



# Harvest 2005: The Industry Outlook for the San Joaquin Valley



## Nat DiBuduo, Allied Grape Growers



# What is **Allied**?

- **A statewide winegrape & concentrate grape cooperative marketing association**
- **Represent approximately 600 growers**
- **Sell to nearly 100 different grape buyers**
- **Sales in 2005:**
  - **+/-30% from concentrate grapes**
  - **+/-20% from premium coastal winegrapes**
  - **+/-50% from interior region winegrapes**



# California Winegrape Yields

	Winegrape Tons Crushed	Total Estimated Bearing Acres	Overall Yield	Percent Above / Below Average	Percent Above / Below Previous Year
1996	2,172,381	342,500	6.3	-3.6%	N/A
1997	2,893,321	372,000	7.8	18.2%	23%
1998	2,527,056	385,000	6.6	-0.2%	-16%
1999	2,616,831	424,000	6.2	-6.2%	-6%
2000	3,318,507	458,000	7.2	10.1%	17%
2001	3,005,958	480,000	6.3	-4.8%	-14%
2002	3,104,581	486,000	6.4	-2.9%	2%
2003	2,863,905	479,000	6.0	-9.1%	-6%
2004	2,774,941	473,000	5.9	-10.8%	-2%
<b>Average</b>	<b>2,868,884</b>		<b>6.6</b>		



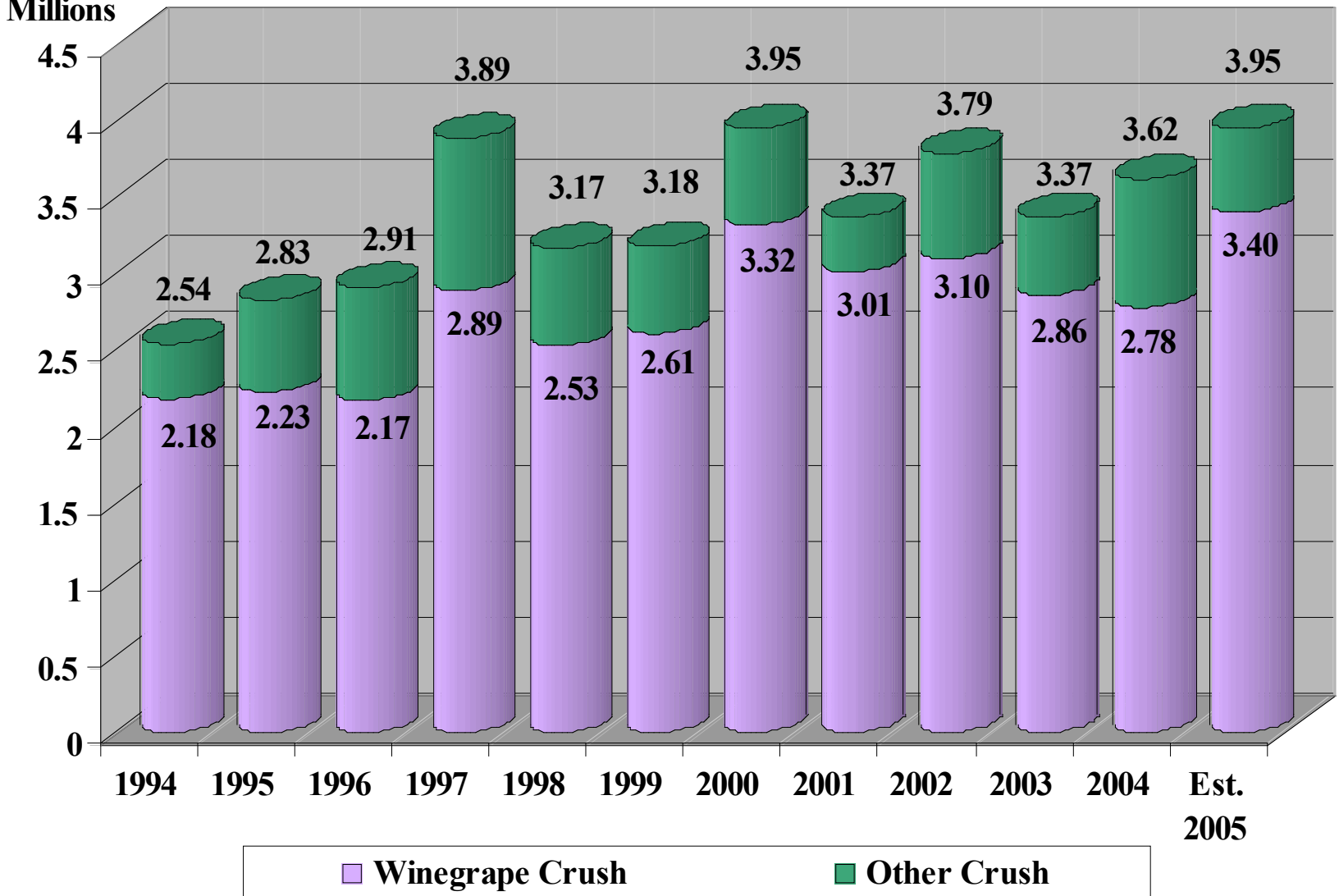
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<b>Est. 2005</b>	<b>3,411,360</b>	<b>473,800</b>	<b>7.2</b>	<b>9.4%</b>	<b>23%</b>
<b>Average</b>	<b>2,868,884</b>		<b>6.6</b>		



