

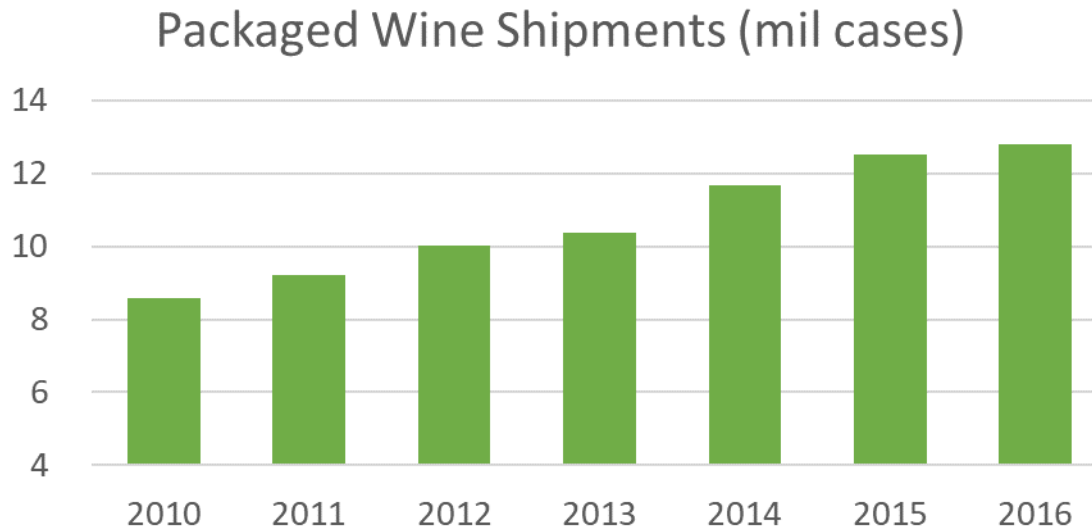


# State of the Washington Wine Industry

Chris Bitter  
Vintage Economics

# Historical Context – the Boom Years

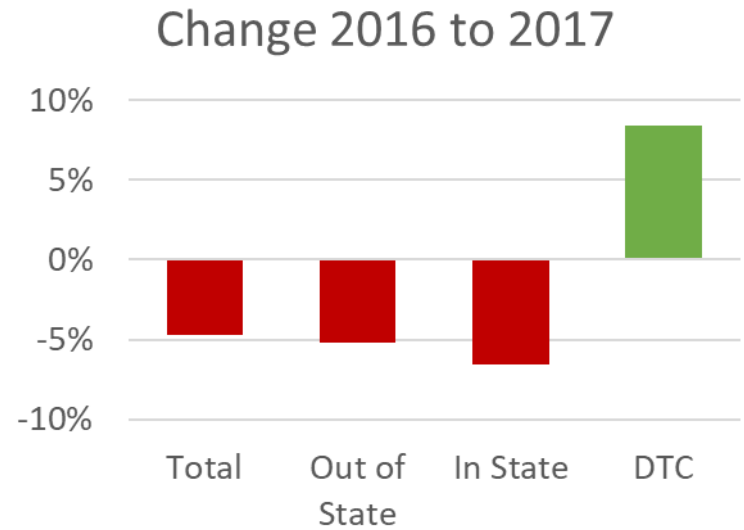
- WA wine shipments grew by 50%, or 4.2 million cases
- Ste. Michelle alone accounted for 2.6 million
- Out-of-state shipments represented 85%



Source: Vintage  
Economics / WSLCB

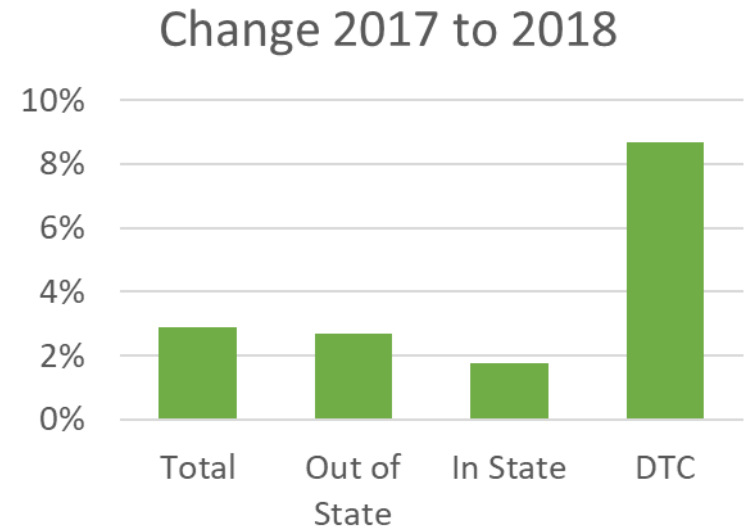
# The 2017 Reversal

- Total shipments down 5%
- Steep decline in distribution channels
- DTC growth accelerated



