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NEW CROP OPPORTUNITIES CENTER

2004 Regional Wine Grape Price Survey

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Matt Ernst & Tim Woods, University of Kentucky Department of Agricultural Economics
400 CE Barnhart Building UK Department of Agricultural Economics, 859/257-5762
matt.ernst@uky.edu www.uky.edu/Ag/HortBiz

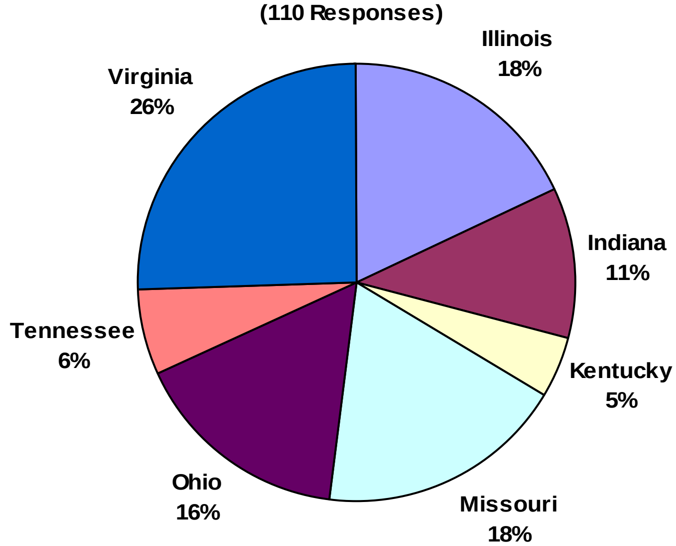
Summary

Wine grape acreage in Kentucky has expanded significantly between 2000 and 2004. One of the challenges new grape producers face is finding price information for their crop. To determine regional prices for winegrapes, a one-page survey was mailed to 281 wineries in Illinois, Indiana, Kentucky, Missouri, Ohio, Tennessee, and Virginia during the summer of 2004. This survey included demographic questions and questions concerning prices paid for grapes in 2003 (Appendix 1).

Responses to this survey indicate that grape prices paid in these states will remain steady in 2004, with some increases expected for certain vinifera varieties. Responding wineries also cited an expected increase in wine production for 2004 with more than two-thirds (70%) of the wineries surveyed indicating increased wine production this year.

While the apparent increase in wine production could be interpreted as creating continued market opportunities for grape growers, current and future grape growers should exercise care when expanding production. Some wineries responding to this survey noted that recent, rapid increases in winegrape plantings in these states could potentially create a glut of locally produced grapes. Such surplus could drive down local prices for heavily-planted varieties.

Figure 1. Survey Respondents, by State (110 Responses)



Survey Procedure & Demographics

Winery addresses were obtained from state winery association lists and surveys were mailed to 281 wineries in June, 2004. A second mailing followed three weeks later in early July. The survey had a 39% response rate, with 110 wineries returning usable surveys. An additional four wineries returned incomplete surveys. This represents a total response rate of 40%, a commendable rate for a mail survey. The percentages of surveys returned by state were nearly identical to the proportion of surveys mailed by state; there was no significant difference in the response rates from state to state.

Average prices paid for the most commonly purchased varieties do not differ significantly between wineries that purchase 50% or more of their grapes from in-state sources and wineries that made less than 50% of their grape purchases in-state..

The size of the wineries surveyed was evenly distributed between wineries producing less than 1,000 cases of wine in 2003 (31%), those producing 1,000-2,999 cases of wine (34%), and those producing 3,000 or more cases of wine (32%). Four wineries did not indicate the amount of wine produced in 2003.

Three-quarters (78%) of respondents indicated that they purchased winegrapes in 2003. More than half these wineries said that they made 100% of their grape purchases from growers in their state (Figure 2). An additional 22% of those purchasing grapes said that 50-99% of their grape purchases were made in-state.

