The Grape, Wine, & Ornamental Situation and Outlook 2016

Xiaoli Fan, Jie Li, Miguel Gómez
Dyson School of Applied Economics and Management
Cornell University

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Situation & Outlook for Grapes and Wine
Value of Utilized Production of Grapes, New York, 1997-2014

New York Grapes Utilization, 2012-2014

<table>
<thead>
<tr>
<th>Use</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Juice(^a)</td>
<td>69,000</td>
<td>149,000</td>
<td>133,000</td>
</tr>
<tr>
<td>Wine</td>
<td>40,000</td>
<td>50,000</td>
<td>44,000</td>
</tr>
<tr>
<td>Total</td>
<td>112,000</td>
<td>202,000</td>
<td>180,000</td>
</tr>
</tbody>
</table>

\(^a\) Includes other processing for jam, jelly, etc.

Estimated 2015 grape production: 165,000 tons, 12% down from 2014.
Grape Prices in New York, 2005-2014

### Grapes Grown and Processed in NY

**Received by Wineries and Processing Plants, 2010-2014**

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Concord</td>
<td>117,300</td>
<td>124,700</td>
<td>64,600</td>
<td>148,000</td>
<td>128,800</td>
<td>-15%</td>
<td>116,680</td>
</tr>
<tr>
<td>Niagara</td>
<td>21,600</td>
<td>20,300</td>
<td>11,400</td>
<td>20,000</td>
<td>17,500</td>
<td>-14%</td>
<td>18,160</td>
</tr>
<tr>
<td>Other grape varieties</td>
<td>27,880</td>
<td>38,000</td>
<td>33,000</td>
<td>34,000</td>
<td>30,700</td>
<td>-11%</td>
<td>32,716</td>
</tr>
<tr>
<td>Total, all varieties</td>
<td>172,000</td>
<td>183,000</td>
<td>109,000</td>
<td>202,000</td>
<td>177,000</td>
<td>-14%</td>
<td>168,600</td>
</tr>
</tbody>
</table>

- Includes New York grown grapes received at out-of-state plants.
- Includes Vinifera varieties, American and French Hybrid varieties not shown.
- Includes Concord grapes processed for juice.

Total Wine Consumption, U.S. 1999-2014

Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 2013
Overview – Wine

• Shipments into US trade channels increased in 2014 - retail value of $37.6 billion

• Total wine sales in food stores and other off-premises outlets accounts for 80%

• Direct to consumer shipping (E-commerce) grew 16% in 2014

• Shipments of sparkling wine and champagne keep growing - up 8% over the previous year

• California wine accounted for 90% of the domestic wine production and 65% of total wine sales, a slight increase from last year

Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 2013
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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Export Total</td>
<td>1140</td>
<td>1390</td>
<td>1432</td>
<td>1550</td>
<td>1500</td>
<td>24%</td>
<td>-3%</td>
<td>100%</td>
</tr>
<tr>
<td>EU</td>
<td>435</td>
<td>478</td>
<td>485</td>
<td>617</td>
<td>518</td>
<td>16%</td>
<td>-19%</td>
<td>35%</td>
</tr>
<tr>
<td>Canada</td>
<td>308</td>
<td>379</td>
<td>434</td>
<td>454</td>
<td>487</td>
<td>37%</td>
<td>7%</td>
<td>32%</td>
</tr>
<tr>
<td>Japan</td>
<td>76</td>
<td>105</td>
<td>111</td>
<td>102</td>
<td>101</td>
<td>25%</td>
<td>-1%</td>
<td>7%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>116</td>
<td>163</td>
<td>115</td>
<td>78</td>
<td>69</td>
<td>-68%</td>
<td>-13%</td>
<td>5%</td>
</tr>
<tr>
<td>China</td>
<td>45</td>
<td>62</td>
<td>73.6</td>
<td>77</td>
<td>71</td>
<td>37%</td>
<td>-8%</td>
<td>5%</td>
</tr>
<tr>
<td>Others</td>
<td>160</td>
<td>203</td>
<td>213.5</td>
<td>222</td>
<td>254</td>
<td>37%</td>
<td>13%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 2015
U.S. Wine Exports, 2014

- Value of US wine exports totaled 1.5 billion - first time decline since the economic crisis in 2008
- 35% (value) to EU, and 32% to Canada; followed by Japan, Hong Kong and China
- Decreased exports driven by declines in trade volume to leading destinations, except Canada

