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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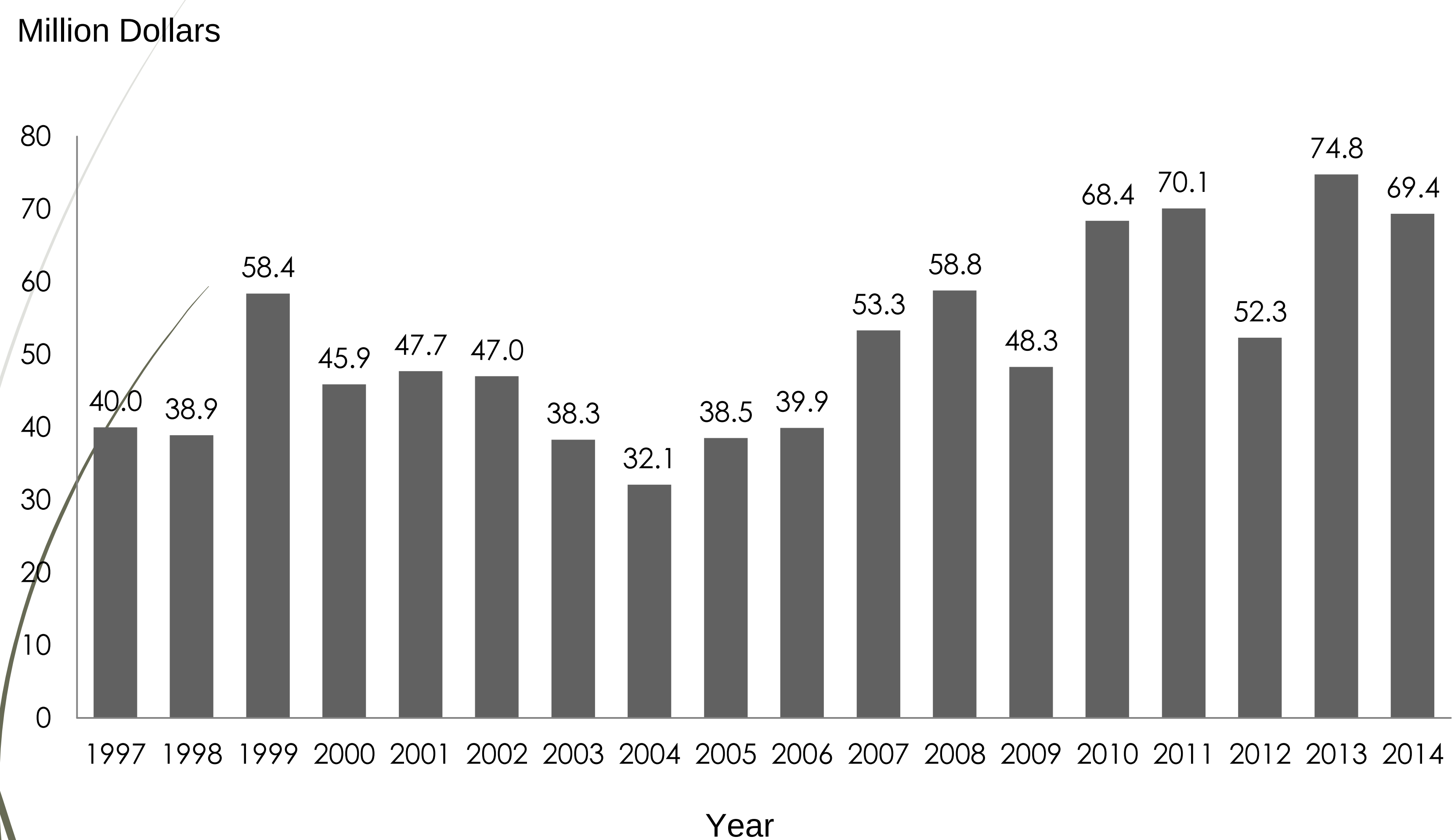
Situation & Outlook for Grapes and Wine

