



2022

**Winegrape Supply and Demand -
Yesterday, Today and Tomorrow**

Jeff Bitter

Allied Grape Growers

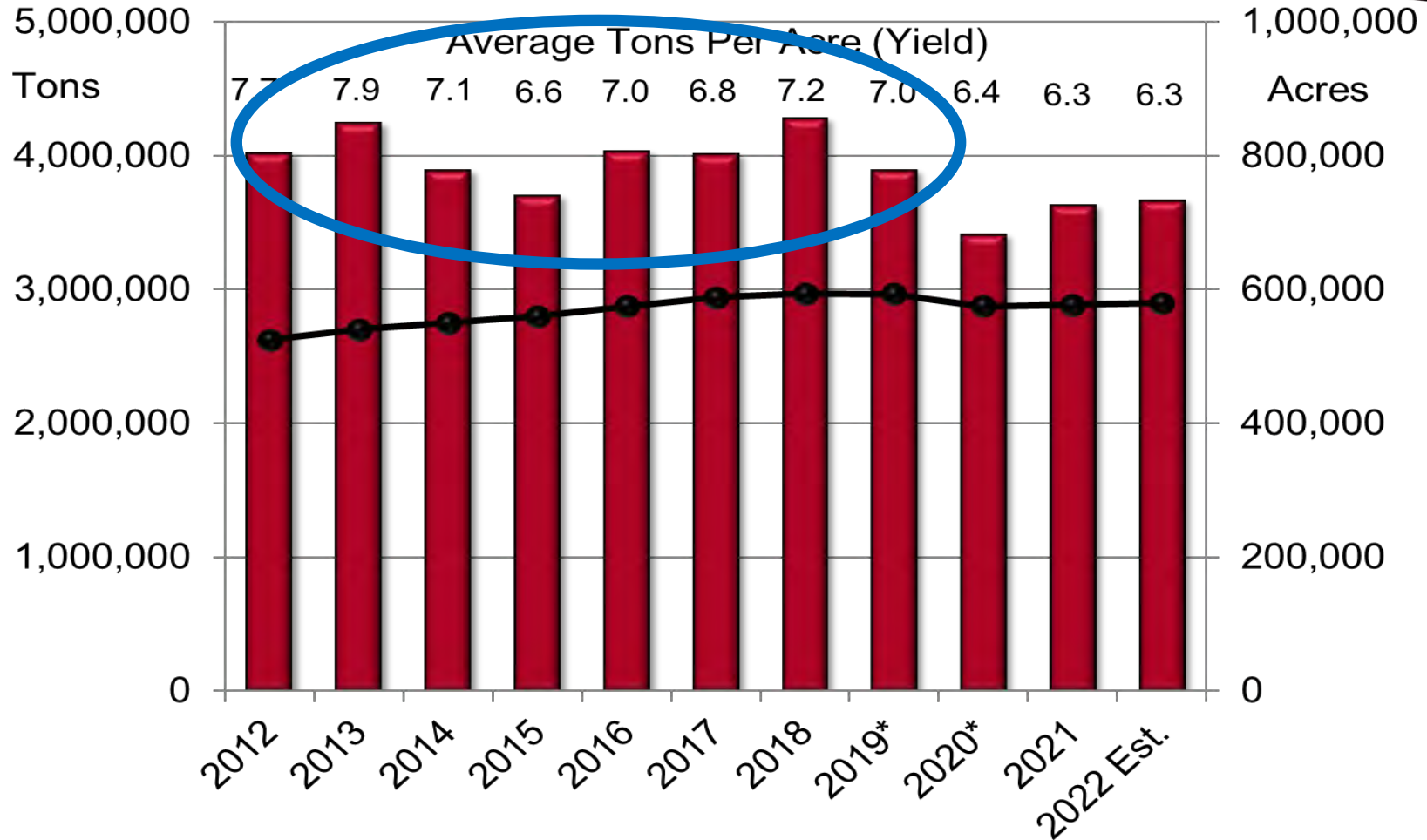
November 11, 2022



Yesterday.....a look backwards



California Winegrape Crush



■ California Winegrape Tons Crushed/Estimated
● Estimated California Bearing Winegrape Acres

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

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Grape glut raises stakes in California wine in



Betsey Guzior, Bizwomen Editor

Feb 7, 2020, 10:28am EST

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FOOD & BEVERAGE KNOWLEDGE PORTAL

Oversupply Of Grapes In California Could Mean Lower Bottle



Posted: Feb 21, 2020

California Grape Glut Starts to Bite

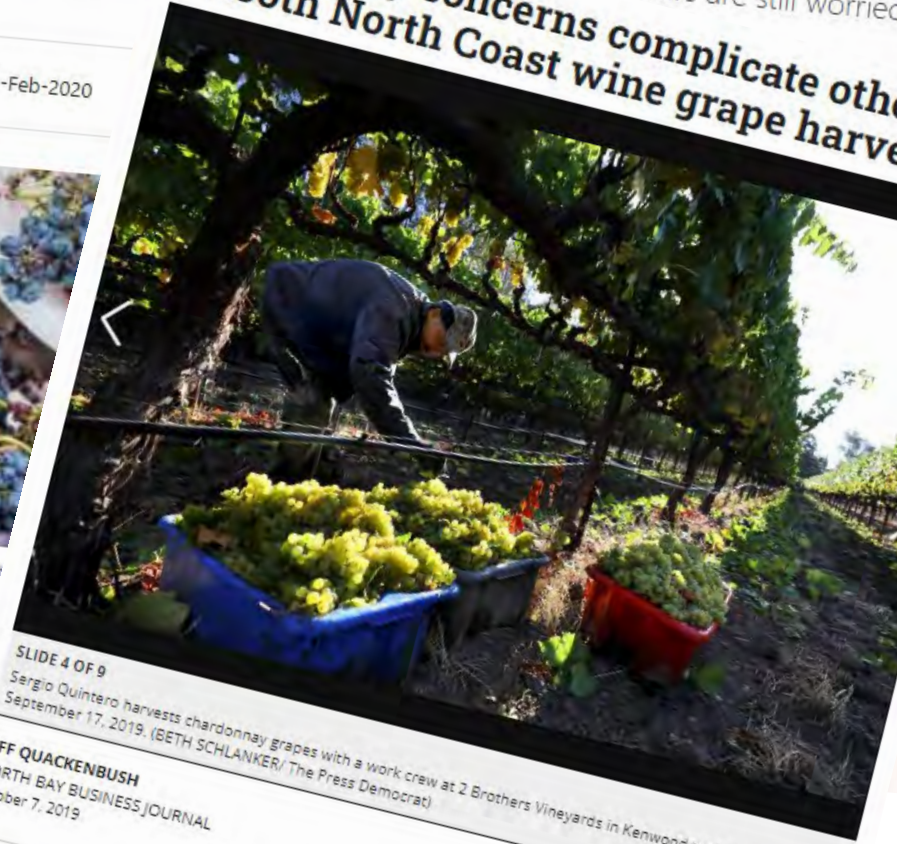
The 2019 crush was smaller than last year's, but growers are still worried about oversupply.

W. Blake Gray • Tuesday, 11-Feb-2020



© Shutterstock | As much as 10 percent

Oversupply concerns complicate other smooth North Coast wine grape harvest



SLIDE 4 OF 9
Sergio Quintero harvests chardonnay grapes with a work crew at 2 Brothers Vineyards in Kenwood on Tuesday, September 17, 2019. (BETH SCHLANKER/The Press Democrat)
JEFF QUACKENBUSH
NORTH BAY BUSINESS JOURNAL
October 7, 2019

As October began, the California wine grape harvest was running a few days behind the typical schedule with picking over half-way done in the warmer inland regions and less than half in the coastal areas.



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California Grape Glut Helps Send Wine Prices Plummeting