Tons in  
Millions

Statewide Grape Crush 1994-2004 with 2005 Estimate





**San Joaquin Valley (South of Lodi)**  
**Mostly paid winegrape prices 2004 & 2005**

	<b>2004</b>	<b>2005</b>	<b>'05 Trend</b>
<b>Chardonnay</b>	\$200	\$300-350	Up
<b>Generic White</b>	\$200	\$225-\$250	Up
<b>Merlot*</b>	\$300-400	\$300-350	Stable
<b>Cabernet Sauvignon*</b>	\$200-250	\$250-300	Up
<b>Generic Reds</b>	\$200-225	\$225-250	Up
<b>Ruby Cabernet*</b>	\$250	\$250-300	Up/Stable
<b>Syrah*</b>	\$225-250	\$250-\$375	Up
<b>Rubired</b>	\$200	\$225	Up
<b>Zinfandel (White)</b>	\$300-350	\$300-350	Stable

**\*Indicates varieties that may have received brix bonuses**

<b>Thompson Seedless</b>	\$200	\$100-\$200	Down/Stable
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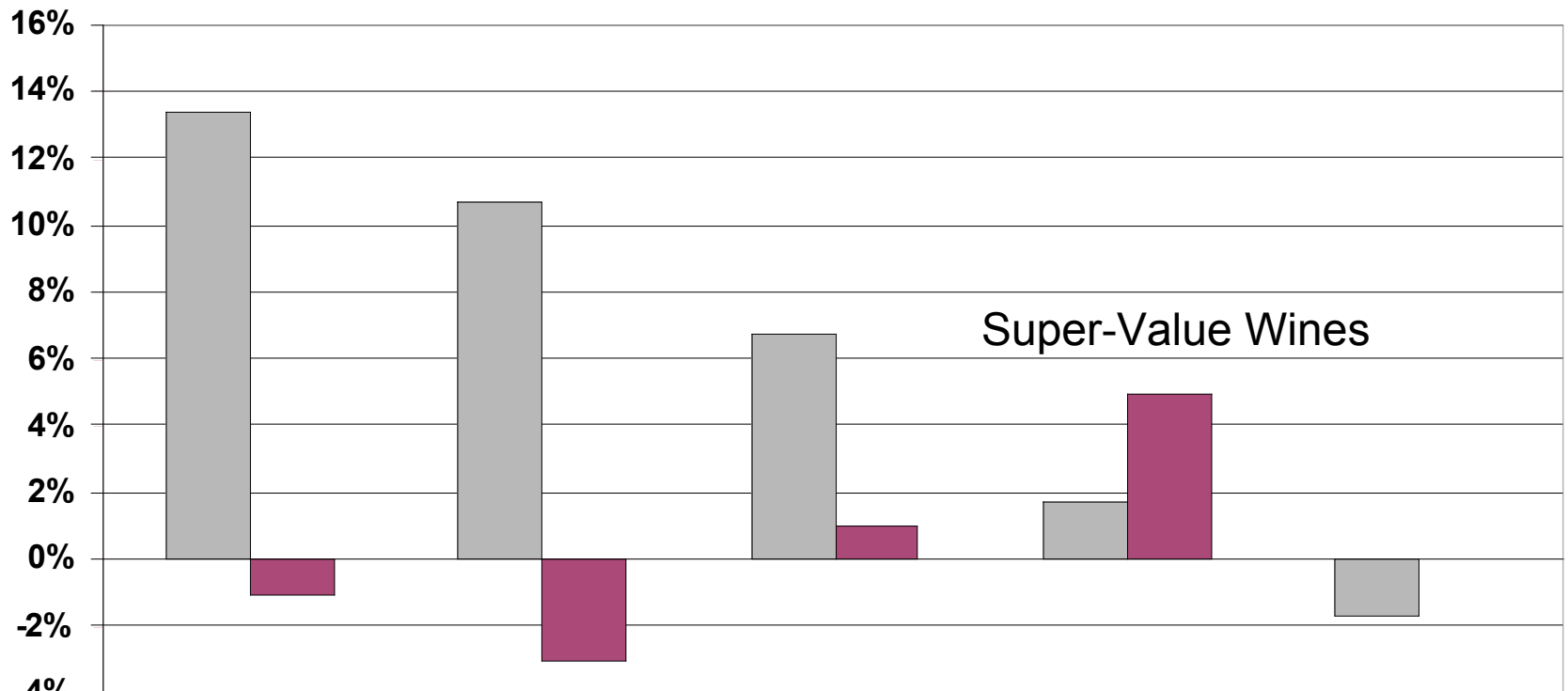
# 2005 Harvest – What Happened?

- Winegrapes:
  - Strong demand early with stable/increasing prices
  - State of California estimated winegrape crop up only 5%
  - “BIG” winegrape crop (up 15-25%)
  - Lack of late competition due to consolidations and crop size
  - Full tanks, contract overages and \$100 grapes
  - Quality reviews are positive so far
- Raisin Varieties (Thompson Seedless):
  - State of California over-estimated raisin varieties crop
  - Last year’s price hikes affect marketplace
  - Excess 2004 concentrate inventories and imports were unknown
  - Labor.....What labor?
  - Late harvest year



