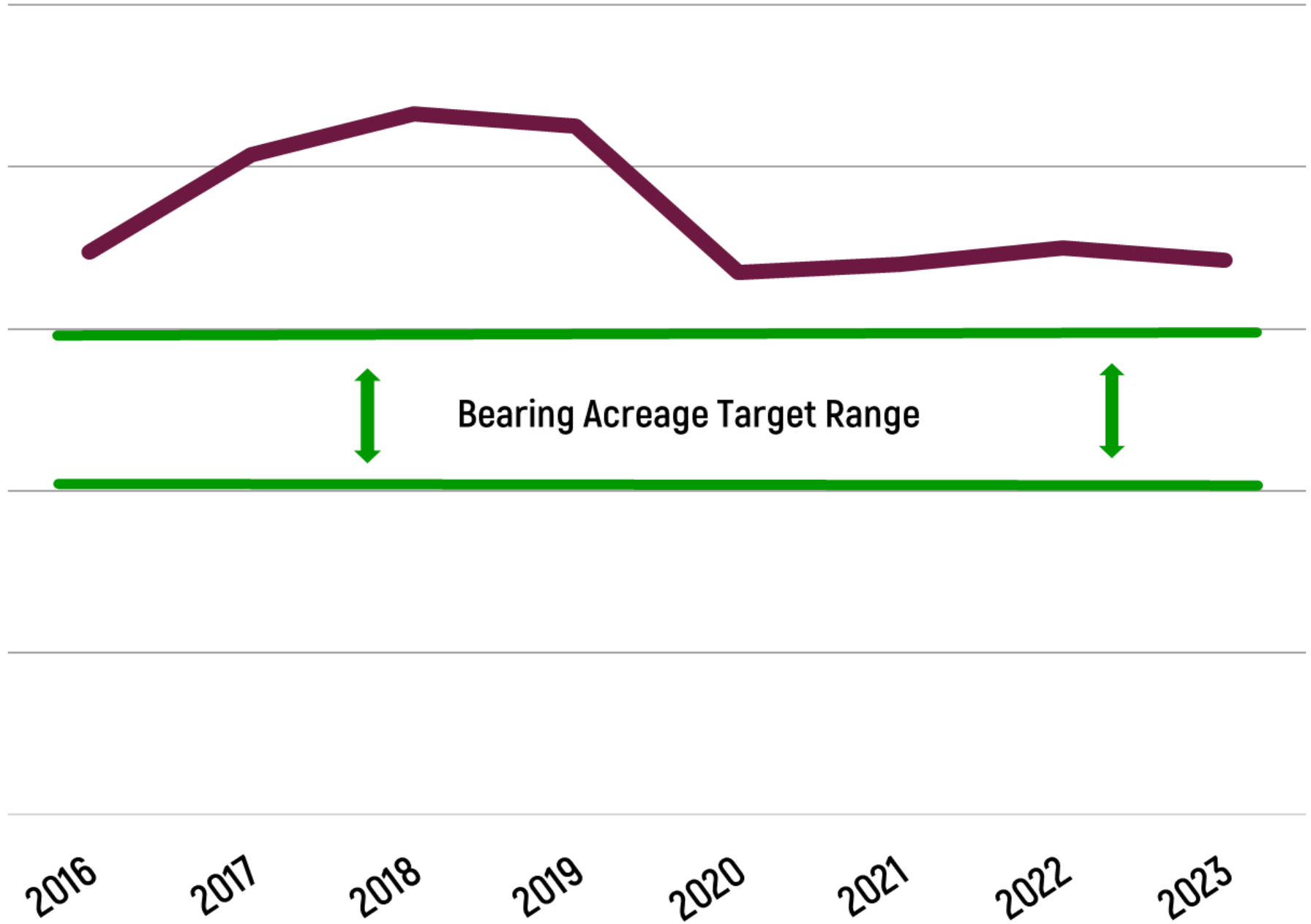
2019

2020

2021

2022

2023





Vine Sales and Planting

2023

AGG Nursery Survey Participants

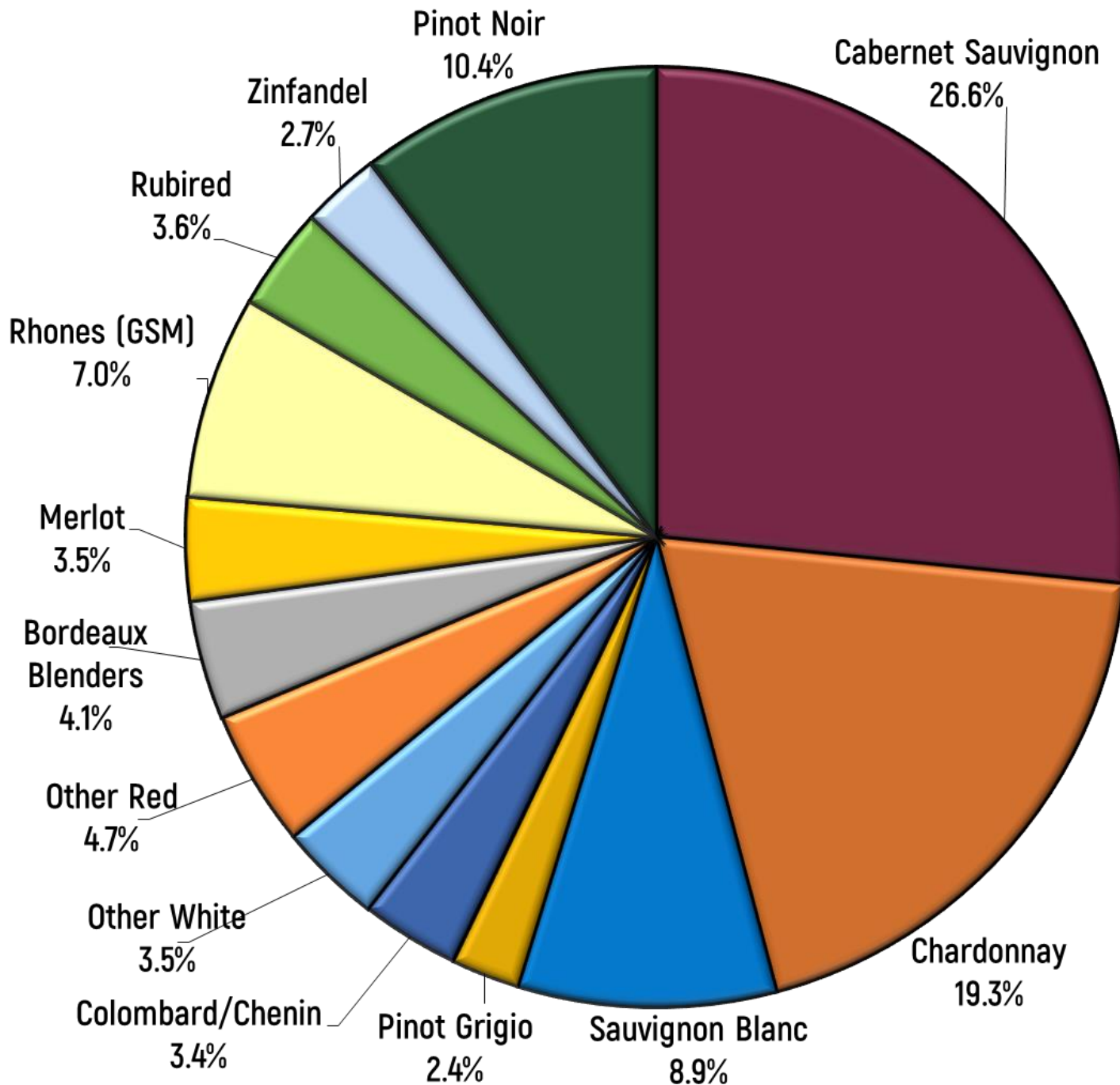




Nursery Survey

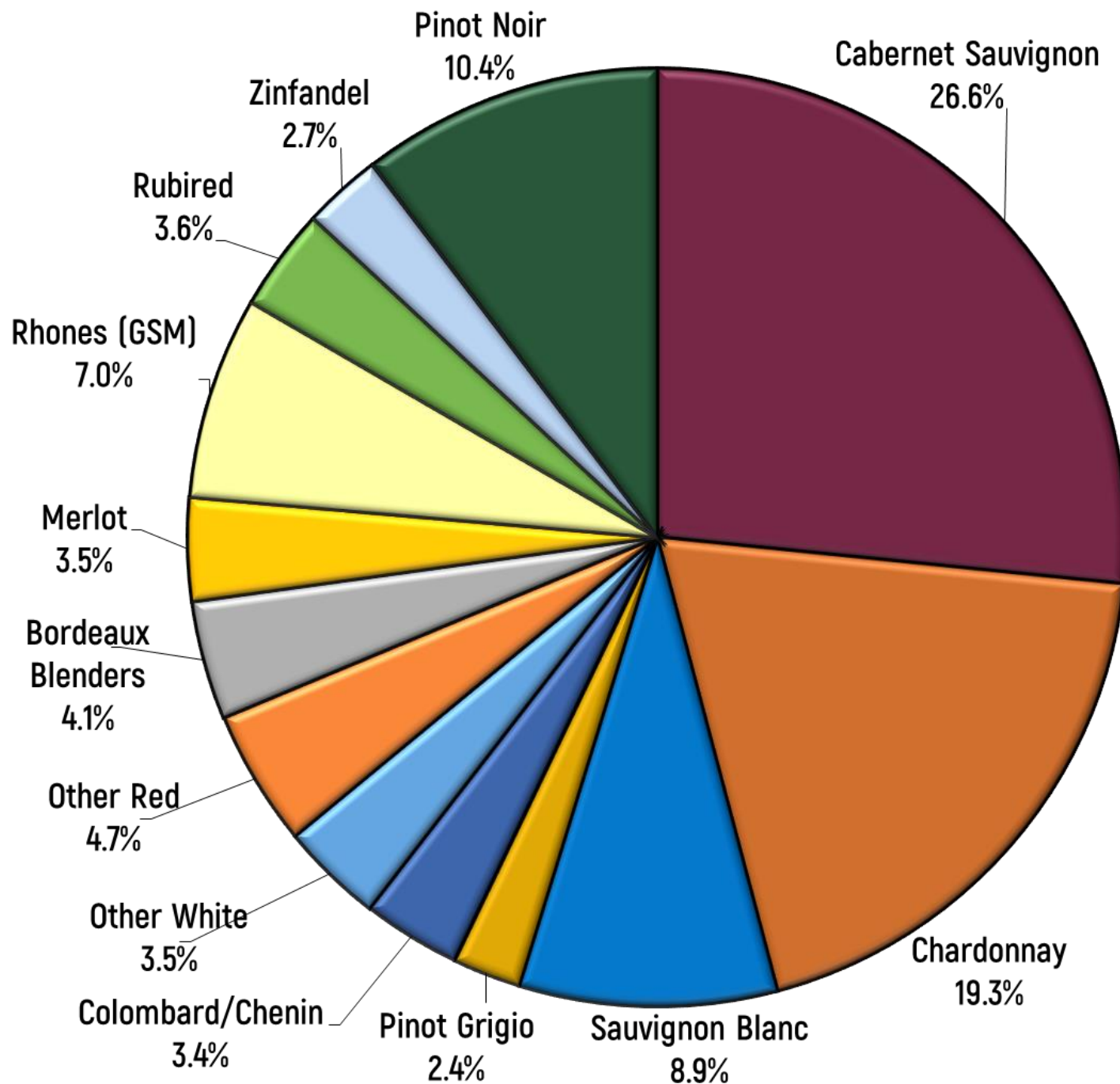
In California, 2023:
19 million winegrape vines sold
19,000 acres planted

Pie chart shows
percentage
of vines sold,
by variety/category,
not acreage



Nursery Survey


- 37% White, 63% Red
- Cabernet Sauvignon and Chardonnay remain King & Queen
- Sauvignon Blanc plantings significant once more
- Rhones, Rosés or Reds?




California Winegrape Acreage	Acres Planted 2023	% of Bearing 2022
Chardonnay	3,807	3.6%
Sauvignon Blanc	1,591	7.1%
Pinot Grigio	588	2.0%
Colombard/Chenin	856	3.3%
Muscats	114	1.1%
Cabernet Sauvignon	4,618	4.1%
Bordeaux Blenders	745	5.3%
