



MARKET SNAPSHOT
WINE/VINEYARD

June 30, 2022

Executive Summary

Drivers for the wine/vineyard industry include an unseasonably cool and wet start to the 2022 season, continued challenges with rising input costs and tight inventories among Oregon wineries.

- Prolonged wet and cool weather delayed bloom and reduced accumulated growing days to date.
- With tight inventory levels, some Oregon wineries may have trouble covering fixed costs.
- Demand has held despite rising wine prices, but high consumer inflation may change this.
- Rising input and transportation costs continue to challenge the industry.

12-Month Profitability Outlook



Northwest FCS' 12-month outlook calls for profits for both vineyards and wineries. Multiple years of short crops should keep grape prices elevated. Unseasonably cool and wet weather may reduce yields and lead to frost damage in certain locations, but overall impact appears minimal in Washington and remains unclear in Oregon. Consumers continue to spend more per bottle of wine, but high inflation may limit this trend. Rising input and transportation costs remain a challenge.

Supply

Vineyards

Prolonged cool and wet weather has led to delayed blooming and fewer accumulated growing days to date. In Washington, early reports suggest that while there is some potential frost damage and slower growth in certain areas, crop bloom generally looks favorable and yields should be at or near average levels. The biggest risk factor will be a compressed harvest window in which producers attempt to maximize growth while avoiding an early season frost. In Oregon, frost damage has been reported across the Willamette Valley though its extent remains unclear. Conditions in Idaho have been favorable, and yields should be near average levels. In California, a shorter 2022 crop is expected as water cutbacks become increasingly common (96% of the state has declared drought). In general, pest pressures are reportedly minimal and water reserves are generally strong with greater variability in southern and eastern Oregon.

Wineries

Inventories are reasonable in Washington, but two short crop years have left those in Oregon facing tight fruit supplies. This may lead to lower throughput and higher breakeven prices as per unit margins get

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compressed. These challenges are compounded by rising input costs, shortages of corks and bottles, and delays in receiving machinery and equipment across the region.

Demand

Vineyards

Grape demand is strong across the region. Multiple years of short crops in Oregon and California are incentivizing wineries to shore up grape supplies wherever possible.

Wineries

A resurgence in on-premise sales (up 136% year over year in February) is offsetting declining off-premise sales (down 3%) and direct to consumer sales (down 3%) as people return to restaurants. The total wine market value (including bulk wines) is up 11% for the year ending April 2022 at \$51.8 billion. A recent survey by the Wine Market Council suggests younger generations are generally less interested in consuming wine (and alcohol in general) than their predecessors, and socializing, strongly linked to wine sales, is still below pre-pandemic levels (demographics of wine drinkers and those most cautious about COVID-19 are very similar). A potential bright spot is that Generation Z has a strong interest in visiting wine country, suggesting they may be receptive to marketing and distribution focused on providing experiences.

While consumers have shown a willingness to accept higher wine prices, inflation (8.6% in May) is eroding their purchasing power. This may lower demand over time.

Profitability

Vineyard

With multiple years of smaller than average crops, grape prices are favorable for producers. This should continue to drive profitability through 2022 for those growers with sufficient supplies.

Wineries

Profitability of wineries will depend on their ability to source enough fruit supply (a greater challenge in Oregon) as well as adapt to rising input costs and shortages. While consumers have shown a willingness to absorb higher prices that have already taken effect as well as trade up to more premium wine, high inflation is eroding the value of their discretionary income and may eventually limit how far up prices can go.

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

Additional Information

Northwest FCS Business Management Center

www.northwestfcs.com/Resources/Industry-Insights

Idaho Wines

<https://wine.idaho.gov/>

Oregon Wine Center

www.oregonwine.org

ShipCompliant

www.shipcompliant.com

Turrentine Brokerage

www.turrentinebrokerage.com

U.S. Drought Monitor
www.droughtmonitor.unl.edu

USDA National Agricultural Statistics Service
www.nass.usda.gov

Washington State Wine Commission
www.washingtonwine.org

Wine America
www.wineamerica.org

Wine Business
www.winebusiness.com

Winegrape Growers of America
www.winegrapegrowersofamerica.org

Wine Institute – The Voice for California Wine
www.wineinstitute.org/resources/statistics

Wine Market Council
www.winemarketcouncil.com

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