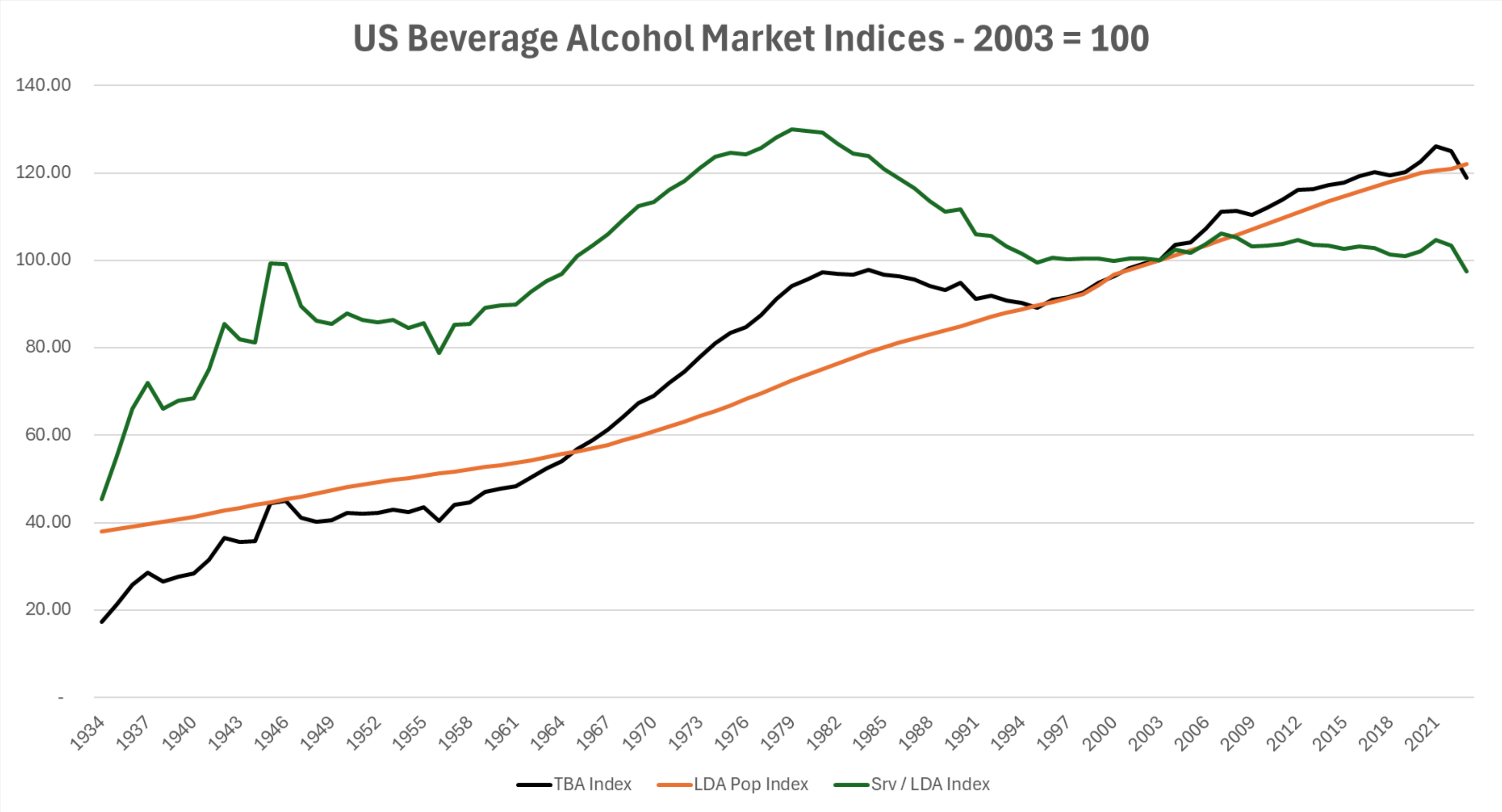
US Wine Market

CONGRESSO NAZIONALE ASSOENOLOGI - SARDEGNA

MAY 30,2024

US Wine Market

- US Long-Term Beverage Alcohol Trends
- US Long-Term Wine Trends
- Pandemic Distortions
- Domestic Wine Trends
- Imported Wine Trends
  - Italy
  - France, Spain, Portugal, Australia New Zealand comparison
- Off-Premise and On-Premise Trends
- Consumer Wine Spending
- Nielsen Data
  - Share of Market represented by Nielsen
  - Nielsen Food Store Trends
- Outlook for 2024 forward



- To understand the US Wine market, one needs to understand total beverage alcohol
- This chart has indices showing changes from year to year since the end of US prohibition
- The black line is the TBA index is an index of the growth of servings of beverage alcohol.
    - 12 Ounces Beer (355 ml.)
    - 5 ounces wine (150 ml.)
    - 1 ½ ounces of spirits (45 ml.)
    - Significant growth in 70's
- Orange Line – LDA Population index shows the growth of the US population over 21.
- Green line – Servings / LDA shows the effective trend of servings per 21+ population.
- Growth in 60s and 70s. Decline in 80s. Relatively flat since the early 90s. Servings grow with population. Per capita flat.

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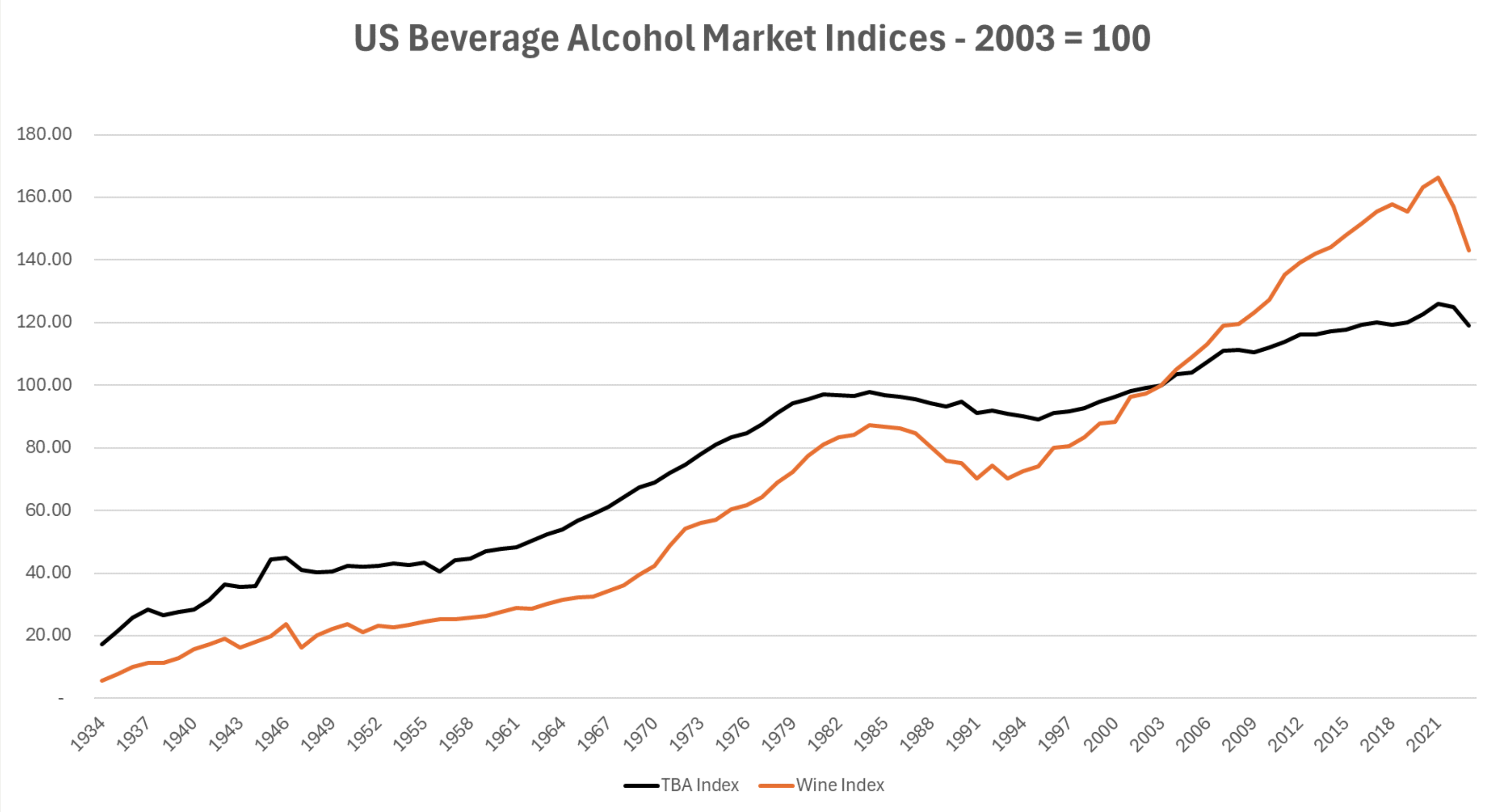
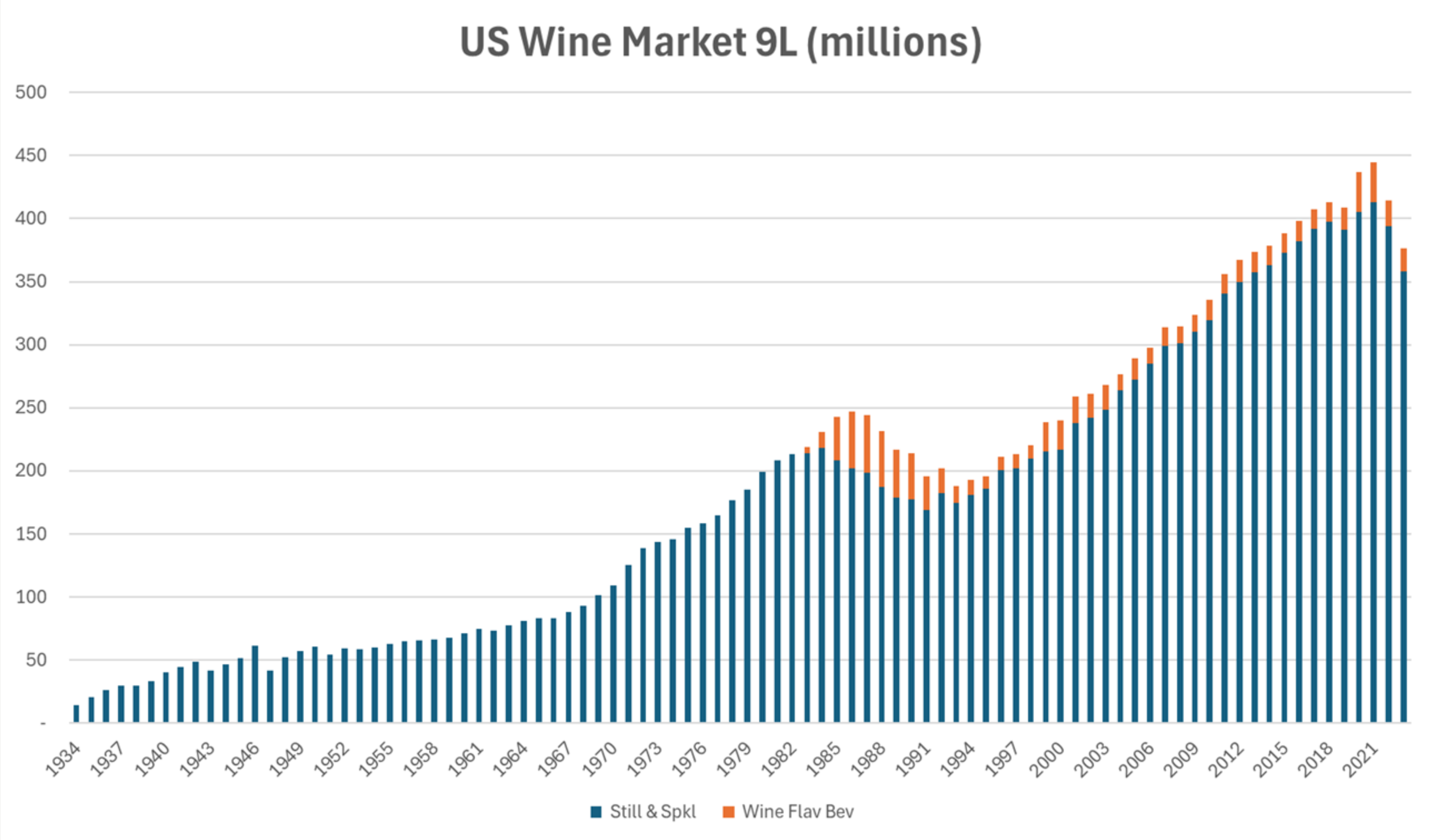


