

# Wine Grape Price Comparisons for 2003 and 2006

Tim Woods, University of Kentucky Department of Agricultural Economics  
 400 CE Barnhart Building UK Department of Agricultural Economics, 859/257-7270  
[tawoods@uky.edu](mailto:tawoods@uky.edu) [www.uky.edu/Ag/NewCrops](http://www.uky.edu/Ag/NewCrops)

The number of wineries in the Ohio Valley and Mid-South continues to grow. Many existing wineries are also preparing to expand capacity and production in the near term. Responses to a survey from 87 of 331 wineries located in Illinois, Indiana, Kentucky, Missouri, Ohio, Tennessee and Virginia, indicate that grape prices paid in these states will likely remain steady in 2006, with some small increases expected in certain vinifera and a few French hybrid varieties.

## Increasing Capacity and Production Expected

The survey, the second conducted by the University of Kentucky New Crop Opportunities Center, indicates that wine production capacity in these states will continue to increase, with 62% of the respondents indicating some degree of capital improvements planned for 2006 and 59% expecting to increase their wine production over 2005. This increase is uniformly noted among the wineries surveyed, regardless of location or winery size. The largest number of wineries reported an expectation to make major capital improvements to expand capacity.

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

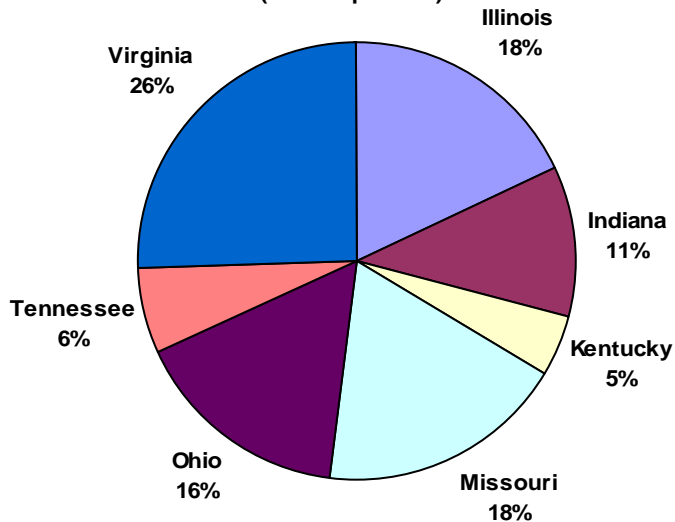


Table 1 Production Outlook

Capital/Capacity Improvements					2006 Production Changes				
	Small wineries		Larger wineries			Small wineries		Larger wineries	
	number	percent	number	percent		number	percent	number	percent
<b>None planned</b>	21	37.5%	8	36.4%	<b>Decrease</b>	2	3.6%	2	9.1%
<b>Minor (&lt;5%)</b>	13	23.2%	5	22.7%	<b>Same</b>	17	30.4%	7	31.8%
<b>Major (&gt;5%)</b>	22	39.3%	9	40.9%	<b>Increase</b>	37	66.1%	13	59.1%

Note: Smaller wineries were those producing less than 3000 cases. Seven additional wineries responded but did not report volume.

While this increase in capacity and production could create market opportunities for grape growers in the region, the survey report cautions that significant grape plantings in the Midwest could create a future market glut for some winegrape varieties.

## Trends in Sourcing Grapes

This survey gathered data that looked at marketing activities and winery-grower relationships. A significant number of the wineries in this region purchased grapes (71%) to supplement their own production in 2005. This was not surprising, given the relatively small scale of production generally.

Many wineries continue to look regionally for grapes. Many (44%) purchased grapes from beyond their local state to supplement their local supply. The average winery in this sample grew 14.8 acres of grapes. Only 11 wineries reported having over 25 bearing acres.

