

Rural Migration News

Blog 262

FEBRUARY 2022

US Wine

Many US wineries reported that 2021 was their best-ever year, a sharp turnaround from 2020, which many wineries described as their worst-ever year. About 10 percent of US wine sales were made via the internet in 2021.

The outlook is less sunny for wine, as younger Americans continue to prefer hard seltzers and premium spirits to wine. Baby boomers 57 to 74 are the most loyal wine drinkers, and they are drinking less wine as they age. High wine prices, especially in restaurants, encourage people to shift to cheaper beverages such as hard seltzers and spirits.

Consumption

Since 2000, the share of beer in US alcohol consumption fell from 56 to 45 percent, the share of wine rose from 14 to 17 percent, and the share of spirits rose from 29 to 38 percent. Wine's share of US alcohol consumption peaked between 2013 and 2019 at 18 percent.

US wine sales rose after 2000, from less than 500 million gallons in 2000 to 800 million gallons in 2021 or almost four gallons for each of the 200 million Americans who are

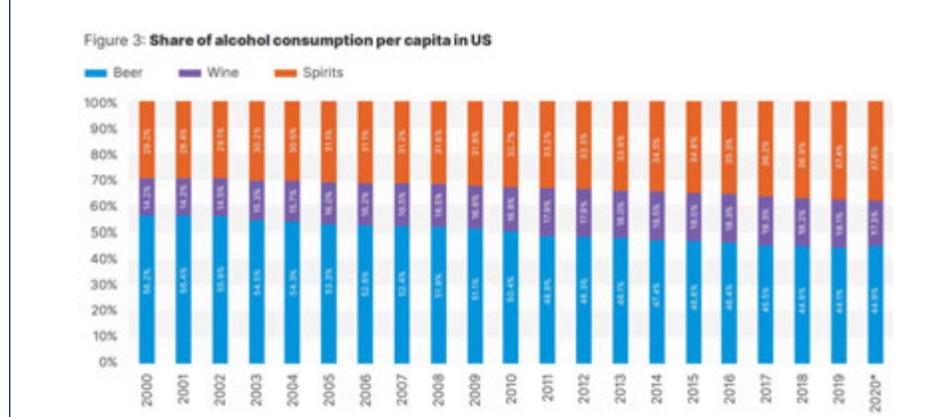
21 and older. A gallon of wine is five standard bottles, suggesting that American adults drink an average 20 bottles of wine a year. Americans spent \$67 billion on wine in 2021.

Younger Americans are turning away from wine, while baby boomers remain committed to wine. Some 22 percent of Americans are 65 and older, and they consume 27 percent of US wine. By contrast, the 25 percent of Americans who are under 35 consume 20 percent of US wine.

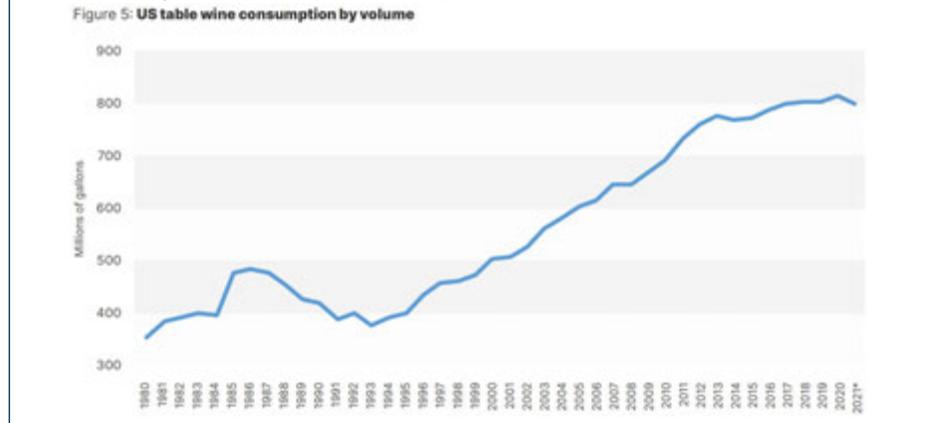
A November 2021 poll found that half of those 65 and older would bring wine to share at a party, but only 15 percent of those under 35 would bring wine. About 30 percent of those aged 35 to 65 would bring wine.

Older Americans spend more on alcohol, an average \$600 in 2020, and many are trading up by purchasing more expensive wine. Younger Americans spend less, an average \$250 a year, and their alcohol spending is trending down.