Merlot	652	1.7%
Rhones (GSM)	1,414	6.4%
Rubired	920	5.6%
Zinfandel	614	1.3%
Pinot Noir	1,828	3.6%
All Others	1,486	2.0%
Total:	19,233	3.4%

California Acreage

Planting impact:

Growth - 

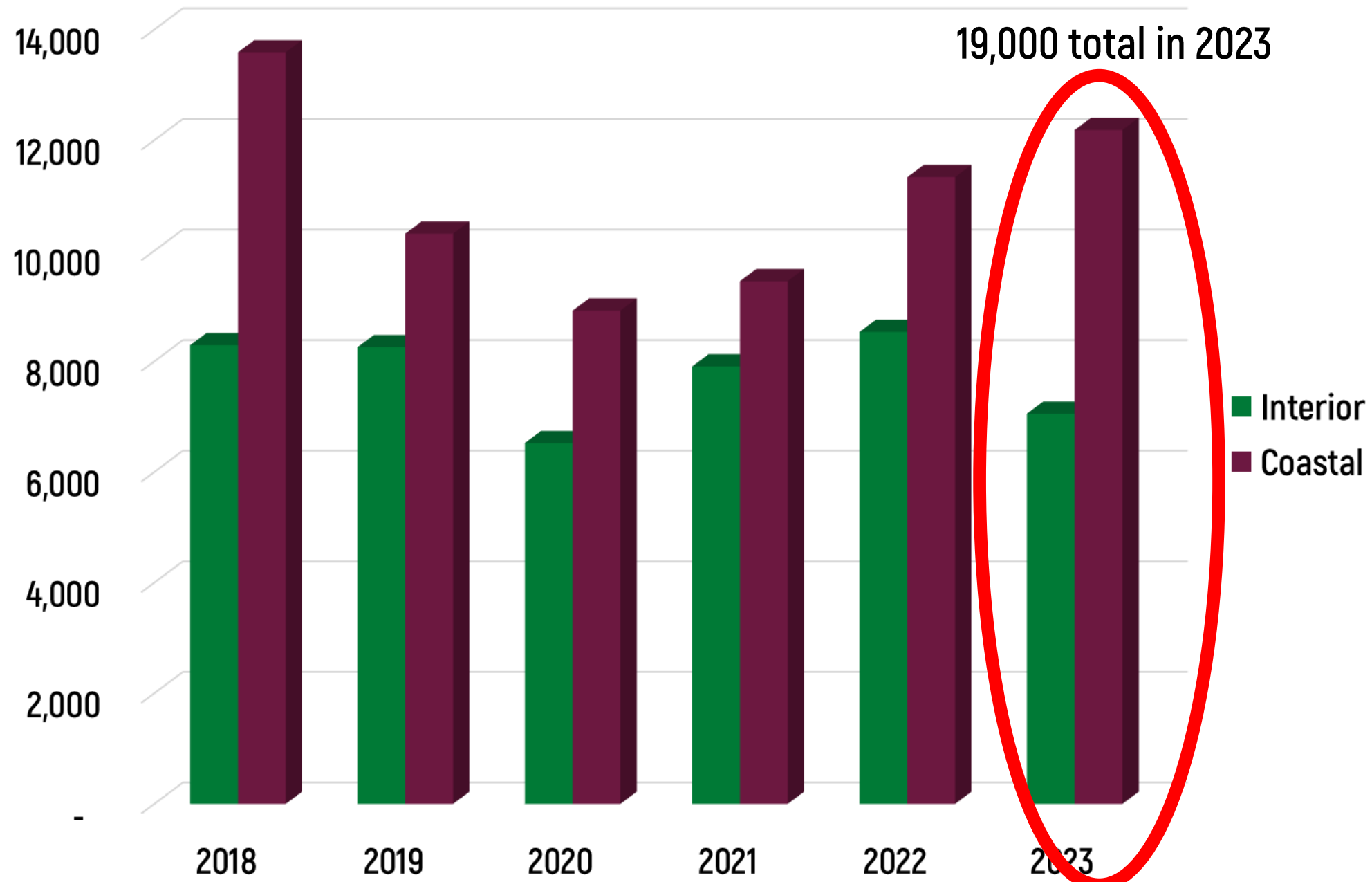
Stability - 

Contraction - 

Remember, this is a
one-year snapshot



Estimated Breakdown of California Winegrape Acres Planted



Oregon vineyard acreage with 2023 planting estimates



2022 Crop Year (Over 500 acres)	Total Acres	Harvested Acres	Planted Est. 2023	Est. % of Bearing
Chardonnay	3,118	2,518	181	7.2%
Pinot Gris	5,974	5,546	138	2.5%
Riesling	520	477	3	0.6%
Cabernet Sauvignon	1,610	1,557	19	1.2%
Merlot	823	777	7	0.9%
Pinot Noir	26,648	24,729	707	2.9%
Syrah	1,766	1,679	35	2.1%
Other	4,027	3,492	161	4.6%
Total	44,486	40,775	1,251	3.1%