Table 2 shows the pattern in the procurement of grapes by these wineries. The majority rely substantially on their own vineyards, but contracting and, to a lesser extent, purchasing on the spot market is widely practiced. The larger wineries appear to be more inclined to look outside their own operation to find the grapes they need.

**Table 2 Grape Sourcing by Wineries**

Grape Sources	Small wineries		Larger wineries	
	number	Average %	number	Average %
Own vineyards	49	62.2	21	54.6
Contract	28	24.1	19	29.0
Spot market	18	9.9	10	12.2
Total in group	56		24	

Many wineries have cited the need for certain varieties that may be difficult to grow at their current location. Many of their markets are built on having a variety of wines available. Outsourcing certain varieties or supplementing shortfalls in existing production are common practices.

## Winery and Grower Business Relations

Winery owners tend to work closely with their growers, particularly in sharing viticultural expertise and assisting with varietal selection. General sharing of industry information, marketing and production information is also fairly common. There is less direct involvement in the capital and business aspects of the grower's business. Such close interactions are characteristic of the wine industry, reflecting the high level of investment, the long term nature of the business, and the sensitivity to quality by all involved. A summary of winery and grower business interaction is summarized in Table 3.<sup>1</sup>

**Table 3. Winery and Grower Business Interactions**

Business Activity	Not Practical	Sometimes	Often
Share viticulture expertise	21.1%	31.0%	47.9%
Assist with varietal selection	37.1%	31.4%	31.4%
Internet or e-mail exchange	25.7%	47.1%	27.1%
Formal discussions about wine industry trends	34.3%	42.9%	22.9%
Share retail demand information	42.3%	34.8%	21.7%
Assist with site selection	54.9%	33.8%	11.3%
Assist with operating loans	90.1%	5.6%	4.2%
Assist with financing long term capital improvements	91.4%	5.7%	2.9%

<sup>1</sup> Winery operators were asked to indicate "How do you relate to your primary grower suppliers? Each function could involve a reply of "not practical", "sometimes", or "often".

## Winery Marketing Approaches

Most of the wineries in the region use a tasting room and have on-premise retail sales. While the list of marketing approaches is by no means a comprehensive list of marketing strategies, the responses to alternative strategies suggests that wholesaling and off-premise selling is much less common. Most of the marketing focus is on direct sales. Few of the wineries are of adequate size to be significantly focused on wholesale markets or extensive distribution. Still, based on the widespread indication that they will be expanding facilities, capacity, and production, the wineries generally seem to be enjoying profitable and growing opportunities in the markets they are targeting.

**Table 4. Marketing Approaches in Wineries**

Marketing Activity	Not Practical	Sometimes	Often
Tasting room	7.3%	6.1%	86.6%
On-premise retail	4.9%	15.9%	79.3%
Wholesale	15.9%	51.2%	32.9%
Enter wines in regional/national wine tasting contests	17.1%	52.4%	30.5%
Direct mail promotions	37.3%	34.7%	28.0%
Off-premise retail	25.6%	47.4%	26.9%
Sponsored dinner functions	27.2%	49.4%	23.5%

## Price Report

Average prices paid for the most commonly purchased varieties did 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 prices paid in this region and are not skewed by prices paid for out-of-state or out-of-region grapes.

Grape prices paid in the region have generally increased for most varieties since the survey of the 2003 season. Prices for the American varieties have remained close to the same. The French hybrid varieties have increased slightly. Prices for the vinifera varieties have increased substantially over the two years. Table 5 summarizes the prices paid during that earlier time. Table 6 summarizes prices paid for the 2005 season and expectations regarding prices changes in the near term.

Price increases for Shiraz, Vignoles, Traminette, and Seyval were expected by more than 15% of wineries purchasing these varieties. Only Chardonel was expected to decrease by any significant number of wineries surveyed. The majority of wineries expected prices to remain stable in 2006 for each of the varieties considered here.

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.

