

svb



Silicon Valley Bank

2020 State of the Wine Industry Survey Analysis

January 2020

Survey analysis prepared by:

Molly Stichter

Chris Stathatos

Associate II

Associate I



Table of Contents

Survey Respondent Profile	3
Business Health	9
2019 Sales Channel Mix	15
Consumer Demographics	24
Wholesale Representation and Satisfaction	32
2019 Estimated Sales and Case Growth	37
2020 Price Projections	43
Harvest Quality and Yield	49
Sales and Acquisitions	58
Wine Tourism and Local Politics	71
Winery Confidence Rating	75
Drivers of Success	85

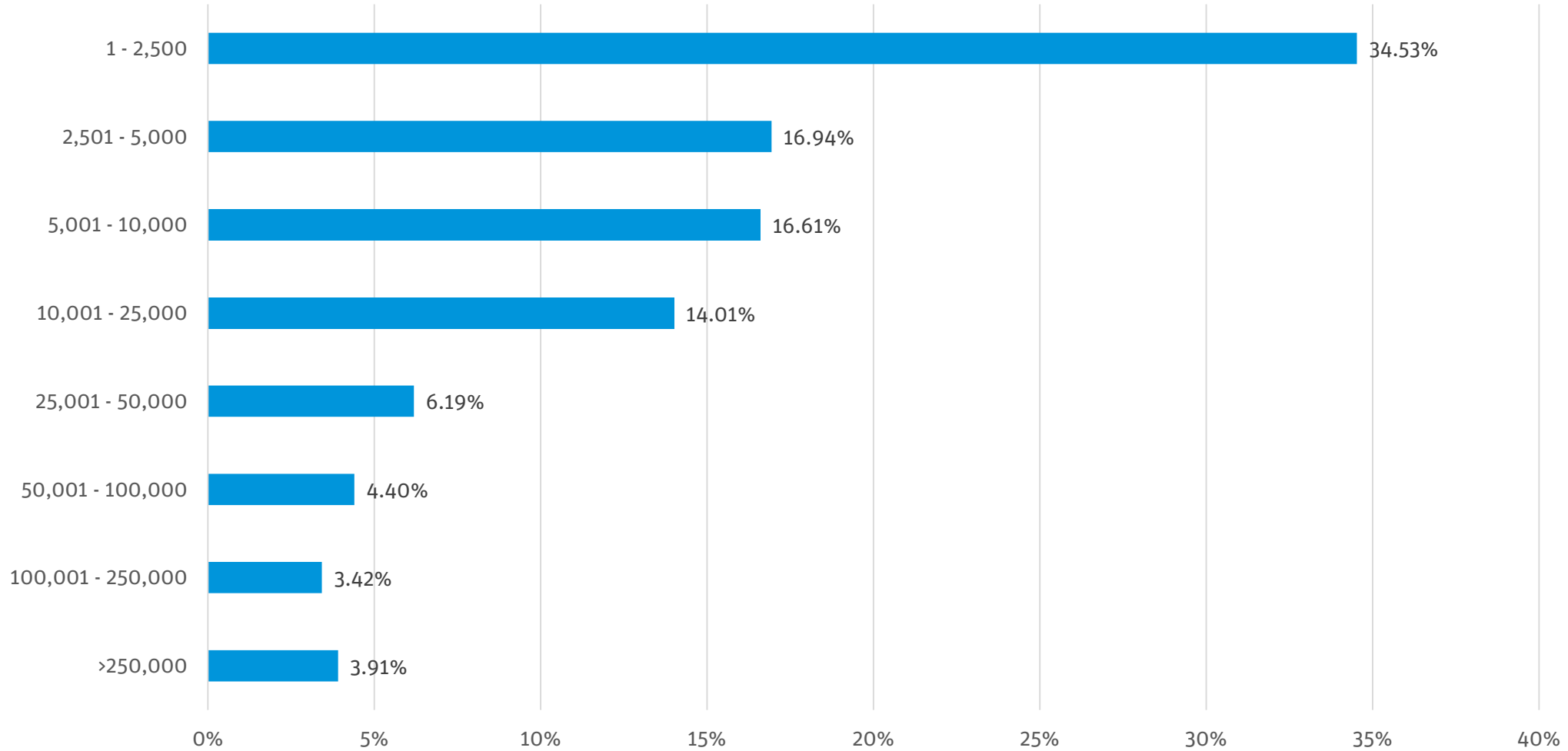
Survey Respondent Profile



Survey Respondent Profile

- The number of complete winery responses totaled **628**. The largest production range represented in the survey is **1 - 2,500 cases**, the most common average retail price point per bottle is **\$20 - \$29**, the largest range of years in business is **10 – 14 years**, and the most common region is **Napa County**. These numbers are similar to the national profile of more than 8,800 wineries, as provided by the [American Winery Guide](#) database.
- If there were too few respondents from a participating region, the data was statistically insignificant due to the small sample size. Therefore, it was placed into the “Other” category or combined with a neighboring region as defined below:
 - **Other:** Arizona, Colorado, Connecticut, Contra Costa County CA, Idaho, Illinois, Iowa, Lake County CA, Massachusetts, Mendocino County CA, Minnesota, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, Pennsylvania, Southern California, Southern Central Valley CA, South Dakota, Texas, Wisconsin and Wyoming
 - **Santa Barbara:** Santa Barbara, Santa Rita Hills CA, Santa Ynez Valley CA
 - **Santa Cruz & Monterey:** Monterey, San Benito, Santa Clara, and Santa Cruz Counties CA
 - **Sierra Foothills:** Amador, Calaveras, El Dorado, Nevada and Placer Counties CA