- The black line is the TBA index which is the same as the prior page showing growth in servings of Beer, Wine, and Spirits.
- The orange line shows the growth in servings of Wine with significant growth starting in 1993.
- From 1993 to 2019, the LDA index, total servings, grew at a CAGR of 1.2%.
- Wine servings grew at a CAGR of 3.4%.
- Wine grew its share of servings from 10.8% in 1993 to 18.1% in 2019.
- I will talk more about 2020 to 2023 where inventories were built due to supply chain problems. The,n inventories have been cut, especially with higher financing costs for inventory lines of credit by distributors and retailers.



- Volumetric view of the wine market
- The US Wine Market generally grew from the end of prohibition to 1986.
- Fortified wines outsold table wines up until the late 60s
- Wine growth in the 70s was driven by white wine as a cocktail. This ended with the pushback against drunk driving in the 80s
- Wine Flavored Beverages (coolers) drove additional volumes until FET increases in 1991.
- Wine growth restarted in 1993.

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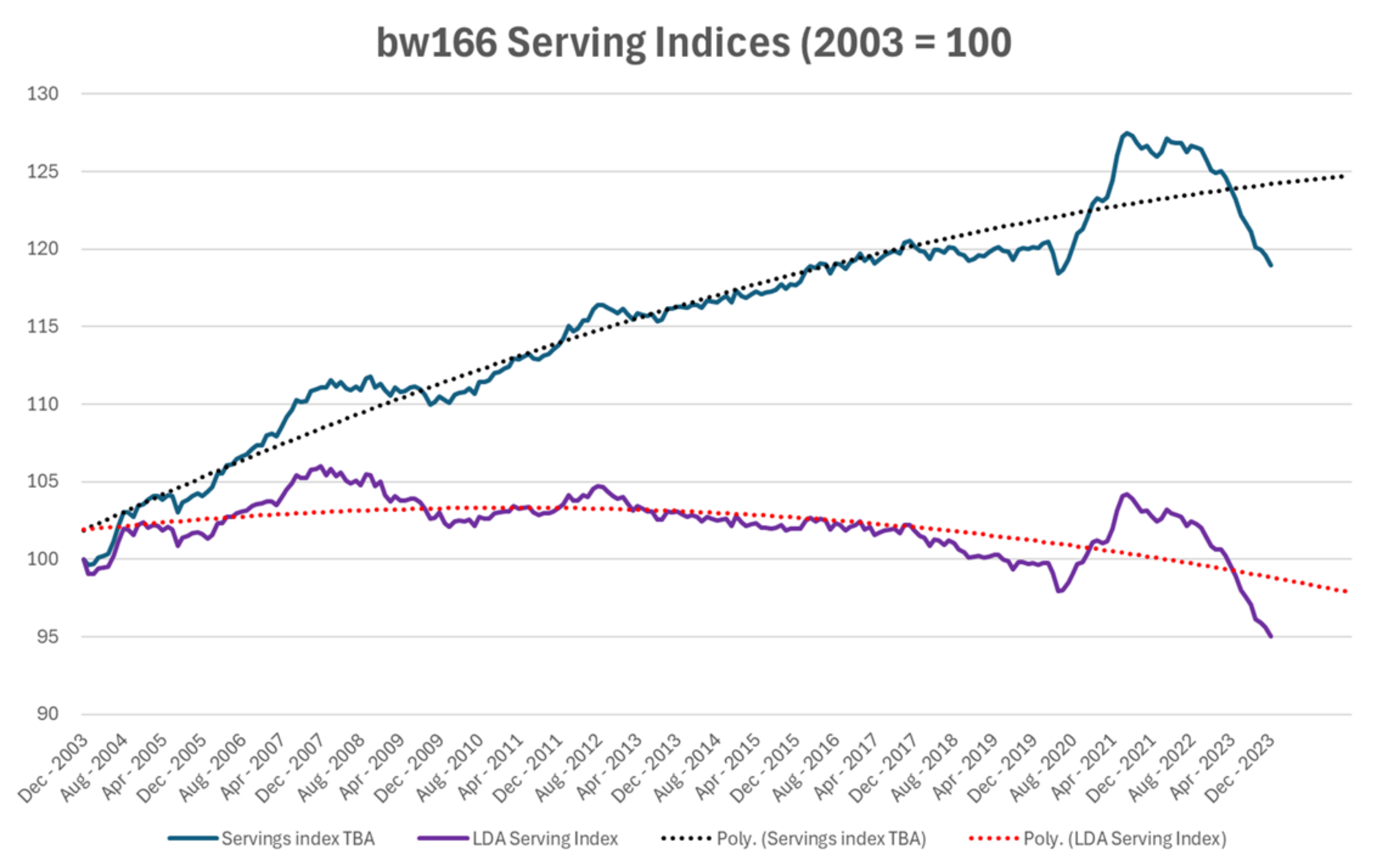
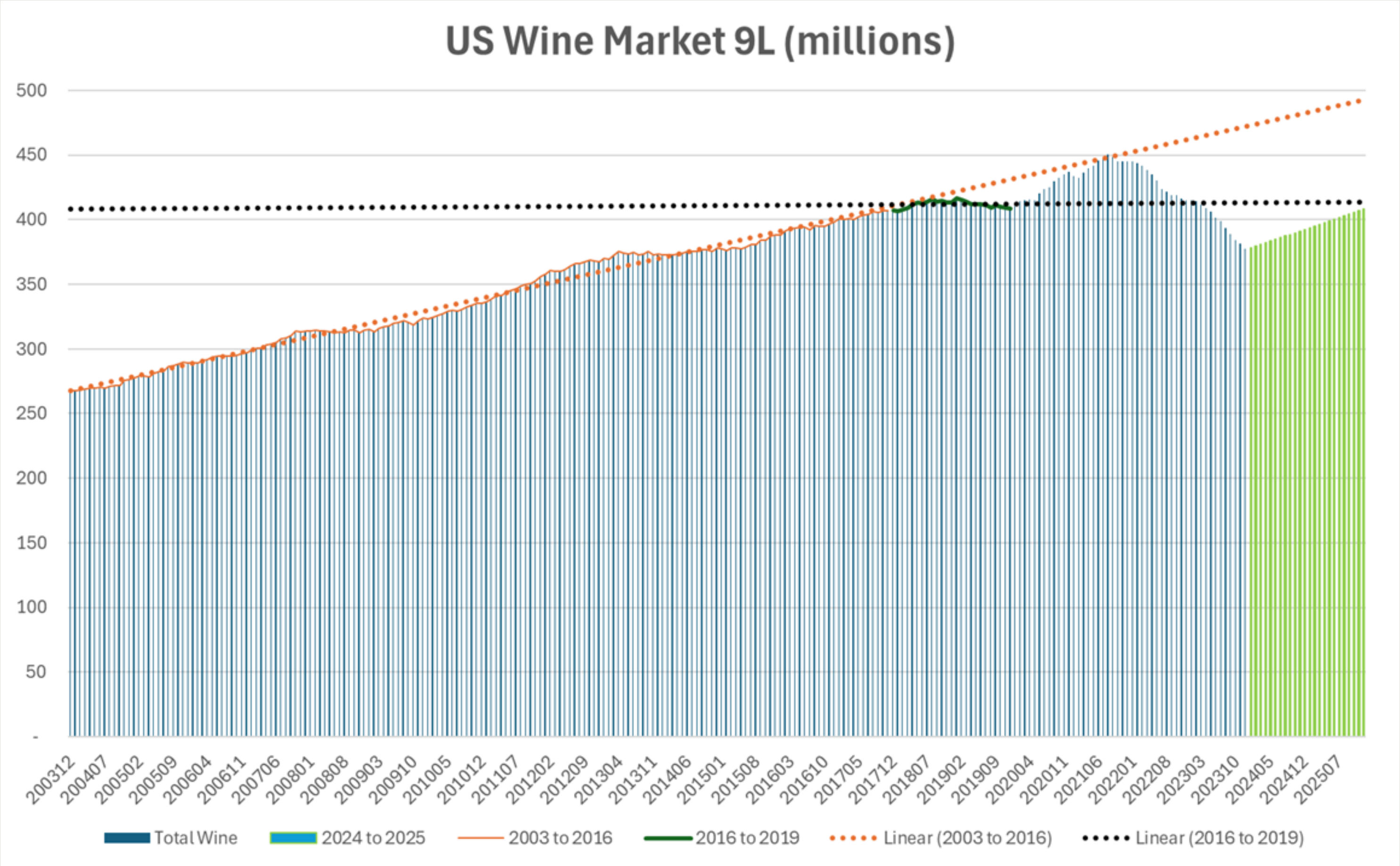