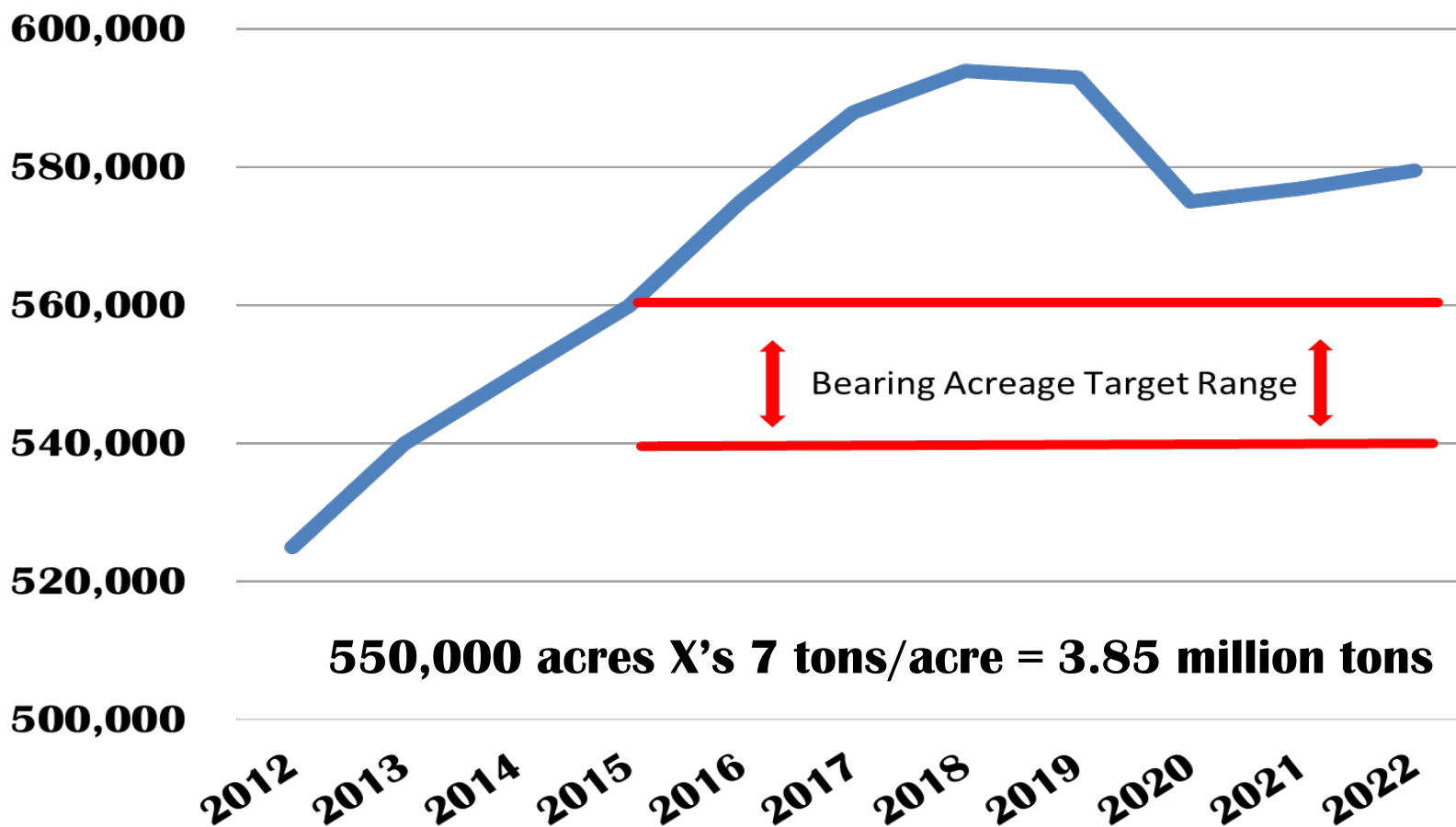
CBS NEWS BAY AREA

FEBRUARY 16, 2020 / 10:44 AM / CBS SAN FRANCISCO



Bearing Acreage History

Estimated California Bearing Winegrape Acres 2012 - 2022



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Source: Gomberg Fredrikson & Associates Webinar Series - March 24, 2022

California Winery Data 9L Cases

Domestic Shipments	2017	2018	2019	2020	2021	1 Yr % Chng
Shipped CA Case TP	49,954,337	55,578,809	51,649,082	47,144,380	47,632,839	1.0%
Shipped OS Case TP	161,305,430	160,925,232	156,442,680	164,387,983	154,352,971	-6.1%
Shipped OS Case IB	53,715,958	50,988,095	47,684,033	48,215,267	57,680,261	19.6%
Shipped OS Bulk IB	2,278,880	1,777,638	2,220,078	2,212,004	3,729,809	68.6%
Total Out of State	217,300,269	213,690,965	206,346,791	214,815,253	215,763,041	0.4%
Total Domestic Shipments	267,254,606	269,269,774	257,995,872	261,959,634	263,395,880	0.5%
Bulk Import Portion	22,865,164	20,404,067	18,958,137	20,816,865	21,748,761	4.5%
California Wines to US	244,389,442	248,865,706	239,037,735	241,142,768	241,647,119	0.2%
Export Shipments	2017	2018	2019	2020	2021	% Change
Case Exports	17,939,604	15,646,800	12,442,969	11,526,840	13,059,290	13.3%
Bulk Exports	20,805,178	22,281,580	21,509,226	27,386,221	25,738,410	-6.0%
Total Exports	38,744,781	37,928,379	33,952,196	38,913,060	38,797,700	-0.3%
Total Shipments	305,999,387	307,198,153	291,948,068	300,872,694	302,193,580	0.4%
Winery Inventory BOE	2017	2018	2019	2020	2021	% Change
Bulk Inventory	396,585,715	392,500,433	492,307,018	457,918,488	425,464,855	-7.1%
Case Inventory	58,708,205	52,878,634	60,290,742	62,922,150	62,033,709	-1.4%
California Inventory	455,293,439	445,375,857	552,597,760	520,840,676	487,498,564	
Est Bulk Imp Inventory	7,801,833	5,219,695	6,992,935	6,543,490	9,447,678	44.4%
Total Inventory	463,095,272	450,598,762	559,590,696	527,384,166	496,946,242	-5.8%
Days Inventory	552	535	700	640	600	

Source: Gomberg Fredrikson & Associates Webinar Series - March 24, 2022

US Wine Market 1993 to 2016 9L Cases (9L thousands)

	Domestic Bottled			Packaged Imports			Total US Market		
	1993	2016	CAGR	1993	2016	CAGR	1993	2016	CAGR
Still Wines	123,916	248,621	3.1%	19,183	78,835	6.3%	143,100	327,456	3.7%
Bulk Imports	122	22,751	25.5%				122	22,751	25.5%
Sparkling	10,027	12,034	0.8%	3,425	12,408	5.8%	13,452	24,443	2.6%
Trad Desserts	11,528	2,153	-7.0%	900	1,140	1.0%	12,428	3,293	-5.6%
Vermouth	1,199	628	-2.8%	700	2,058	4.8%	1,899	2,687	1.5%
Flav Wines	11,195	10,889	-0.1%	2,405	5,324	3.5%	13,600	16,213	0.8%
Sake				600	935	1.9%	600	935	1.9%
Total	157,987	297,077	2.8%	27,214	100,700	5.9%	185,201	397,778	3.4%

US Wine Market 2016 to 2021 (9L thousands)

	2016	2017	2018	2019	2020	2021	CAGR 16-19	CAGR 16-21
Domestic Bottled								
Still Wines	248,621	247,956	252,864	253,171	264,713	264,687	0.6%	1.3%
Bulk Imports	22,751	27,382	23,302	21,837	24,550	26,283	-1.4%	2.9%
Sparkling	12,034	12,519	12,752	12,747	12,713	14,381	1.9%	3.6%
Trad Desserts	2,153	2,125	2,100	2,075	1,950	1,875	-1.2%	-2.7%
Vermouth	628	501	287	157	156	141	-37.0%	-25.8%
Flav Wines	10,889	9,315	9,234	7,483	6,796	3,796	-11.8%	-19.0%
Sake								
Total	297,077	299,799	300,539	297,470	310,878	311,163	0.0%	0.9%
<i>Percent Change</i>		0.9%	0.2%	-1.0%	4.5%	0.1%		



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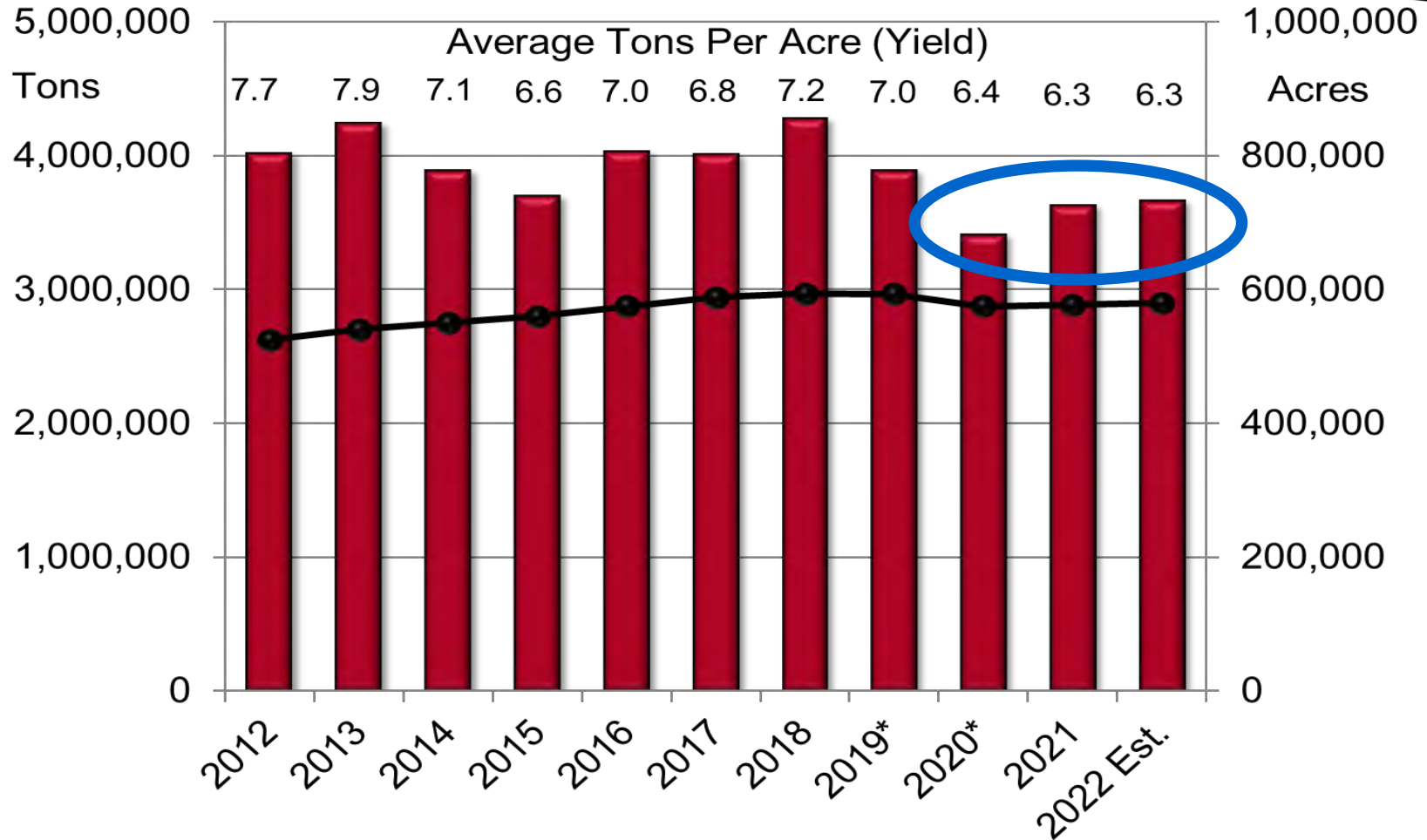
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The Saving Grace.....