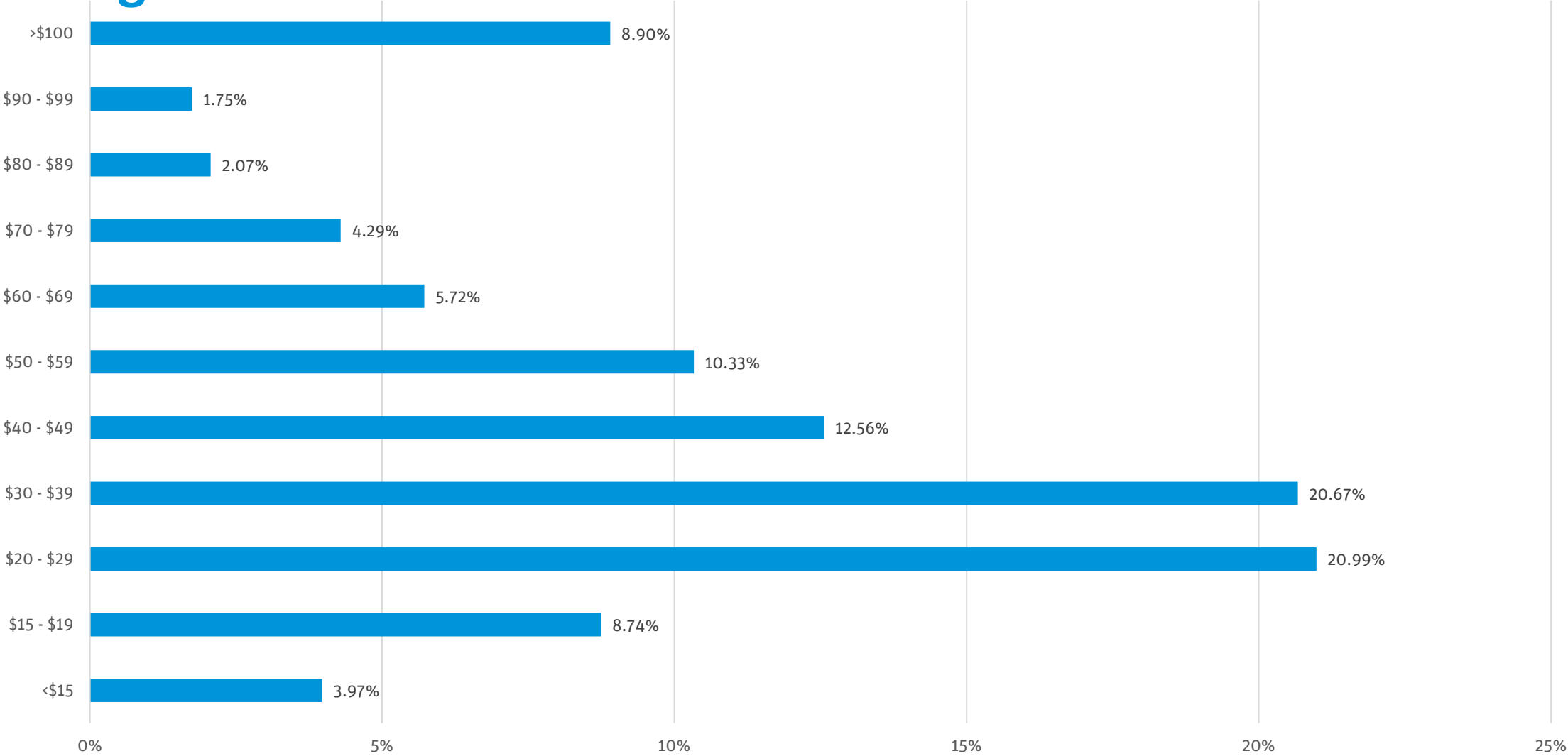
Production Levels



Source: SVB State of the Wine Industry Survey



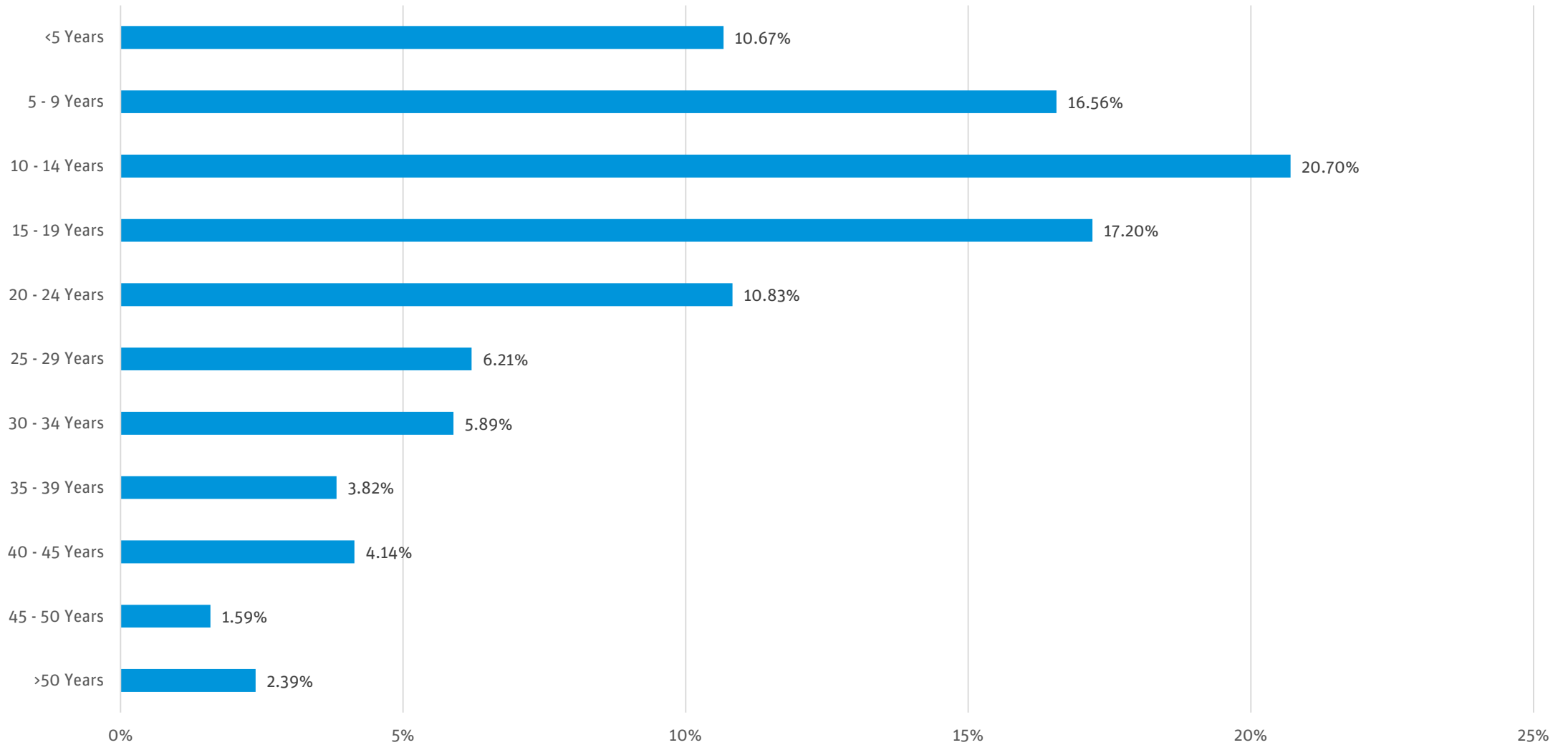
Average Retail Price Point



Source: SVB State of the Wine Industry Survey



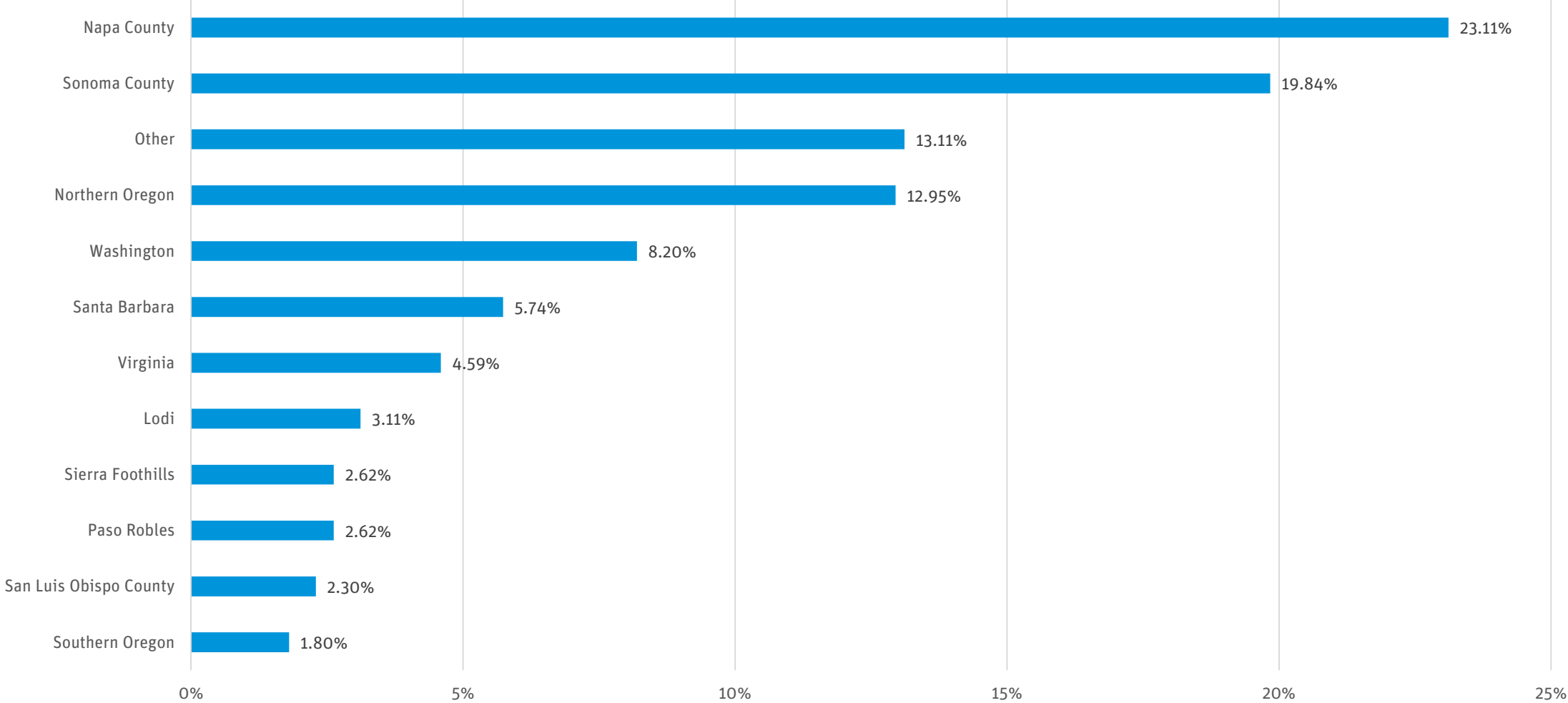
Years in Business



Source: SVB State of the Wine Industry Survey



Regional Participation



Source: SVB State of the Wine Industry Survey



Business Health

2019 Overview



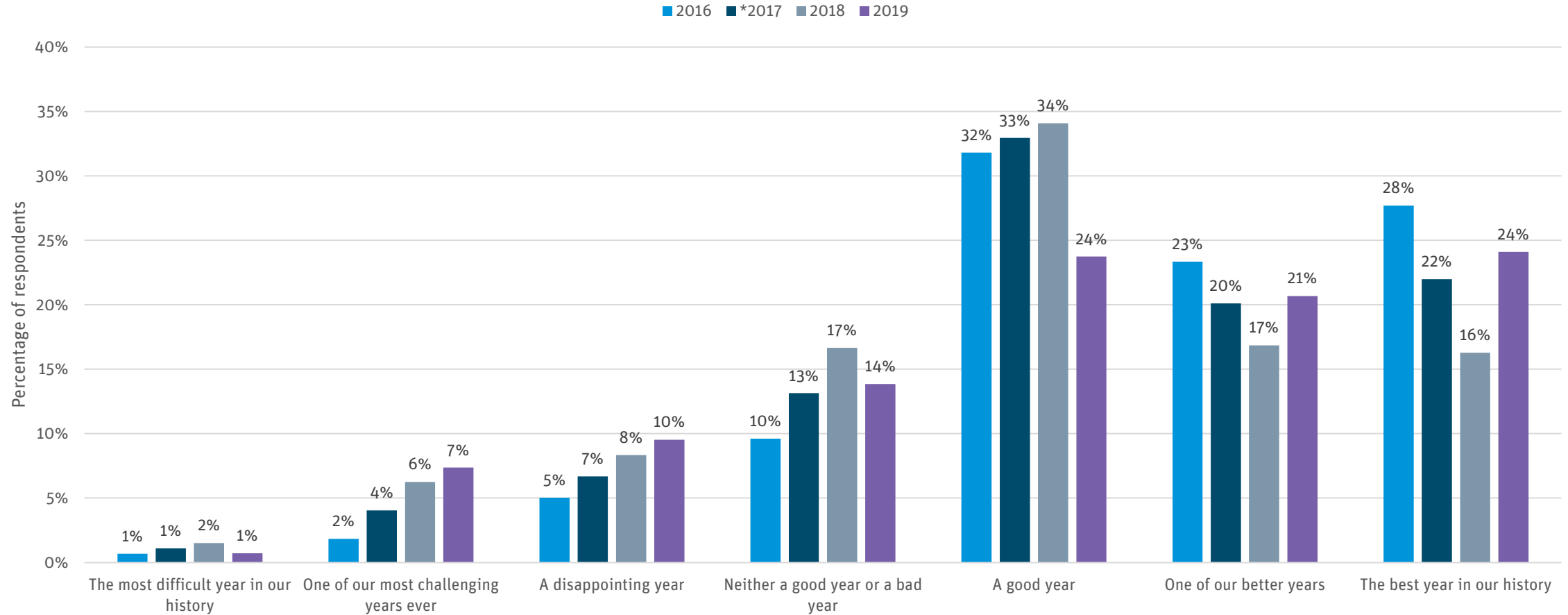
Summary

2019 is the first year in the last four years that hasn't followed a normal bell curve distribution on wineries' sentiments about their business. 