- This chart shows the significant shipment increase for total beverage alcohol in 2020 and 2021, with inventory reductions in 2022 and 2023.
  - The appendix has charts on wholesaler inventory and carrying costs.
  - Retailers also saw a building of inventories which they are working down.
  - It is also believed that consumers had “pantry loading” where they bought more than they consumed during the pandemic. With inflation consumers are reducing the amount of alcohol they have at home



- **<u>Outlook for 2024 and 2025</u>**
- The wine growth that started in 1993 continued until 2016. If this growth had continued the market would be 500 million 9L cases by 2025.
- The market flattened out from 2017 to 2019, which appears to be the new normal.
- The Pandemic distorted the market, which now appears to have been a sizable inventory build in wholesalers and retailers.
- The market is experiencing destocking but will likely return to the new normal of 405 to 410 million 9L cases by 2025.

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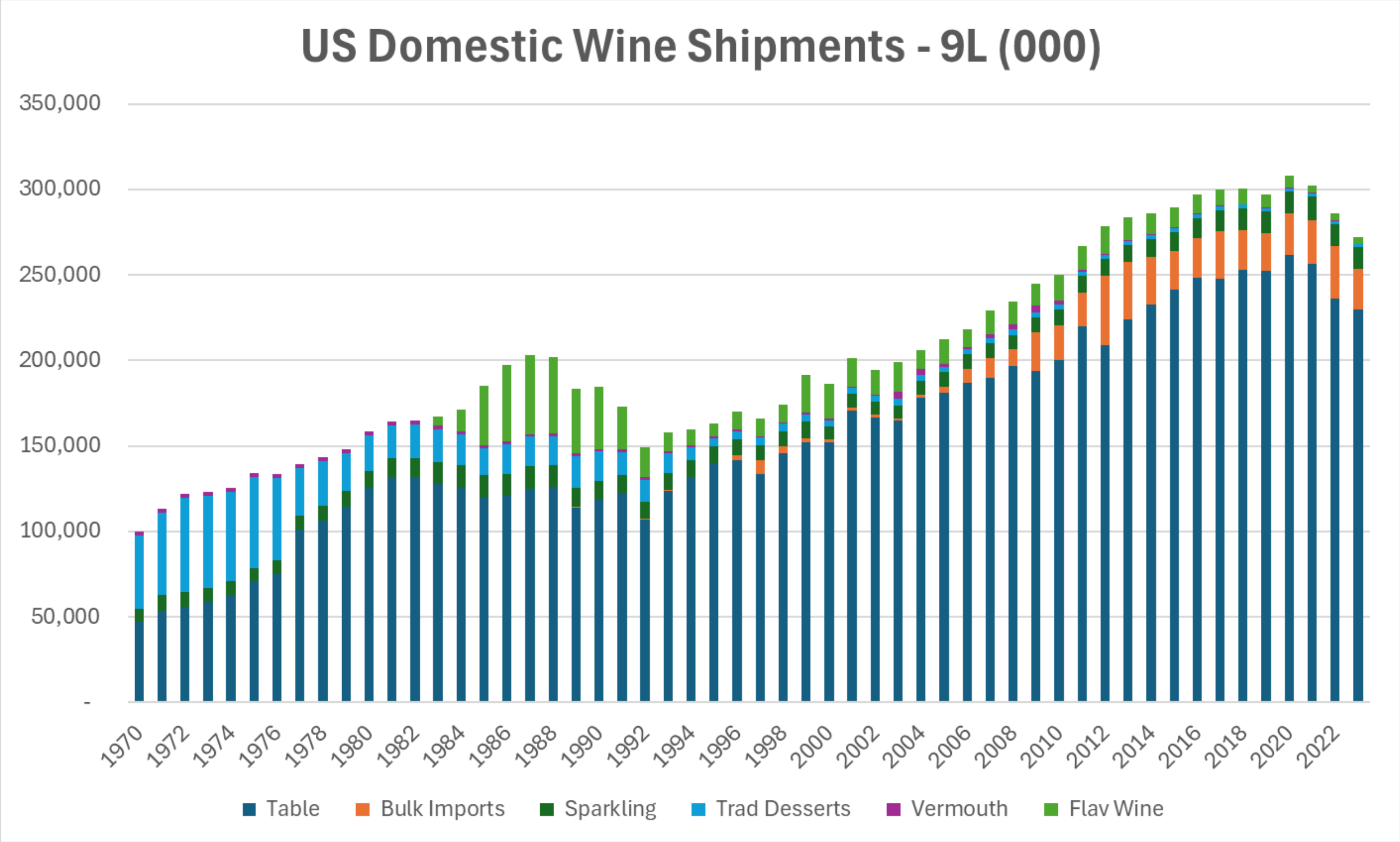
US Wine Shipments 9L (millions)			
	2023	2022	% Chng
Domestic Still Wines	227	241	-5.6%
Domestic Sparkling Wines	12	13	-5.4%
Domestic Flavored Wines	4	4	-1.0%
Domestic Cider	17	17	-0.5%
Imported Bulk Packaged in US	24	30	-21.8%
Total Domestic Shipments	284	305	-6.8%
Imported Pckg Still Wines	78	88	-11.3%
Imported Pckg Sparkling Wines	19	23	-18.8%
Imported Pckg Flavored Wines	14	16	-14.1%
Imported Pckg Cider	1	1	-15.1%
Total Packaged Imports	111	128	-13.0%
Total US Shipments	**395**	**433**	**-8.7%**

US Consumer Spending on Wine USD (millions)			
Off Premise	71,601	69,745	2.7%
On Premise	36,345	32,869	10.6%
Total Cosumer Spending	**107,946**	**102,613**	**5.2%**
Equivalent Wholesale Value	56,560	54,855	3.1%

- Sources
  - Volumes from TTB and Customs data for products entering the US.
  - Imported bulk uses GFA algorithms to determine flow into the market.
  - Off-Premise spending comes directly from Bureau of Economic Analysis data.
  - On-Premise spending disaggregates total spending across beverage alcohol using bw166 algorithms.

- Overall wine shipments were down -8.7% in 2023, including cider, which is considered in the wine category by the TTB.
- Imports were down significantly more than domestic wines.
- Consumer spending was up.
  - The disconnect in shipments, depletions, and consumption partially causes this.
  - The continued shift to higher price points is another factor.
- The Equivalent wholesale value assumes all of the volume is sold through the three-tier system. DTC, NABCA, and some winery direct sales to accounts in CA do not go through the three-tier system.



- Traditionally fortified wines sold more than traditional still wines until the late 60s.
- White wine was thought of as a trend in the 702 but that was just a fad.
- Wine coolers became popular in the 80s but they faded by the early 90s.
- Sparkling wines have generally grown since the 90s.
- Beginning in the mid 2000s, bulk wines have been used in lower-priced California brands.