California Winegrape Crush



■ California Winegrape Tons Crushed/Estimated
● Estimated California Bearing Winegrape Acres

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

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“Yesterday” Summary

- Significant Bearing Acreage Growth through 2019
- Production averages 4M tons annually through 2019
- Decades-long wine volume growth trend flattens after 2016
- Oversupply plagues industry heading into pandemic
- Pandemic brings major market channel disruptions
- Three short crops offset our structural oversupply

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Today.....where we are at now



Plantings,
Vineyard Removals
and Today's Consumer.....

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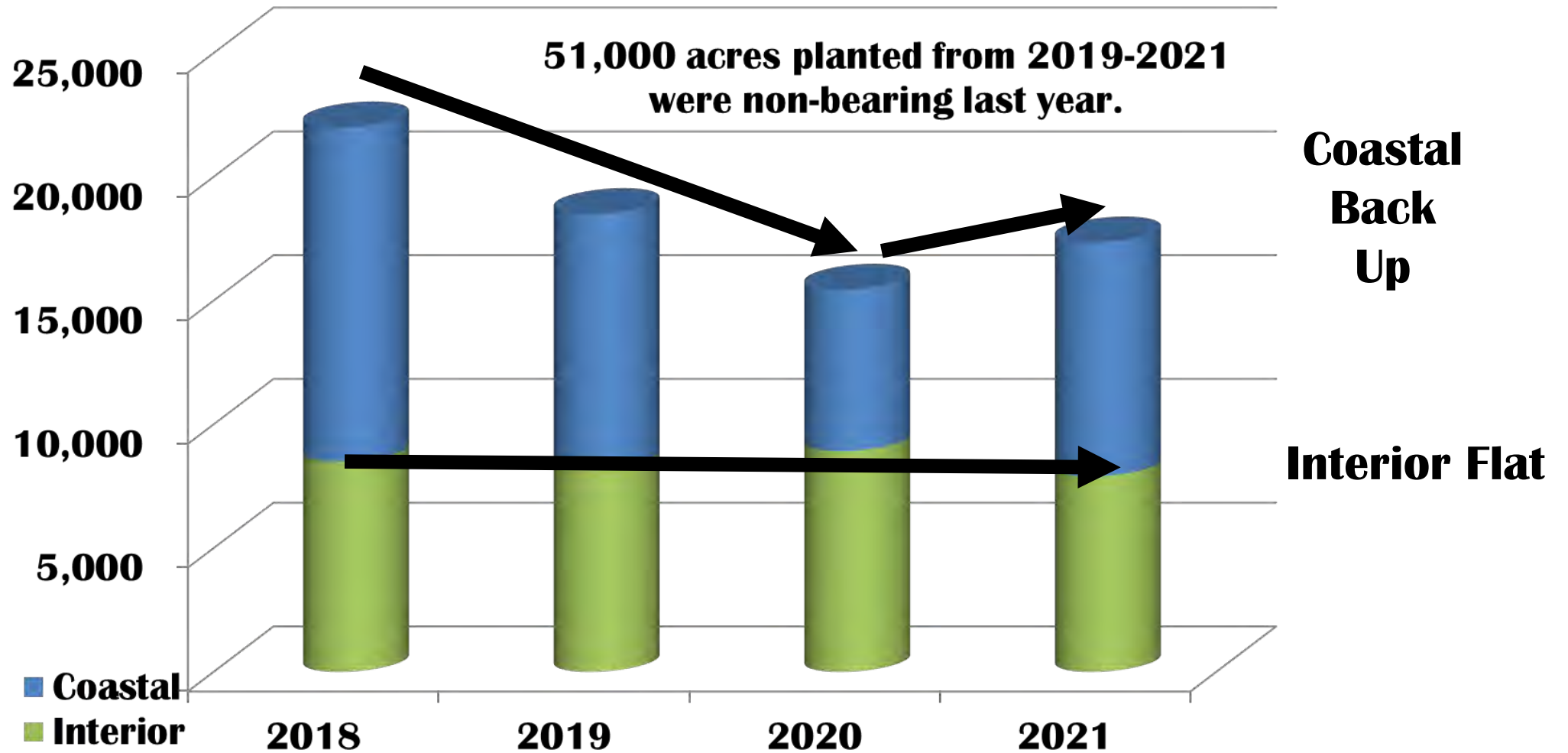
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California Planting Trends

Estimated California Winegrape Acres Planted By Year

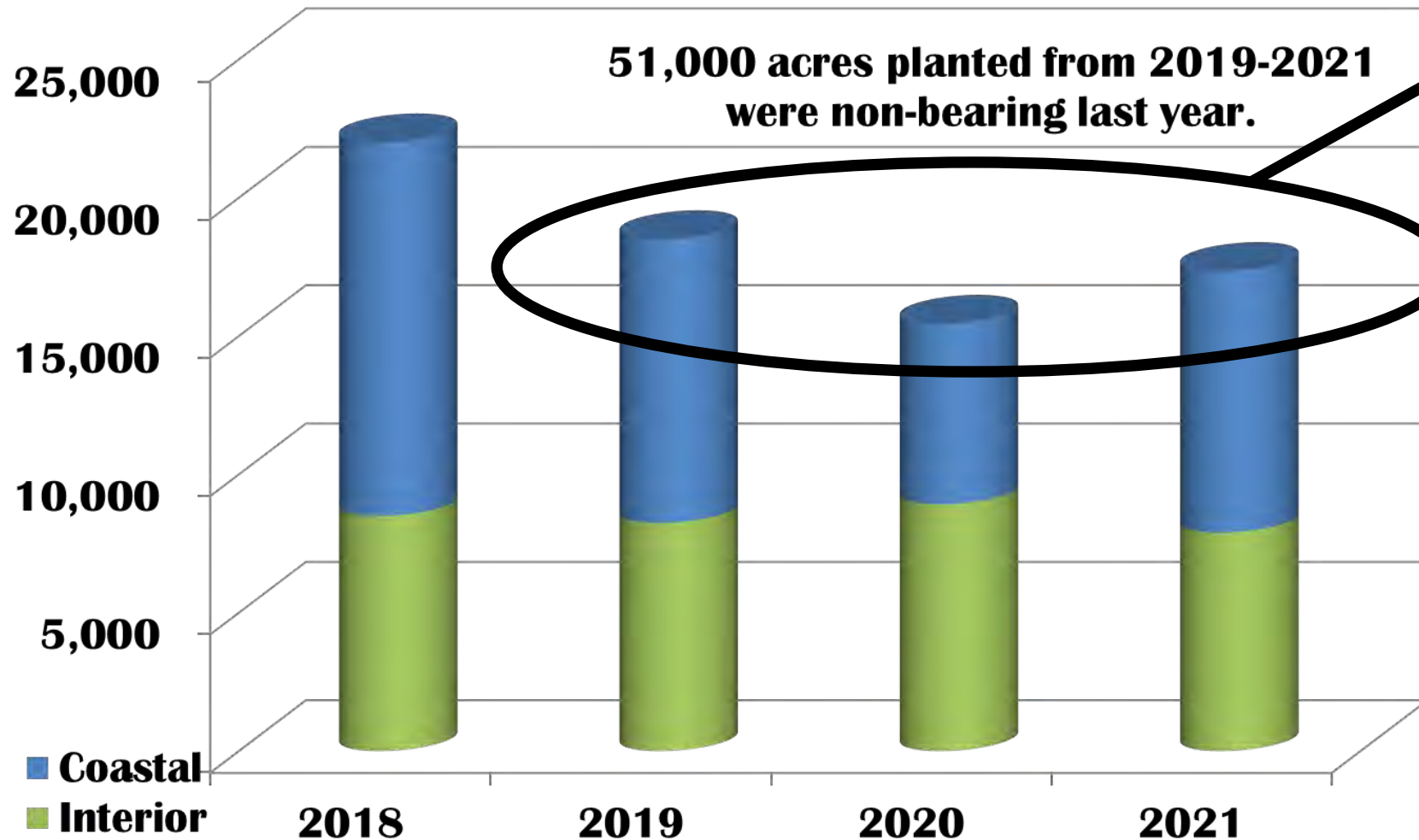


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California Planting Trends

Estimated California Winegrape Acres Planted By Year



This is good:

We should be planting approximately 15,000 to 18,000 acres a year, given "normal" attrition.