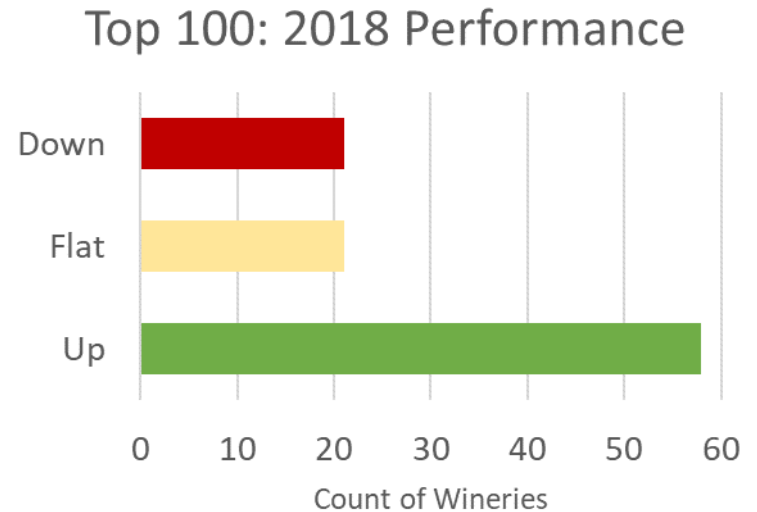
# 2018 Rebound

- Shipments up 3%
- Still 250,000 cases below 2016 peak
- Modest rebound in wholesale channels
- Another strong year for DTC



# A Bifurcated Industry

- Ste. Michelle – down for second consecutive year
- Ex. Ste. Michelle – up 750,000 cases over past two years
- Possible inventory build
- Majority of top 100 wineries recorded solid volume gains

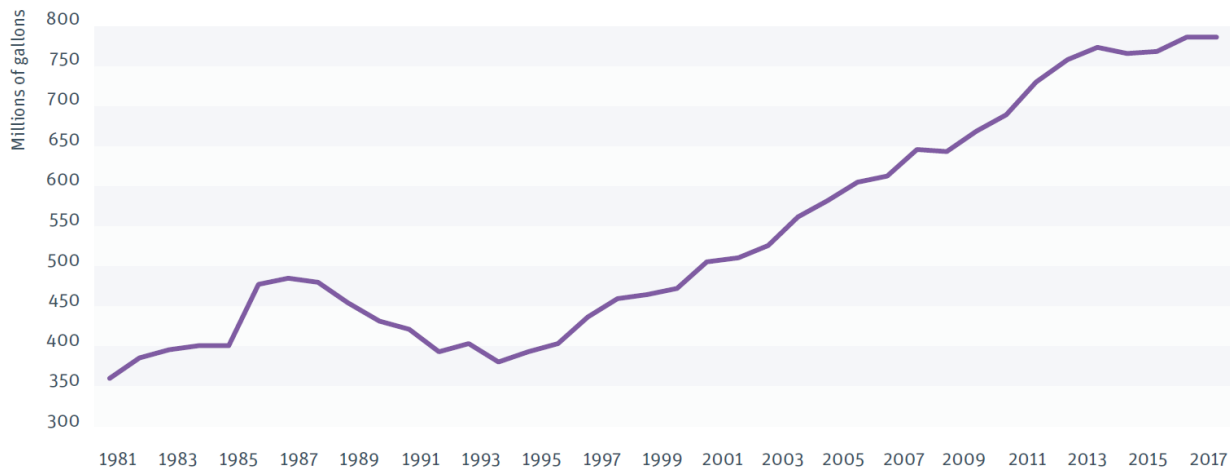


# National Perspective

- U.S. wine consumption plateauing
- Bifurcated market: < \$11 contracting / premium & DTC up
- Rapidly evolving and increasingly competitive market

Figure 1: **US wine consumption**

Volume



Sources: California Wine Institute, Gomberg-Frederickson, BW 166

# 2019 Wine Market Outlook

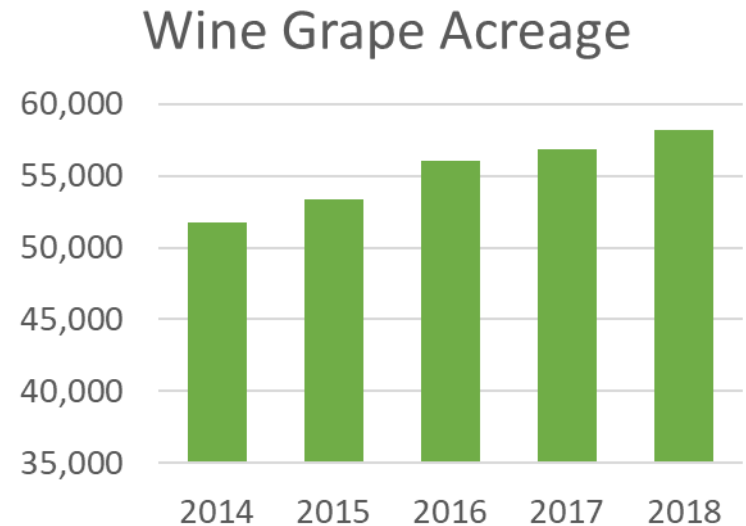
"It's tough to make predictions, especially about the future"

- Yogi Berra

- National market – minimal volume growth
- Washington State market – modest volume growth
- DTC – robust but moderating volume growth
- Intensifying competition in every segment
- Downside risks – recession is coming!

# The Grape Market

- Planted for strong demand
- Demand hasn't materialized
- Oversupplied grape market!
- Outlook depends heavily on Ste. Michelle




Source: Washington Winegrowers



# Takeaways

- Washington's future remains bright
- But headwinds are rising
- Realistic expectations and a strategic approach will be keys to success
- Rapidly evolving markets create opportunities!



For Additional Info - Contact:

Chris Bitter

206-981-6885

[Bitter@VinEconomics.com](mailto:Bitter@VinEconomics.com)

[www.VinEconomics.com](http://www.VinEconomics.com)

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