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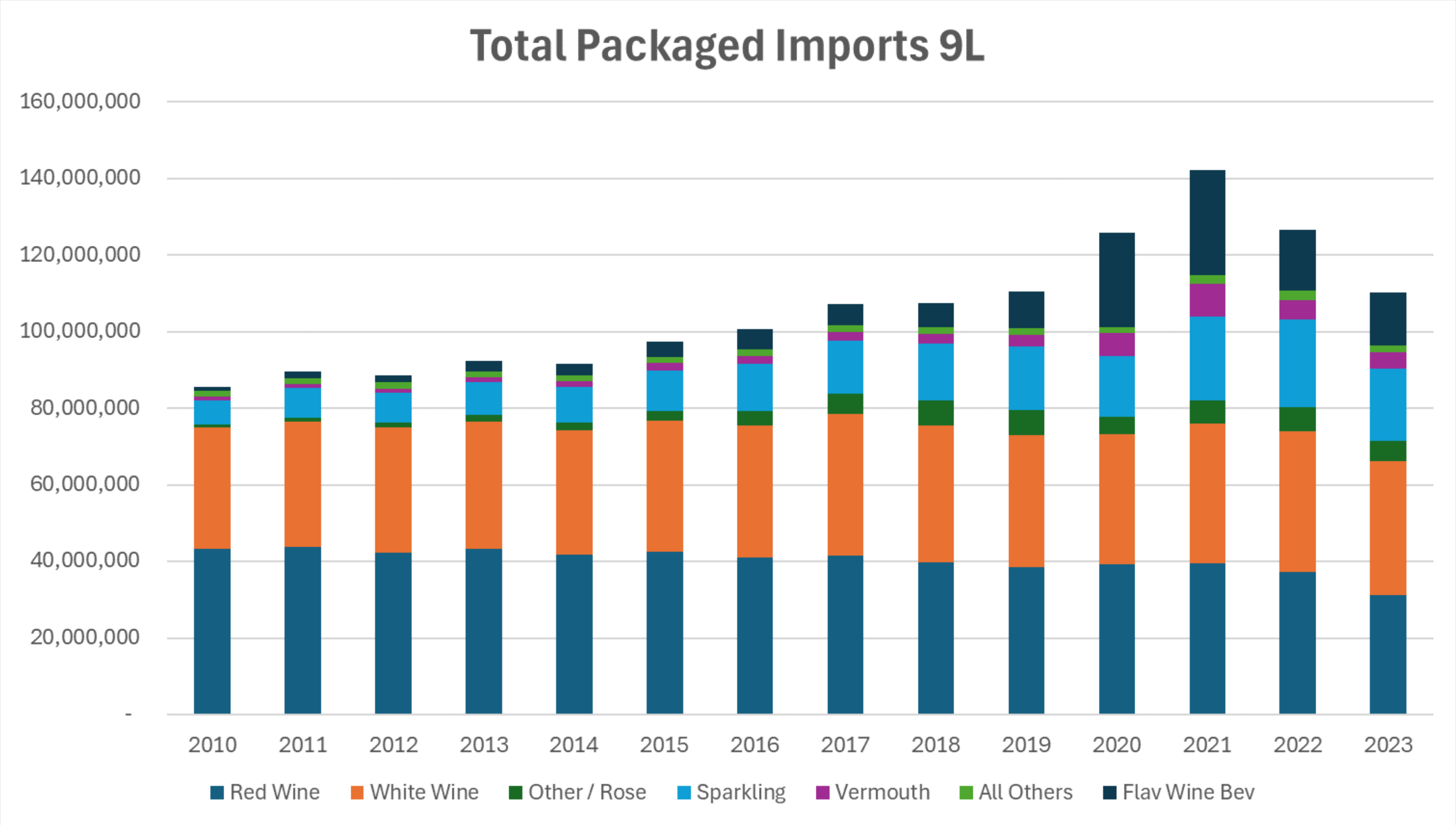
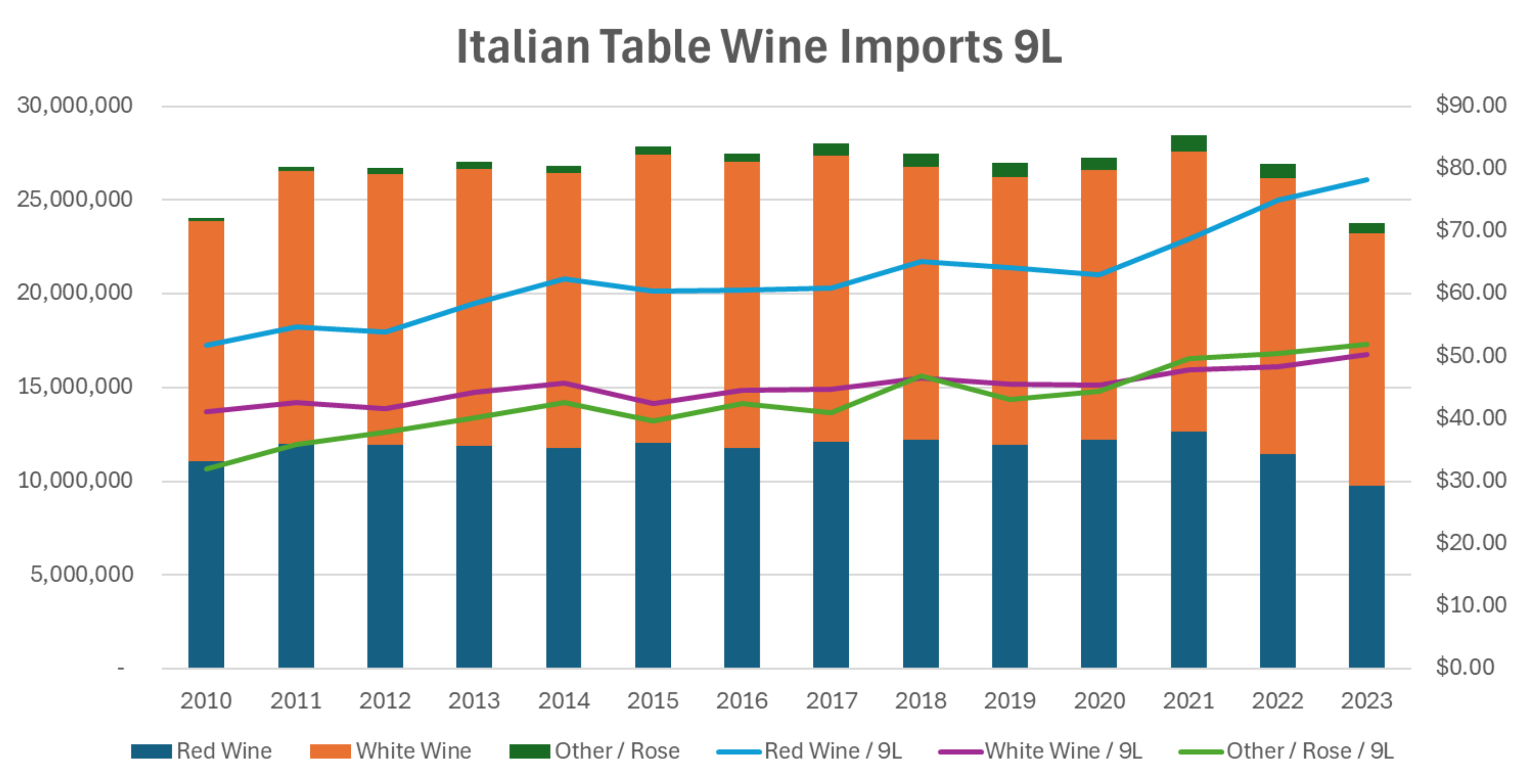
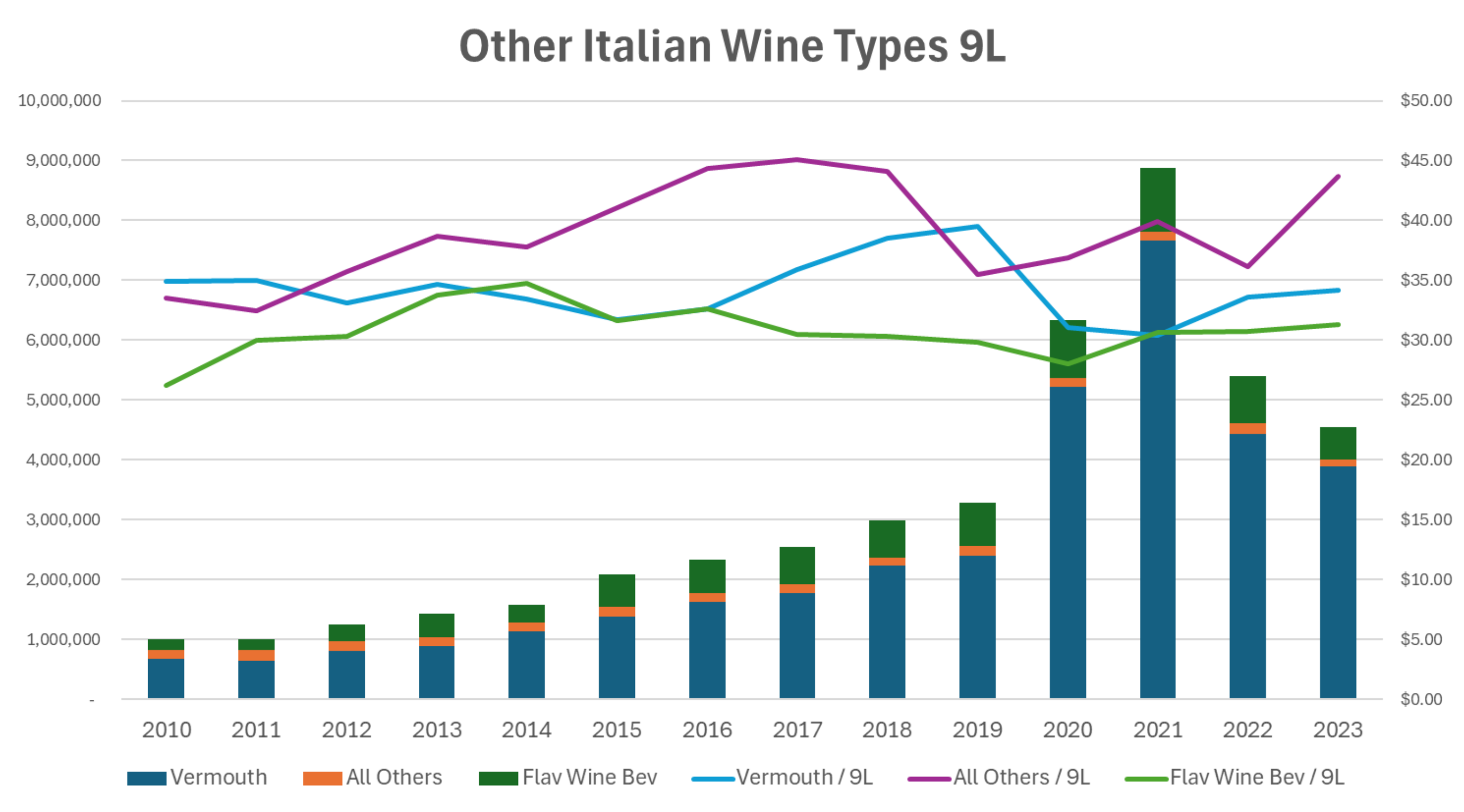


- Packaged imports saw growth in 2020, driven by wine-flavored beverages.
- Additional growth in 2021 driven by supply chain concerns.
- Recent softening due to inventory concerns.