**Primary Reasons**

- Strong U.S. dollar
- Labor standoff along the West coast for several months

Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 2014
## Per Capita Consumption of Wine by Country, 2008-2014 (in liters)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>10.91</td>
<td>11.7</td>
<td>14.75</td>
<td>26%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3.75</td>
<td>5.14</td>
<td>8.57</td>
<td>56%</td>
</tr>
<tr>
<td>China</td>
<td>0.39</td>
<td>0.62</td>
<td>1.18</td>
<td>67%</td>
</tr>
<tr>
<td>Japan</td>
<td>2.54</td>
<td>4.13</td>
<td>2.73</td>
<td>7%</td>
</tr>
<tr>
<td>France</td>
<td>45.3</td>
<td>45.61</td>
<td>42.51</td>
<td>-7%</td>
</tr>
<tr>
<td>Italy</td>
<td>42.71</td>
<td>37.63</td>
<td>33.3</td>
<td>-28%</td>
</tr>
<tr>
<td>Spain</td>
<td>25.87</td>
<td>21.58</td>
<td>21.26</td>
<td>-22%</td>
</tr>
<tr>
<td>UK</td>
<td>19.75</td>
<td>20.03</td>
<td>21.99</td>
<td>10%</td>
</tr>
<tr>
<td>US</td>
<td>9.16</td>
<td>10.46</td>
<td>10.25</td>
<td>11%</td>
</tr>
</tbody>
</table>

Keep existing consumers and explore new markets

Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 201

Crop value expected to be lower than the 2014 level

• An average growing season in 2015, except for Lake Erie

• Estimated shortage of some vinifera and hybrid grapes
  ✓ Shortage on Bordeaux Reds and Gewürztraminer
  ✓ Concord: down 14% from 2015, close to 5-years average
  ✓ Niagara: below 5-year average in 2015 due to the trunk damage in winter in most Niagara vineyards
Grape Prices

- *Vinifera* wine grape prices likely to increase in 2015
  - Less production of some *vinifera* grapes
- The price for juice grapes is estimated to be below $150 per ton - even lower than the 2014 level

Online wine sales in New York - Governor vetoes online liquor bill

- Less freedom to sell alcoholic beverages online in New York
- Influence sales of alcohol shops in New York
- Affect internet (E-commerce) sales throughout the US
Outlook – U.S. Grapes

U.S. grape production likely to decrease in 2015/2016

- Primarily due to lower production in California
  - Earliest harvest on record, wildfire during harvest, a fourth year of drought
- Expected lower grape production in Washington, New York, Oregon and Pennsylvania

Domestic grower prices for wine grapes are likely to go up
Outlook – U.S. Wine Trade

Inexpensive imports keep increasing

✓ Domestic consumption far exceeds domestic production

Wine exports growth slowing down, especially to Hong Kong, China

✓ Heavily subsided foreign competition
✓ High tariffs in importing countries
✓ Internal reform in some leading destination countries (e.g., China, Hong Kong)
Opportunities

• Value oriented wine export to rapidly growing Asian markets

• Wine sales continue to grow, particularly, more demand for wine in $12-30 range

• Opportunities for cooler regions, which make good quality sparkling wines

• Increased interest in “eco” wines (e.g., organic, sustainable and biodynamic wines)

• Growing use of social media marketing and wine apps targeting Millennial consumers

• Popularity of creative wine beverages (wine cocktails)
Red Blotch Economic Impact Analysis: Preliminary Findings
What do we know about Grapevine Red Blotch Disease (GRBD)?

- First discovered in California in 2008, GRBD has been found across the United States.
- In red-berried cultivars, visual GRBD foliar disease symptoms include red blotches early in the season.
- GRBD quality and yield impacts are still being evaluated and understood.
- GRBD has been associated with significant quality impacts:
  - Poor color development (pink fruit)
  - Low sugar accumulation (reductions by 2-4 brix)
  - Reduced complexity and flavor profile.
2015 Red Blotch Economic Impact: Survey & methods

- 34 vineyard managers and buyers
- Participants identified through local extension partners (WSU, CU, UC-COE).
- 3 states (CA, NY, WA)
- 4 distinct regions (Sonoma, Napa, Southeast Washington, Suffolk County).
Suffolk County (Long Island), NY

Overall impact: Between $2,665 (5% initial infection in year 3, 25% price penalty) and $20,629 (60% initial infection in year 3, 100% price penalty)
Ornamental Crops: Situation and Outlook
# New York Floriculture – Growing Area: 2012-2014
(Operations with $10,000+ in sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total greenhouse Cover</th>
<th>Shade and temporary cover</th>
<th>Total covered area</th>
<th>Open ground</th>
<th>Total covered &amp; open ground</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>26,377</td>
<td>353</td>
<td>26,730</td>
<td>694</td>
<td>1,308</td>
</tr>
<tr>
<td>2013</td>
<td>25,567</td>
<td>440</td>
<td>26,016</td>
<td>798</td>
<td>1,395</td>
</tr>
<tr>
<td>2014</td>
<td>19,660</td>
<td>319</td>
<td>19,979</td>
<td>835</td>
<td>1,294</td>
</tr>
</tbody>
</table>