69% of respondents reported that it was a good to "best" year, while an increasing number of respondents reported a disappointing or worse year (18% of respondents versus an average of 12% over the prior 3 years).

It is important to note that only 24% of wineries thought this was a good year (down 10% YoY and down 9% versus the prior three-year average), while 14% thought it was nothing worth noting (down from 17% in 2018). It appears that either business is way up with optimistic owner/operators or it's down.

62% of wineries feel their financial health is strong to rock solid and only 16% indicated that they may be feeling some financial pressure.

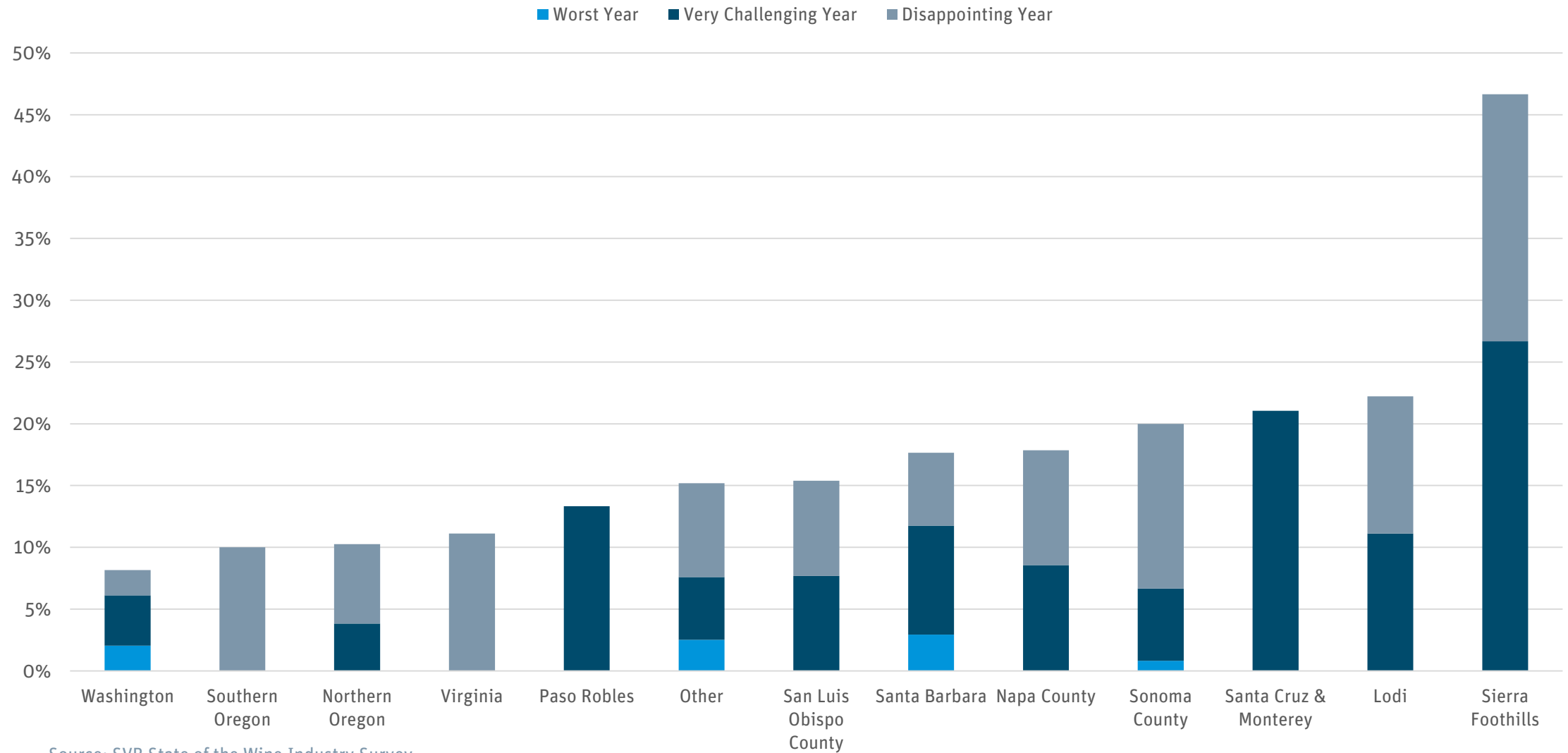
How was your year?