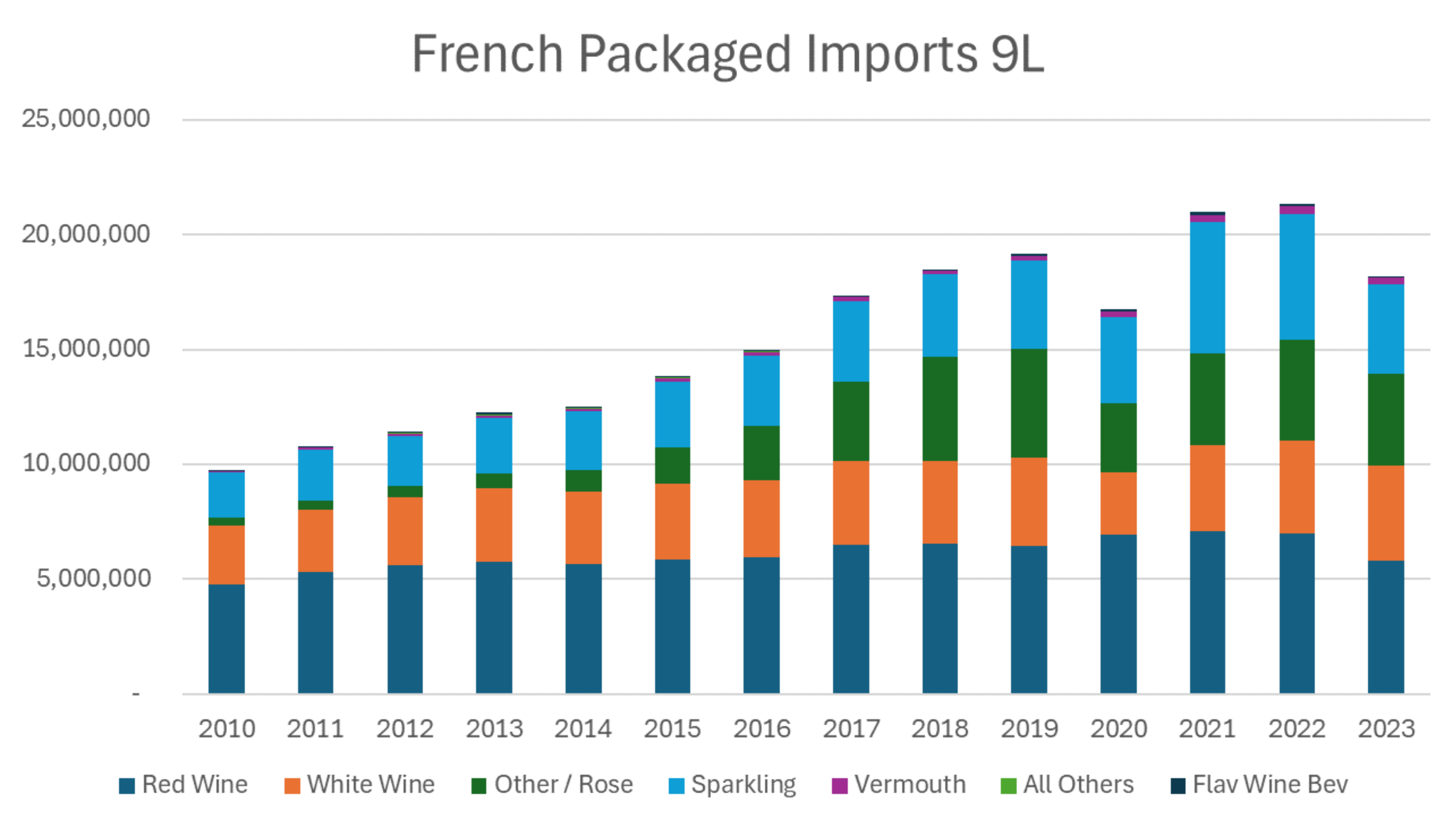


- Stable before the pandemic.
- Declines due to inventories.
- Red decline but pricing stronger.
- Changes in food choices.
- Rose is very small. It has not benefited like French Roses.
- Channel considerations
  - Off chains
  - On Chains
  - independent retail
  - Independent restaurants.

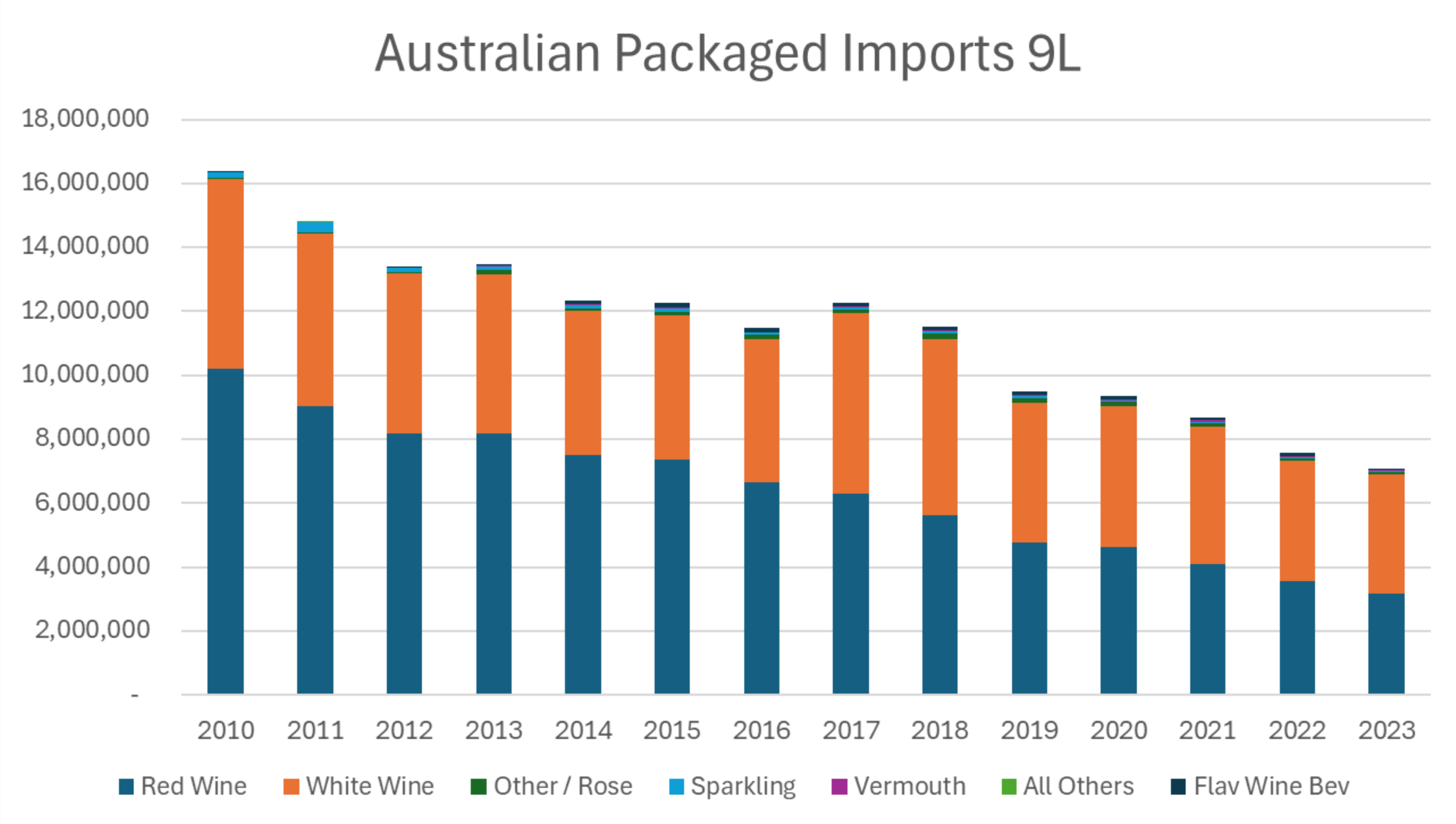
- Good long-term growth.
- Inventory build in 2021 and 2022.
- Should grow from 2023 levels.



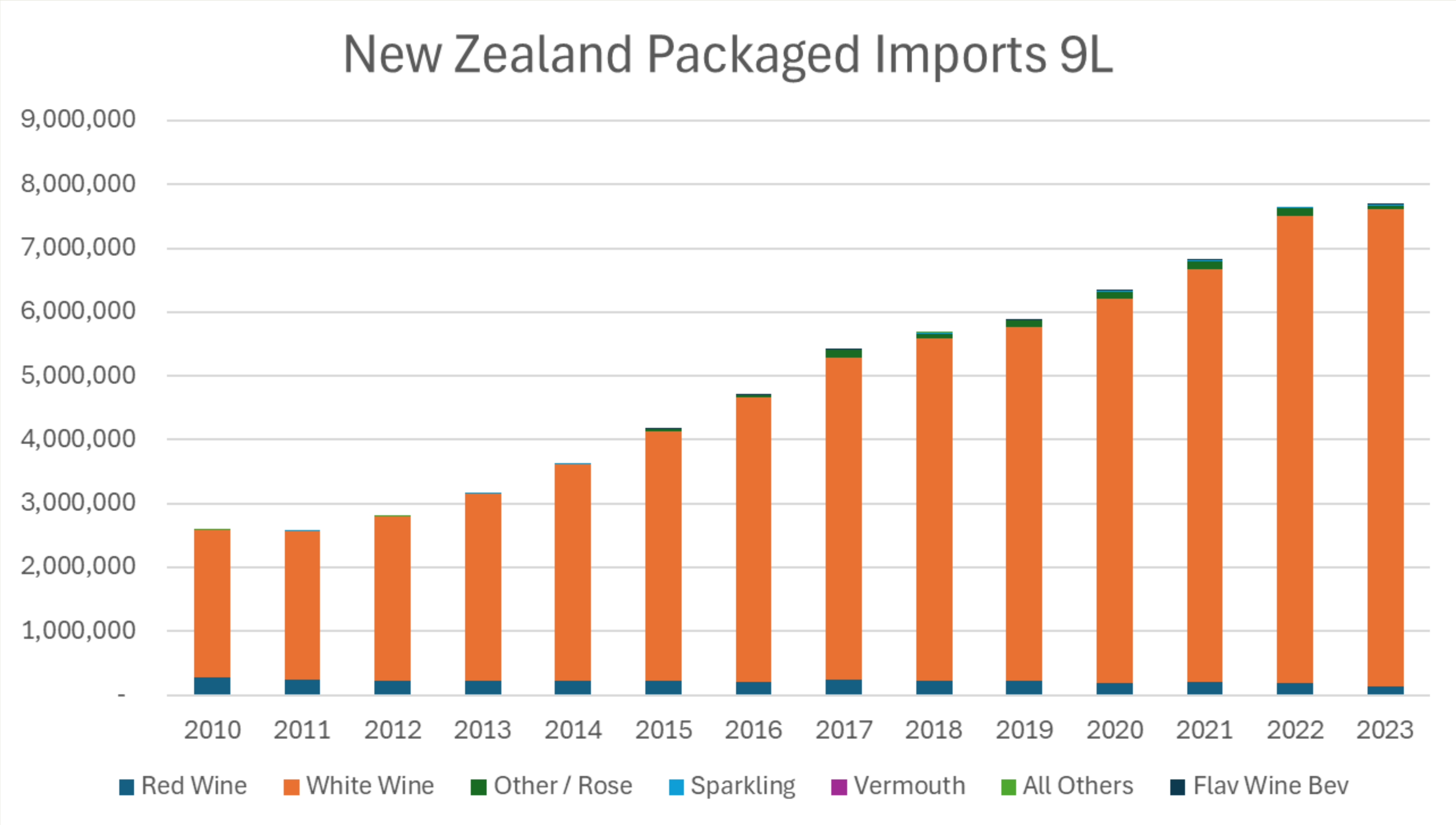
- Primarily Vermouth
- Growth prior to the pandemic due to spirits growth.
- The pandemic drove home mixologists.
- Returning to more normal levels.