Since 2000, Beer's Share of U.S. Alcohol Consumption Fell 11%, Wine's Share Rose 3%, and Spirits Rose 9%



The 200 Million Americans 21 and Older Consume 800 Million Gallons of Wine or an Average 4 Gallons (20 bottles)



The highest alcohol spending is by those who are 35 to 55.

The largest group of Americans, 28 percent, drink beer, wine, and spirits, and they account for over half of total spending on alcohol. The next largest groups are those who drink only wine and beer, 18 percent of Americans, or only beer, another 18 percent.

Production

California crushes four million tons of wine grapes each year from 600,000 acres of wine grapes. There was a record crush of 4.3 million tons in 2018, followed by smaller crushes in subsequent years. However, grower prices for grapes did not rise with the smaller crushes because wine consumption is stable. California growers remove and replant about 20,000 acres of wine grapes each year.

When covid led to lockdowns in March 2020, sales of wine costing less than \$10 a bottle rose, while sales of premium wines bought in tasting rooms and in restaurants fell. Wildfires in summer 2020 led to fears of smoke taint and the over-supply of wine from the record 2018 crush meant that some premium wine grapes were not picked in 2020.

US wine sales declined in volume and dollar value in 2021, and this decline accelerated in 2021. Sales of spirits, by contrast, rose in 2021.

Most wine sells for less than \$10 a bottle. Over the past decade, the share of US wine revenue from wine that costs less than \$10 a bottle has been falling, while the share of revenue from more expensive wines is rising. Almost a quarter of wine revenue is from wine that retails for \$9 to \$12 a bottle, while less than five percent of wine revenue is from wine that retails for more than \$50 a bottle.

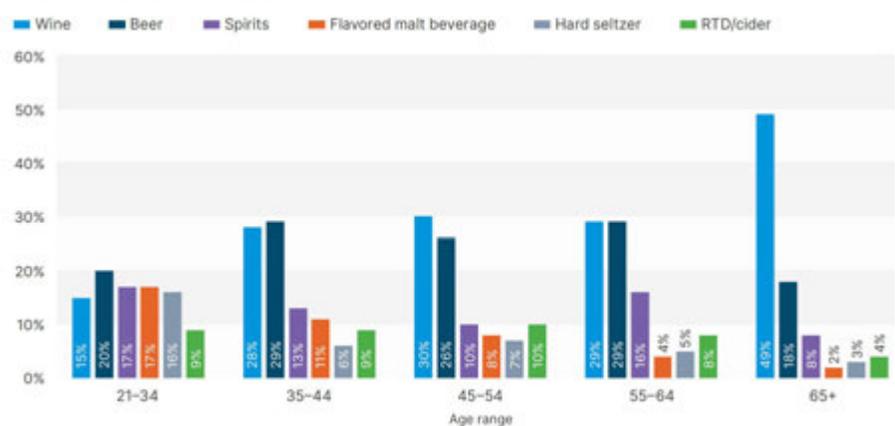
Americans 65+ Consume a Disproportionate Share of U.S. Wine

Figure 24: Wine consumption rates compared to share of adult population per age group



Americans 65+ are Most Likely to Bring Wine to Share at a Party

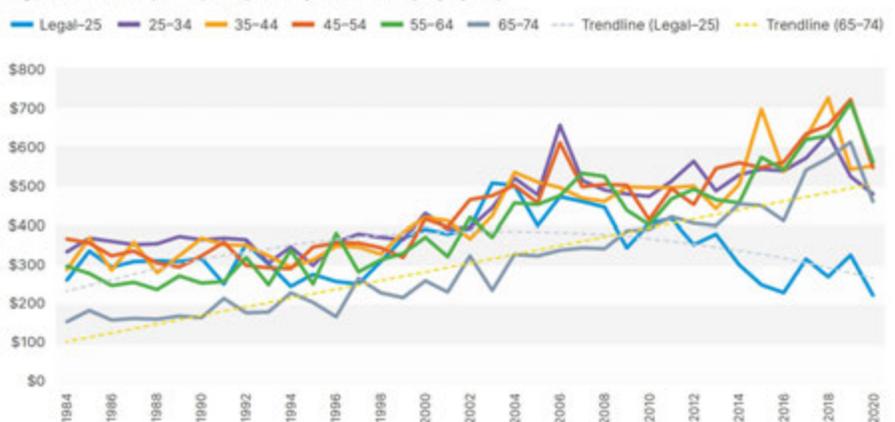
Figure 7: What would you bring to share at a party?