Value of Utilized Production of Grapes, New York, 1997-2014



Source: New York Agricultural Statistics, 2015

New York Grapes Utilization, 2012-2014

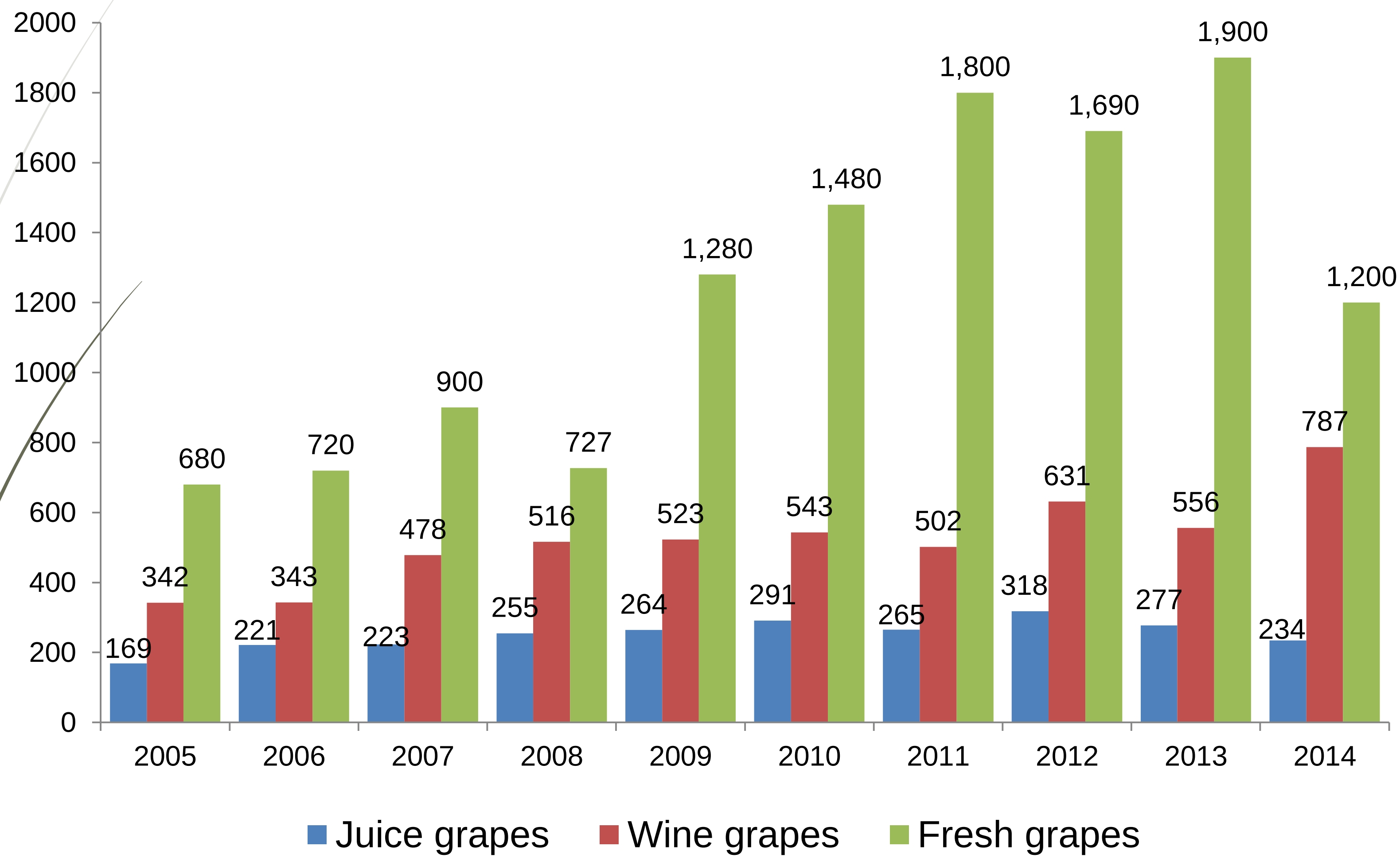
Use	2012	2013	2014
		tons	
Fresh	3,000	3,000	3,000
Juice[a]	69,000	149,000	133,000
Wine	40,000	50,000	44,000
Total	112,000	202,000	180,000

[a] Includes other processing for jam, jelly, etc.