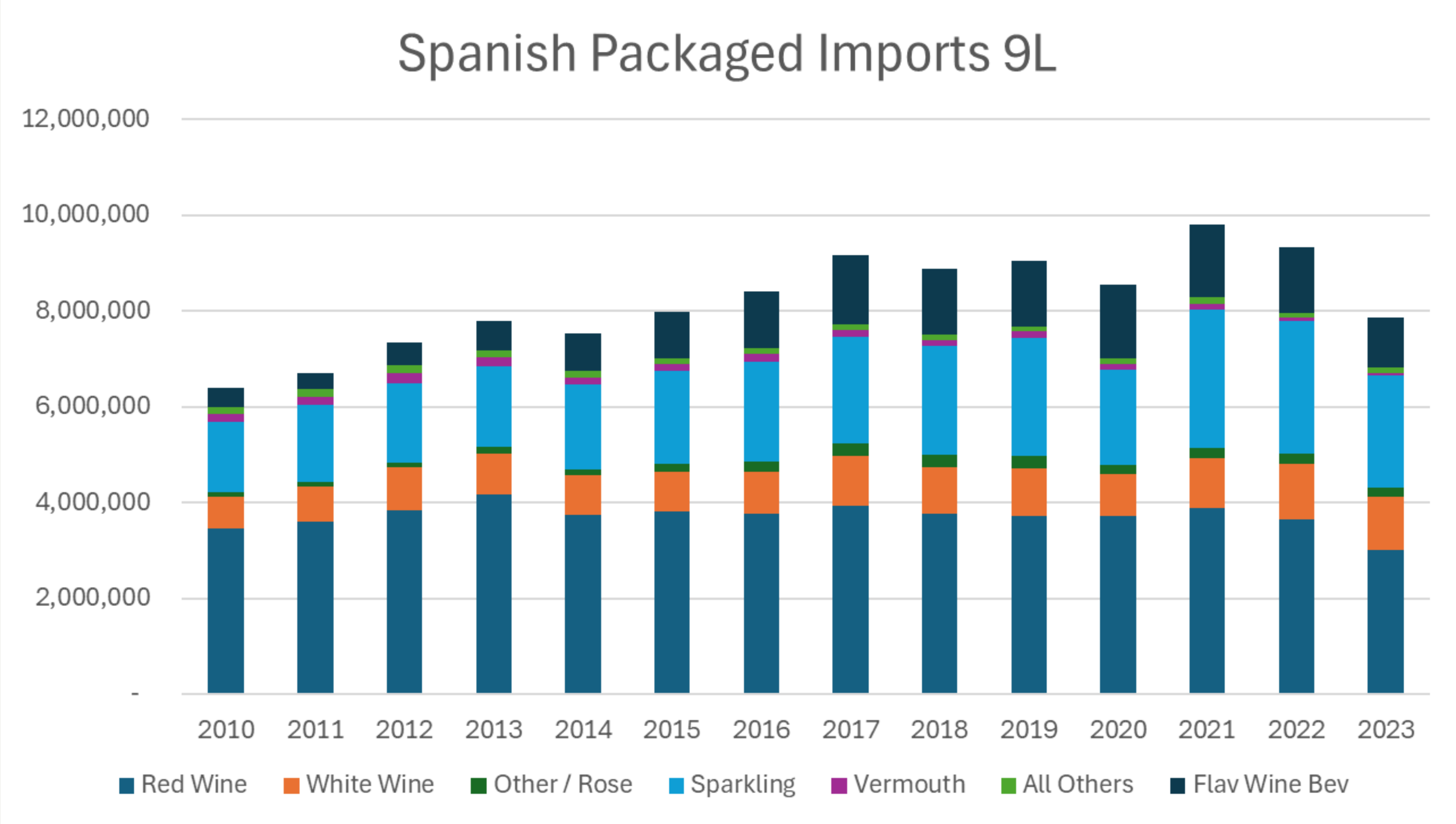
- General long-term growth.
- Driven by Rose and Sparkling
- Impacted by inventory loads in 2023.
- Sparkling should return to growth
- Rose will be soft.



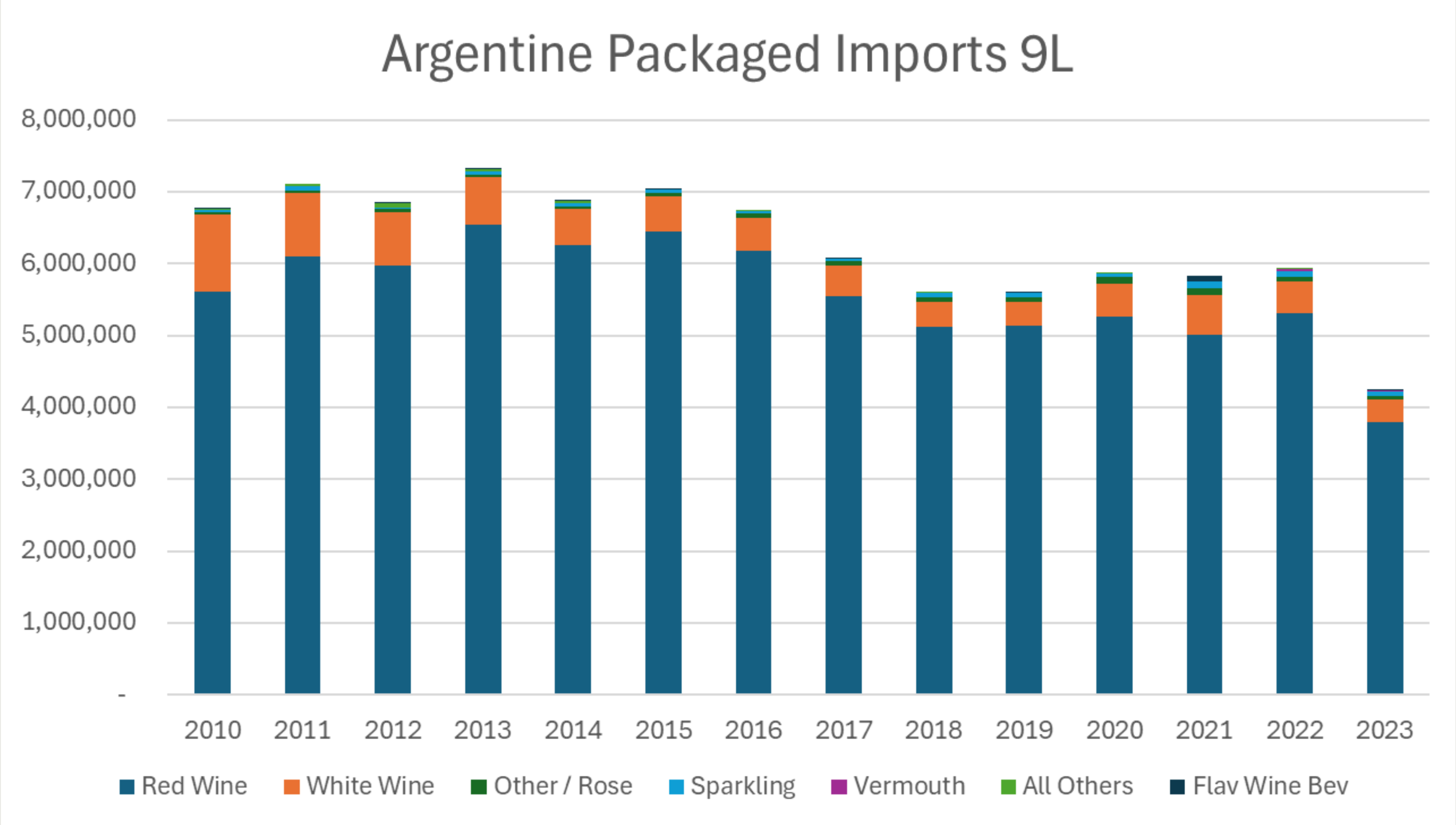
- Consistently softening trends.