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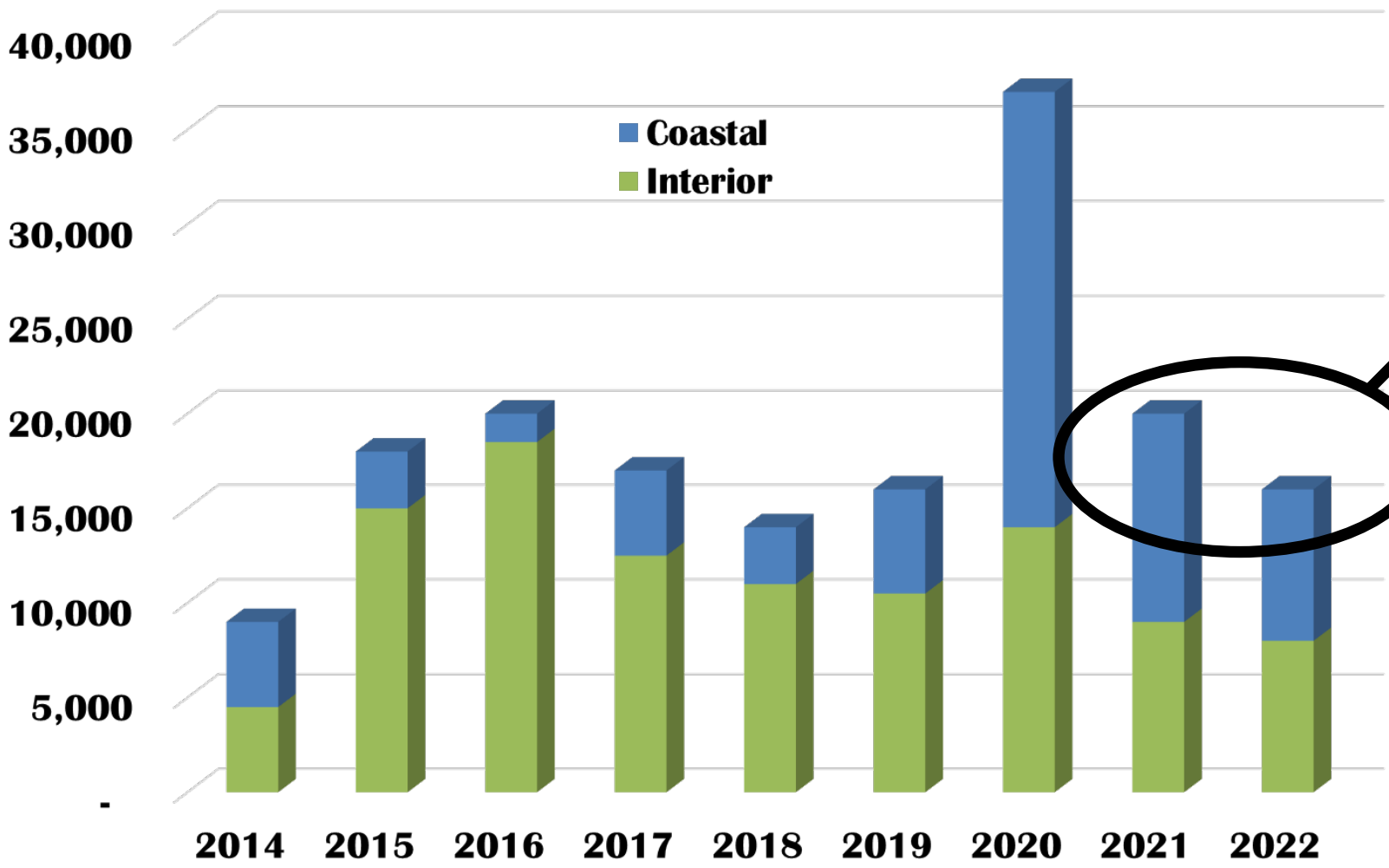
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California Vineyard Removals

Estimated Vineyard Removals, 2014-2021, with 2022 Forecast
(Prior to each harvest year listed)



This is good:

We should be removing approximately 15,000 to 18,000 acres a year based on current bearing acres.

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It's a fair statement
to say bearing acreage
will remain flat....



Today's Consumer



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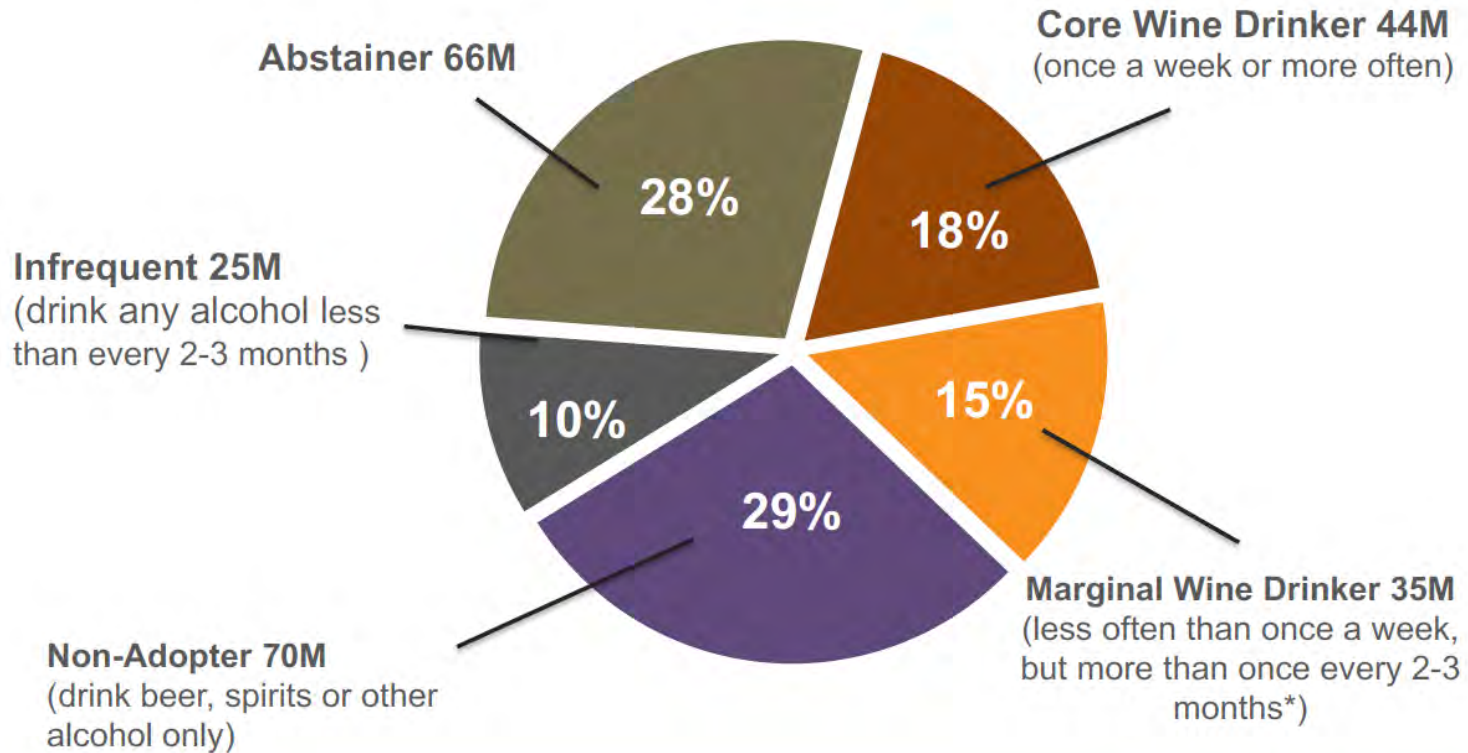
**2021-2022 Wine Market Council
U.S. Wine Consumer Segmentation Slide Handbook
June 2022**



Today's Consumer

Beverage Alcohol Consumption Among U.S. Adults 21+ (with estimated population in millions)

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Base: U.S. Adults 21+, n=7,569
Source: WMC – U.S. Wine Consumer Segmentation Survey, Fall 2021/Spring 2022 Combined based to US Census Estimate December 2021¹



Today's Consumer

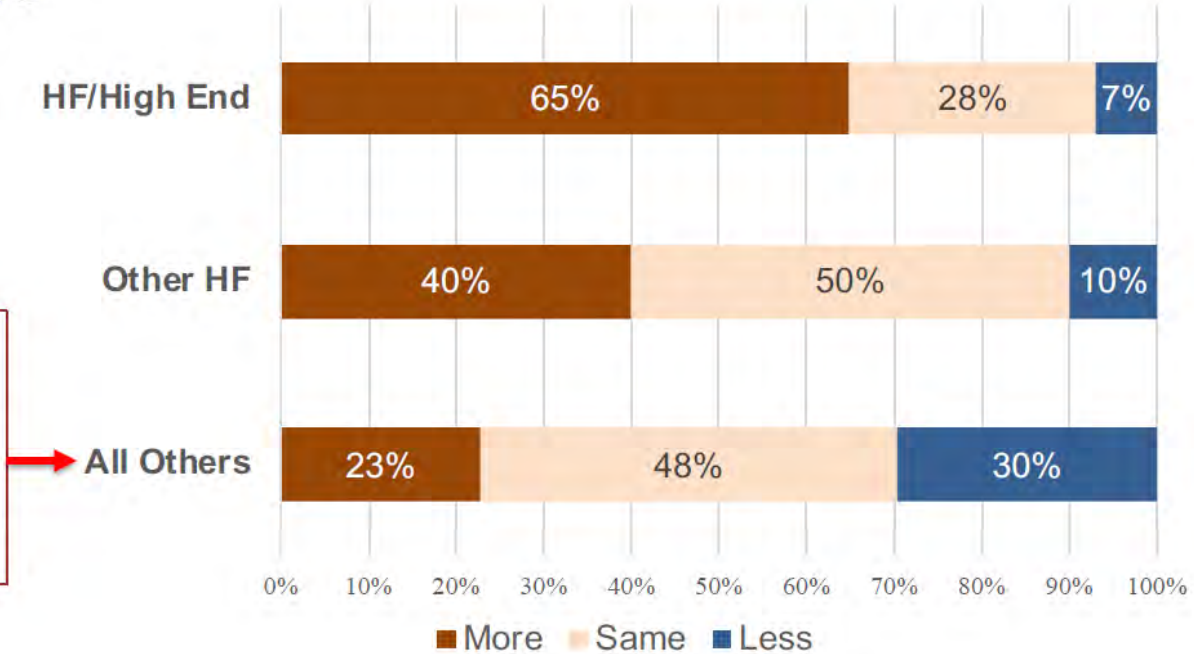
Change in Wine Consumption vs. "A Couple of Years Ago" Among High Frequency/High End Wine Drinkers*

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NOTE: About 1/5 of Marginal Wine Drinkers dropped out of category since 2019.