* 2017 estimate

Source: SVB State of the Wine Industry Survey

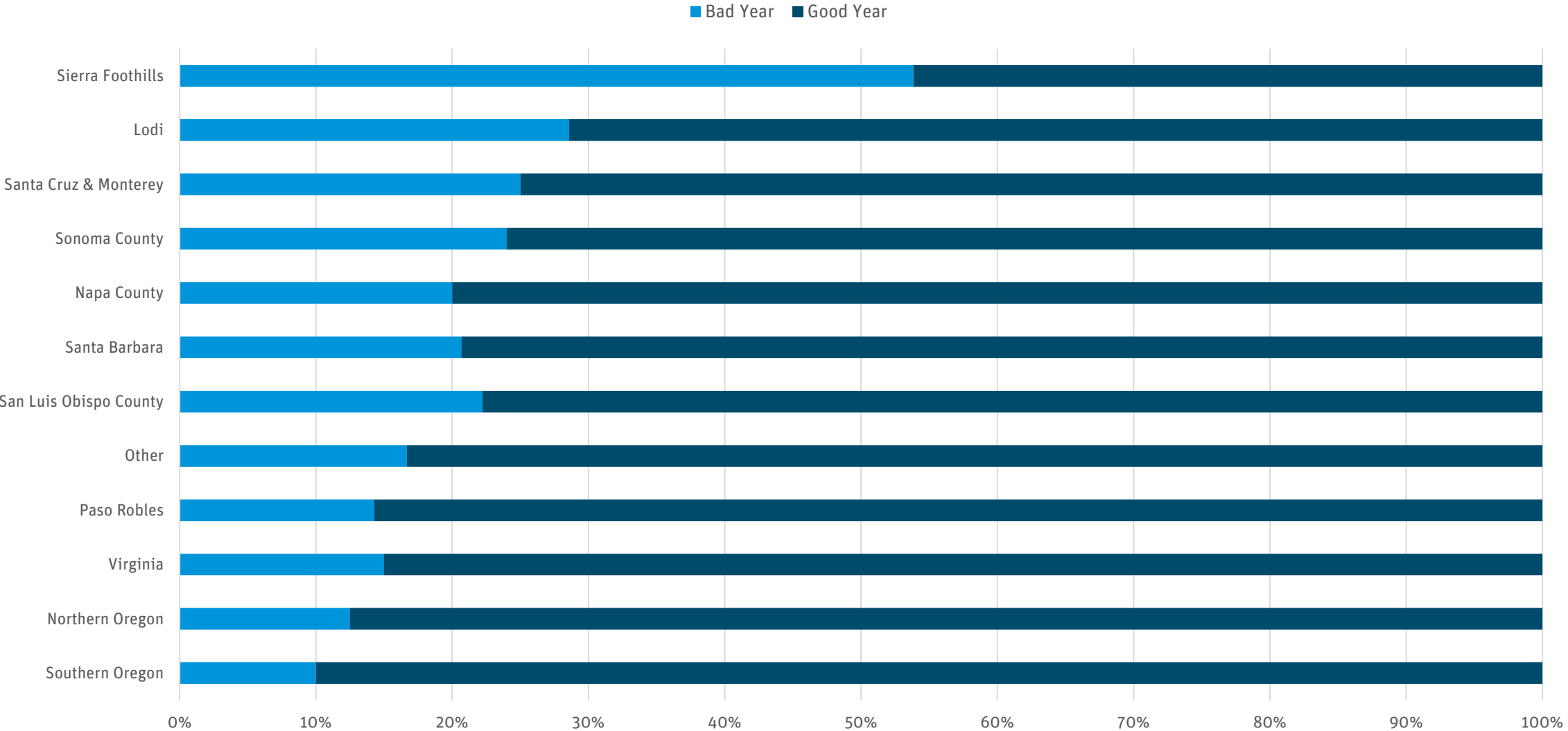
Regions that Experienced a More Challenging 2019



Source: SVB State of the Wine Industry Survey



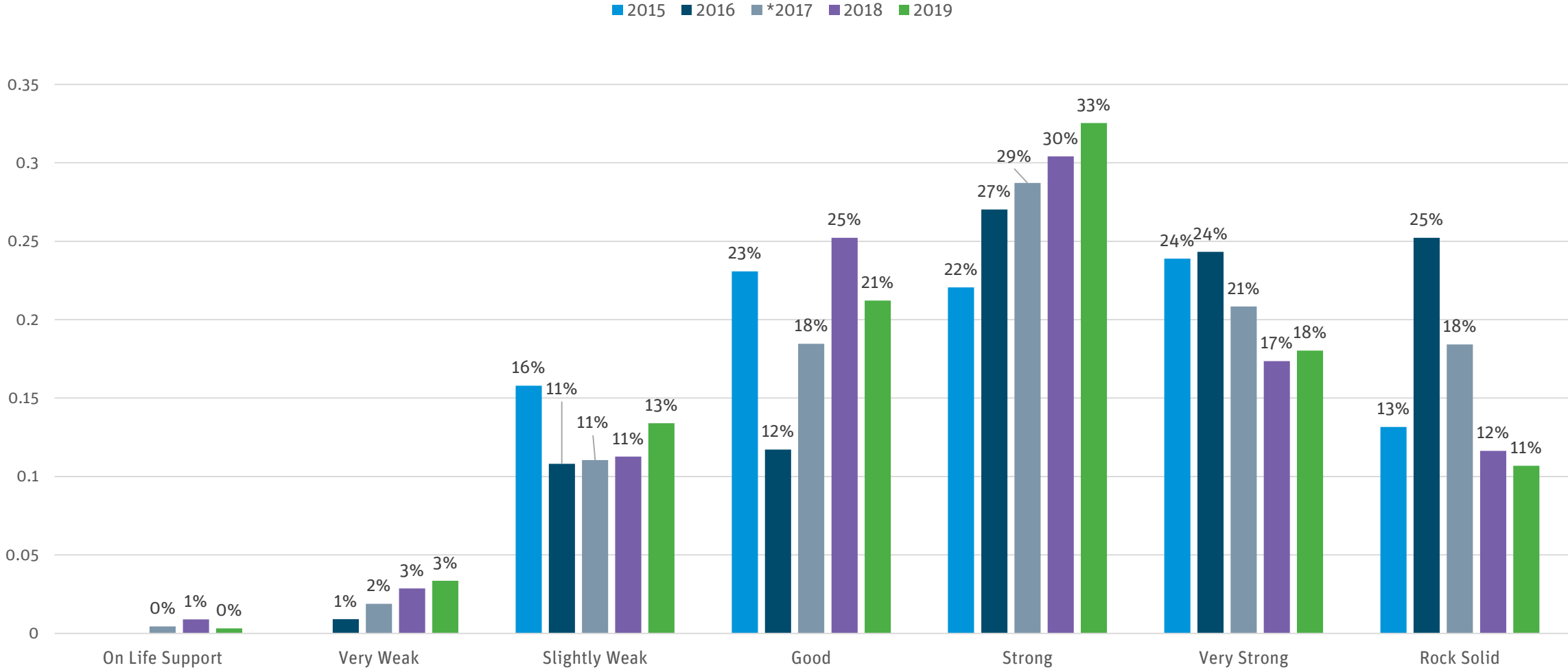
How “Good” was 2019?