Estimated 2015 grape production: 165,000 tons, 12% down from 2014.

Source: Fruit Report, New York Field Office, NASS, USDA, 2015

Grape Prices in New York, 2005-2014



Source: Fruit Report, New York Field Office, NASS, USDA, 2015.

Grapes Grown and Processed in NY

Received by Wineries and Processing Plants, 2010-2014[a]

Variety	2010	2011	2012	2013	2014	% Change 2014/2013	5-year Avg.
Concord	117,300	124,700	64,600	148,000	128,800	-15%	116,680
Niagara	21,600	20,300	11,400	20,000	17,500	-14%	18,160
Other grape varieties[b]	27,880	38,000	33,000	34,000	30,700	-11%	32,716
Total, all varieties	172,000	183,000	109,000	202,000	177,000	-14%	168,600

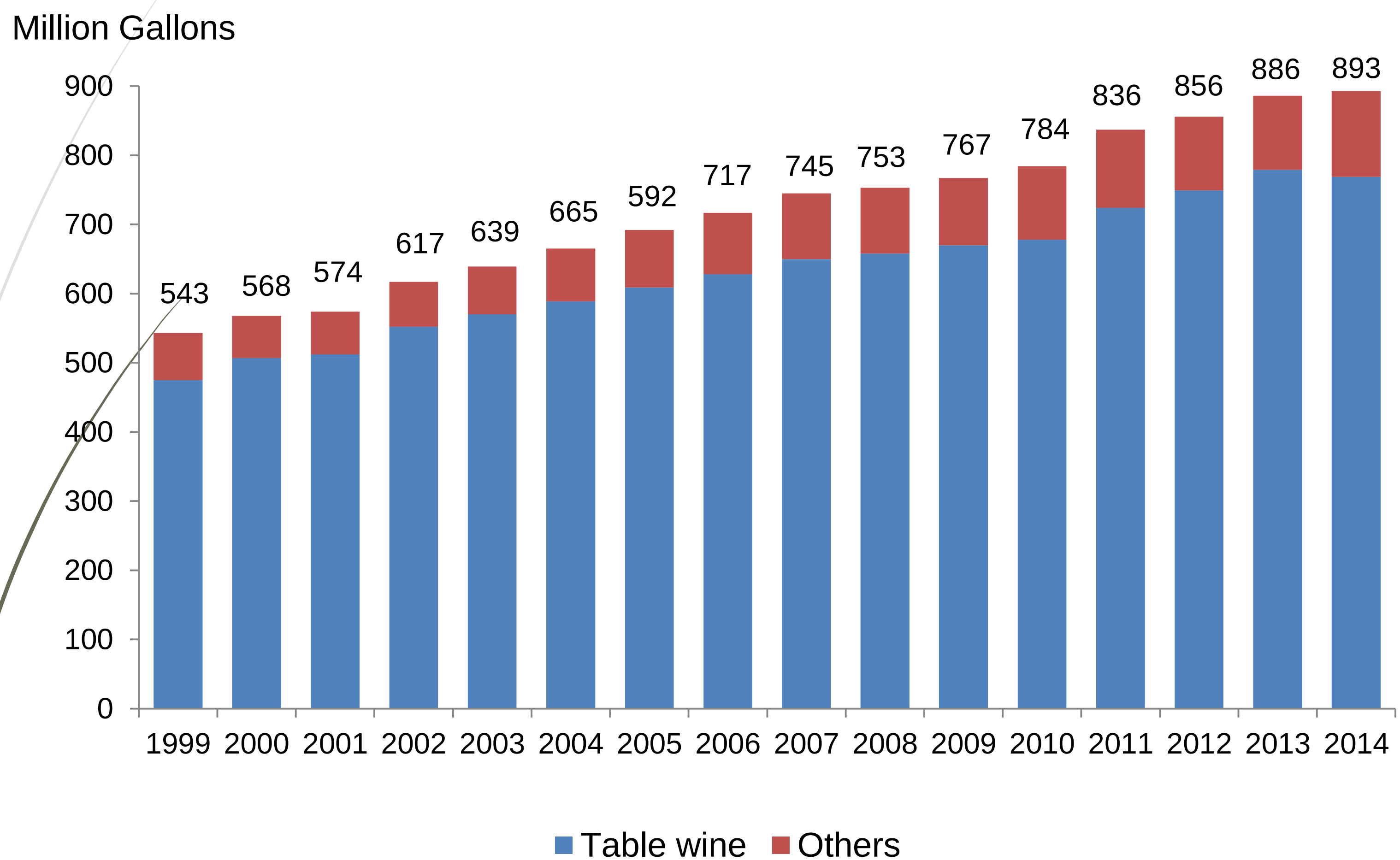
a Includes New York grown grapes received at out-of-state plants.