Washington vineyard acreage with 2023 planting estimates

Total vineyard acres increased
in 2023 by 600 acres



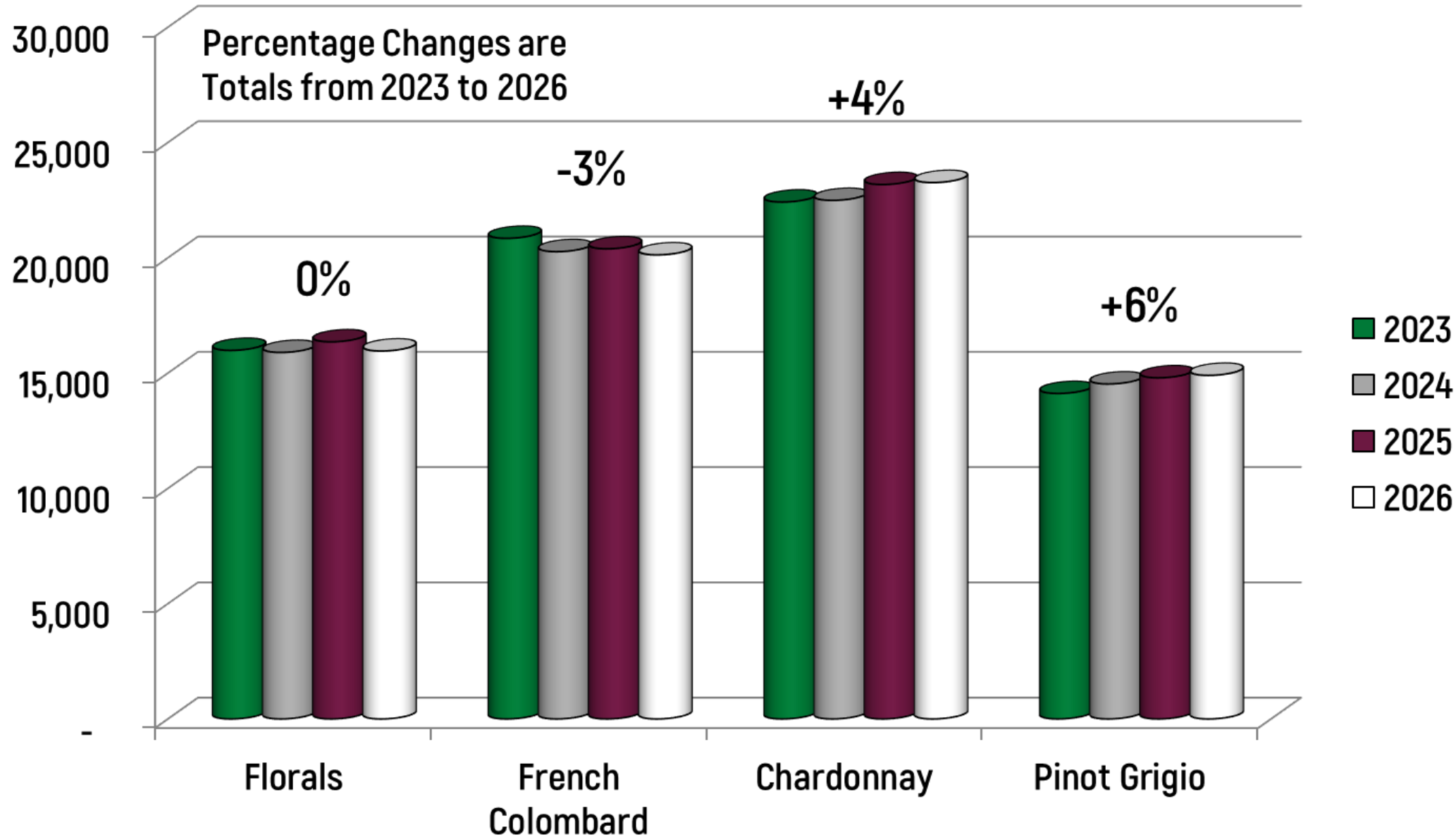
2023 Crop Year (350+ acres)	Total Acres	Estimated Planted	Est. % of Bearing
Chardonnay	8,572	390	5.2%
Pinot Gris	2,002	92	4.9%
Riesling	5,640	55	<1.0%
Sauvignon Blanc	2,438	177	8.1%
Viognier	395	18	N/A
Gewurztraminer	350	6	N/A
Other White	855	50	N/A
Cabernet Franc	1,179	105	10.4%
Cabernet Sauvignon	20,666	263	1.3%
Grenache	407	60	N/A
Malbec	830	47	6.3%
Merlot	9,830	145	1.5%
Pinot Noir	820	13	2.3%
Syrah	5,580	54	1.0%
Other Red	1,639	98	N/A
Total	61,203	1,573	



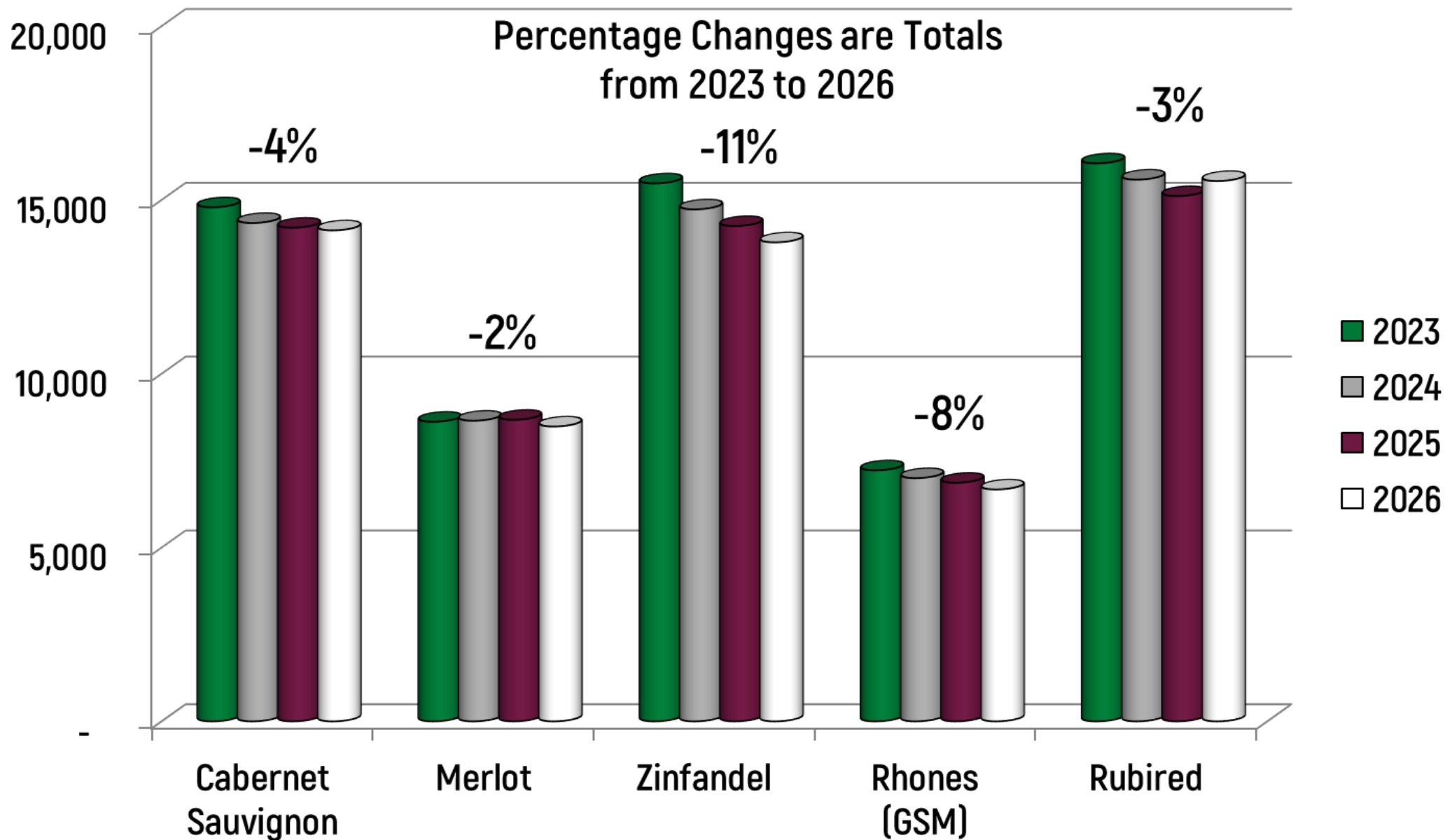


Segment Review

Estimated California White Winegrape Bearing Acreage (for regions likely producing wines <\$6/bottle)



Estimated California Red Winegrape Bearing Acreage (for regions likely producing wines <\$6/bottle)