Source: SVB State of the Wine Industry Survey



Trend of Winery Financial Health



Source: SVB State of the Wine Industry Survey

2019 Sales Channel Mix

Restaurants, Tasting Room, Wine Club, Mailing List,
Wholesale, Export and Other



Summary

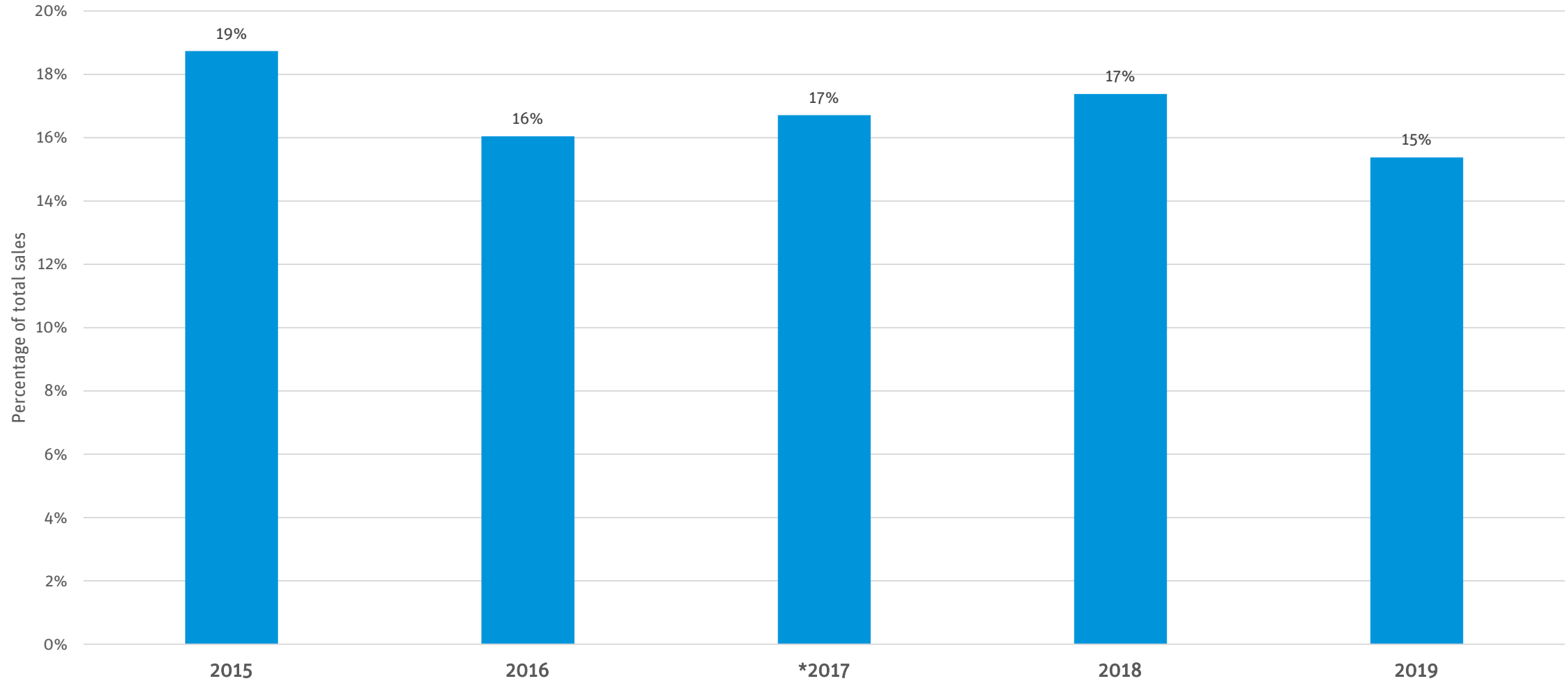
On-premise restaurant sales seem to have lost the ground it regained in 2017 and fell 2% to 15% of overall revenues in 2019. The biggest losers here are Southern Oregon, Sierra Foothills and Virginia, while Paso Robles showed the most improvement.

The Wholesale channel continues to represent the largest proportion of sales (33.5%) for the average winery in 2019. Tasting Room (28.3%) and Wine Club Sales (22.7%) are next in line, both regaining some of the channel mix share they lost in 2018.

Predictably, a clear inverse relationship exists between DTC and Wholesale channels as case production increases. 1 – 2,500 case wineries reported DTC sales accounting for 72% of their revenue. On the other hand, wineries with >250,000 case production reported DTC sales as only 18% of revenue. The biggest change in 2019, however, is that the 10 – 25k case range which was 49%/45% DTC/Wholesale in 2018, is now 56%/39% and is also the last range wherein DTC represents the larger channel.

Regionally, Virginia (85.2%), Southern Oregon (77.8%) and Paso Robles (73.5%) are leading DTC sales as a percentage of overall revenues. Virginia leads the cellar door category (70% of overall revenues), followed by Paso Robles (35.8%), and San Luis Obispo (32.6%). While this is to be expected for less established wine regions with lower demand from the export and Wholesale channel, Paso's strong on-premise growth in 2019 coupled with strong DTC sales could be a leading indicator for the growth of this region.

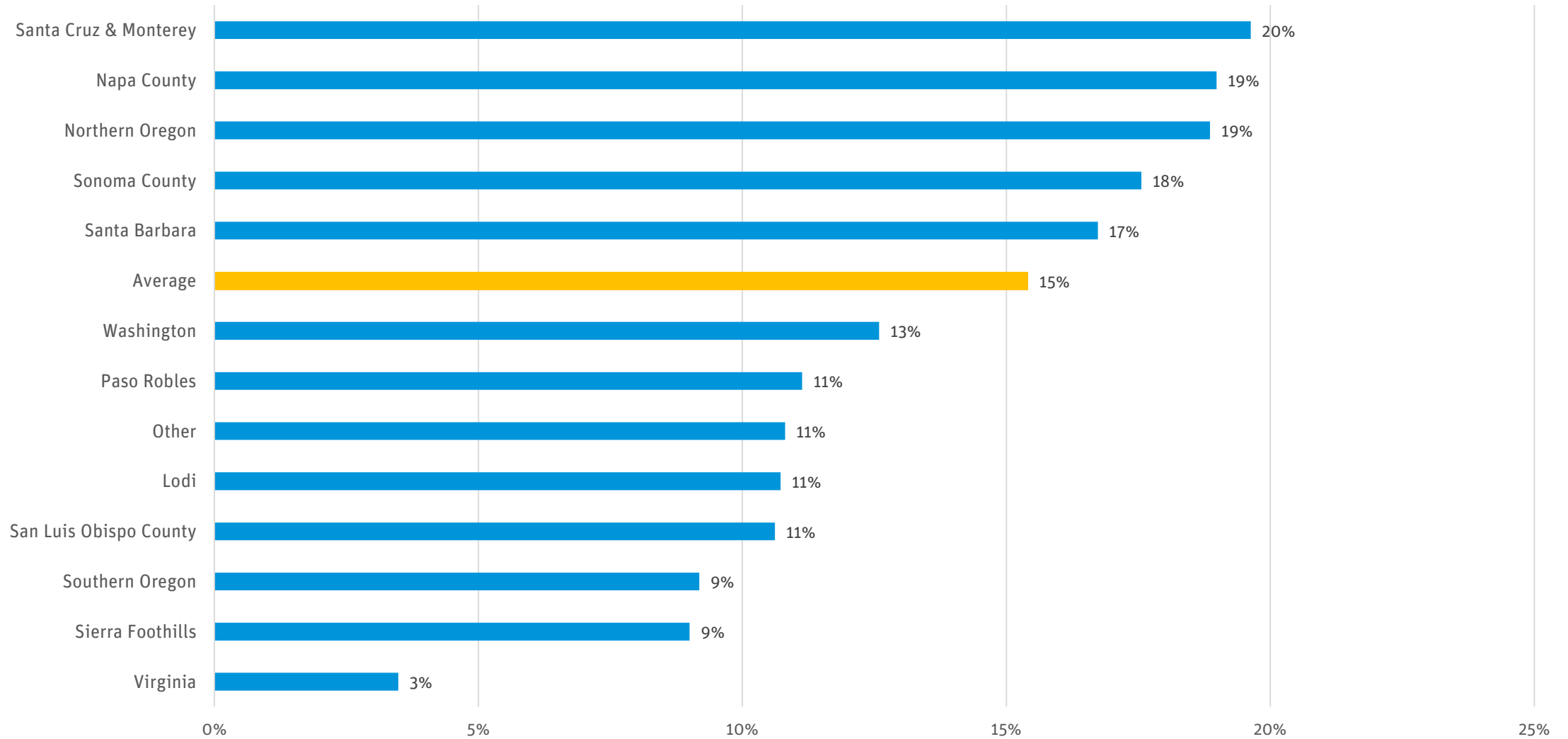
Trend of the Average Winery's Sales to Restaurants



Source: SVB State of the Wine Industry Survey



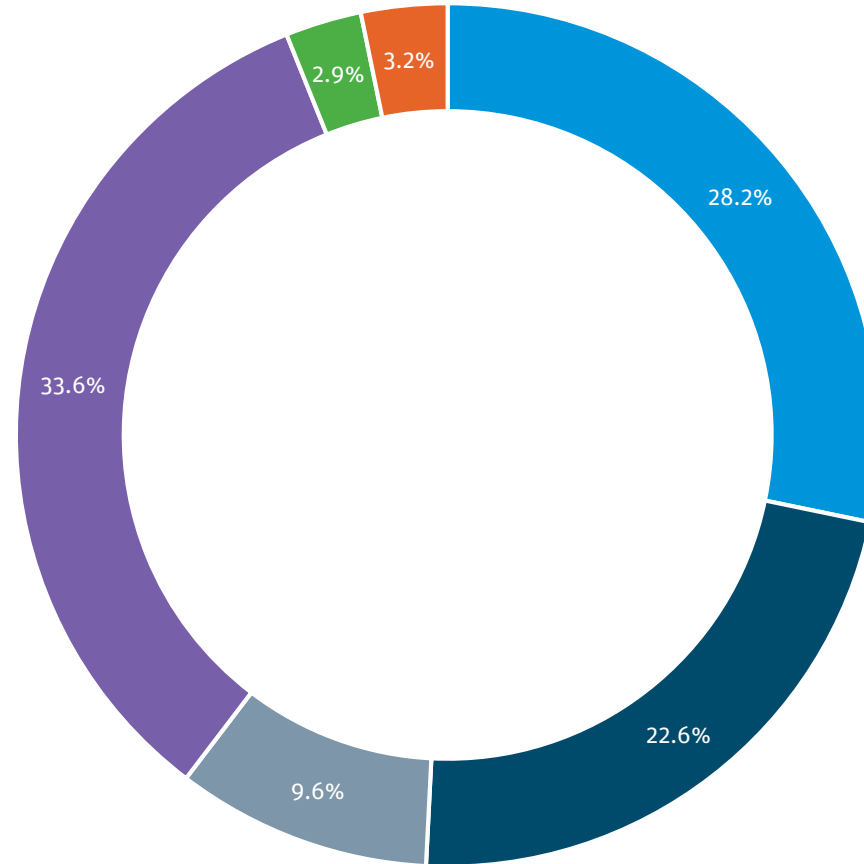
Percent of Revenue from Restaurant Sales by Region