## Comparison of Interior District's Bearing Acreage and <\$7 Estimated Wine Shipments - 5 years

Growth (or loss) from previous year

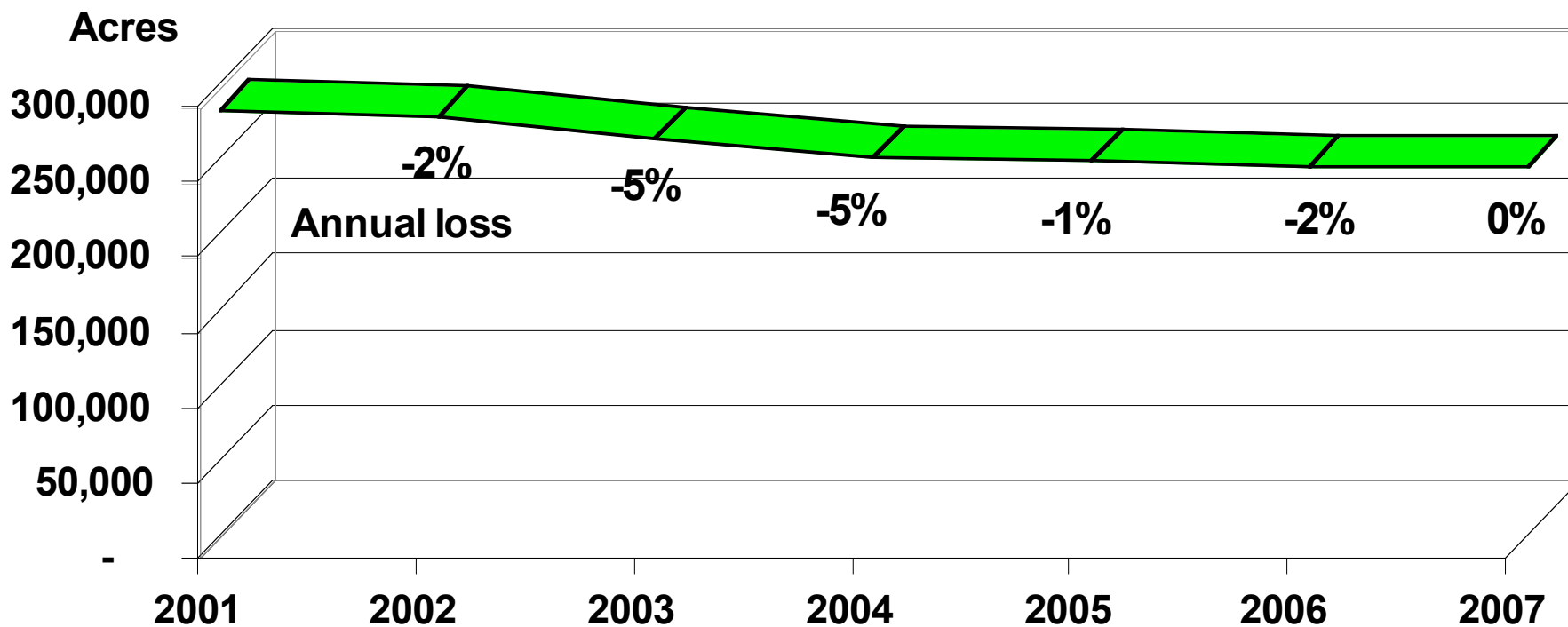


	1998 Acres, 2000 Shipments	1999 Acres, 2001 Shipments	2000 Acres, 2002 Shipments	2001 Acres, 2003 Shipments	2002 Acres, 2004 Shipments
■ Acres	13%	11%	7%	2%	-2%
■ Shipments	-1%	-3%	1%	5%	0%

Source of Wine Shipment Data: Gomberg Fredrikson Report



### Interior District's Estimated Bearing Winegrape Acres, 2001-2007



*On average, there has been no shipment growth in wines <\$7 for the last five years*