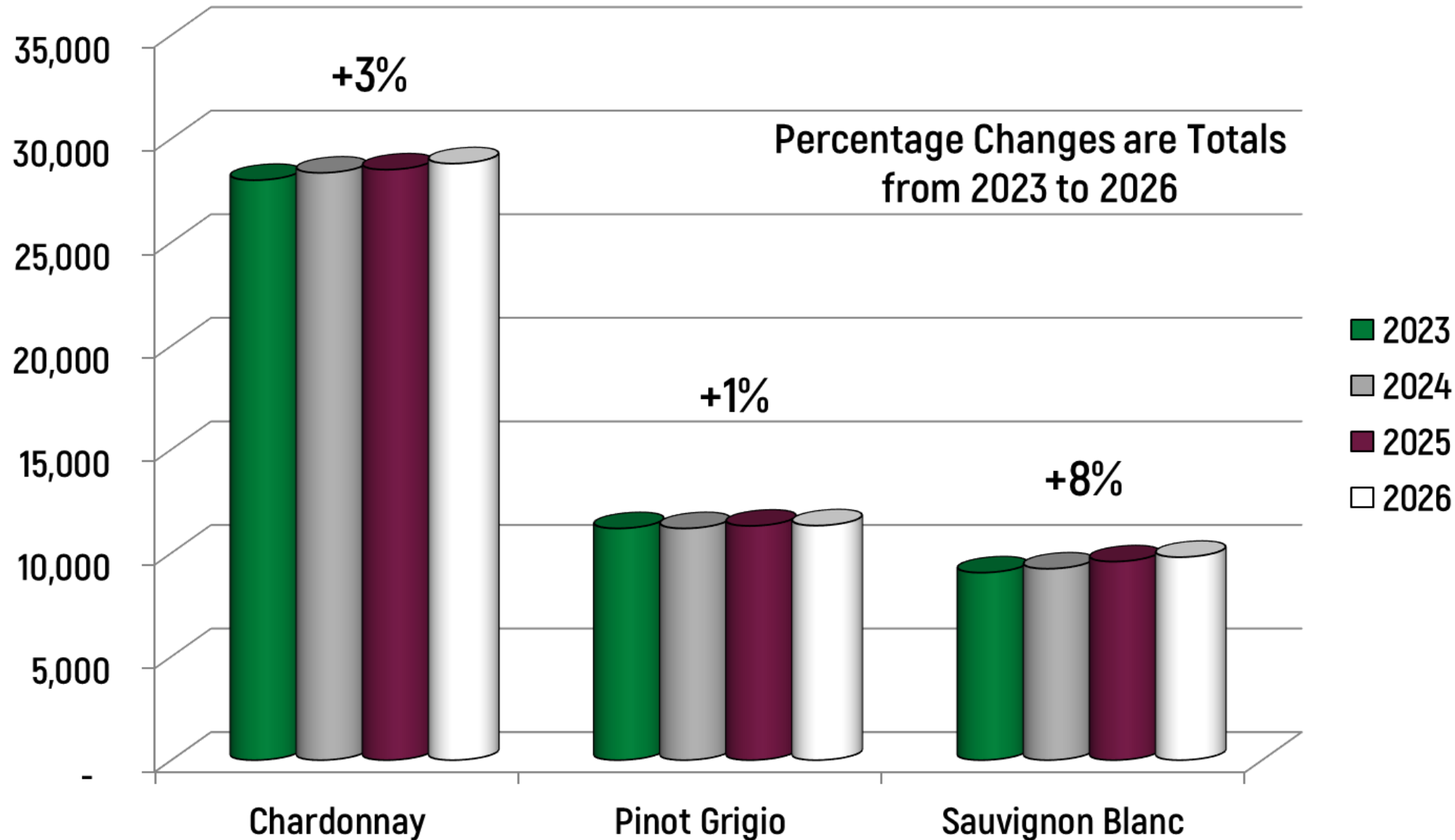




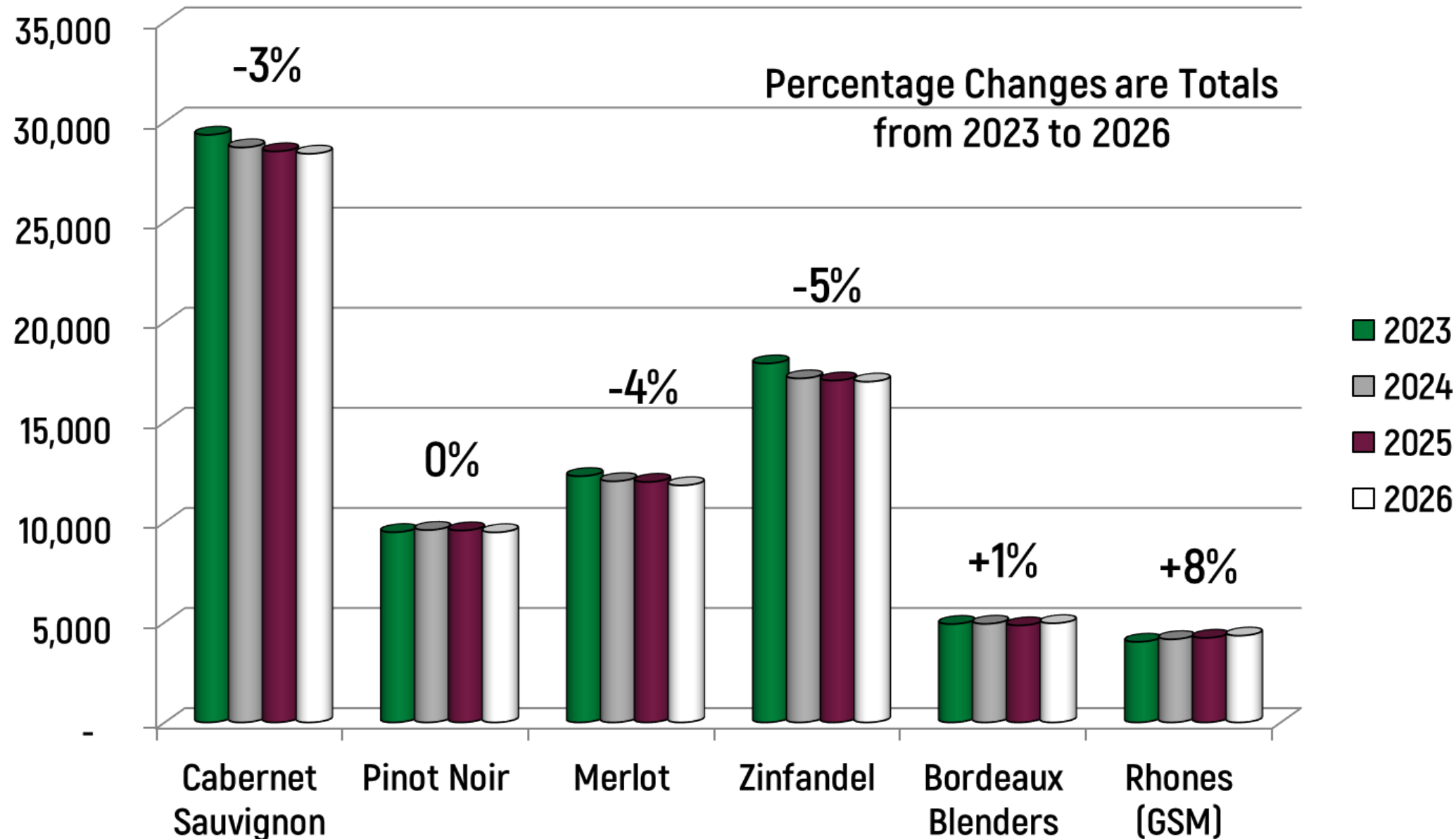
Evaluating Segment <\$6/Bottle (Interior Regions South of Lodi)

- *Considerations:*
 - ✓ Any excess supply from other regions negatively impacts demand.
 - ✓ Long-term trends call for less acreage....and a shift toward whites.
- *Planning for equilibrium:*
 - ✓ Removal of +/-15,000 acres recommended in this region.
 - ✓ Targets for removal are almost entirely red grapes, as follows:
 - 1) Weighted toward those south of Fresno
 - 2) Heavy emphasis on Zinfandel (+/-4k acres)
 - 3) Generics - Barbera/Carignane/Grenache/Ruby Cab (+/-4k acres)
 - 4) Emphasis on aging Merlot & Cab (+/-4k acres)
 - 5) Aging generic whites & florals (+/-3k acres)

Estimated California White Winegrape Bearing Acreage (for regions likely producing wines \$6-11/bottle)



Estimated California Red Winegrape Bearing Acreage (for regions likely producing wines \$6-11/bottle)