b Includes Vinifera varieties, American and French Hybrid varieties not shown.

c includes Concord grapes processed for juice

Source: New York Agricultural Statistics, 2015.

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

U.S. Wine Export Destinations, 2010-2014 Value (Million Dollars)

	2010	2011	2012	2013	2014	% Change 2014/2010	% Change 2014/2013	% share of export destination in 2014
Export Total	**1140**	**1390**	**1432**	**1550**	**1500**	**24%**	**-3%**	**100%**
EU	435	478	485	617	518	16%	-19%	35%
Canada	308	379	434	454	487	37%	7%	32%
Japan	76	105	111	102	101	25%	-1%	7%
Hong Kong	116	163	115	78	69	-68%	-13%	5%
China	45	62	73.6	77	71	37%	-8%	5%
Others	160	203	213.5	222	254	37%	13%	17%

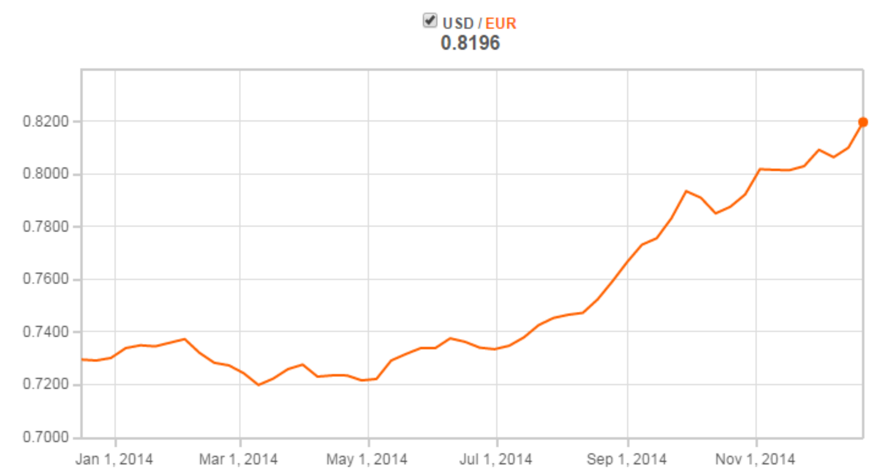
Source: Wine Institute; Department of Commerce; Gomberg, Fredrickson and Associates, 2015

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



<u>Primary Reasons</u>

- 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)

	2008	2011	2014	%Change 2014/2008
Canada	10.91	11.7	14.75	26%
Hong Kong	3.75	5.14	8.57	56%
China	0.39	0.62	1.18	67%
Japan	2.54	4.13	2.73	7%
France	45.3	45.61	42.51	-7%
Italy	42.71	37.63	33.3	-28%
Spain	25.87	21.58	21.26	-22%
UK	19.75	20.03	21.99	10%
US	9.16	10.46	10.25	11%

Keep existing consumers and explore new markets

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

Outlook – New York Grapes 2015/2016

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)