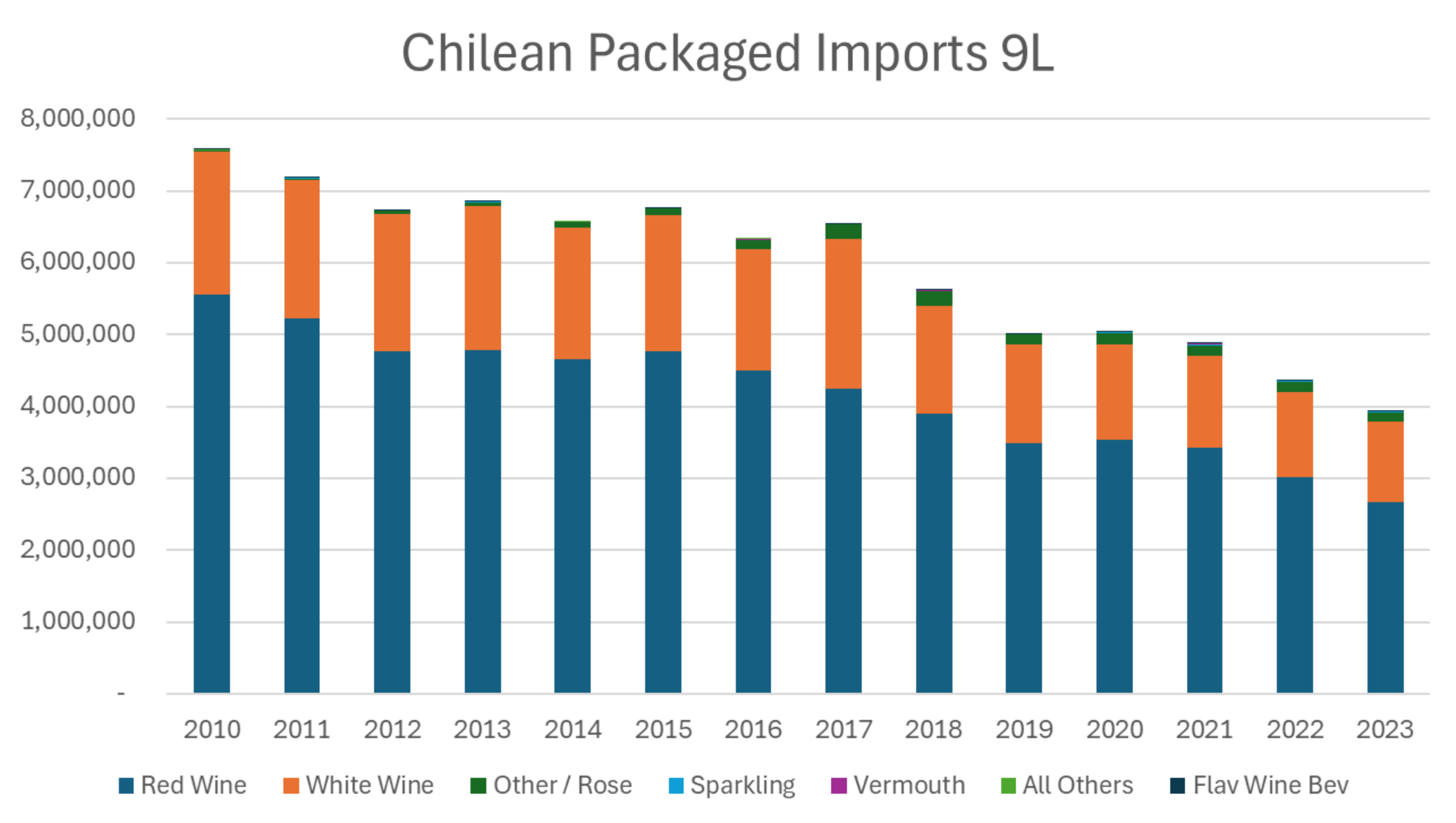
- Long-term growth.
- Driven by Sauvignon Blanc
- Consistent with current food choices.



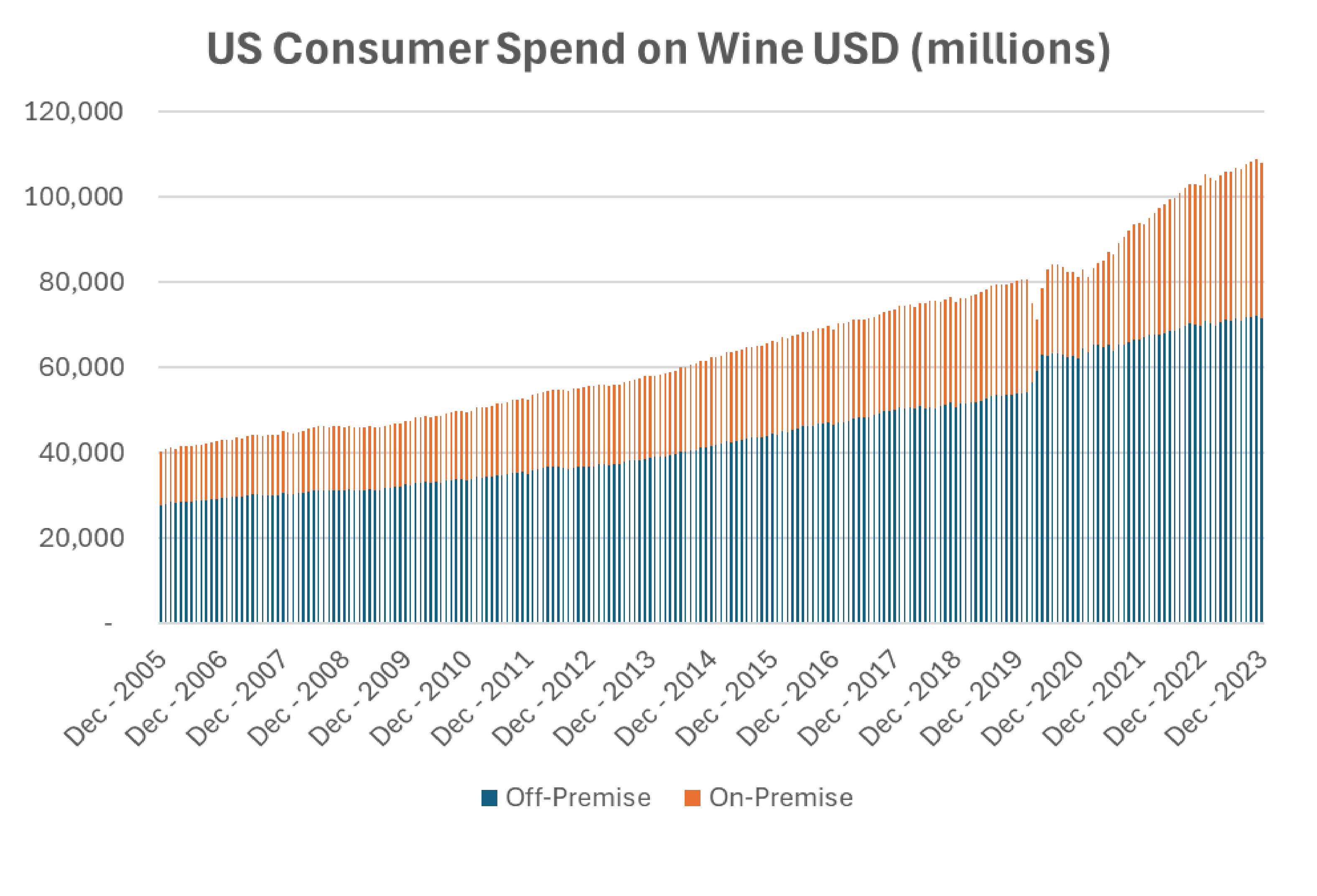
- Prior to the Pandemic, business was driven by red wine and sparkling wine.
- Trend was a slow decline.
- No clear strategy for growth.
- Sparkling is a low price alternative.



- Volume was driven by Malbec which has softened.



- Long-term decline.
- Considered cheap & cheerful.



- Continued growth in consumer spending on wine.
- Driven more by On-Premise with increasing mark-ups.

Nielsen Markets share of US Wine Business

Source	Total Shipments 2023 9L	Total Shipments 2022 9L	Nielsen Markets 2023 9L	Nielsen Markets 2022 9L	Nielsen Share 2023 Share	Nielsen Share 2022 Share
California	229,075,186	247,598,361	117,058,685	124,305,207	51.1%	50.2%
Washington	12,712,745	13,468,002	4,325,715	4,888,227	34.0%	36.3%
Oregon	5,316,760	5,885,138	1,443,004	1,517,232	27.1%	25.8%
All Other States	19,528,038	20,691,128	12,766,498	13,099,954	65.4%	63.3%
Total Domestic	266,632,729	287,642,630	135,593,902	143,810,619	50.9%	50.0%
Italy	40,252,914	46,446,949	16,169,664	16,892,350	40.2%	36.4%
France	18,804,058	22,038,390	4,531,305	4,724,053	24.1%	21.4%
New Zealand	8,686,847	8,655,191	4,116,947	4,042,805	47.4%	46.7%
Spain	7,902,432	9,397,587	2,293,343	2,441,441	29.0%	26.0%
Australia	7,072,904	7,579,474	6,593,580	7,001,903	93.2%	92.4%
Canada	5,864,696	5,720,905				
Mexico	4,462,865	5,218,768				
Argentina	4,243,466	5,930,745	1,380,589	1,487,245	32.5%	25.1%
Chile	3,936,040	4,369,993	2,087,116	2,194,738	53.0%	50.2%
Portugal	2,564,087	2,772,218	655,912	687,793	25.6%	24.8%
Germany	2,253,772	2,515,497	556,247	620,138	24.7%	24.7%
Japan	878,487	1,259,971	529,554	541,625	60.3%	43.0%
South Africa	827,417	1,058,137	212,852	249,736	25.7%	23.6%
All Other Imports	2,464,350	3,727,099	512,718	539,520	20.8%	14.5%
Total Imports	110,214,334	126,690,924	39,639,825	41,423,347	36.0%	32.7%
Total all Wine	376,847,063	414,333,554	175,233,727	185,233,967	46.5%	44.7%

- Nielsen measures one-third to one-half of the market.
- Generally better to measure trends of wines under $15.00 per bottle given channels of distribution at different price points.