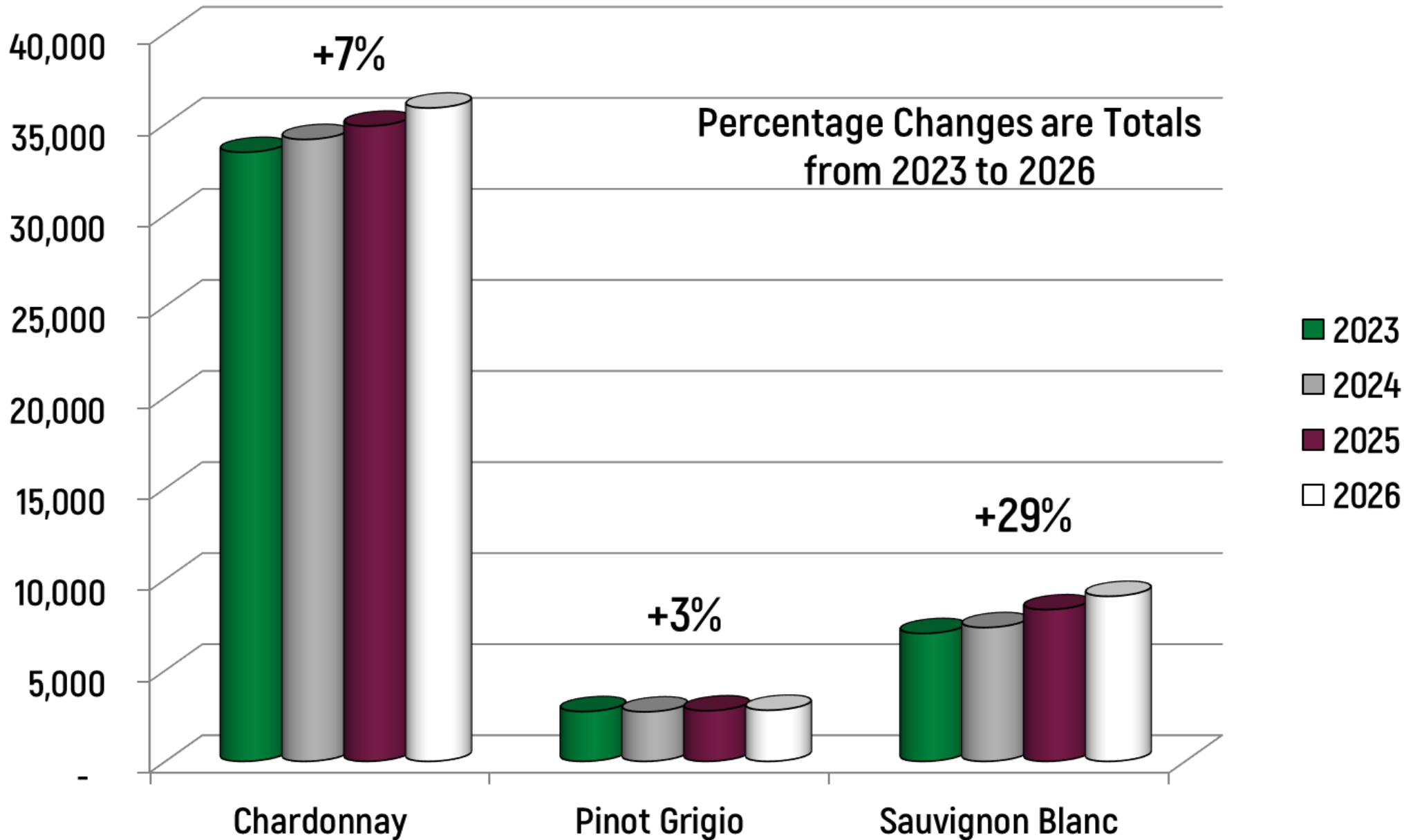




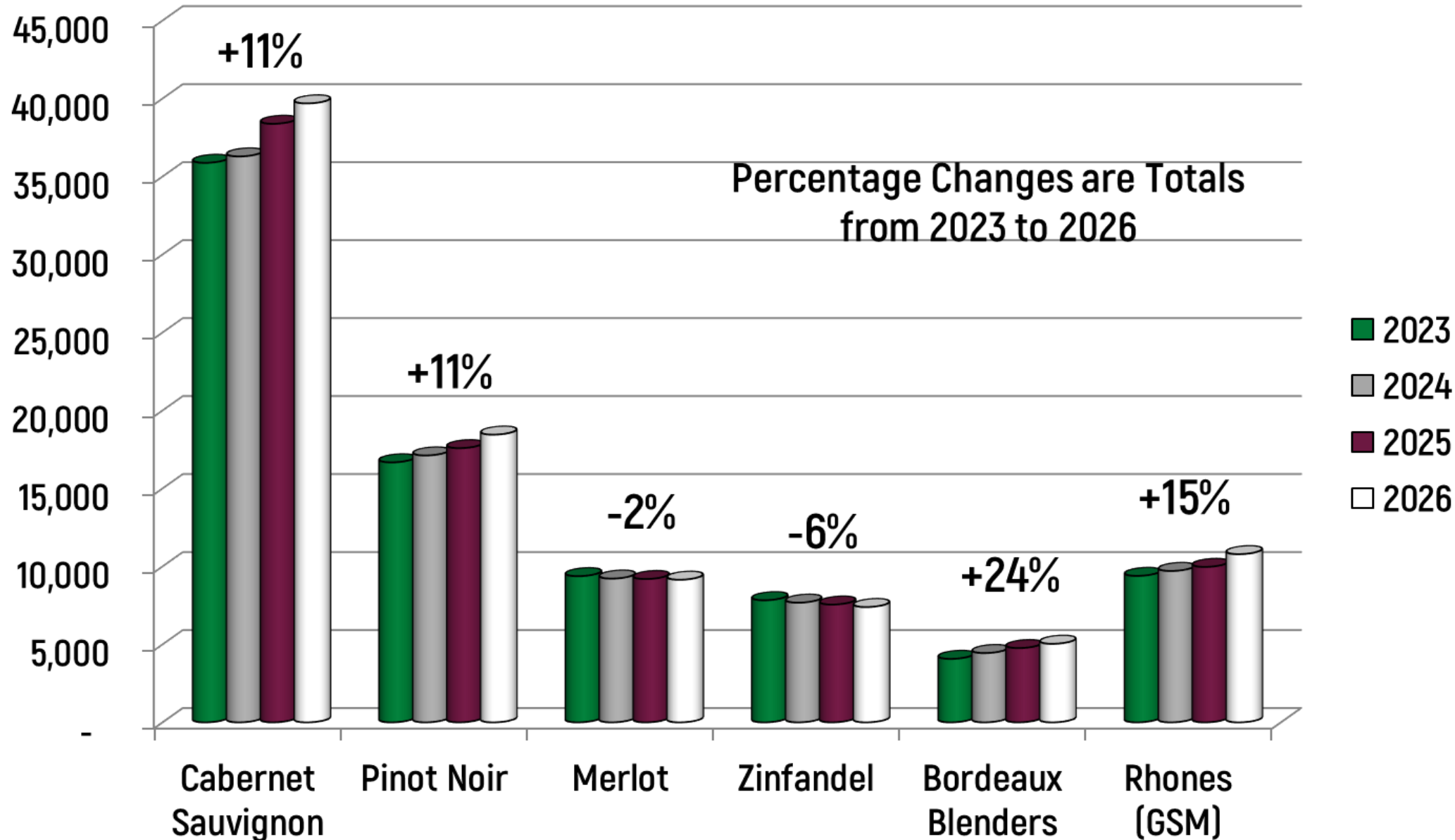
Evaluating Segment \$6-11/Bottle (Lodi/Delta/Northern California Interior)

- *Considerations:*
 - ✓ Pressure is to commoditize this segment/region. Excess grapes makes that more possible, and even likely, as less varieties are grown south.
 - ✓ Wineries continue to hold long grape positions internally, resulting in sales/trades between them and negatively affecting market dynamics.
- *Planning for equilibrium:*
 - ✓ Removal of +/-15,000 acres recommended in this region, as follows:
 - 1) Aged out Merlot and Cabernet Sauvignon (+/-6k acres)
 - 2) Zinfandel, for "white" and head-trained (+/-4k acres)
 - 3) Aged/poor-producing Chardonnay and Sauv Blanc (+/-4k acres)
 - 4) Other misc. reds including Malbec and Petite Sirah (+/-1k acres)

Estimated California White Winegrape Bearing Acreage (for regions likely producing wines \$11-25/bottle)



Estimated California Red Winegrape Bearing Acreage (for regions likely producing wines \$11-25/bottle)