Source: The Harris Poll. Survey conducted online by The Harris Poll on behalf of the Wine Executive Exchange, November 9-11, 2021, among 1,949 US adults ages 21+.

Older Americans are Spending More on Alcohol

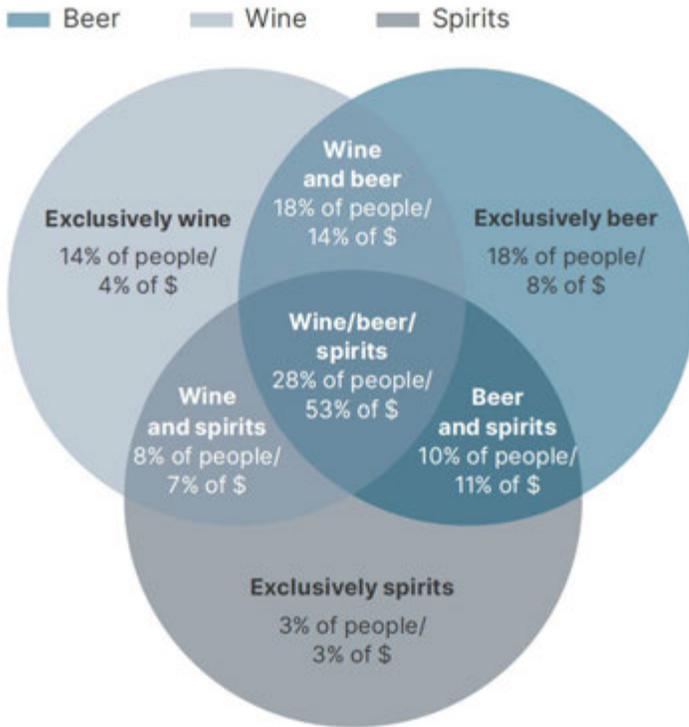
Figure 26: Annual per capita spending on alcohol by age group



Source: US Bureau of Labor Statistics, Consumer Expenditure Survey

14% of Americans Drink Only Wine, While 28% Drink Beer, Wine, and Spirits

Figure 27: **Competition is beer and spirits**



Source: NielsenIQ Homescan Panel, Total US: Annual 2020/Off-Premise
Wine includes still and sparkling; beer includes FMB and cider.

Some 55 percent of US wine is sold in standard 750 ml bottles, followed by almost 20 percent that is sold in 1.5 liter bottles. Wineries are experimenting with other container sizes and closures, but the standard 750 ml bottle remains dominant.

The leading grape varieties, Chardonnay and Cabernet Sauvignon, account for almost a third of US wine sales, followed by red blends, Pinot grigio, Sauvignon blanc, Pinot noir, and merlot.

Most California wine grapes are from the San Joaquin Valley. Napa county's 64,000 tons of Cabernet Sauvignon crushed in 2021 were 13 percent of the state's 500,000 tons of Cabernet Sauvignon, but their average price was \$8,000 a ton in 2021, suggesting an average retail price of \$80 a bottle for the wines made from these grapes. The average grower price of Cabernet Sauvignon grapes in 2021 was \$1,645 a ton.

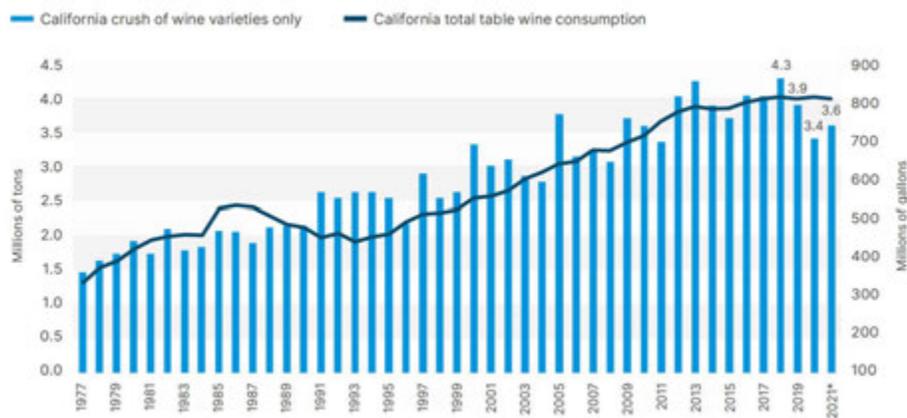
Restaurants

Wine is often sold in restaurants to accompany meals. The closure of restaurants due to covid reduced on-premise or away-from-home wine sales. The price of wine sold in grocery stores has been stable over the past decade, while the price of wine sold in bars and restaurants has continued to increase.

