Conclusions from the 2014 Silicon Valley Bank Report on the Wine Industry Relevant to Land Use and Residential Impact
Young people believe that luxury should come with a discount and that wine from foreign sources is as good or better.
The young will not be able to afford higher priced wines because of student debt and lower wages.
Today the affluent consumer is hard to visually identify. The look of quality is not uniform so marketing often off target.
50% of total sales goes to Boomers. Only 6% goes to the under 30 crowd, surprising, given their Internet use.
The mid-range Boomers will hit retirement age in 7 years.
It is unknown if the Milllenials, a smaller cohort, will replace Boomers sales. And in back of them there is no population bubble, like the Boomers were in the past, to boost sales. Plus, the recession has not yielded a strong rebound.
There will be more “modest” growth as Boomers spend less.
Stronger sales and employment is needed to offset this aging out.
The Internet allows large wineries to source bulk foreign juice as a first option now. Many S. Cal wineries have found that producing domestic wine is uneconomical for lower cost wines. They have to source from domestic areas with less restrictions, more water & lower land costs.
Rising land values and the nature of permanent crops like almonds, pomegranates, walnuts, etc. are are proving to be more economical than grapes. Almonds cost half as much to plant and the returns are better and more consistent.
Water issues continue to threaten all crops. River flows, storage and ground water are at historic lows. That and red blotch disease makes for greater risk. Replanting is being pushed north and to the coast.
But more planting will only be necessary if there is stronger recovery from the recession or if the dollar weakens relative to the currency of Chile, Argentina, South Africa, etc.
There has been 8% growth in direct-to-consumer sales reported from 2013 -- $1.5 billion. And wineries should be expected to “jump on the band wagon”. The whole of 2013 industry was”OK” but not great -- like the world economy, same profitability. 2014 is expected to be 6%-10% growth.
Rumors from elsewhere: *a. 40% of wine income happens in October, November, and December. b. Napa Valley cannot expand due to the lack of available land to plant. c. The Valley does not now grow enough grapes to meet the requirement of 75% in the all the bottles of all the wineries there are here now.*