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U.S. Wine Losses from COVID-19 Could Reach \$5.94 Billion

Lost Revenue of 36 to 66 Percent Projected for Most Wineries

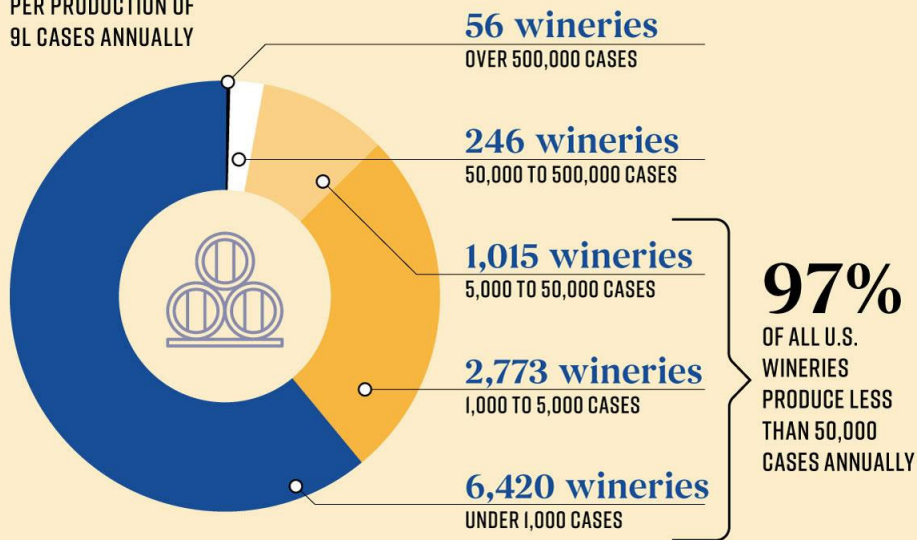
SAN FRANCISCO -- Revenue losses for the nation's more than 10,000 wineries and more than 8,000 winegrape growers due to COVID-19 could reach \$5.94 billion on an annualized basis in 2020, according to a new analysis by wine industry expert Jon Moramarco, managing partner of bw166 and editor of the Gomberg-Fredrikson Report.

"Despite recent news of consumers increasing wine purchases from grocery stores and other outlets, the impact of on-premise and tasting room closures plus projected declines in direct-to-consumer sales will offset any short-term sales gains when taking into account all sales channels," said Moramarco. The COVID pandemic is altering consumer buying patterns in areas such as off-premise and e-commerce in ways that won't be fully clear for some time.

Ninety-seven percent (97%) of all U.S. wineries produce less than 50,000 cases and are estimated to experience annual revenue losses of between 36% to 66% with smaller wineries most impacted. Projected losses increase as winery size decreases with wineries producing 1,000 to 5,000 cases expected to see lost revenue of 47.5% and wineries producing under 1,000 cases or less expected to lose 66% of revenue.

Number of U.S. Wineries by Size*

PER PRODUCTION OF
9L CASES ANNUALLY

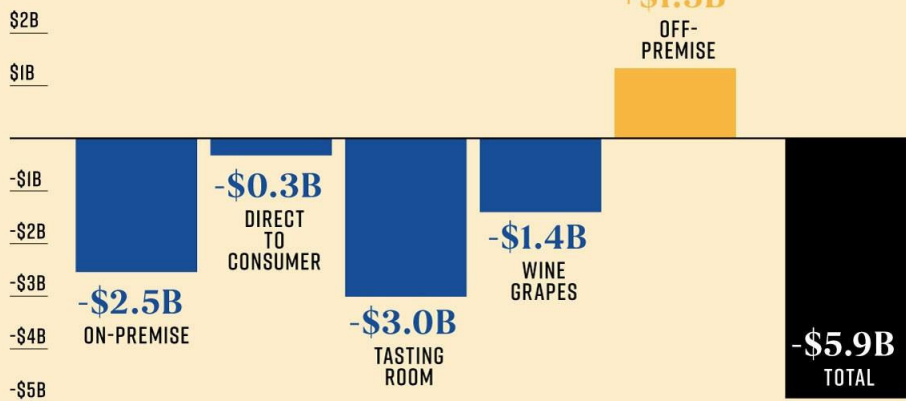


*Number of wineries sourced from Wines and Vines Analytics. Sources: bw166, Wine Institute

Individual U.S. wineries will be impacted differently depending on their primary channels of distribution. The annual revenue loss for U.S. wineries and growers is based on the following projections by channel and Moramarco's assumption of a 50% recovery of restaurant, tasting room and other on-premise wine sales within three months of the lifting of shutdowns which is estimated to be late May 2020. Moramarco does not anticipate full revenue recovery until three to six months after a vaccine is widely available.

U.S. Wine Industry Annual Revenue Impact*

IN BILLIONS OF DOLLARS



*Estimated. Sources: bw166, Wine Institute

- **On-Premise:** With social distancing and mandated closures of restaurants, winery tasting rooms, hotels and other on-premise businesses, estimated losses will be 80%. **Down \$2.54 billion**
- **Direct-to-Consumer (DTC):** Winery DTC shipments for wine club (long-term subscriptions for limited availability wines) and allocation sales are estimated to decline 10%. **Down \$323 million**
- **Tasting Room Sales:** Cellar door sales to consumers visiting wineries where the wine is delivered to consumers at the time of sale are estimated to decline by 80%. **Down \$3.0 billion.**
- **Winegrapes:** In addition to direct impact on winery revenues, the shortfall in sales will also create an excess of winegrapes as inventories will be more than required. This is the impact on winery owned grapes and third-party growers this year. Estimated lost winegrape sales total will be 25%. **Down \$1.40 billion**
- **Off-Premise Sales:** The off-premise retail sales (grocery stores and other outlets) will be less severely impacted and are benefiting from the decline in on-premise sales during shutdowns. While the initial response to shutdowns has been a large jump in off-premise sales, more recent trends show a moderation. Estimated annual impact increase of 10%. **Up \$1.33 billion.**

“Wineries, like all other hospitality businesses, are feeling the impact across the board,” said Robert P. Koch, President and CEO of Wine Institute. “Our wineries rely heavily on their tasting room and restaurant sales which have been decimated. While we are confident in the long-term consumer demand for California and U.S. wines, we anticipate a long recovery period.”

“Grape prices were bad before the COVID-19 pandemic hit, but now we are confronted by the prospect of a financial disaster for growers,” said John Aguirre, President of the California Association of Winegrape Growers. “We are grateful that winegrowers continue to operate with extra safety protocols in place, but there is a direct link between the success of tourism, hospitality, events and restaurants and the financial health of the many growers who supply grapes for wines sold in those segments of the wine market.”

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