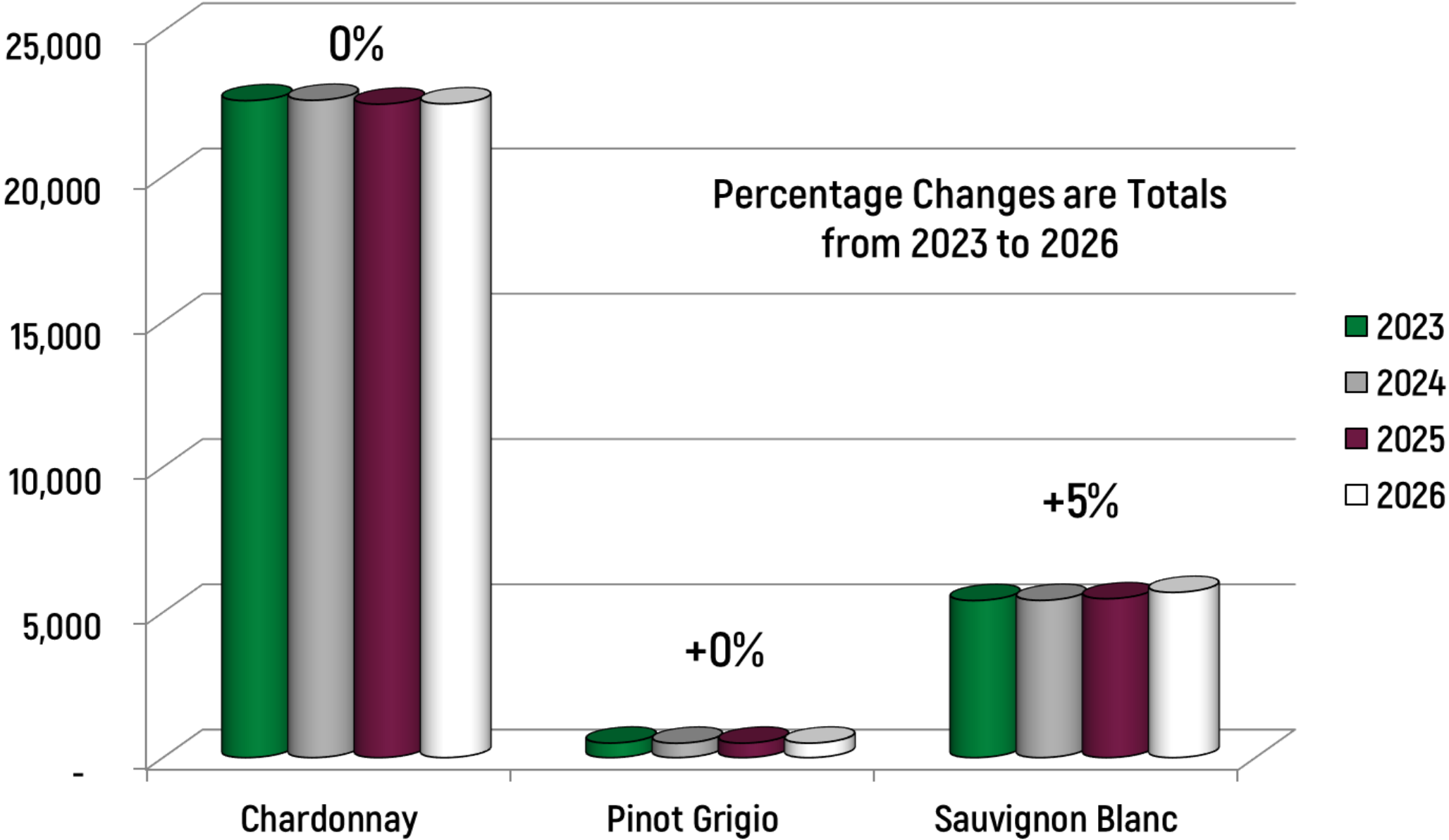




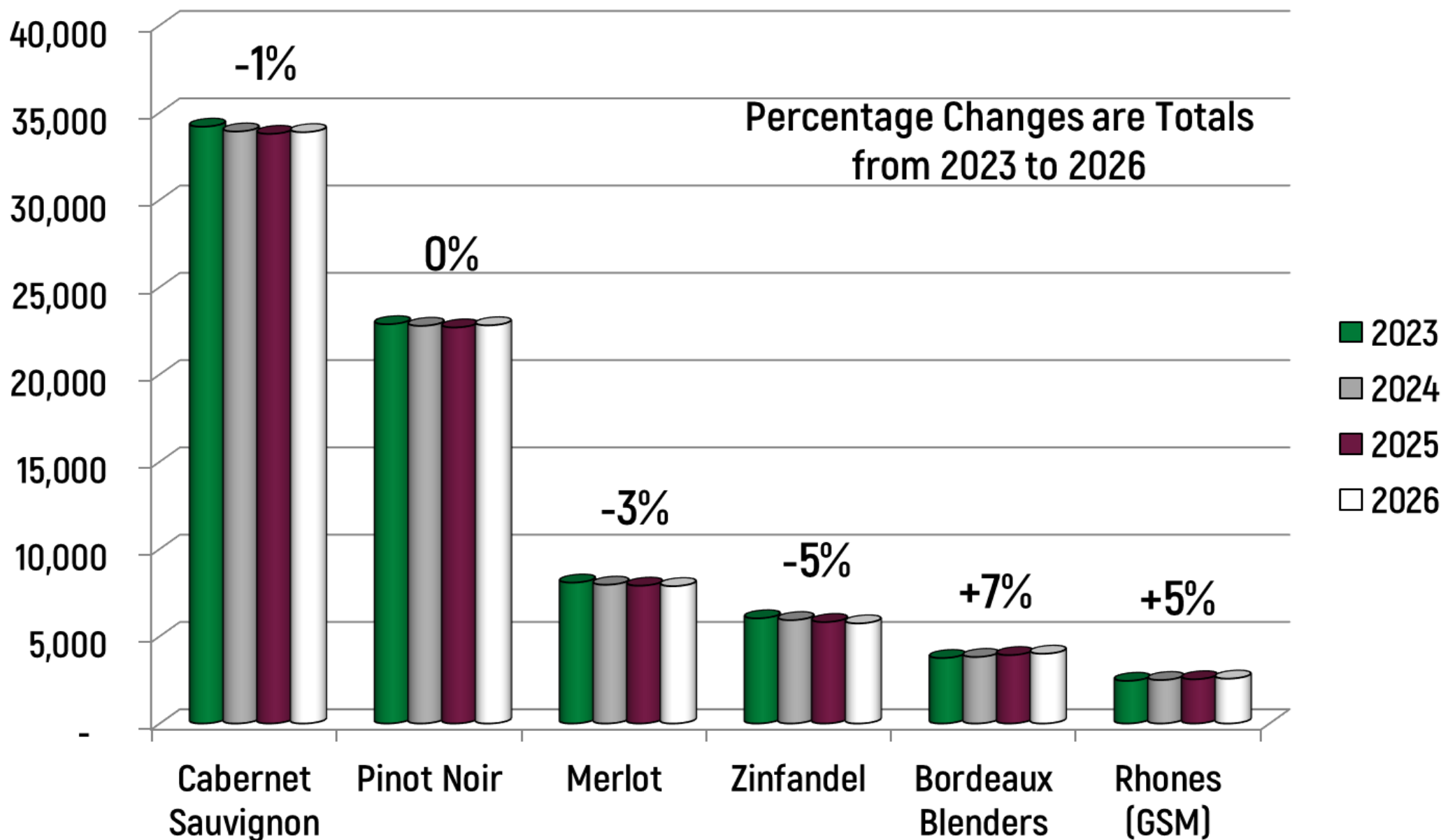
Evaluating Segment \$11-25/Bottle (Coastal Regions Excluding Napa/Sonoma)

- *Considerations:*
 - ✓ High concentration of new plantings in this segment in recent years.
 - ✓ Anticipate growth, but older vineyards need to be removed.
- *Planning for equilibrium:*
 - ✓ Removal of +/-15,000 acres recommended in this region, as follows:
 - 1) Cabernet Sauvignon (+/-5k acres) – 75% from Central Coast
 - 2) Pinot Noir from Monterey and Santa Barbara (3-4k acres)
 - 3) Other reds, including aged Merlot and Syrah (+/-3k acres)
 - 4) Aged Chardonnay in Mendo, Monterey and SB (+/-2k acres)
 - 5) Zinfandel, concentrated in Mendocino and Paso (+/-1k acres)
 - 6) Other whites – Riesling, Gewurztraminer, aged SB (+/-1k acres)

Estimated California White Winegrape Bearing Acreage (for regions likely producing wines >\$25/bottle)



Estimated California Red Winegrape Bearing Acreage (for regions likely producing wines >\$25/bottle)





Evaluating Segment >\$25/Bottle (Napa/Sonoma)

- *Considerations:*
 - ✓ Expansion is limited by resources and other factors.
 - ✓ Market is driven more by “players” than by supply.
 - ✓ This segment continues to be tied directly to economic health.
- *Planning for equilibrium:*
 - ✓ Removal of $\leq 5,000$ acres recommended in this region, as follows:
 - 1) Sonoma Cabernet Sauvignon (+/-2k acres)
 - 2) Zinfandel in Sonoma County (<1k acres)
 - 3) Aged and “old clone” Pinot Noir (+/-1k acres)
 - 4) Aged Sonoma vineyards of any variety (+/-1k acres)



Wrapping it up...

How can I get my
message across?





When confused....
Remove!!