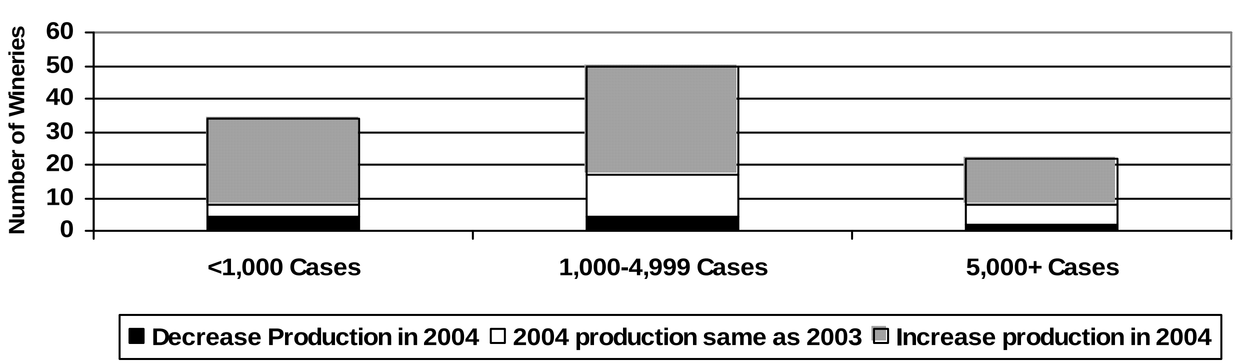
These data indicate that 73% of the surveyed wineries purchasing grapes in 2003 made more than half of their grape purchases from an in-state source. *Average prices paid for the most commonly purchased varieties do not differ significantly between the 62 wineries purchasing 50% or more of their grapes from in-state sources and the 23 wineries making less than 50% of their grape purchases in-state*. In fact, both mean and median prices paid by variety are nearly identical between these two groups of wineries. This suggests that the prices reported here are sound indicators of grape prices in this region and are not skewed by prices paid for grapes purchased from out-of-state or out-of-region sources.

Future Trends

The survey included two questions related to the future of the wine industry in the region. These responses indicate continued expansion of the region's wine production. Significantly, two-thirds (70%) of responding wineries indicated that they would increase their production in 2004. This increase was distributed across all winery sizes and locations (Figure 2).

Those surveyed were asked if they used concentrate in the production of wine; 20 wineries (18%) indicated that they did. While the use of concentrate may be making it easier for wineries to expand production, several respondents noted that they only use concentrate for flavoring to increase sweetness (brix).

Figure 2. 2004 Wine Production Intentions by 2003 Winery Production



Price Report

Grape price ranges, as well as median and average prices paid, are reported in Table 1. The most frequent price range reported for each variety is also noted where applicable. Wineries surveyed expect most grape prices to remain steady at 2003 price levels during the 2004 season.

Price increases for Cabernet Sauvignon, Merlot, and Riesling were expected by more than 20% of wineries purchasing these varieties. Prices for Traminette were also anticipated to increase by 20% of wineries purchasing this variety; however, an equal percentage of wineries expected Traminette prices to decrease.

The most common varieties purchased by the wineries responding to this survey were Chambourcin and Vidal blanc. There was also a strong overall demand reported for vinifera varieties in all states except Missouri.

Table 1. Price Paid Per Ton in 2003 (By variety, 110 wineries surveyed in IL, IN, KY, OH, MO, TN, VA)

	Number Responding	Min. Price	Max. Price	**Median Price**	**Average Price**	**Most Frequent Range Reported Per Pound**	**Per Ton**
American							
Concord	30	200	1000	**450**	**504**	$0.15-$0.30	$300-$600
Niagara	20	275	1000	**475**	**548**	$0.15-$0.40	$300-$800
Norton/Cynthiana	22	600	1300	**1000**	**945**	$0.40-$0.50	$800-$1000
Hybrid							
Cayuga White	18	400	1000	**625**	**654**	$0.22-$0.40	$450-$800
Chambourcin	38	450	1300	**863**	**876**	$0.40-$0.50	$800-$1000
Chardonel	25	700	1200	**850**	**889**	$0.35-$0.50	$700-$1000
Foch	16	400	1300	**800**	**799**	N/A	N/A
Traminette	20	700	1455	**925**	**955**	$0.35-$0.50	$700-$1000
Seyval	31	300	1000	**797**	**755**	$0.30-$0.45	$600-$900
Vidal blanc	39	500	1300	**800**	**761**	$0.30-$0.45	$600-$900
Vignoles	17	620	1500	**900**	**931**	$0.45-$0.50	$900-$1000
Vinifera							
Cabernet Franc	28	850	2500	**1280**	**1350**	$0.60-$0.75	$1200-$1500
Cabernet Sauvignon	27	655	2500	**1300**	**1250**	$0.60-$0.75	$1200-$1500
Chardonnay	29	650	2000	**1300**	**1293**	$0.65-$0.75	$1300-$1500