Source: SVB State of the Wine Industry Survey

Average Winery's Channel Mix in 2019

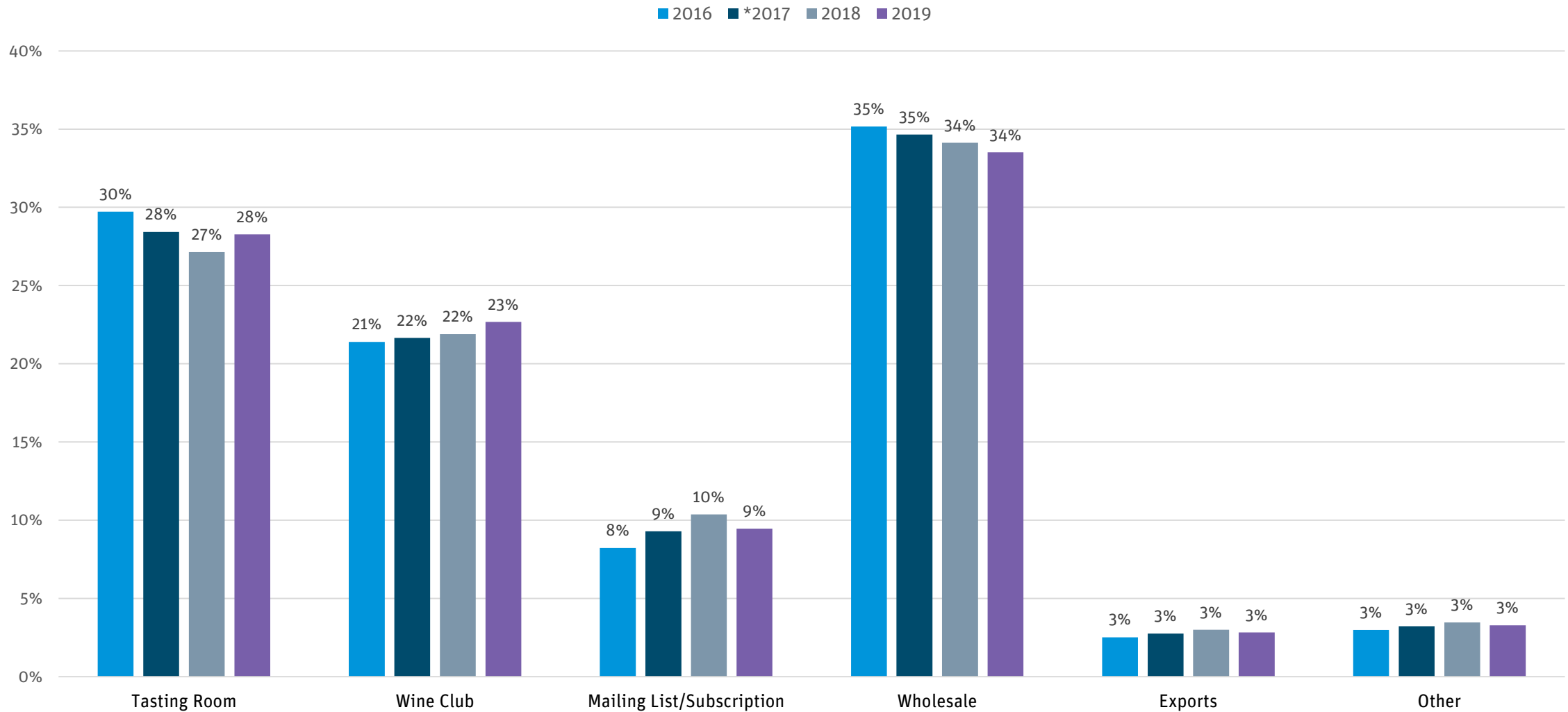
■ Tasting Room ■ Wine Club ■ Mailing List/Subscription ■ Wholesale ■ Exports ■ Other