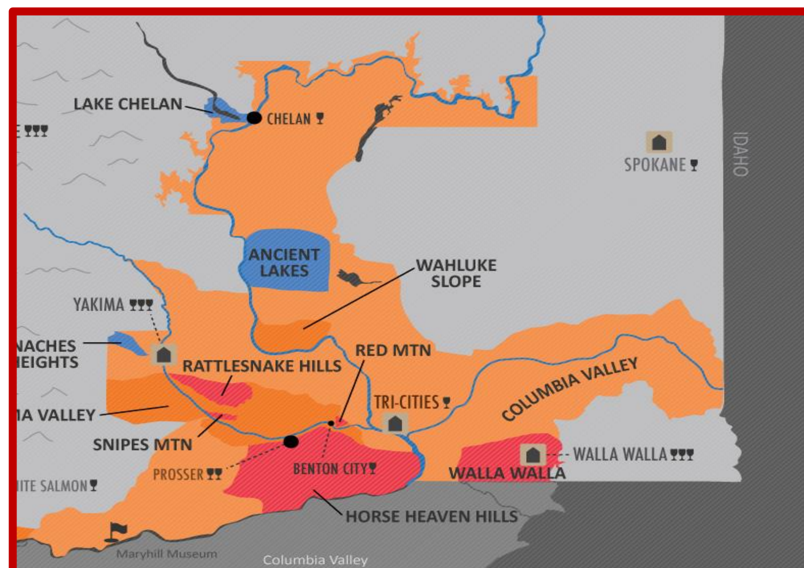
Red Blotch Economic Impact Analysis: Preliminary Findings

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

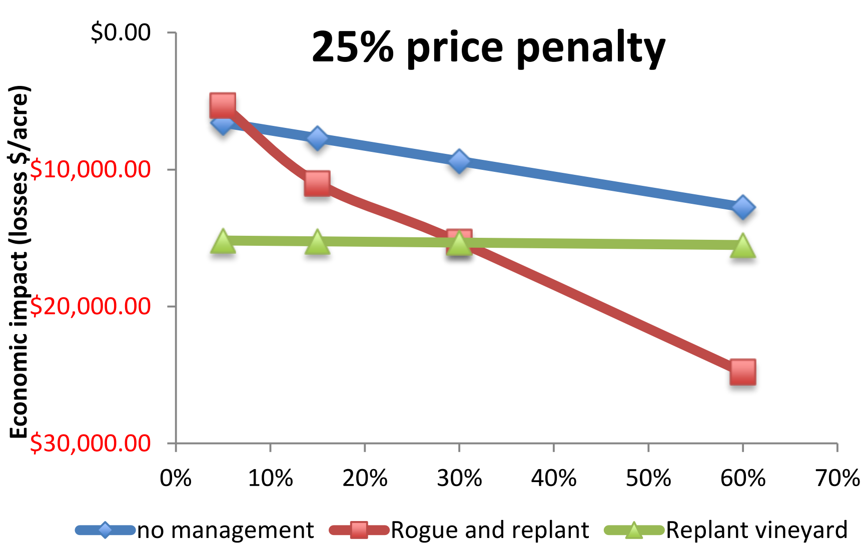
2015 Red Blotch Economic Impact: Survey & methods

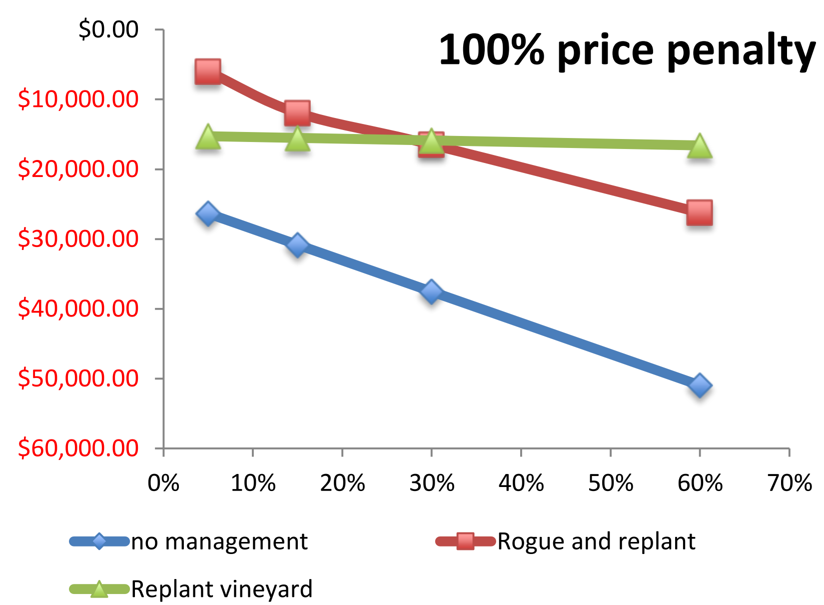
- 34 vineyard mangers and buyers
- Participants identified through local extension partners (WSU, CU, UC-COE).
- 3 states (CA, NY, WA)
- 4 distinct regions (Sonoma, Napa, Southeast Washington, Suffolk County).