*High Frequency High End – Drinks wine weekly+ and purchases \$20+ 750ml wine monthly+
High Frequency- Drinks wine weekly+ but does not purchase \$20+ 750ml wine monthly+

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Today's Consumer

Wine Purchase Frequency Among Total Wine Drinkers by Price Category - 2021 vs. 2019

2021	Weekly	Monthly	Several times a year	Once a year or less	Never
Under \$10	16%	22%	23%	13%	27%
\$15 - \$20	8%	20%	31%	21%	20%
\$50+	2%	4%	10%	20%	64%
2019					
Under \$10	17%	21%	24%	13%	24%
\$15 - \$20	9%	17%	33%	20%	21%
\$50+	2%	4%	7%	14%	73%
Point Change					
Under \$10	-1	+1	-1	0	+3
\$15 - \$20	-1	+3	-2	+1	-1
\$50+	0	0	+3	+6	-9

Some rows do not add to 100% due to rounding.

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Base: U.S. wine drinkers, n=1,772. March waves not included
 Source: WMC - U.S. Wine Consumer Segmentation Survey, October-November 2021

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Today's Consumer

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Today's Consumer

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WINE MARKET COUNCIL

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 Source: WMC - U.S. Wine Consumer Segmentation Survey, October-November 2021

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Today's Consumer

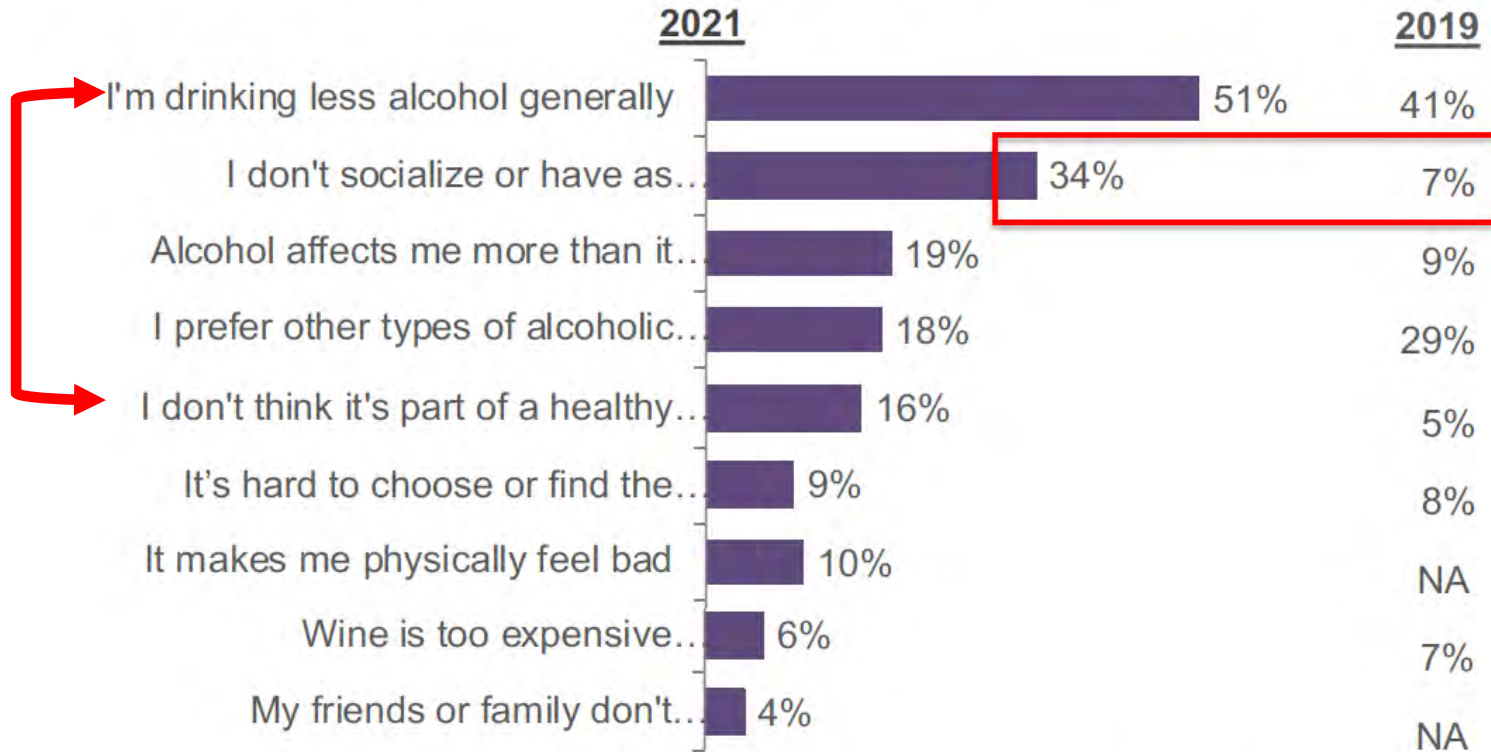
Reasons for Drinking Less Wine vs. "A Couple of Years Ago" 2021 responses vs. 2019 Responses

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Can be addressed through marketing/promotion



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Today's Consumer

Basic Consumer Segments:

	2019	2021	
Core Wine Drinker (Drink wine once/week+)	21%	18%	—
Marginal Wine Drinker (Drink wine less than once/week but at least every 2-3 months)	17%	15%	—
Non-Adopter (Drink beer/spirits/other alcohol but no wine)	26%	29%	+
Infrequent Alcohol (Drink alcohol less often than every 2-3 months)	10%	10%	
Abstainer (Do not drink alcohol)	25%	28%	+

May not add to 100% due to rounding

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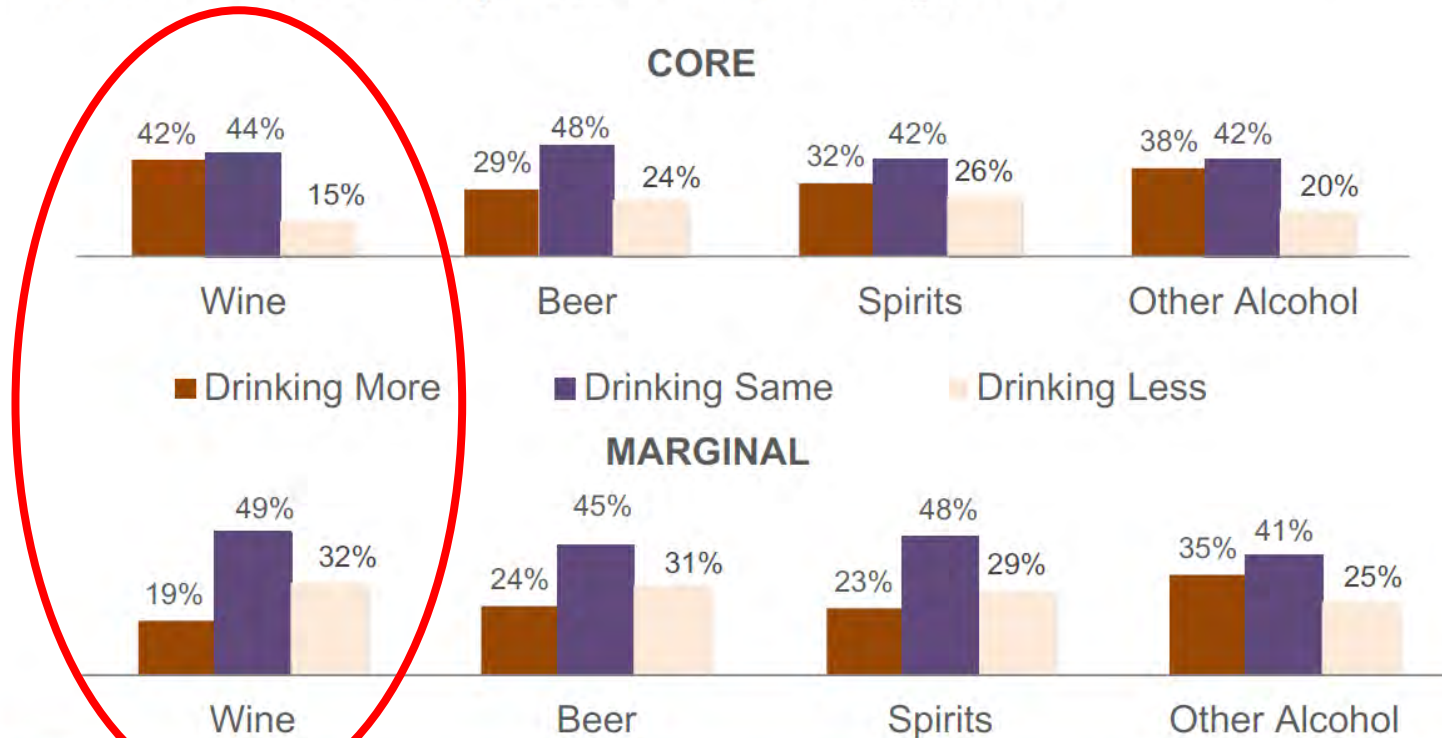
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Today's Consumer

Change in Consumption vs. "A Couple of Years Ago" For Wine Drinkers - By Wine Drinker Segment



Core drinkers say they are drinking more...