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a Includes operations with $10,000+ in annual floriculture sales. Crops include cut flowers, cut cultivated greens, potted flowering plants, potted foliage plants, bedding and garden plants, and propagative materials. Total may not add due to rounding.
Grower Cash Receipts of Floriculture Products, New York, 2007-2014

Million dollars

## Value of Floriculture Production by Plant Category, New York, 2010-2014

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Larger growers’ sales^a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedding/garden plants</td>
<td>105.0</td>
<td>102.7</td>
<td>105.8</td>
<td>110.2</td>
<td>98.3</td>
<td>-6.8%</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Potted flowering plants</td>
<td>20.8</td>
<td>24.2</td>
<td>28.9</td>
<td>30.7</td>
<td>25.9</td>
<td>19.7%</td>
<td>-18.5%</td>
</tr>
<tr>
<td>Propagative materials</td>
<td>17.6</td>
<td>22.1</td>
<td>21.3</td>
<td>25.2</td>
<td>16.9</td>
<td>-4.0%</td>
<td>-48.9%</td>
</tr>
<tr>
<td>Cut flowers</td>
<td>1.9</td>
<td>NA^c</td>
<td>1.0</td>
<td>0.7</td>
<td>1.0</td>
<td>-98.3%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Foliage Plants</td>
<td>2.6</td>
<td>2.5</td>
<td>2.9</td>
<td>2.9</td>
<td>2.1</td>
<td>-25.5%</td>
<td>-40.5%</td>
</tr>
<tr>
<td>Total</td>
<td>147.6</td>
<td>151.6</td>
<td>159.8</td>
<td>169.7</td>
<td>143.7</td>
<td>-2.7%</td>
<td>-18.0%</td>
</tr>
<tr>
<td>Smaller Growers’ sales^b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$10,000-$99,999 (unspecified crops)</td>
<td>19.0</td>
<td>19.6</td>
<td>18.9</td>
<td>16.5</td>
<td>10.8</td>
<td>-75.9%</td>
<td>-53.3%</td>
</tr>
<tr>
<td>Total</td>
<td>166.6</td>
<td>171.2</td>
<td>178.7</td>
<td>186.2</td>
<td>154.5</td>
<td>-7.8%</td>
<td>-20.5%</td>
</tr>
</tbody>
</table>

^a Sales by operations with annual sales of $100,000 or more.
^b Total reported crops include categories not listed
^c Includes larger and smaller growers

## Wholesale Values of Floriculture Production, by Grower size\(^a\), New York and United States, 2012-2014\(^b\)

<table>
<thead>
<tr>
<th></th>
<th>New York</th>
<th></th>
<th></th>
<th>U.S.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>Small growers</td>
<td>18.9</td>
<td>16.5</td>
<td>10.8</td>
<td>153</td>
<td>150</td>
<td>153</td>
</tr>
<tr>
<td>Large growers</td>
<td>159.8</td>
<td>169.7</td>
<td>143.7</td>
<td>4207</td>
<td>4250</td>
<td>4071</td>
</tr>
<tr>
<td>All growers</td>
<td>178.7</td>
<td>186.2</td>
<td>154.5</td>
<td>4360</td>
<td>4400</td>
<td>4224</td>
</tr>
</tbody>
</table>

\(^a\) Small growers have between $10,000 and $100,000 in annual floriculture sales; large growers have at least $100,000.

\(^b\) Wholesale value of sales of growers with at least $10,000 in annual floriculture sales. Growers are located in the 15 states.

Nursery Crops: Outlook

Average Profit Margins, 2014/2015

Nursery Crops: 2016 Outlook

• Majority (>50%) of growers confident that demand for nursery crops will increase — expect to increase profit margins in 2016

• 78% raised prices in 2015, and plan to increase prices again in 2016

• Increased production of edibles, propagation materials, container-grown perennials, container-grown shrubs and container-growing trees in 2016

• Reduced production in field grown shrubs, field grown perennials, and tropicals in 2016

Ornamental Crops: 2016 Outlook

Expected growth of 5-7% in 2016-2017

• Recovering job market
  ✓ Consumers are more confident
  ✓ More disposable income

• Healthy housing market (1.1-1.2 million new housing units annually)
  ✓ More demand for plant materials
  ✓ Shortage of trees
  ✓ Expect tree prices to increase

• Rising home values

Source: Nursery Management’s 2015 State of the Industry
What’s important for growers?

- Raise prices? But price right!!
- Stay informed of the new trends
  - Diversify marketing strategy
  - social media marketing
- Better profile the consumers
  - Baby boomers
- Understand the “driving forces” of the market
Thank you for your attention!

QUESTIONS?

Miguel. I Gómez
Dyson School of Applied Economics and Management
Cornell University
mig7@cornell.edu
340D Warren Hall