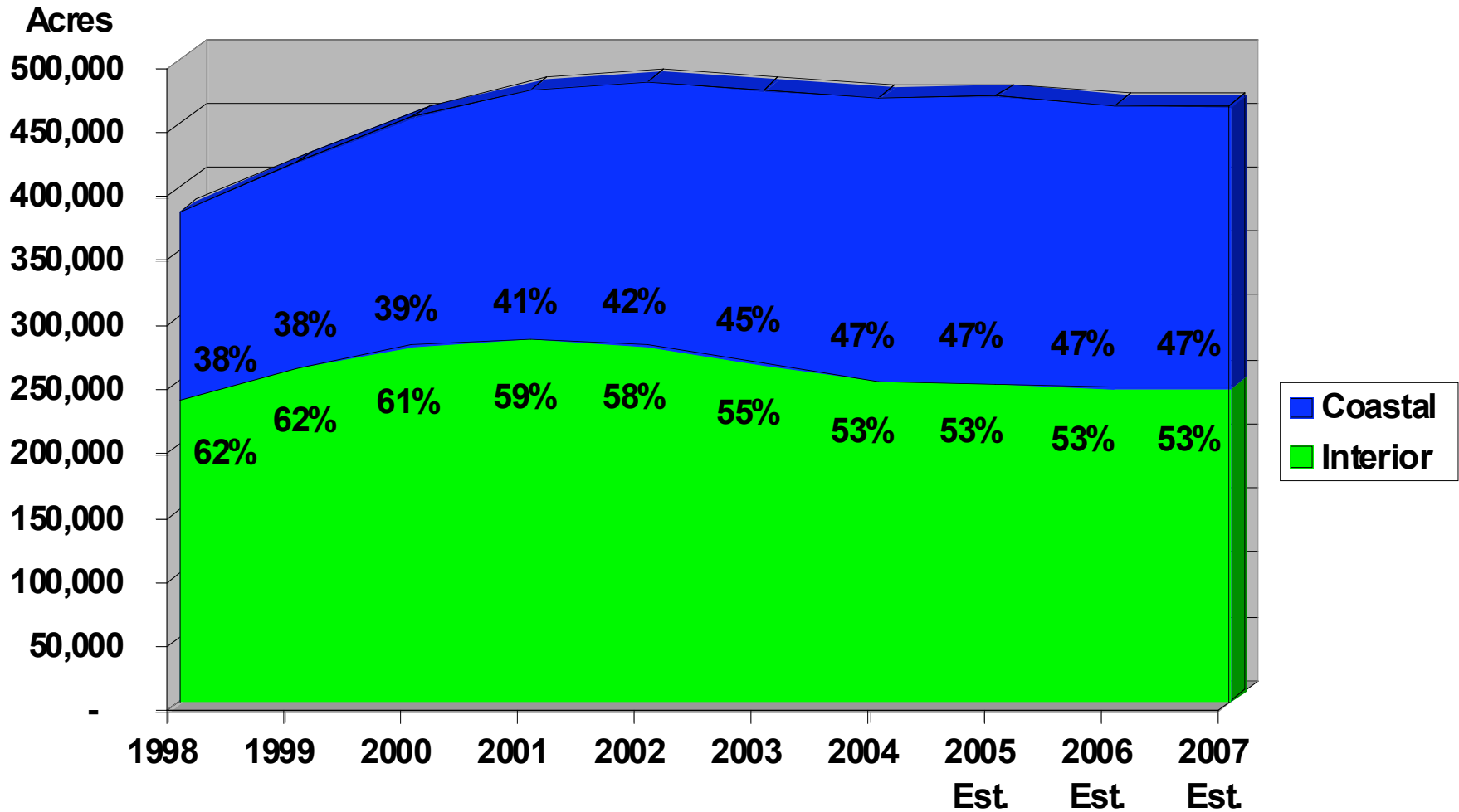


# San Joaquin Valley Vineyard Removals

- *What exactly has been pulled?*
  - ✓ *Burn permit applications verify 97,966 grape acres have been removed through to July 2005.*
  - ✓ *We estimate the number is actually higher:*
    - *+/-50,000 acres of raisin & table varieties*
    - *+/-55,000 acres of winegrapes.*
  - ✓ *Winegrape acreage removals equal 20% of the Central Valley's winegrape acreage at its peak.*
  - ✓ *There were major wineries offering planting contracts in the SJV this past spring*
  - ✓ *Raisin variety acreage has decreased +/-40,000 acres (nearly 15%) since its high in 1999. We expect 10,000-15,000 more acres to be removed by the end of 2006.*