Marginal drinkers say they are drinking less....

NOTE: Substantial numbers of Marginal Wine Drinkers switched to drinking mostly/all beer, spirits or other since 2019 survey. Adjusting for this, our estimate is that More/Same/Less for Marginal wine consumers would be 15/39/46; and % drinking More in the other categories should be higher by 5-10%.

* % point difference between drinking more and drinking less

**Such as hard spritzers, flavored alcoholic beverages, hard cider, wine-based mixed beverages

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Source: Gomberg Fredrikson & Associates Webinar Series - September 27, 2022

US Wine Market Trends - 2022 Forecast

	2017	2018	2019	2020	2021	2022 Est	2022 Chng
Domestic							
Still Wines	250,583	255,251	255,403	266,820	265,325	267,050	0.6%
Sparkling Wines	12,519	12,752	12,748	12,714	14,381	14,812	3.0%
Wine Flav Beverages	9,315	9,235	7,483	6,796	3,796	2,657	-55.0%
Vermouth	511	458	373	370	304	289	-5.0%
Bulk Imports	27,382	23,302	21,838	24,550	26,284	30,226	15.0%
Sub Total Dom Bottled	300,311	300,999	297,844	311,250	310,090	315,035	1.6%
% Change		0.2%	-1.0%	4.5%	-0.4%		
Imports							
Still Wines	82,290	80,322	80,194	78,270	83,124	80,630	-3.0%
Sparkling Wines	13,846	14,900	16,609	15,819	22,098	23,203	5.0%
Wine Flav Beverages	5,534	6,168	9,632	24,481	27,602	12,145	-56.0%
Vermouth	2,215	2,684	2,977	5,946	8,415	5,049	-40.0%
Bulk Imports	-	-	-	-	-	-	-
Sub Total Pckg Imports	103,885	104,075	109,411	124,516	141,239	121,027	-14.3%
% Change		0.2%	5.1%	13.8%	13.4%		
Total US Wine Market							
Still Wines	332,873	335,574	335,597	345,090	348,449	347,680	-0.2%
Sparkling Wines	26,365	27,653	29,357	28,532	36,479	38,016	4.2%
Wine Flav Beverages	14,849	15,403	17,115	31,277	31,398	14,802	-52.5%
Vermouth	2,726	3,143	3,349	6,317	8,719	5,338	-38.8%
Bulk Imports	27,382	23,302	21,838	24,550	26,284	30,226	15.0%
Total All Wine	404,196	405,074	407,256	435,767	451,329	436,061	-3.4%



“Today” Summary

So what's securing supply/demand stability today?

- Three short crops in a row
- Anchoring pessimism regarding weather/perils
 - Modest planting rates in recent years

Note: These all have to do with supply control.



“Today” Summary

And what's threatening supply/demand stability today?

- Economic outlook/recession/inflation
- Under-performance of the largest wineries
- No material proof of a growing consumer base

Note: These all have to do with demand pessimism.



Tomorrow.....
prognosticating our future



Forecasting Grape Supply

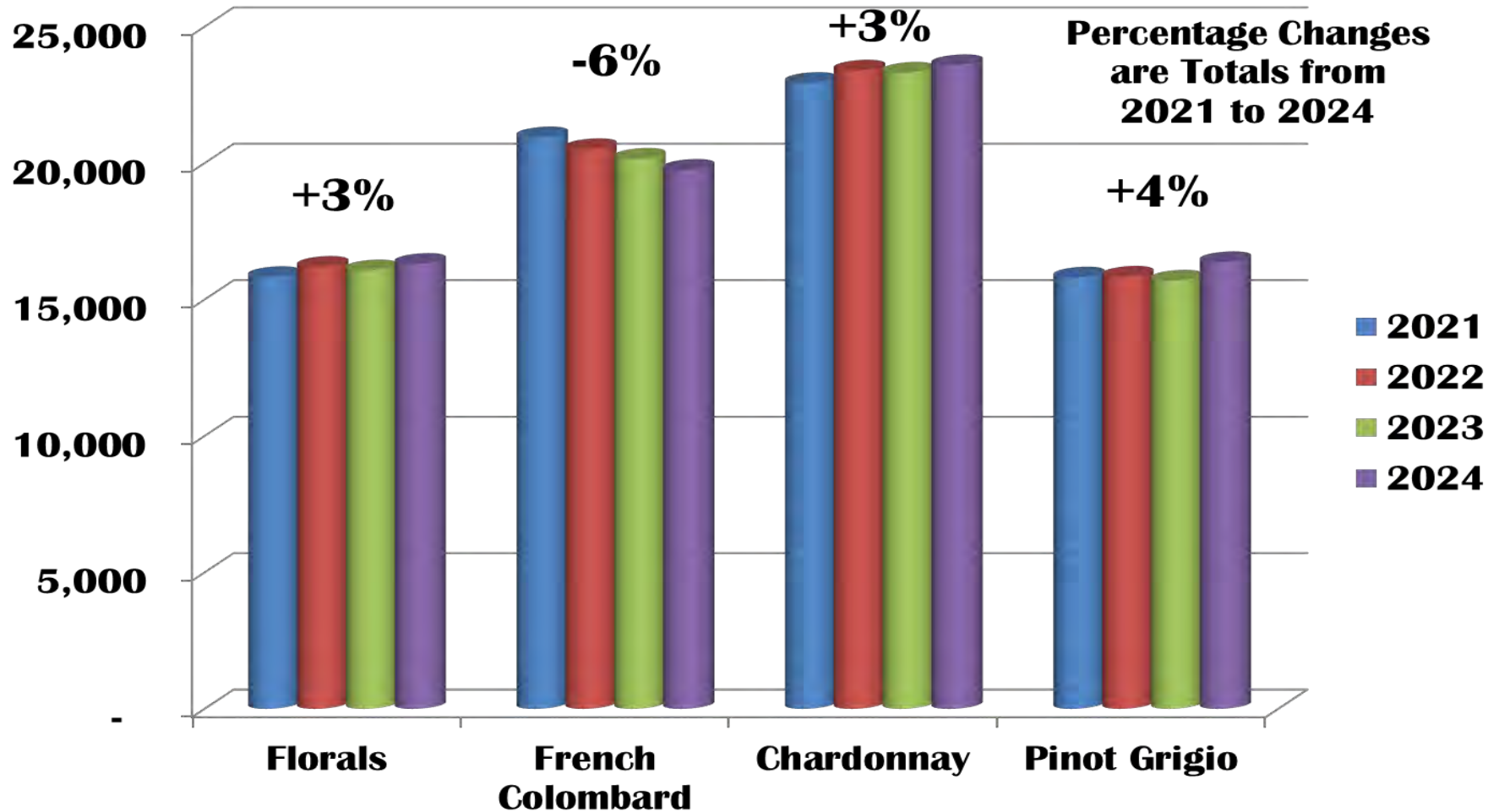
What do the numbers tell us?





