
Vintage Economics

Washington Wine Industry Update November 2019

Wine Shipment Trends

*Washington Wine Shipments
Through 9/30/2019 (000s of cases)
Source: Vintage Economics / WA LCB*

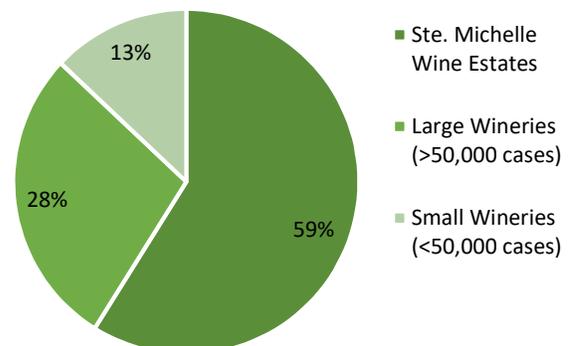
	Last 3 Months		Last 12 Months
This Year	3,068	▼ 6%	12,660
Last Year	3,273		12,837

- Packaged wine shipments by Washington wineries declined 6% in 3Q 2019 versus the same period last year – a disappointing result following a solid first half increase.
- The weak 3Q performance erased almost all the first half gain and shipments are now down by 1% over the last 12 months.
- The 3Q decline was driven by a steep plunge in in-state distributor sales – out-of-state shipments fell modestly.
- Ste. Michelle’s 3Q shipments fell 8% - while the rest of the industry recorded a collective year-over-year decline of 3%.
- Shipments by Hogue Cellars fell by 166,000 cases against a strong 3Q 2018 comparison – the looming transition from Constellation to Gallo may be skewing its results.
- The Washington wine industry remains mired in a slump that began in early 2016

with no net growth in shipments over the past three and a half years.

- The lapse in growth has been driven by a reversal in SMWE’s shipments – which has been offset by an expansion in shipments by the rest of the industry.
- As a group, small wineries continue to post solid volume growth, buoyed by a surge in DTC sales that shows no signs of slowing.
- Economic growth has slowed over the past six months and the outlook is murky – and national wine demand continues soften.
- Given this environment – the near-term outlook for growth in Washington wine shipments remains muted.

Shipment Share by Winery Size



2019 Harvest Update

- Washington Winegrowers is estimating a harvest of less than 200,000 tons – which compares to an initial estimate of 260,000.
- Cooler weather contributed to the shortfall and a significant quantity of grapes were left on the vine due to an early freeze, with Cabernet Sauvignon particularly impacted.
- If the Winegrowers estimate is on the mark this will be the smallest harvest since 2012 and nearly a 25% decline relative to the 261,000 tons crushed in 2018.
- On the bright side quality appears to be high though there were some issues with smoke exposure – and the short harvest will help to reduce the glut of bulk wine that has built up over the last several years.

WA Eclipses 1,000 Winery Mark

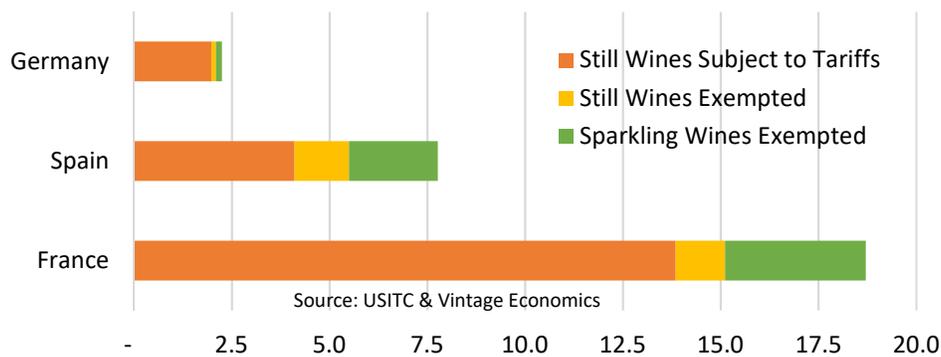
- The number of active winery Washington winery licenses (including cider producers) rose to 1,008 at the end of September.
- The pace of growth has quickened in 2019 as the winery count increased by 37 during the first nine months of the year.

- Snohomish County led the state with a net gain of ten licenses while Walla Walla County added eight.
- With 217 licenses, King County remains the leading location for Washington wineries – though the total has fallen by two in 2019.

European Wine Tariffs

- The Trump administration enacted a 25% tariff on most still wines from four European countries including France, Spain, Germany and the U.K.
- Based on USITC data, the tariffs would have impacted 16% of all U.S. imports by volume in 2018 (20 million cases) and 25% of imports by value.
- This represents just 5% of total U.S. market volume and foreign producers have several avenues to circumvent the tariffs – thus the tariffs are unlikely to have a major impact on the market overall.
- Nonetheless, there may be opportunities for Washington producers to steal share in categories such as premium Rosé where French imports dominate the market.

2018 Imports by Country (mil. cases)



About Vintage Economics

Vintage Economics is a market research and consulting firm focused on the Pacific Northwest wine industry. The firm is dedicated to providing insightful market research and analytics to help clients make better informed and more strategic decisions and position their businesses for success in a rapidly evolving and increasing competitive market environment. Areas of expertise include market analysis and forecasting, strategic research, and data analytics.

Vintage Economics also supplies industry reports and customized metrics and intelligence on the the Washington wine industry and its wineries, brands, and vineyards tailored to meet clients' unique needs.

Please see the [Vintage Economics](#) website or contact Chris Bitter for additional information:

Vintage Economics
Bitter@VinEconomics.com
206-981-6885