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

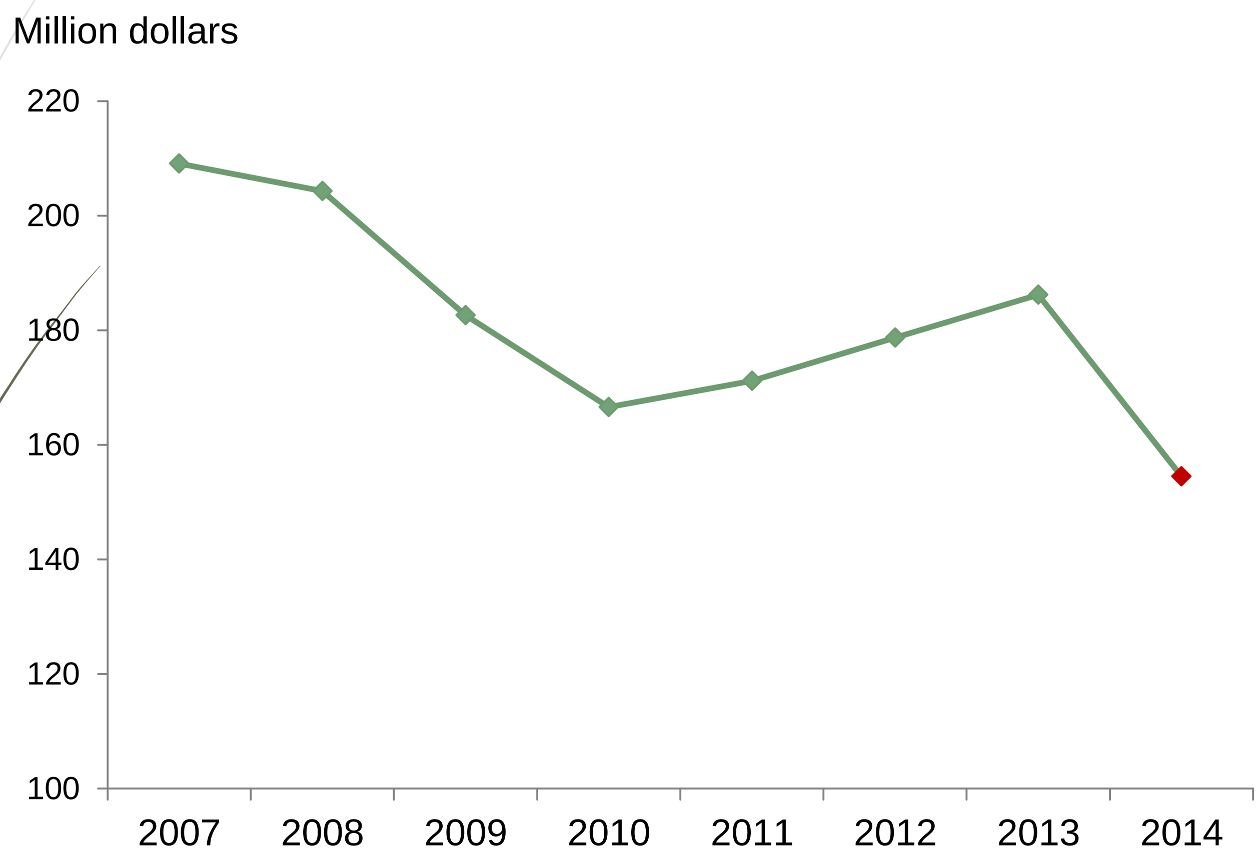
(Operations with $10,000+ in sales)

Year	Total greenhouse Cover	Shade and temporary cover	Total covered area	Open ground	Total covered & open ground
	-- 1,000 square feet --			*--- acres ---*	
2012	26,377	353	26,730	694	1,308
2013	25,567	440	26,016	798	1,395
2014	19,660	319	19,979	835	1,294

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.