Nielsen estimates that the average cost to restaurants of a 12-ounce serving of beer is \$1, the average cost of a 1.45 ounce serving of spirits is \$0.90, and the average cost of five ounces of wine is \$1.50, indicating that wine is more expensive than beer or spirits. Many fine dining restaurants sold some of their wine stocks to survive covid shutdowns, and they may be slow to rebuild their wine cellars.

California Crushes 4 Million Tons of Wine Grapes a Year

Figure 31: **California crush of wine grapes vs. consumption of California table wine**



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Premium

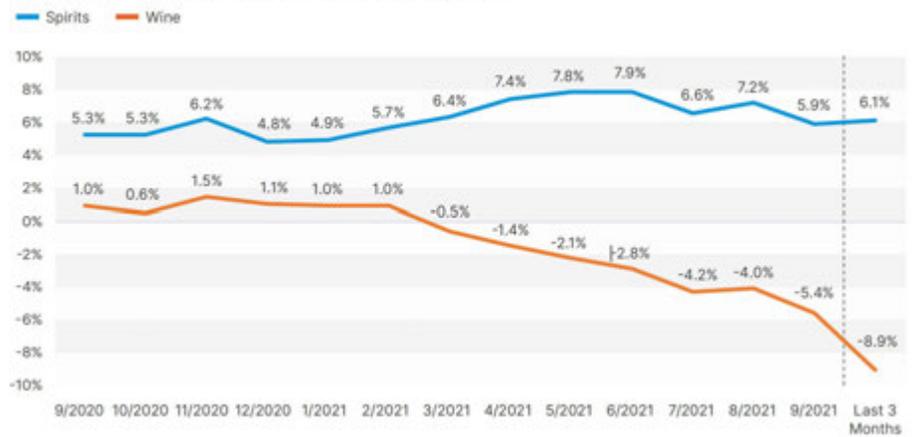
The US has 11,000 wineries and 600 distributors of wine and other alcoholic drinks. Most wineries are small and aim to sell most of their wine via tasting rooms, wine clubs, and during special events held at their wineries. As more wine is sold via the internet and shipped directly to consumers, small wineries want to build and maintain a stable customer base.

A survey of premium wineries reported that wineries sold an average 41,000 cases at \$241 a case in 2020, suggesting an average price of \$20 a bottle. Prices were lower in 2018 at \$18 a bottle, and higher in 2021 at \$22.

Premium wineries reported higher profits in 2021 because they had lower labor expenses with closed tasting rooms; many received Paycheck Protection Program benefits. Many wineries raised the price of their wines in 2021.

Sales of U.S. Spirits Rose in 2021 as Sales of Wine Fell

Figure 2: Growth in combined on- and off-premise depletions



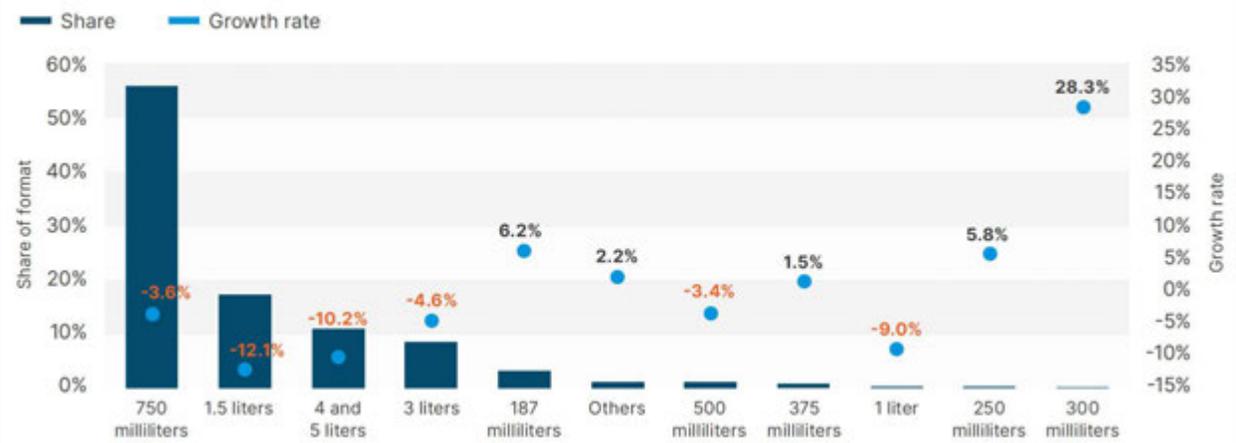
Revenue from Wine that Retail for Less than \$10 a Bottle has Been Declining