Forecasting Grape Supply

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



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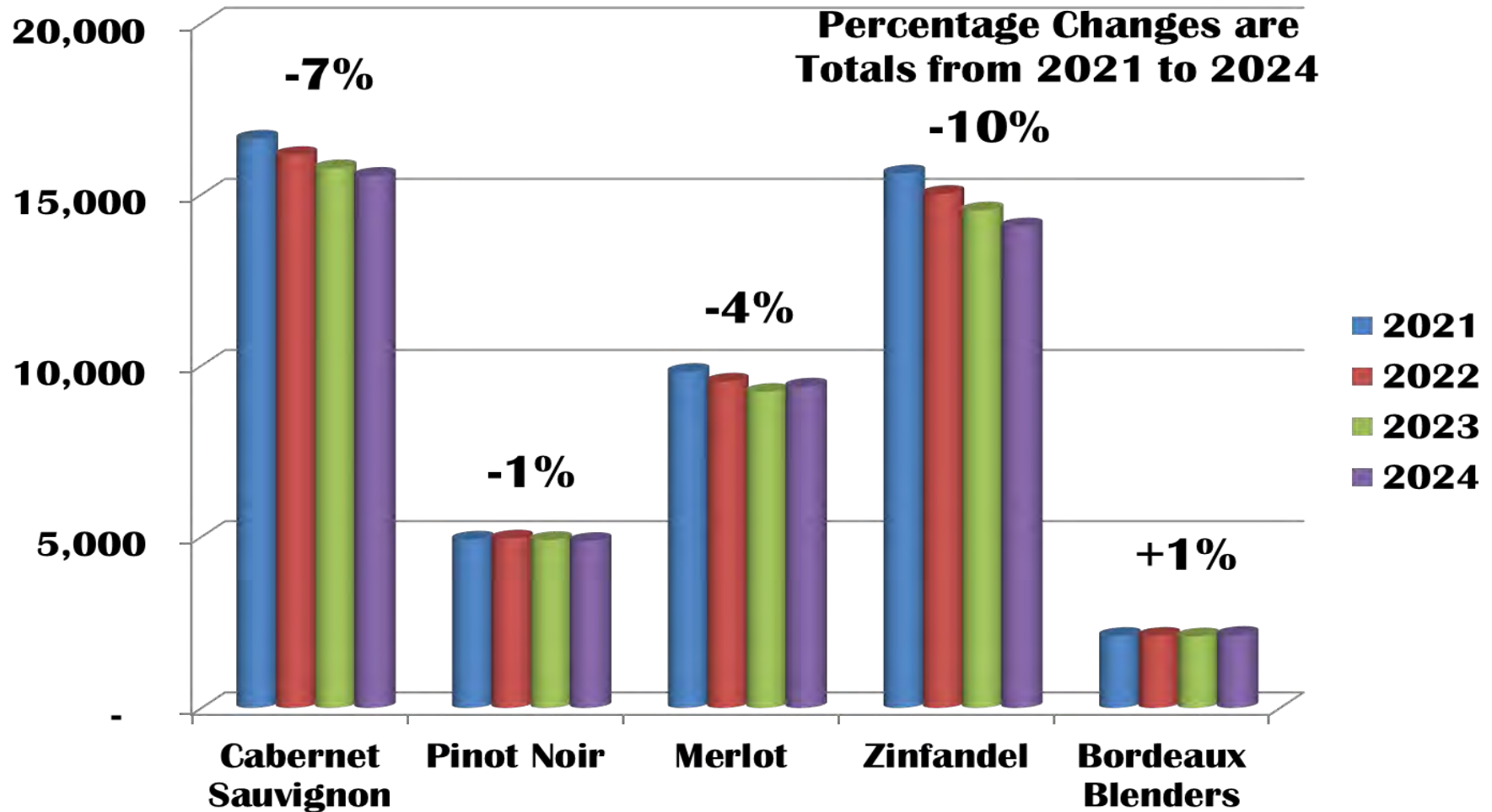
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Forecasting Grape Supply

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



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What are the numbers **not** telling us?

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- ✓ Newest planting contract activity is not reflected in these numbers.
- ✓ Water availability and cost are impossible to quantify and forecast.
- ✓ Ag burn prohibition may have an impact on vineyard removal decisions.
- ✓ Contract offers have either no "max tons" clause at all or growers are allowed to forecast their production and assign their own max.
- ✓ There's less margin today for growers and wineries to share.

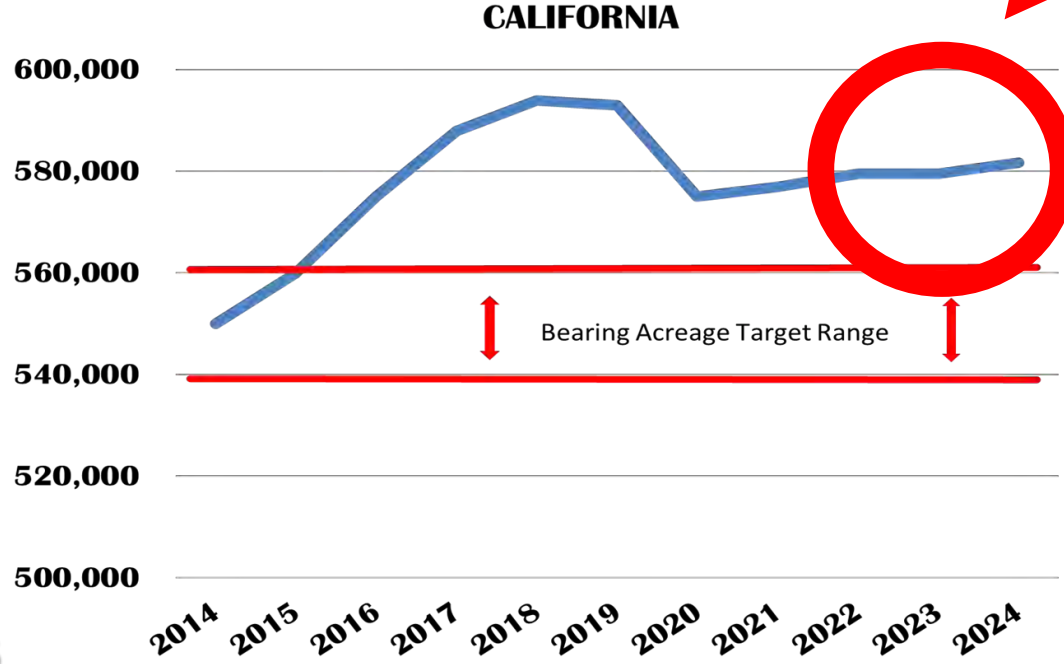


Production Potential....

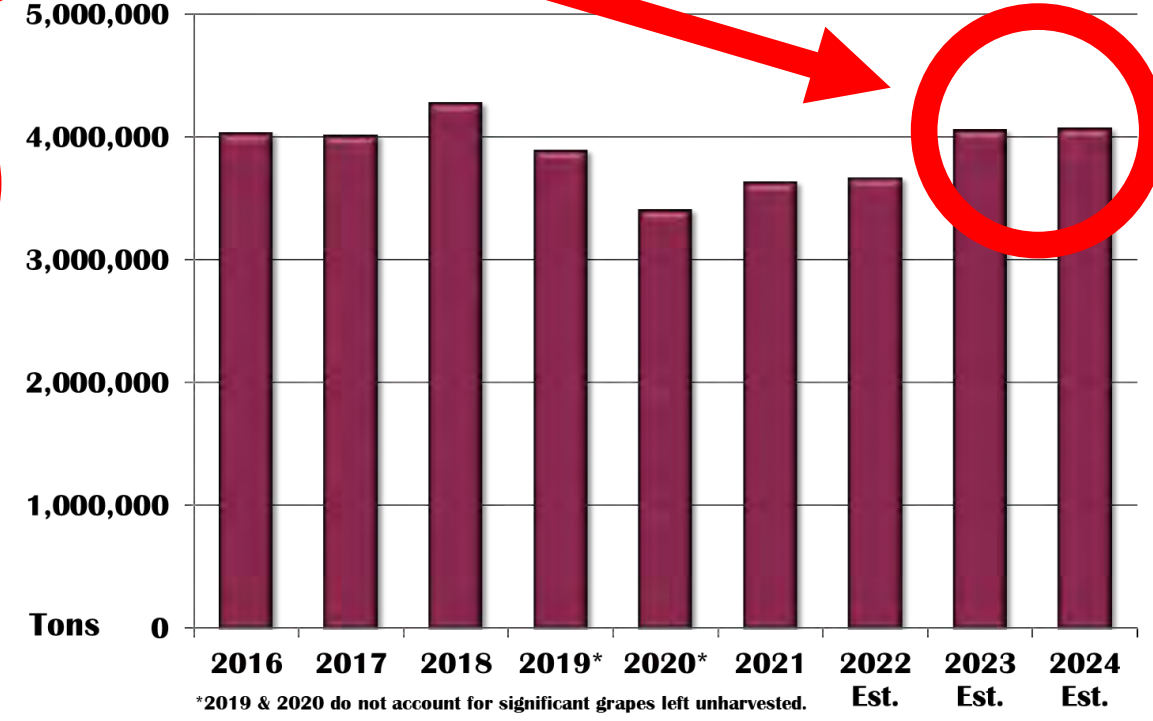
Don't under-estimate this!

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Estimated/Forecasted Bearing Winegrape Acres CALIFORNIA



California Winegrape Crush, 2016-2021, With Estimates and Projections thru 2024



*2019 & 2020 do not account for significant grapes left unharvested.



Tomorrow's Winegrape Market

The Nature of the California Winegrape Market

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- Start/Stop; Hot/Cold; Up/Down
 - This isn't over a period of years; this is in reference to the months, weeks, and sometimes even days!
- Reasons:
 - Evolving Consumer/Fierce Competition/"Global" Efficiencies
 - It's a game of market share, not market growth
 - Three "P's" – Planned Program Purchases
- Result/Outcome:
 - Produces Winners and "Non-winners"



Tomorrow's Winegrape Market



Preparing for the next few years.....