Prices for Varieties Reported by 10 or Fewer Wineries (Price range per ton and comments)

Catawba	$340-$1000; most $340-$425
Merlot	$825-$1600; most $1200-$1600 (Some increases expected in 2004)
Riesling	$650-$1400; most $1200-$1400 (Some increases expected in 2004)
Syrah	$650-$1500; most $900-$1200
Viognier	$1400-$2000

Prices By State
The price ranges for varieties reported by 25 or more wineries are listed by state in Table 2. These varieties are also those most frequently reported as being purchased in Kentucky. The prices reported by the wineries in this survey suggest that winegrape prices in the westernmost states (IL, IN, MO) were generally slightly lower than those states farther east (VA, OH, KY/TN). Kentucky and Tennessee are grouped together because there are fewer wineries in these states.

Table 2. Price Range Paid ($/Ton) by State For 7 Most Frequently Reported Winegrape Varieties in 2003 (By variety, 110 wineries surveyed in IL, IN, KY, OH, MO, TN, VA)

	Illinois	Indiana	Kentucky/ Tennessee	Missouri	Ohio	Virginia
Concord	300-900	250-500	300-1000	350-600	200-550	500-550
Chambourcin	650-1100	700-850	900-1300	800-1300	450-850	650-900
Seyval	300-900	600-775	840-1000	500-650	500-900	650-900
Vidal blanc	500-900	600-800	600-1300	600-950	500-800	550-1200
Cabernet Franc	850-1200	950-1700	--	--	950-1600	1100-2500
Cabernet Sauvignon	900-950	750-1700	850-1400	--	750-1600	655-2500
Chardonnay	900-2000	650-1800	900-2000	--	1000-1400	1000-1800

Conclusion

This price survey supplies grape growers and buyers in the region with a sample of common prices paid for winegrapes. The results indicate that winegrape prices will hold steady from 2003 levels while wine production in the states surveyed (IL, IN, KY, MO, OH, TN, VA) will increase in 2004. Continued expansion of bearing grape acreage in these states will probably contribute to steady, if not lower, prices paid by wineries for most grape varieties in coming seasons.

Acknowledgements
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Appendix 1

Regional Grape Price Survey

1. Approximately how many cases of wine did your winery produce in 2003?
   ___________ cases

2. Did you purchase grapes for winemaking in 2003? ____ Yes ____ No

If you answered "Yes" to Question 2, please continue the survey at Question 3. If you answered "No" to Question 2, please skip Questions 3&4 and continue at Question 5.

3. Please indicate the price you paid per ton for grapes in 2003. (Please cite a price range if more than one price per variety was paid). Then check "decrease", "steady", or "increase" based on your expectation for 2004 prices by variety.

Variety	Price Paid/Ton	2004 Price Outlook		
		Decrease	*Steady*	*Increase*
American				
Concord				
Niagara				
Norton or Cynthiana				
French Hybrid				
Cayuga White				
Chambourcin				
Chardonel				
Foch				
Traminette				
Seyval				
Vidal Blanc				
Vignoles				
Vinifera				
Cabernet Franc				
Cabernet Sauvignon				
Chardonnay				
Syrah				
Other Varieties **(Please list)**				

4. What percent of grapes purchased by your winery were purchased from growers in your state in 2003? _________ %

5. Does your winery use concentrate in the production of any of your wine? ___Yes ___No

6. Which of these best describes your planned wine production in 2004?
   ____ Decrease ____ Same as 2003 ____ Increase

Thank you for the time that you take to respond. All responses are anonymous and voluntary. A copy of the results can be obtained from Dr. Tim Woods, University of Kentucky Department of Agricultural Economics, tawoods@uky.edu, 859/257-7270

Please return this survey in the envelope provided.