Figure 6: Annual change in share (value) by price point



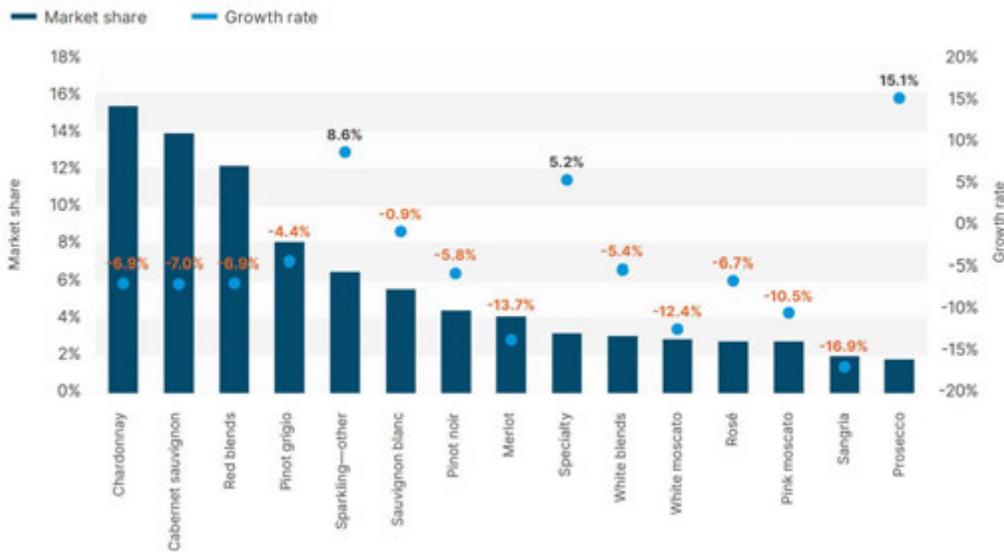
Over Half of U.S. Wine is Sold in 750 ml Bottles

Figure 39: Growth and market share of formats



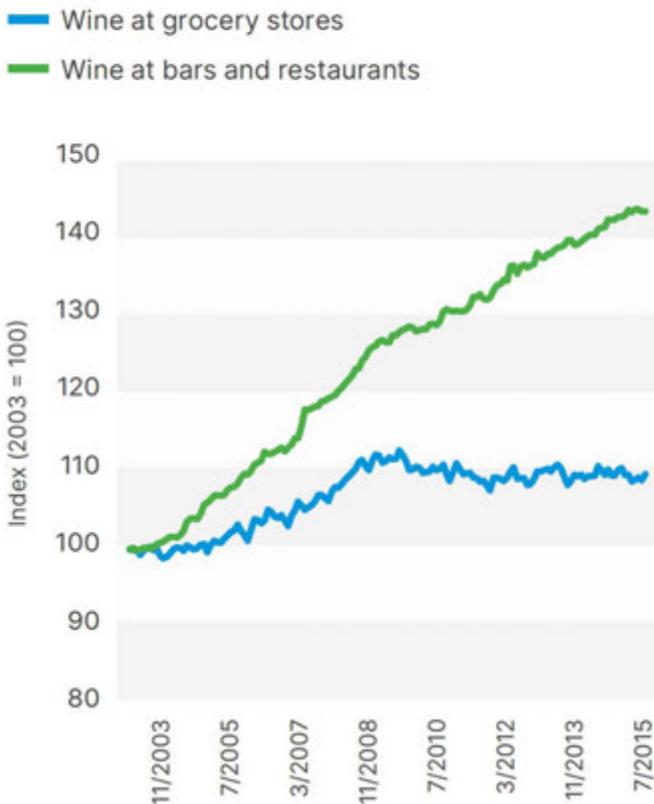
Chardonnay and Cabernet Sauvignon Account for 30% of U.S. Wine Sales

Figure 40: **Varietal growth and share of market**



The Price of Wine Sold in Bars and Restaurants Rose Almost 50% Since 2003, While the Price of Wine in Grocery Stores Rose 10%

Figure 13: **Consumer price of wine in grocery stores vs. restaurants and bars**



Premium Wineries Sold an Average 40,000 Cases at About \$20 a Bottle

Figure 22: Average case price and average cases sold



Pretax Profits of Premium Wineries were Less than 10% Until 2021, When They were 19%

Figure 23: Premium winery income statement averages



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