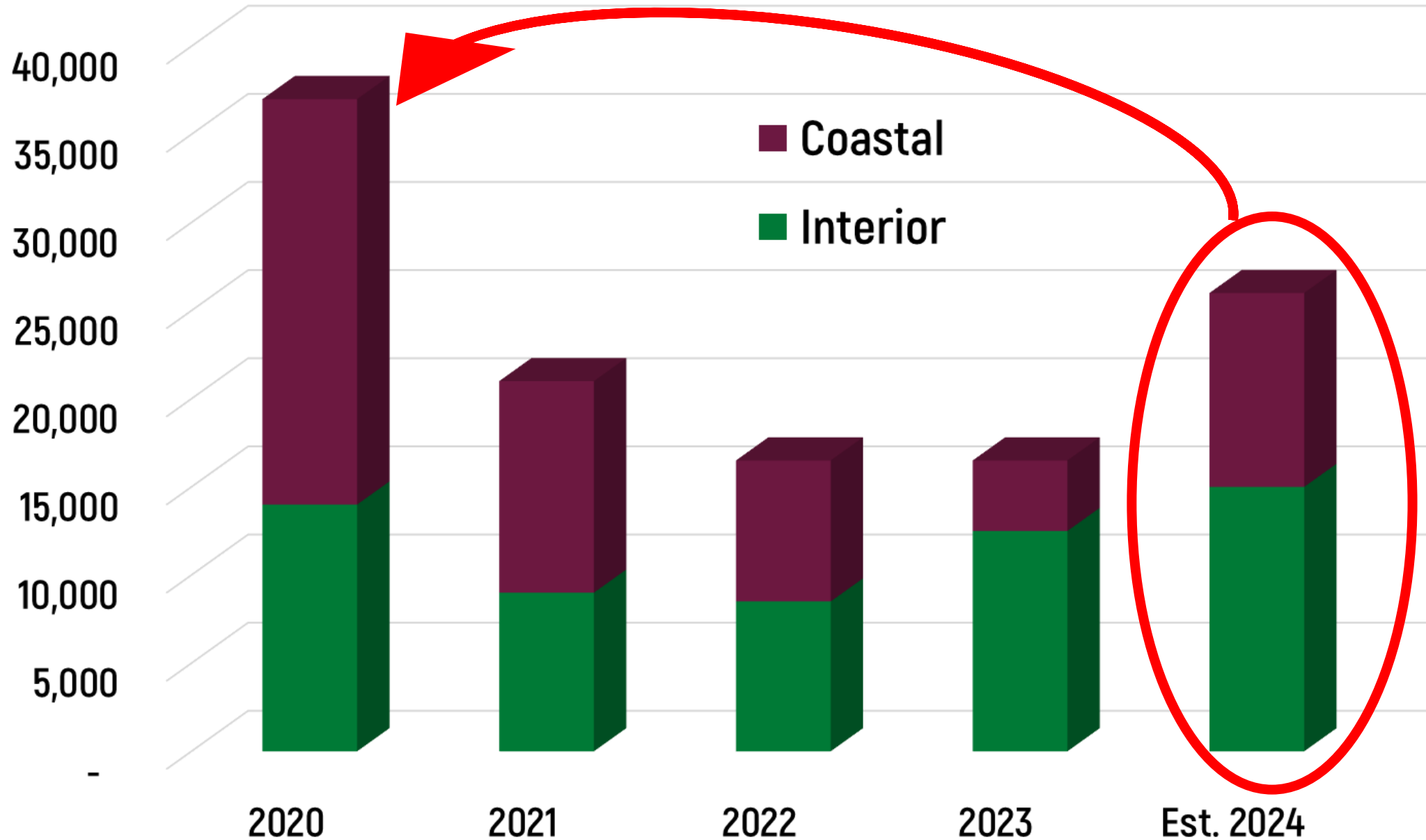


Market Numb?....
Then dig 'em!!

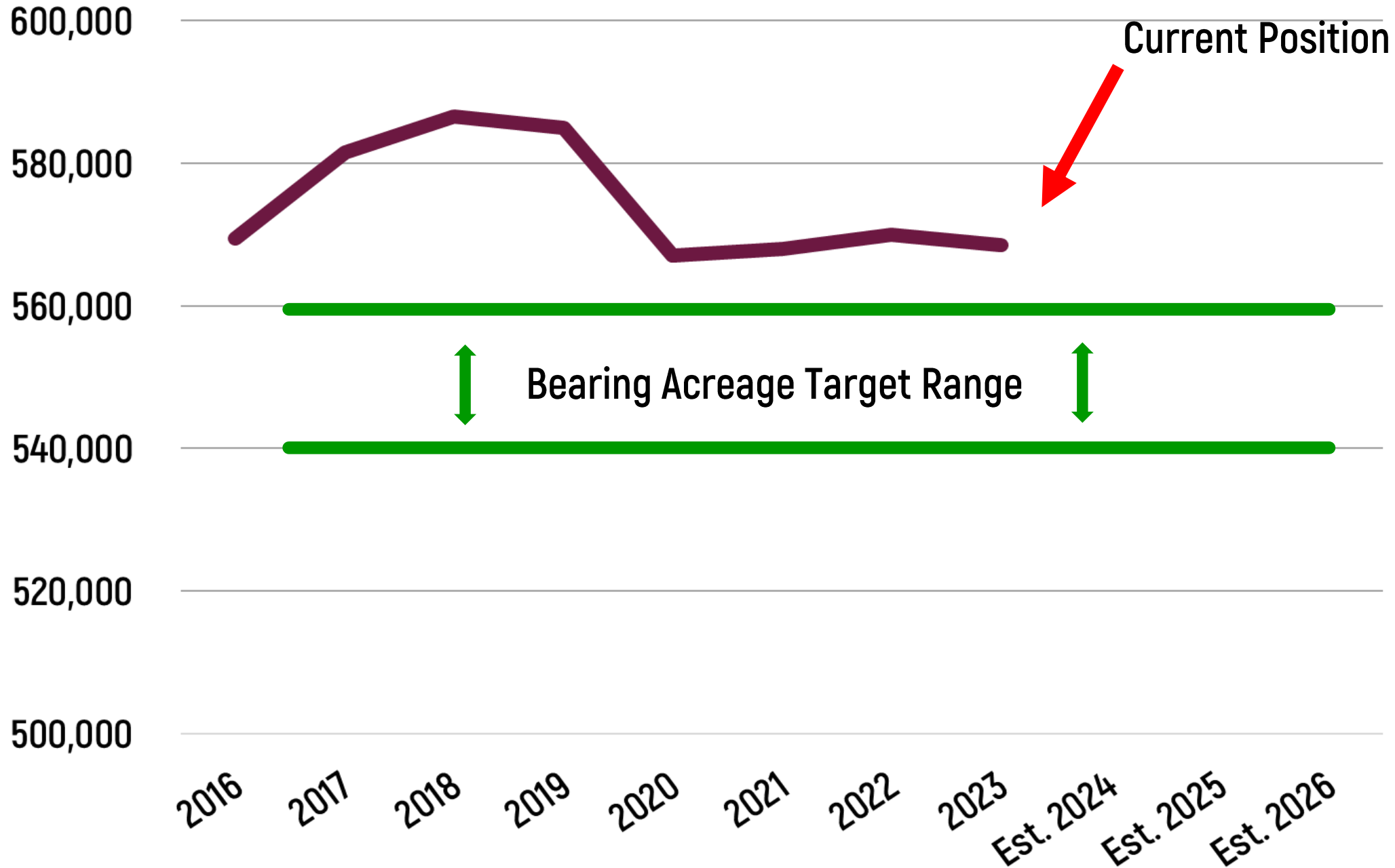


*If in doubt....
Pull it out!!!*

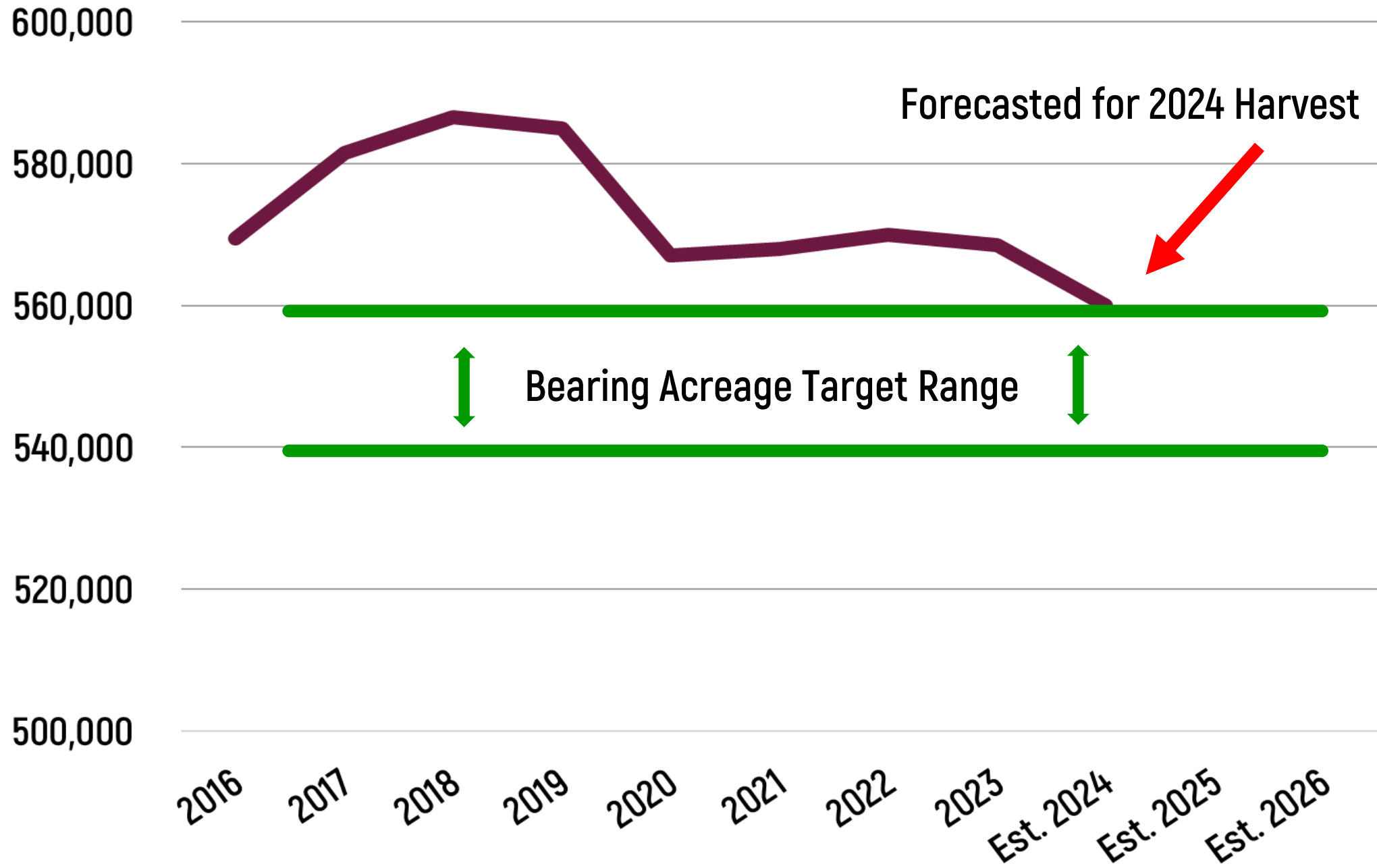
Estimated/Forecasted Pre-harvest Winegrape Removals California: 2020-2024 (In Acres)