Source: SVB State of the Wine Industry Survey

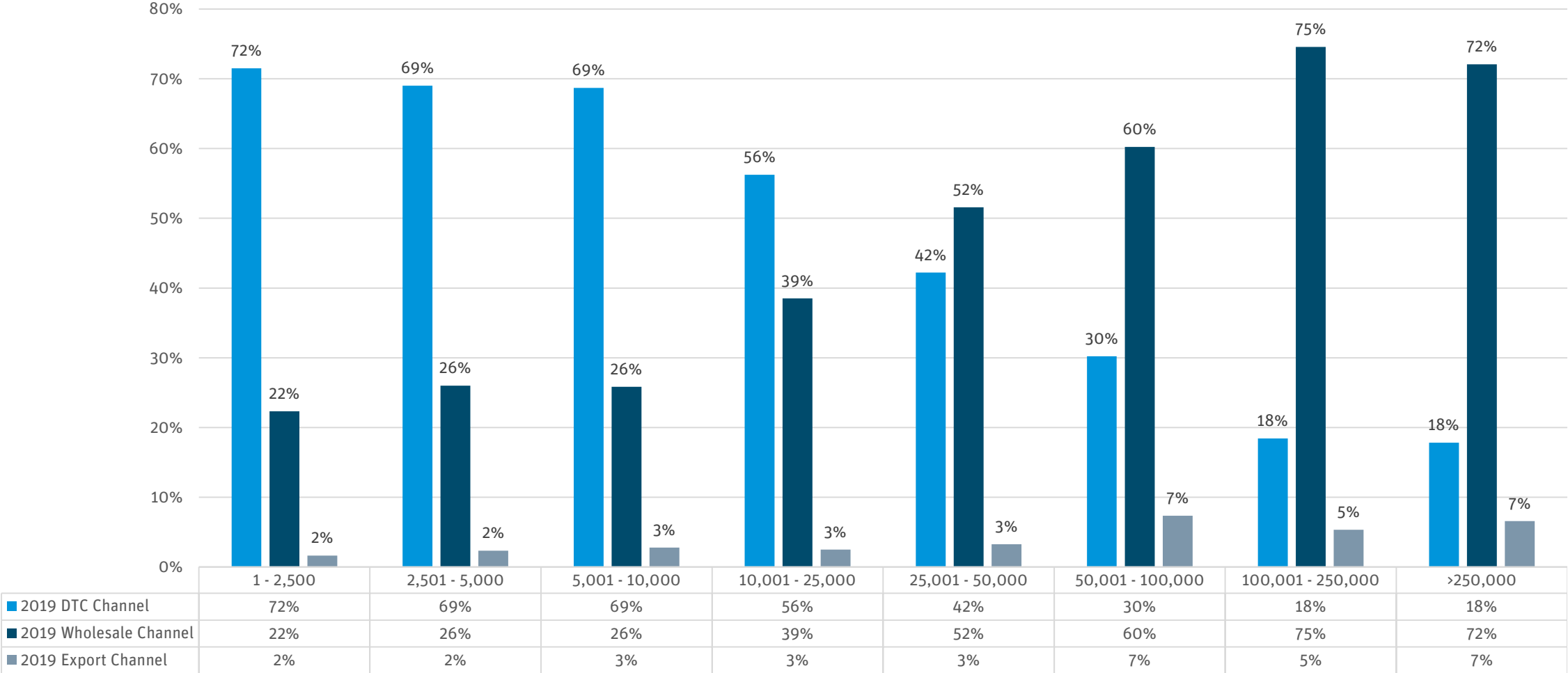


Trend of Sales Channel Mix



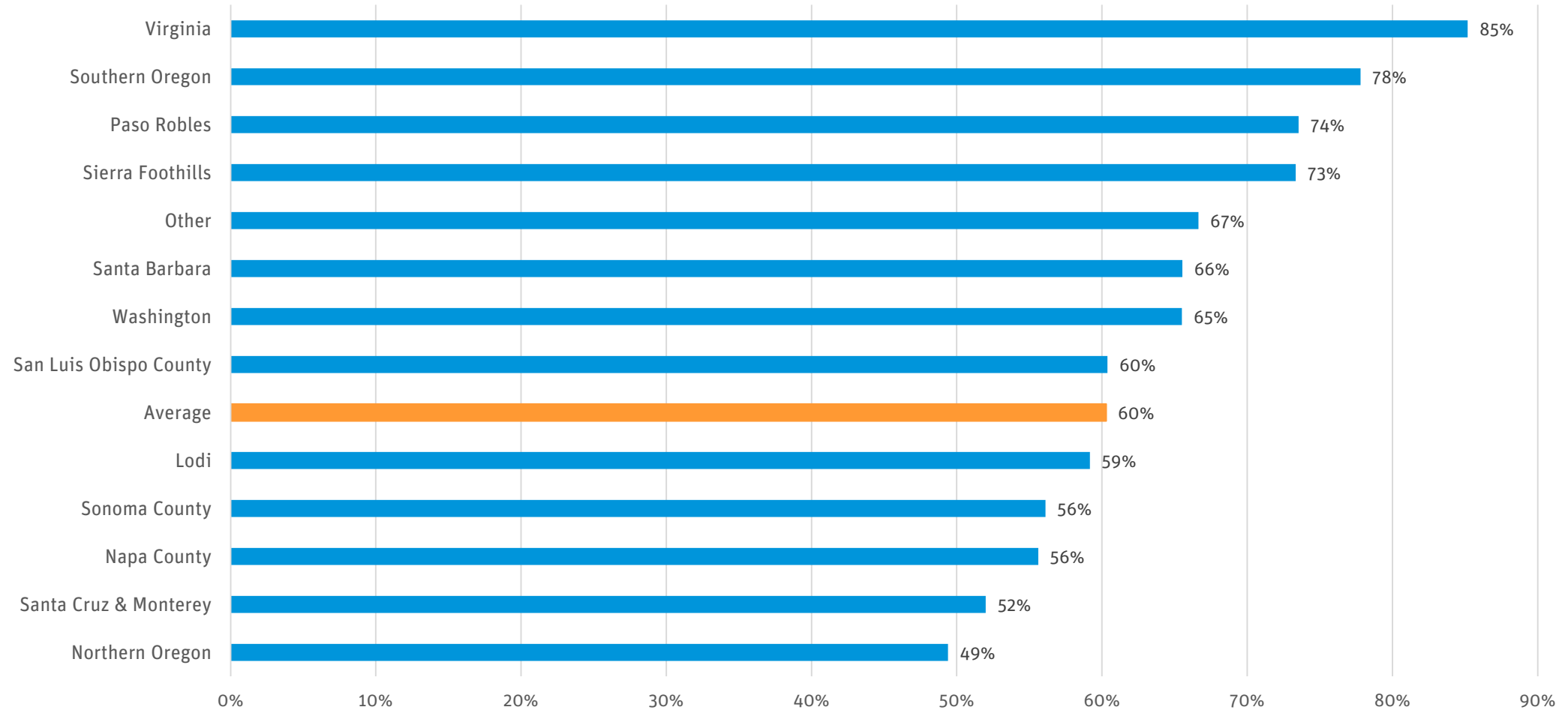
Source: SVB State of the Wine Industry Survey

2019 Sales Channel Mix by Case Production



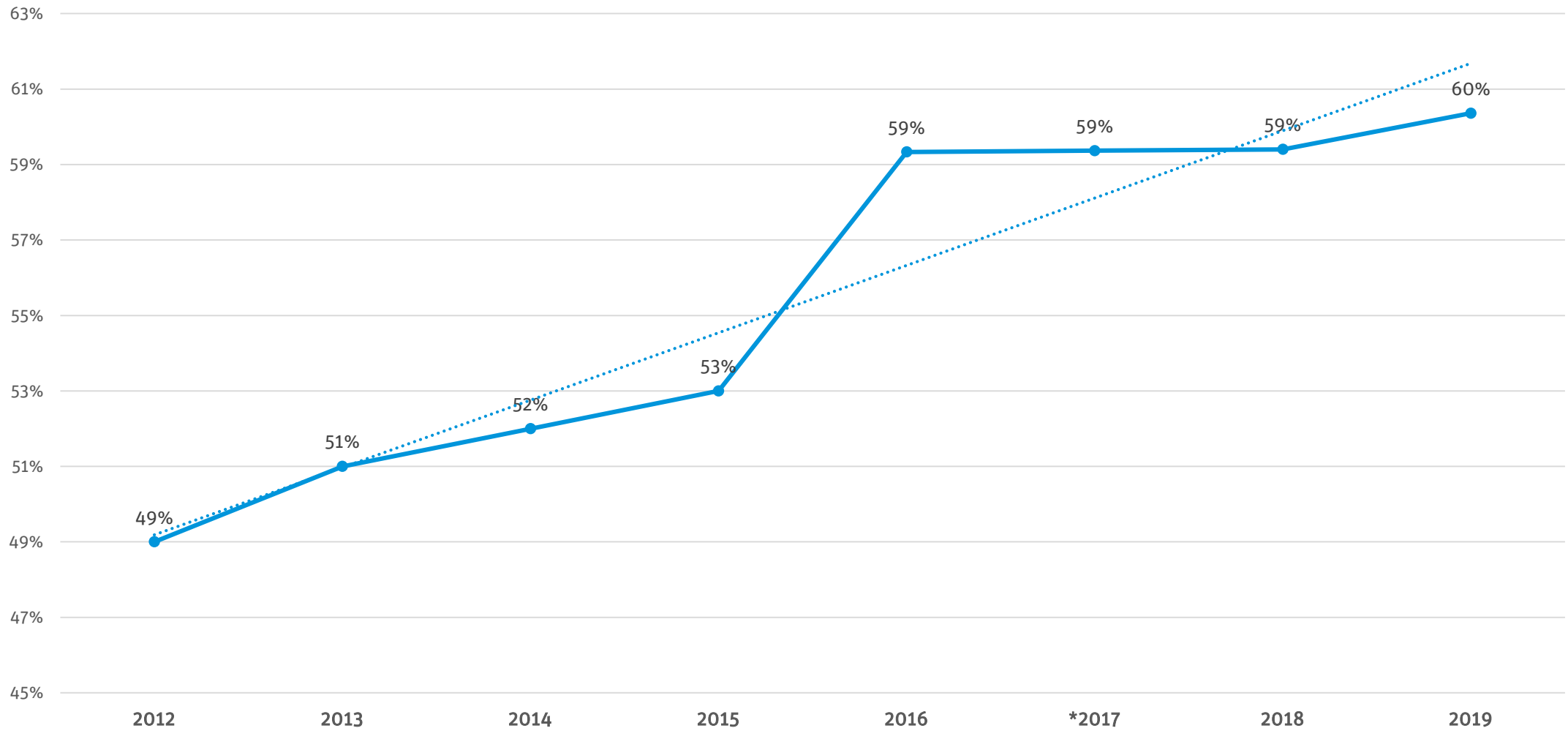
Source: SVB State of the Wine Industry Survey

2019 Percent of Revenue from DTC Sales



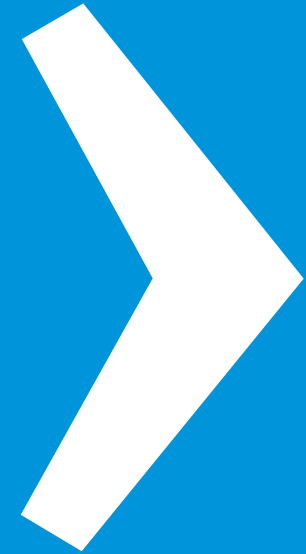
Source: SVB State of the Wine Industry Survey

Growth of DTC as a Percent of Sales



Source: SVB State of the Wine Industry Survey

Consumer Demographics



Summary

As has been the case historically, Boomers (55 – 73) represent the largest consumer demographic in 2019 at 40%. Matures, on the other hand, currently represent only 7% of consumers.