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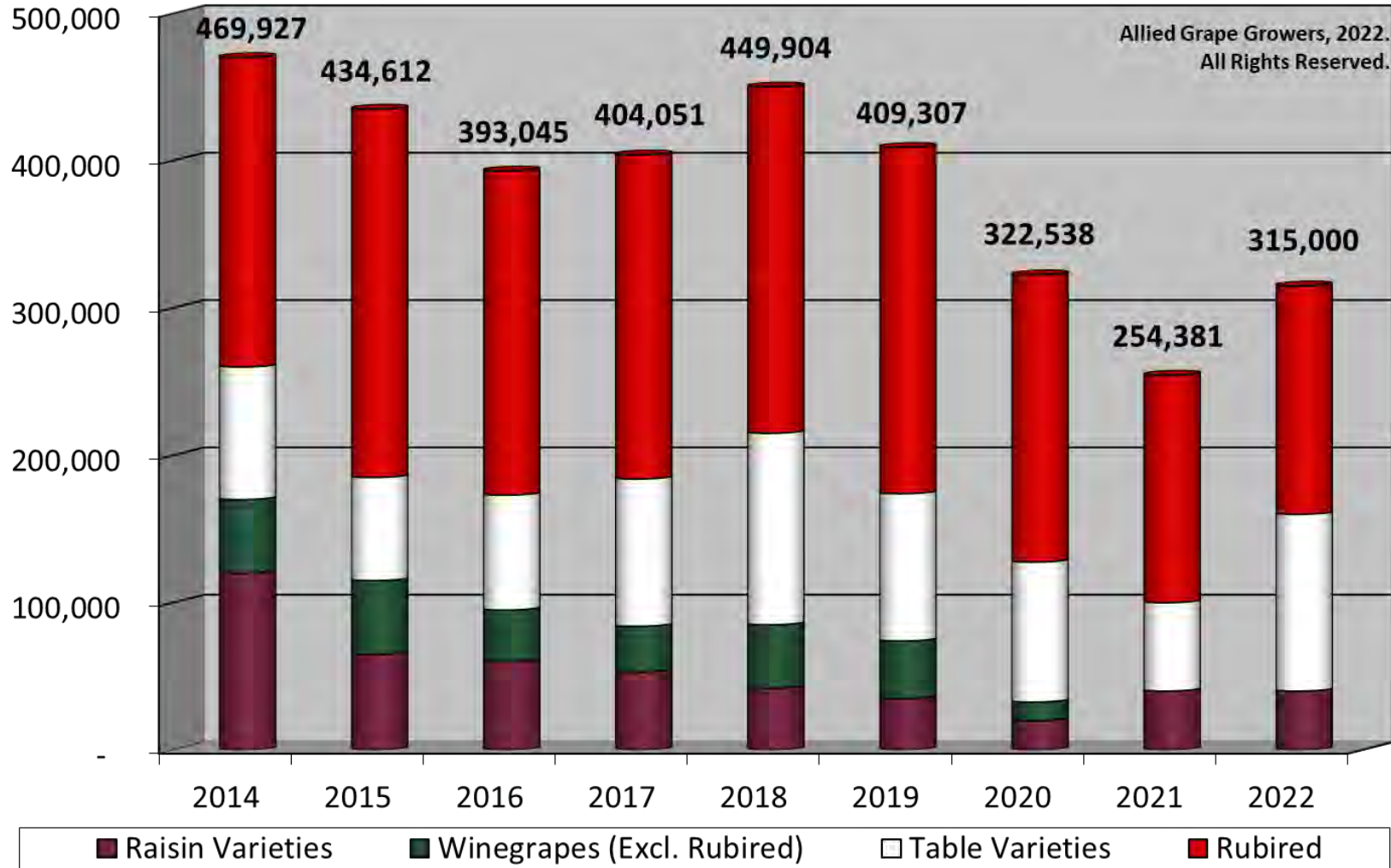
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- ✓ Assuming reasonable vineyard attrition, it is unlikely California will grow it's bearing acreage base over the next three years.....
- ✓ Drought, frost, wildfires, excessive heat, etc. have the potential to severely moderate our supply in the future.
- ✓ The more stable grape market since 2020, including multi-year contract offers, helps create longer term stability as well.



Quick Look at Concentrate

TONS Estimated Breakdown - Grapes Used for Concentrate, 2014-2022



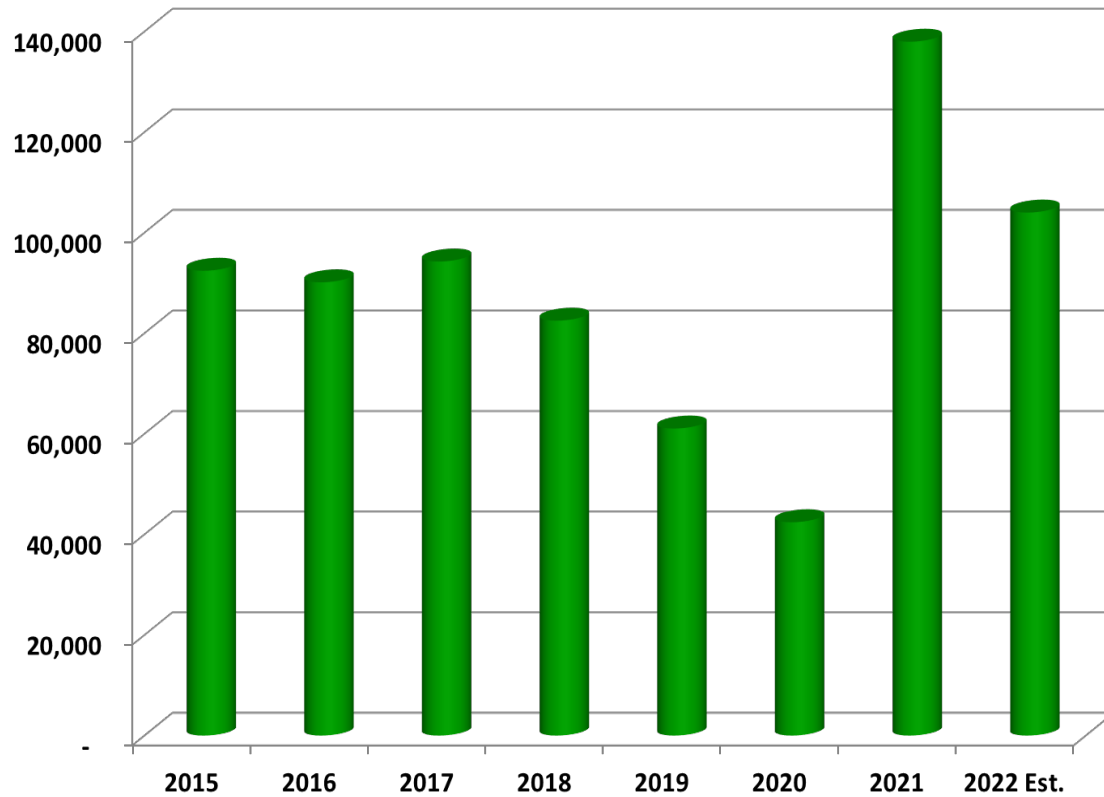
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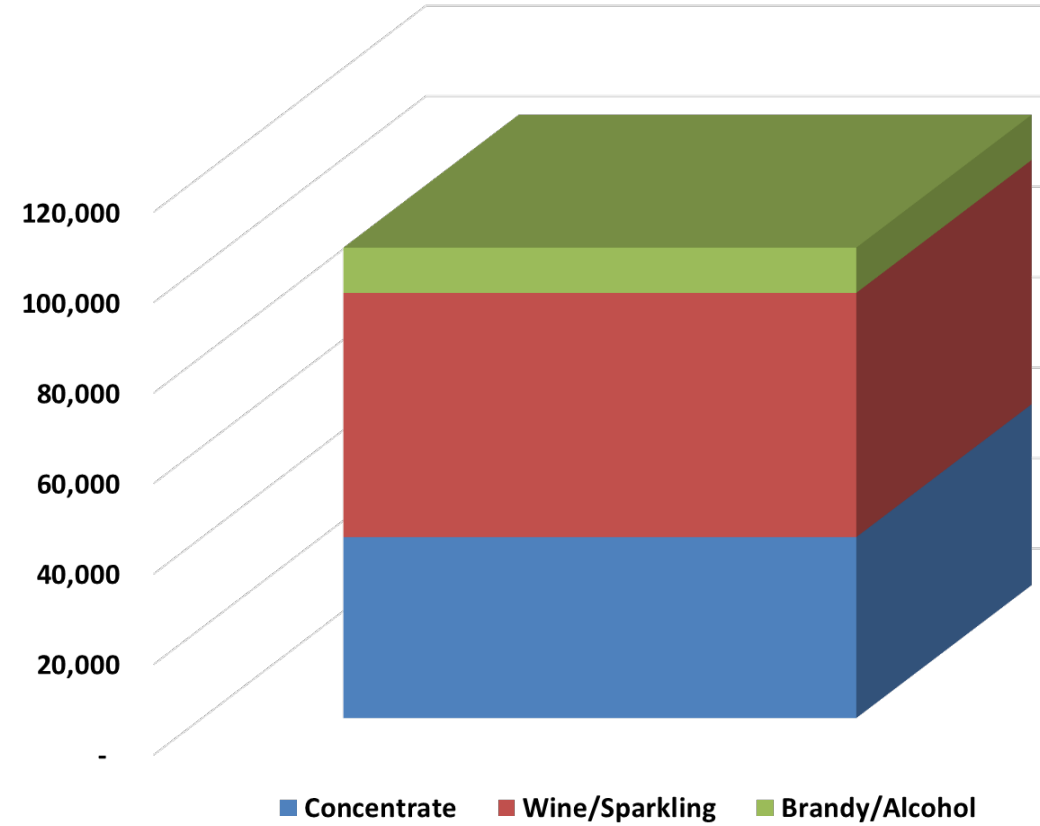
Quick Look at Concentrate



Raisin Variety Crush, 2015 - 2021, with 2022 Estimate



Estimated Allocation of Raisin Variety Crush, 2022



A
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Growers



Thank you!



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