Source: Floriculture Report, New York Field Office, NASS, USDA, 2015

Grower Cash Receipts of Floriculture Products, New York, 2007-2014



Source: Floriculture Report, New York Field Office, NASS, USDA, 2015

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

	2010	2011	2012	2013	2014	%Change 2014/2010	%Change 2014/2013
Larger growers' sales[a]							
Bedding/garden plants	105.0	102.7	105.8	110.2	98.3	-6.8%	-12.1%
Potted flowering plants	20.8	24.2	28.9	30.7	25.9	19.7%	-18.5%
Propagative materials	17.6	22.1	21.3	25.2	16.9	-4.0%	-48.9%
Cut flowers	1.9	NA[c]	1.0	0.7	1.0	-98.3%	30.2%
Foliage Plants	2.6	2.5	2.9	2.9	2.1	-25.5%	-40.5%
Total[b]	147.6	151.6	159.8	169.7	143.7	-2.7%	-18.0%
Smaller Growers' sales							
$10,000-$99,999 (unspecified crops)	19.0	19.6	18.9	16.5	10.8	-75.9%	-53.3%
Total[c]	**166.6**	**171.2**	**178.7**	**186.2**	**154.5**	**-7.8%**	**-20.5%**

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

Source: Floriculture Report, New York Field Office, NASS, USDA, March 2015

Wholesale Values of Floriculture Production, by Grower size[a], New York and United States, 2012-2014[b]

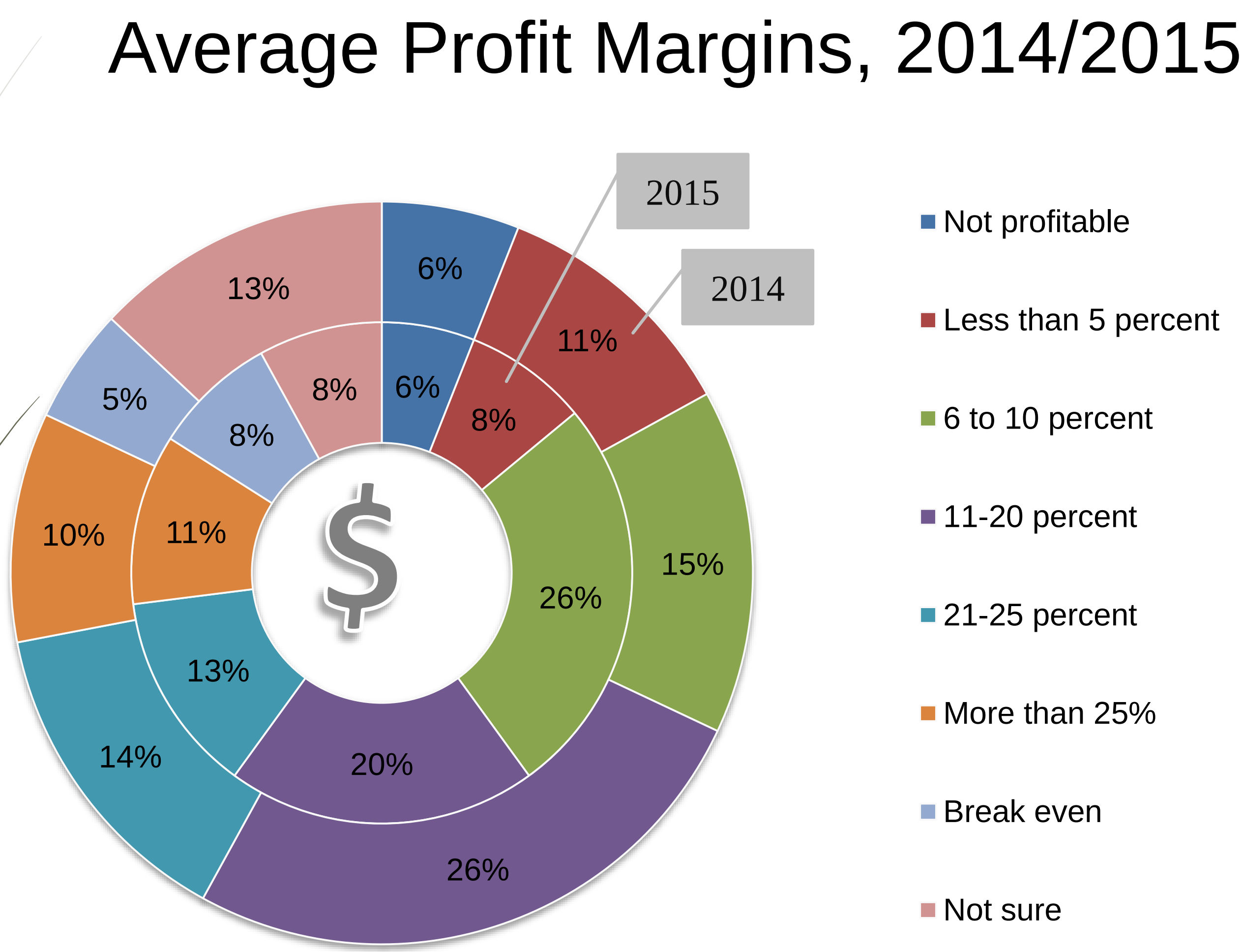
	New York			U.S.		
	2012	2013	2014	2012	2013	2014
	------ Million dollars ------					
Small growers	18.9	16.5	10.8	153	150	153
Large growers	159.8	169.7	143.7	4207	4250	4071
All growers	178.7	186.2	154.5	4360	4400	4224