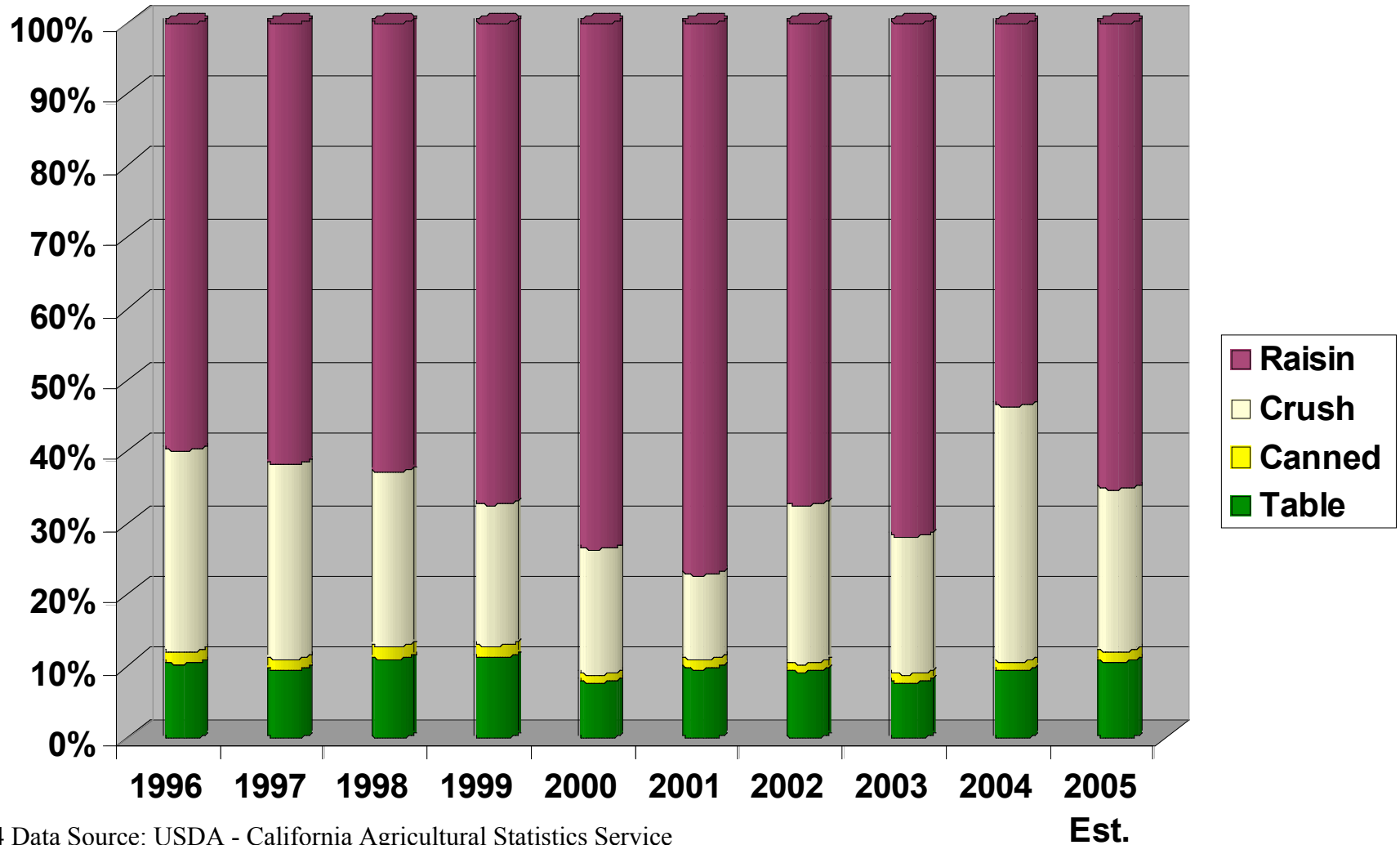


Estimated Coastal & Interior Bearing Acreage, 1998-2007





### Raisin Variety Utilization, 1996-2004 with 2005 Estimate



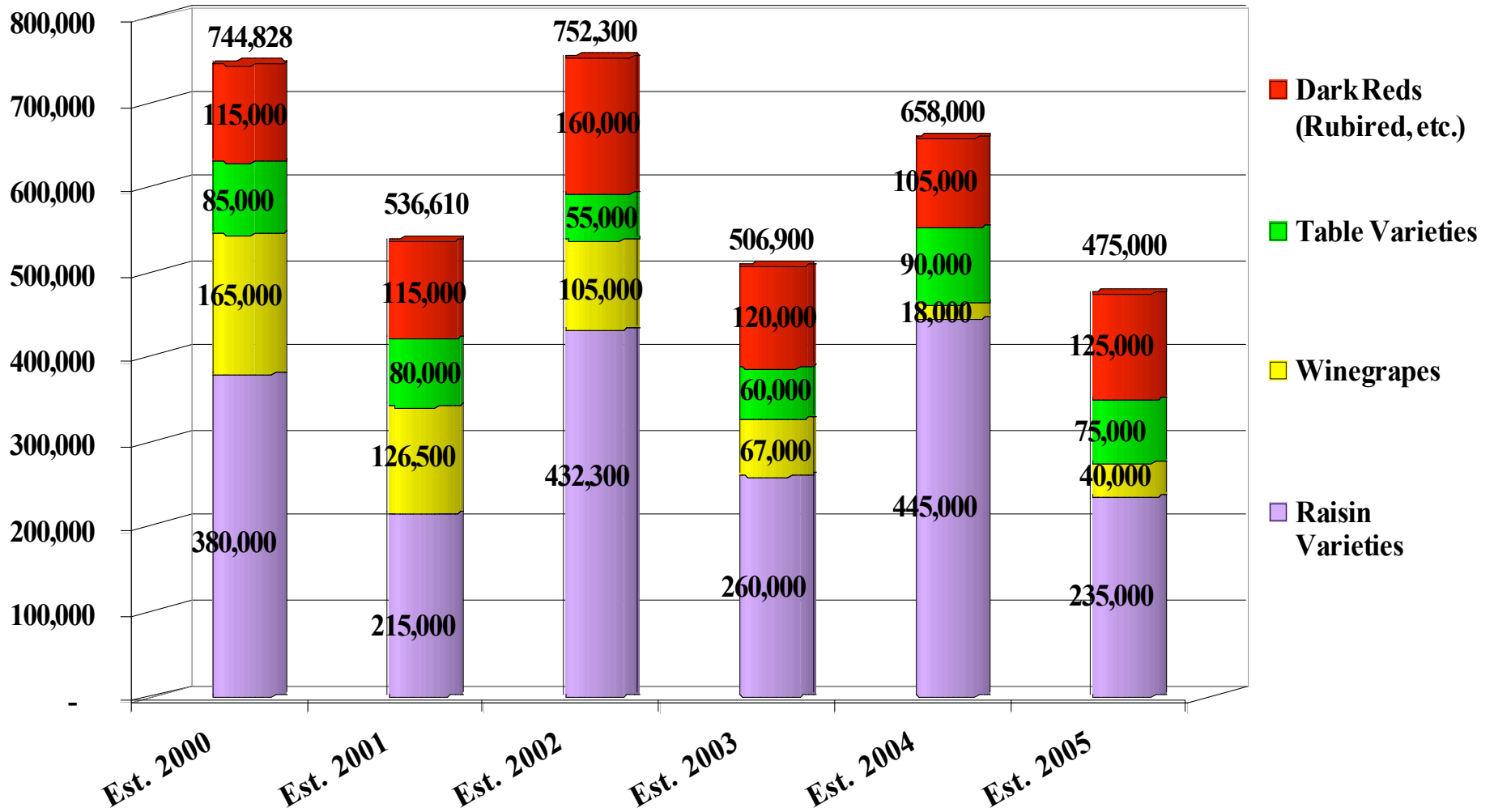
1996-2004 Data Source: USDA - California Agricultural Statistics Service

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**Total Amount of Grapes Used for Concentrate, 2000-2005**  
 (Breakdowns for 2000-2005 are estimated along with 2005 total)

TONS





# Wine Industry Issues:

- Hang time (crop maturity) & payment for weight loss
- Vintage dating- Currently 95% vs. proposed 85% for California appellation
- Use / Addition of water to facilitate fermentation
- Quality, Production and Sustainability
- AVF and NWGI Funding
- Consolidation- Wineries, Retailers, Distributors
- Imports (How do we get back market share?)
- Exports (How do we maintain growth?)
- GWSS / PD, Vine Mealy Bug etc.
- Participation in Grower organizations (CAWG, CCW)



# San Joaquin Valley Wine & Concentrate Grape Markets

## ***Take-Home Messages:***

- The “BIG” 2005 winegrape crop was simply a roadblock on the road to recovery.
- Little to no growth in wines \$7 and under is a concern as imports continue to challenge the San Joaquin Valley.
- Future acreage growth should be minimal and managed through planting contracts as opposed to speculation.
- The raisin market continues to positively adjust in accordance with supply/demand. Raisin variety growers should plan on stable winery prices as well, as long as they are prepared and willing to make raisins.
- The value of SJV wines combined with a lower acreage base should provide stability to the industry in the future.



**We're looking for a few good growers**

**For copies of this presentation go to:  
[www.alliedgrapegrowers.org](http://www.alliedgrapegrowers.org)**

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