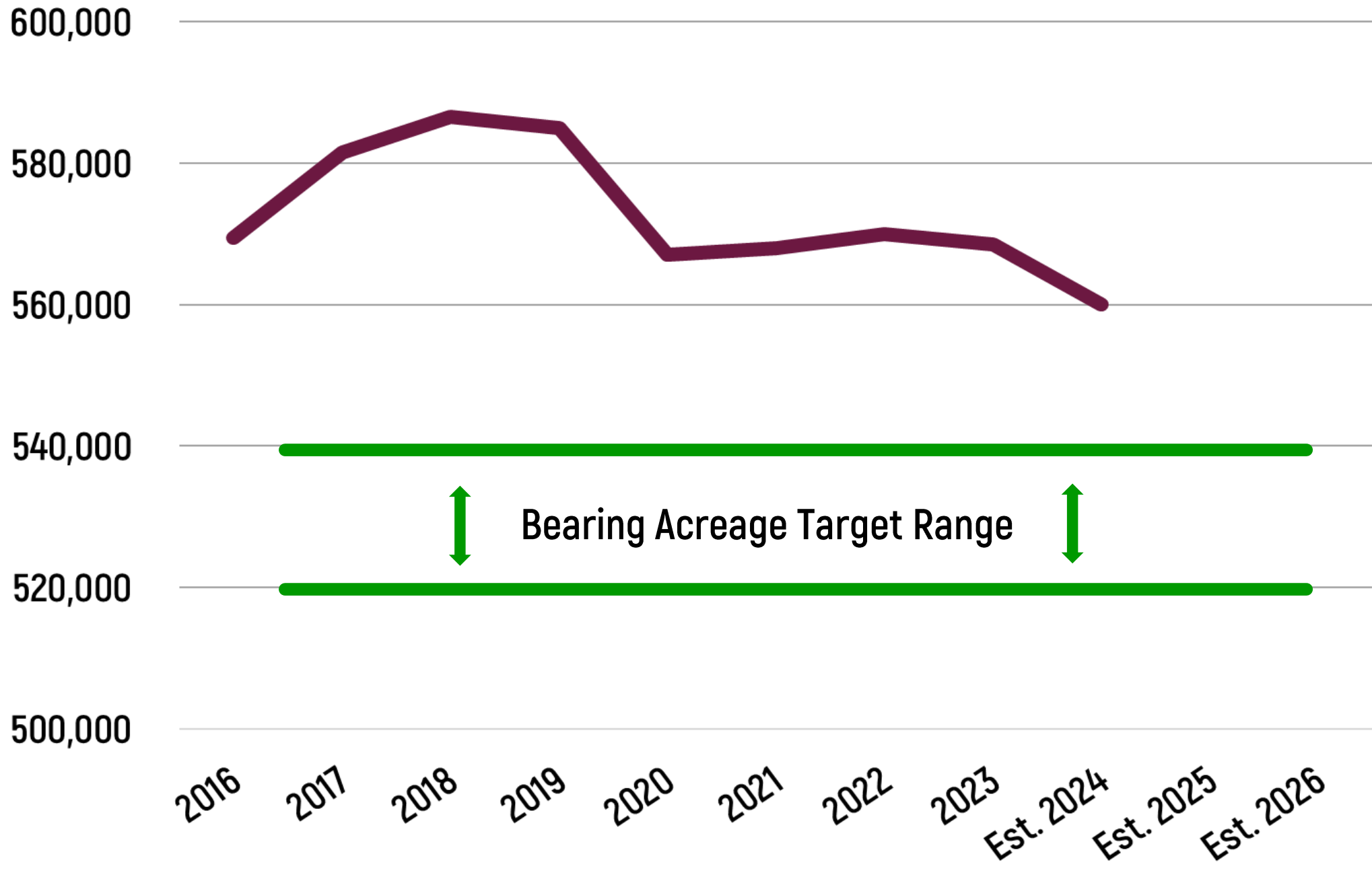
Estimated California Bearing Winegrape Acres



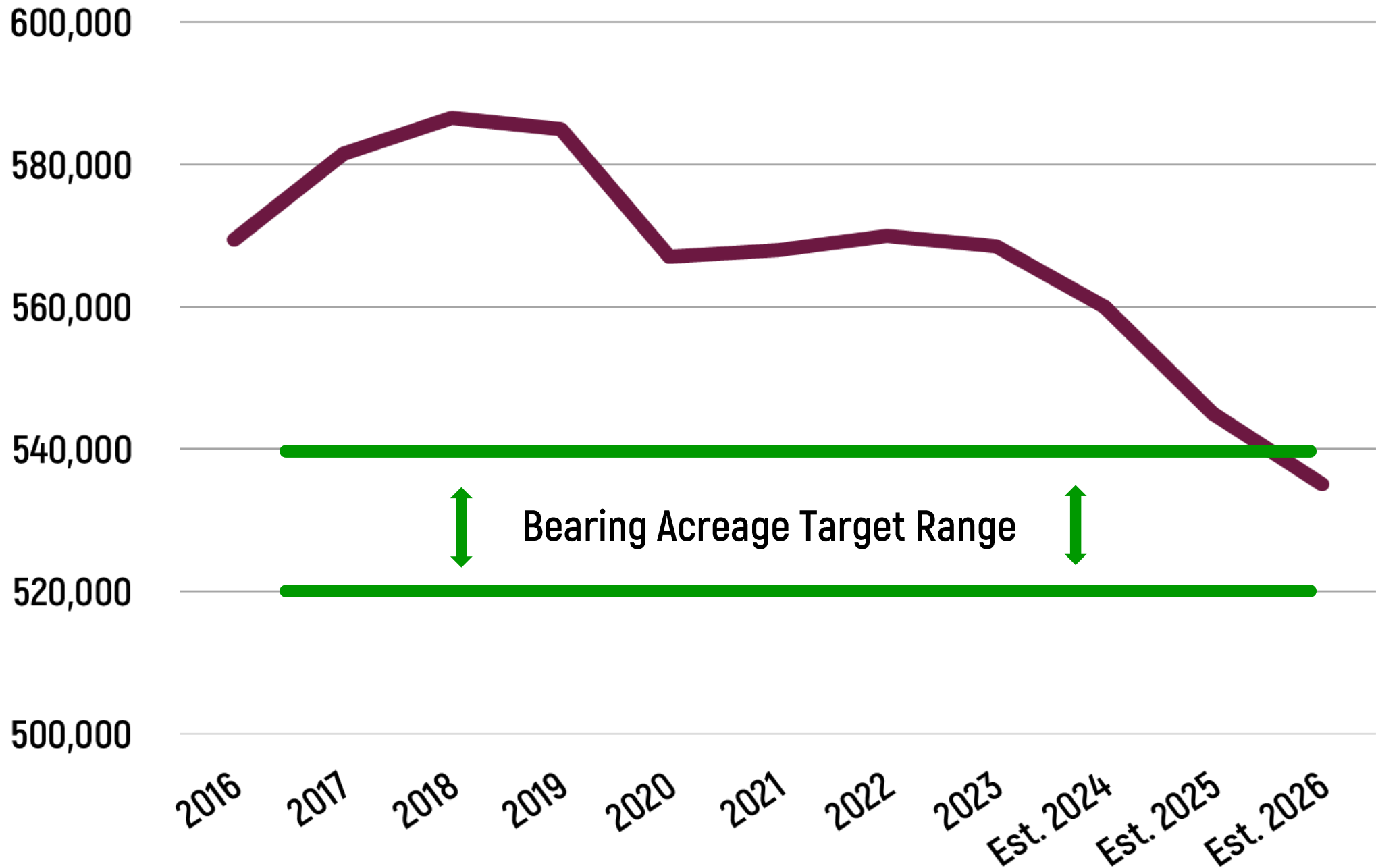
Estimated California Bearing Winegrape Acres



Estimated California Bearing Winegrape Acres



Estimated California Bearing Winegrape Acres



Summary and Conclusions

- The California wine industry continues to be structurally oversupplied (too many acres), but weak wine shipment performance since 2022 has magnified our issue.
- We are not “over-planting”; we are “under-removing”.
- Plantings in 2024 and 2025 are expected to moderate significantly, but that doesn’t help us today; we need to adjust bearing acreage.
- WE HAVE TO HAVE A.....**REACTION**.....to our situation.
+/-50,000 acres need to be removed to reduce our bearing acres by 30,000 (almost 20,000 acres are newly bearing in 2024).
- Oversupply manifests itself in the spot market.



Thank you!

**For more information,
come see us at booth 202
or www.alliedgrapegrowers.org**