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.

Source: Floriculture Report, New York Field Office, NASS, USDA, 2015

Nursery Crops: Outlook



Source: Nursery Management's *2015 State of the Industry Report*

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

Source: Nursery Management's *2015 State of the Industry Report*

Ornamental Crops: 2016 Outlook

Expected growth of 5-7% in 2016-2017

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

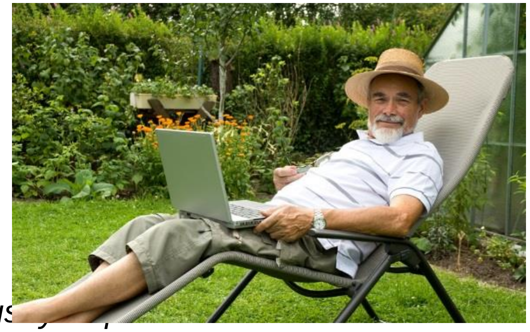
- Healthy housing market (1.1-1.2 million new housing units annually)
  - ✓ More demand for plant materials
  - ✓ Shortage of trees
  - ✓ Expect tree prices to increase

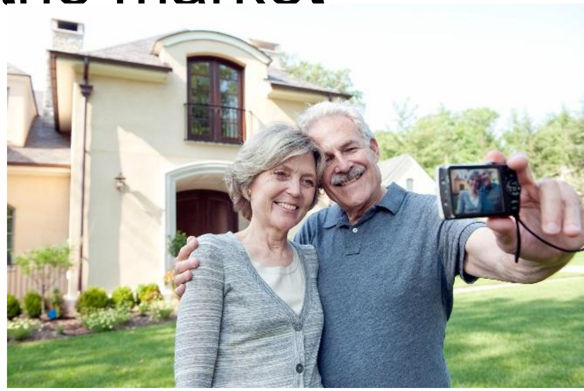
- Rising home values

Source: Nursery Management's *2015 State of the Industry R*

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





Source: Nursery Management’s *2015 State of the Indus*

Thank you for your attention!

QUESTIONS?

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