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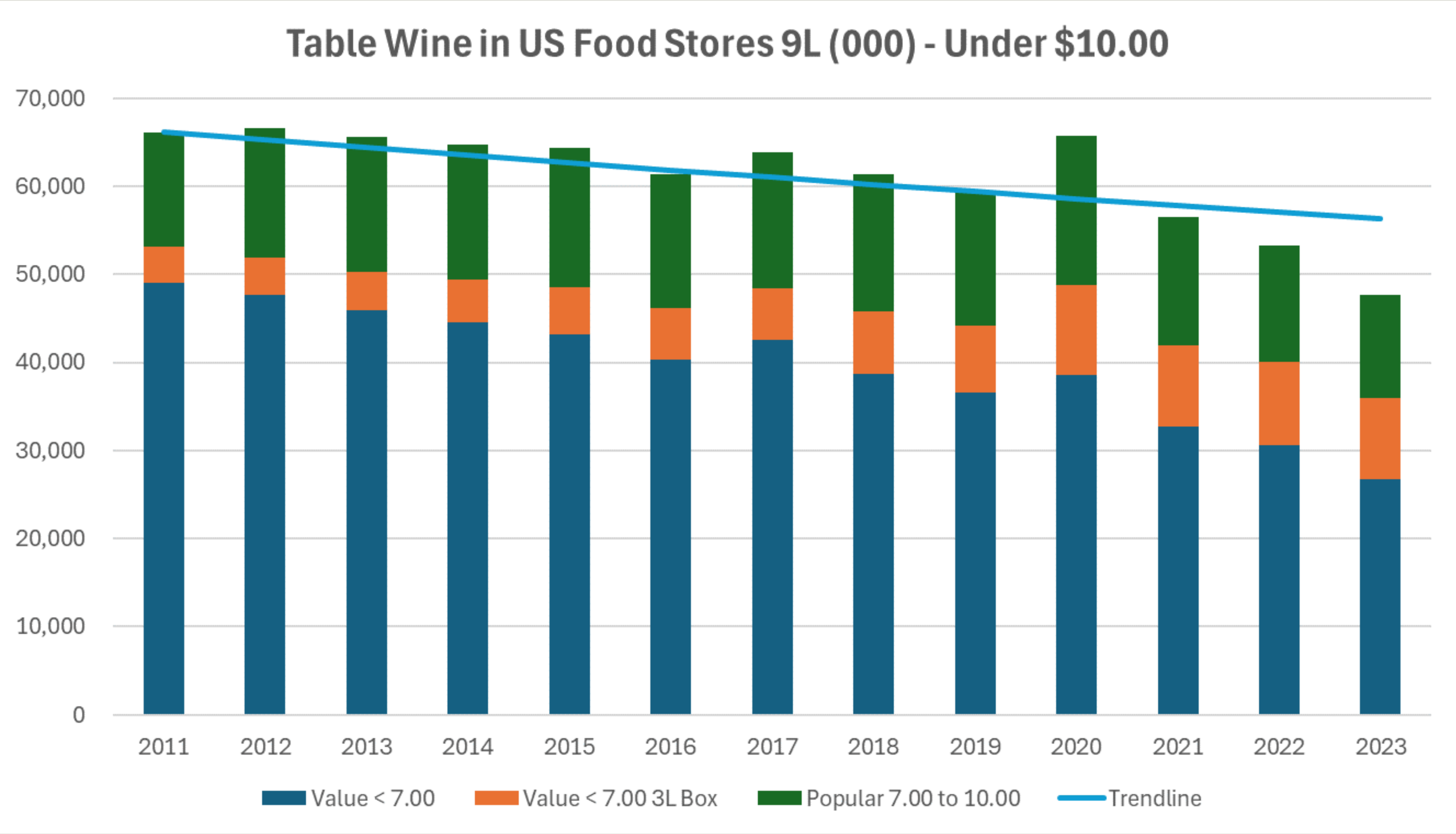
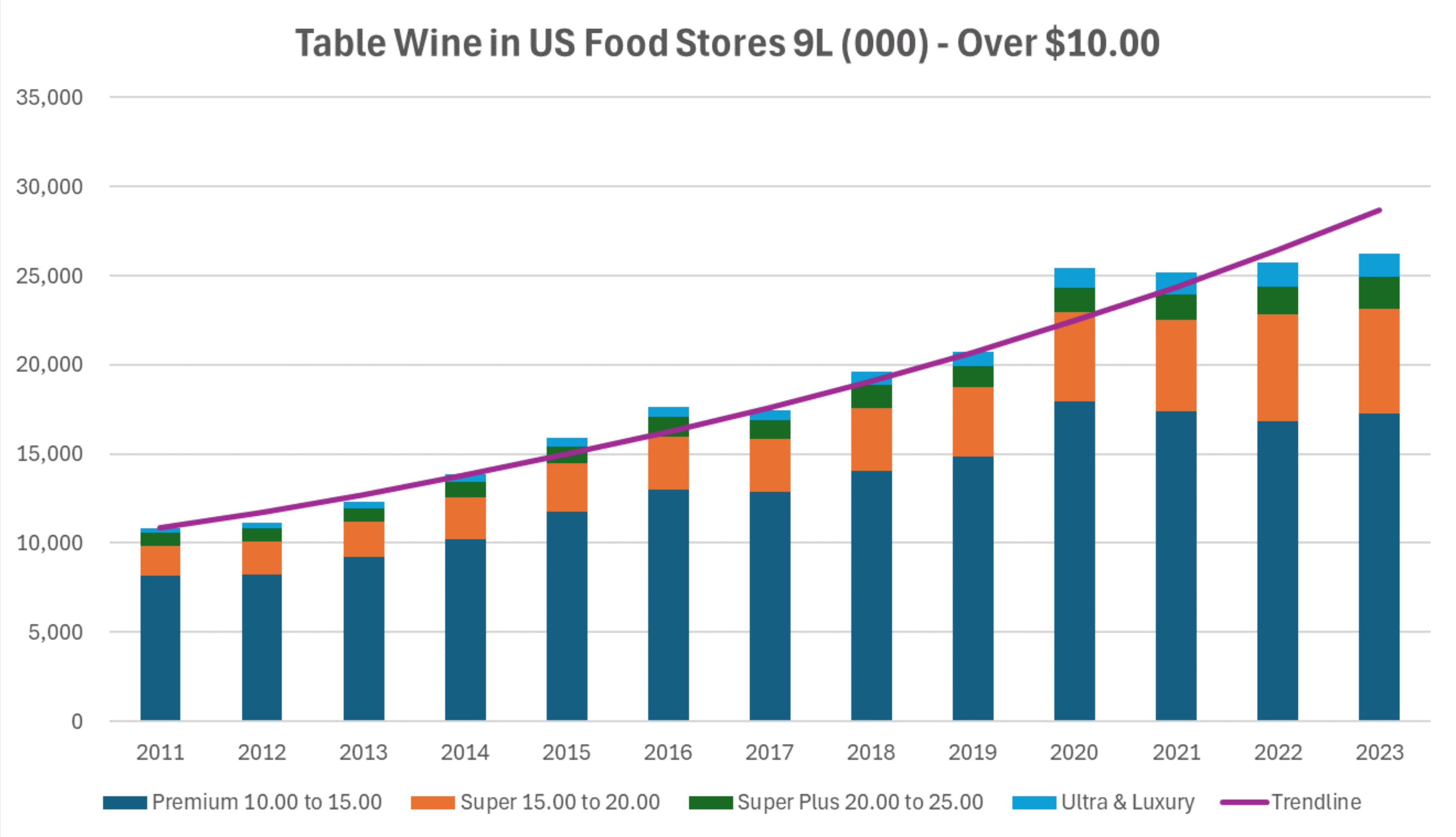


- US Food Stores
- Wines under $10.00 per 750ml have been in a slow decline.



- Wines over $10.00 have been growing, but growth may be slowing.

Sample at Home Beverage Costs					
Beverage	**Price**	**Ounces**	**Cost/Oz**	**Oz/Serv**	**Cost/Serv**
La Marca 750ml	15.99	25.36	0.63	5	3.15
Josh Cab Sauv 750 ml	12.99	25.36	0.51	5	2.56
Bota Box 3L	20.99	101.44	0.21	5	1.03
Modelo 12 Pack	17.99	144.00	0.12	12	1.50
White Claw Variety 12 Pk	18.99	144.00	0.13	12	1.58
High Noon Variety 12 Pk	25.99	144.00	0.18	12	2.17
Jack & Coke					
Jack Daniels 1.75	38.99	59.17	0.66	2	0.99
Coke 2L	2.99	67.63	0.04	5	0.20
Total					1.19
Jack Daniels 750	22.99	25.36	0.91	2	1.36
Coke 2L	2.99	67.63	0.04	5	0.20
Total					1.56
Vodka Tonic					
Tito's 1.75	29.99	59.17	0.51	2	0.76
Tonic Water 1 L	1.00	33.81	0.03	5	0.13
Lime Juice 15 oz	1.99	15.00	0.13	1	0.07
Total					0.96
Tito's 750 ml	19.99	25.36	0.79	2	1.18
Tonic Water 1 L	1.00	33.81	0.03	5	0.13
Lime Juice 15 oz	1.99	15.00	0.13	1	0.07
Total					1.38

- Wines over $10.00 are preferred by consumers.
- At a competitive disadvantage for at-home consumption, especially by younger consumers.

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Gallup - Moderate Drinking Detrimental Percent of Age Band			
Age Band	**2018**	**2023**	**% Chng**
18-34	34	52	18
35-54	26	39	13
55+	26	29	3

Gallup - More Americans View Moderate Drinking as Bad for Health				
Year	% Good for health	% Makes no difference	% Bad for health	No Opinion
2001	22	46	27	5
2003	24	49	25	2
2005	25	51	22	2
2007	22	49	25	4
2011	22	50	25	3
2015	17	52	28	3
2016	19	51	26	4
2018	16	55	28	1
2023	10	50	39	1

- Consumer attitudes are a risk.
- World Health Organization.
- Wine may be harder hit than Beer and Spirits.

- 23% of Italians drink wine daily.
- US Alcohol consumption
  - 20% drink wine at least once a week.
  - 14% drink wine less than once a week.
  - 29% drink Beer or Spirits but do not drink wine.
  - 37% do not drink alcohol.