It's important to note here that many wineries reported wide ranges in prices paid, even within season. Differences in quality, in-season demand, and grower relationships all are major factors behind these price differences. Contracting and spot market purchases are not universally practiced and, again, many smaller wineries grow all their own grapes. These prices are intended to provide the industry with the general sense of demand, market interest, and relative value by variety. Growers selling to other wineries can incorporate this information into their own production planning.

**Table 5. Grape Prices Paid by Wineries in 2003**

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

**Table 6. Grape Prices Paid by Wineries in 2005 and 2006 Price Expectations**

	Number Responding	Minimum	Max	Median	Average	Most Frequent Range Reported		% expect price decrease	% expect price increase
						Per pound	Per ton		
<b>American</b>									
Concord	23	215	800	425	<b>462</b>	<b>\$0.15-\$0.35</b>	<b>\$300-\$700</b>	13%	0%
Niagara	14	235	1000	480	<b>523</b>	<b>\$0.15-\$0.40</b>	<b>\$300-\$800</b>	0%	0%
Norton/Cynthiana	19	300	1500	1000	<b>1024</b>	<b>\$0.45-\$0.65</b>	<b>\$900-\$1300</b>	5%	16%
<b>French Hybrid</b>									
Cayuga White	20	450	1000	650	<b>709</b>	<b>\$0.30-\$0.50</b>	<b>\$600-\$1000</b>	10%	5%
Chambourcin	31	450	1300	900	<b>898</b>	<b>\$0.40-\$0.60</b>	<b>\$800-\$1200</b>	6%	13%
Chardonel	19	600	1200	925	<b>901</b>	<b>\$0.40-\$0.50</b>	<b>\$800-\$1000</b>	16%	11%
Foch	10	375	1200	670	<b>714</b>	<b>\$0.30-\$0.45</b>	<b>\$600-\$900</b>	0%	10%
Traminette	21	700	1300	1000	<b>1040</b>	<b>\$0.45-\$0.63</b>	<b>\$900-\$1250</b>	0%	19%
Seyval	18	450	1200	850	<b>808</b>	<b>\$0.30-\$0.50</b>	<b>\$600-\$1000</b>	6%	17%
Vidal blanc	34	475	1200	900	<b>866</b>	<b>\$0.30-\$0.55</b>	<b>\$600-\$1100</b>	3%	9%
Vignoles	14	2	1500	1025	<b>963</b>	<b>\$0.43-\$0.60</b>	<b>\$850-\$1200</b>	0%	21%
<b>Vinifera</b>									
Cabernet Franc	28	875	2500	1475	<b>1509</b>	<b>\$0.60-\$0.95</b>	<b>\$1200-\$1900</b>	7%	11%
Cabernet Sauvignon	29	850	2500	1500	<b>1541</b>	<b>\$0.50-\$1.05</b>	<b>\$1000-\$2100</b>	3%	14%
Chardonnay	30	780	2200	1425	<b>1439</b>	<b>\$0.50-\$0.90</b>	<b>\$1000-\$1800</b>	0%	10%
Shiraz	6	1000	2000	1450	<b>1483</b>	<b>\$0.60-\$0.90</b>	<b>\$1200-\$1800</b>	0%	33%

### **Other minor varieties reported by 7-10 wineries**

Variety	Price and Outlook
Viognier	\$1780, mostly \$1800-\$2000 with about 1/3 expecting price increases
Catawba	\$552, mostly \$500-\$600 about ¼ expecting price increases
Merlot	\$1525, mostly \$1200-\$2000

### **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 for 2006 will probably hold steady from 2005 levels while wine production in the states surveyed (IL, IN, KY, MO, OH, TN, VA) will continue to increase. Continued expansion of bearing grape acreage in these states may lead to steady, if not lower, prices paid by wineries for most grape varieties in coming seasons, although many wineries are expanding their own future production capacity.

### **Acknowledgements**

The author expresses thanks to all the wineries that responded to this survey. Local industry and Extension professional in each state greatly assisted in the development and distribution of this survey.