The Mature demographic has dropped from being 13.1% of consumers in 2014 to only 5.9% in 2019; a 55% decrease.

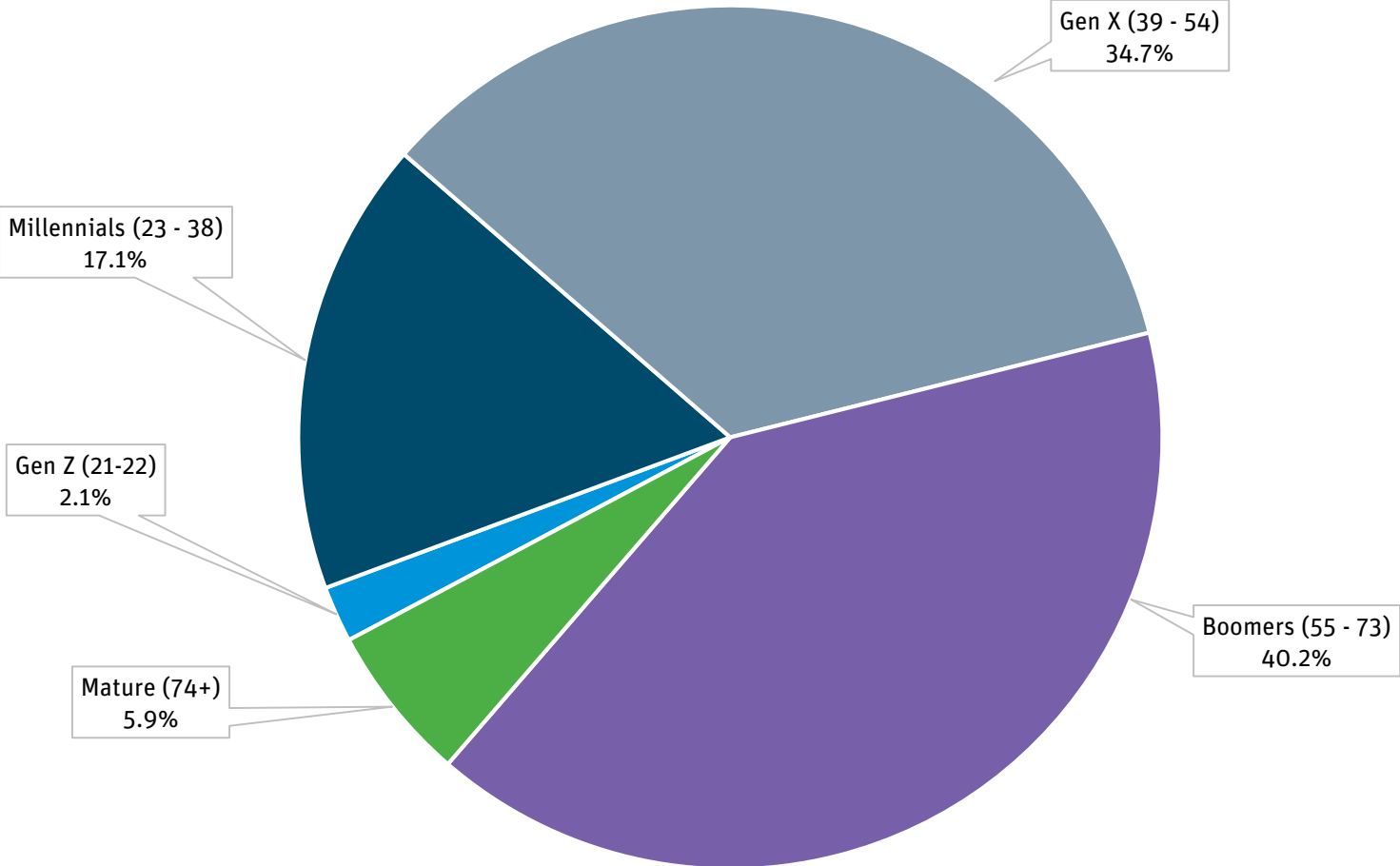
The only demographic that has seen real growth as a percent of consumers are Gen X (39 – 54), going from 29.0% to 34.6% in the last 6 years, representing a 19% increase. Meanwhile, Millennials (23 – 38), and Boomers (55 – 73) have remained relatively flat as a percent of overall consumers since 2015, with a total 2.4% net change during that time between the two groups. Gen Z (21-22) has increased growth as a percent of consumers from 1.7% in 2018 to 2.1% in 2019.

Virginia and Santa Barbara reported having the greatest concentration of Gen Z, Millennial and Gen X consumers, as these were the only regions wherein those two groups represented >60% of consumers. On the other extreme is San Luis Obispo, where >50% of their consumers are concentrated in the Boomer and Mature demographics.

Surprisingly, 55% of wineries reported not having an employee dedicated to analyzing consumer data. Furthermore, of the wineries that reported having a Consumer Data Analyst (CDA), 60% said they were only part-time.

Regionally, Southern Oregon was the only region that had more than 50% of respondents reporting that they had a CDA, versus regions like Santa Cruz & Monterey, Sierra Foothills and Virginia, where less than 25% of respondents reported having a CDA. This is a bit counter-intuitive, given their reliance on DTC sales.

2019 Consumer Demographics

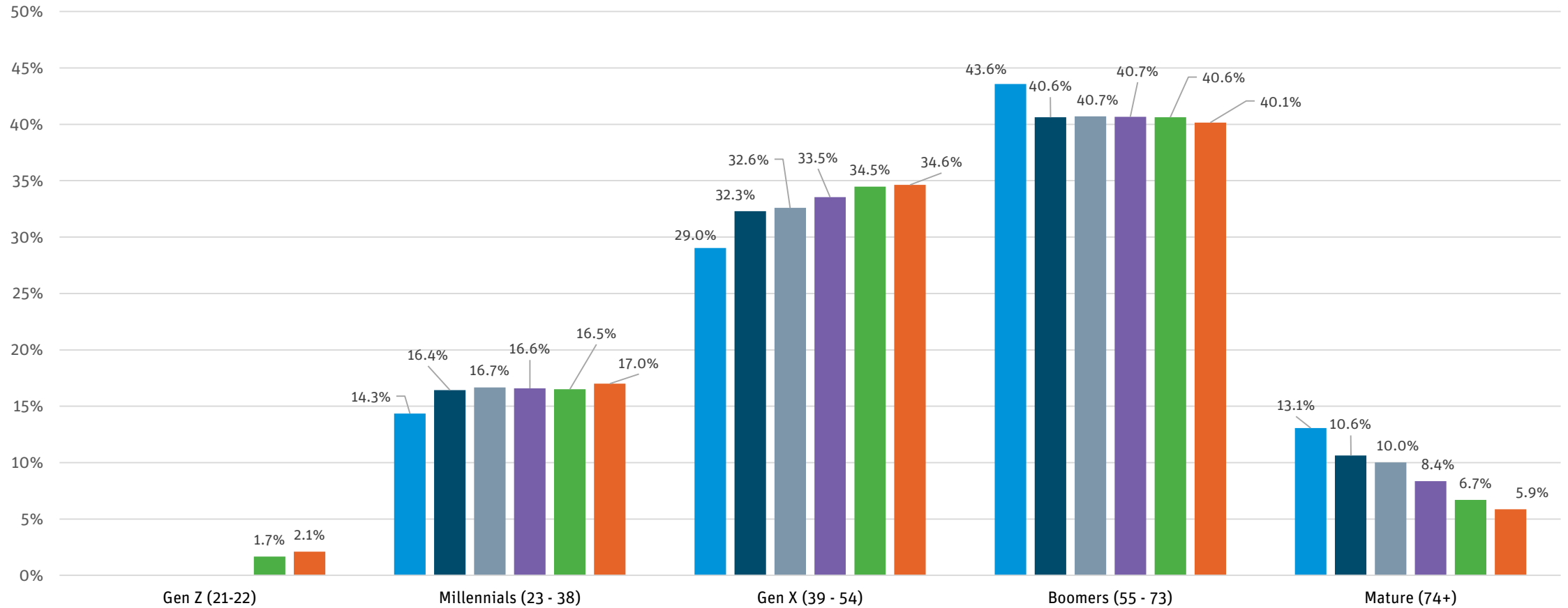


Source: SVB State of the Wine Industry Survey



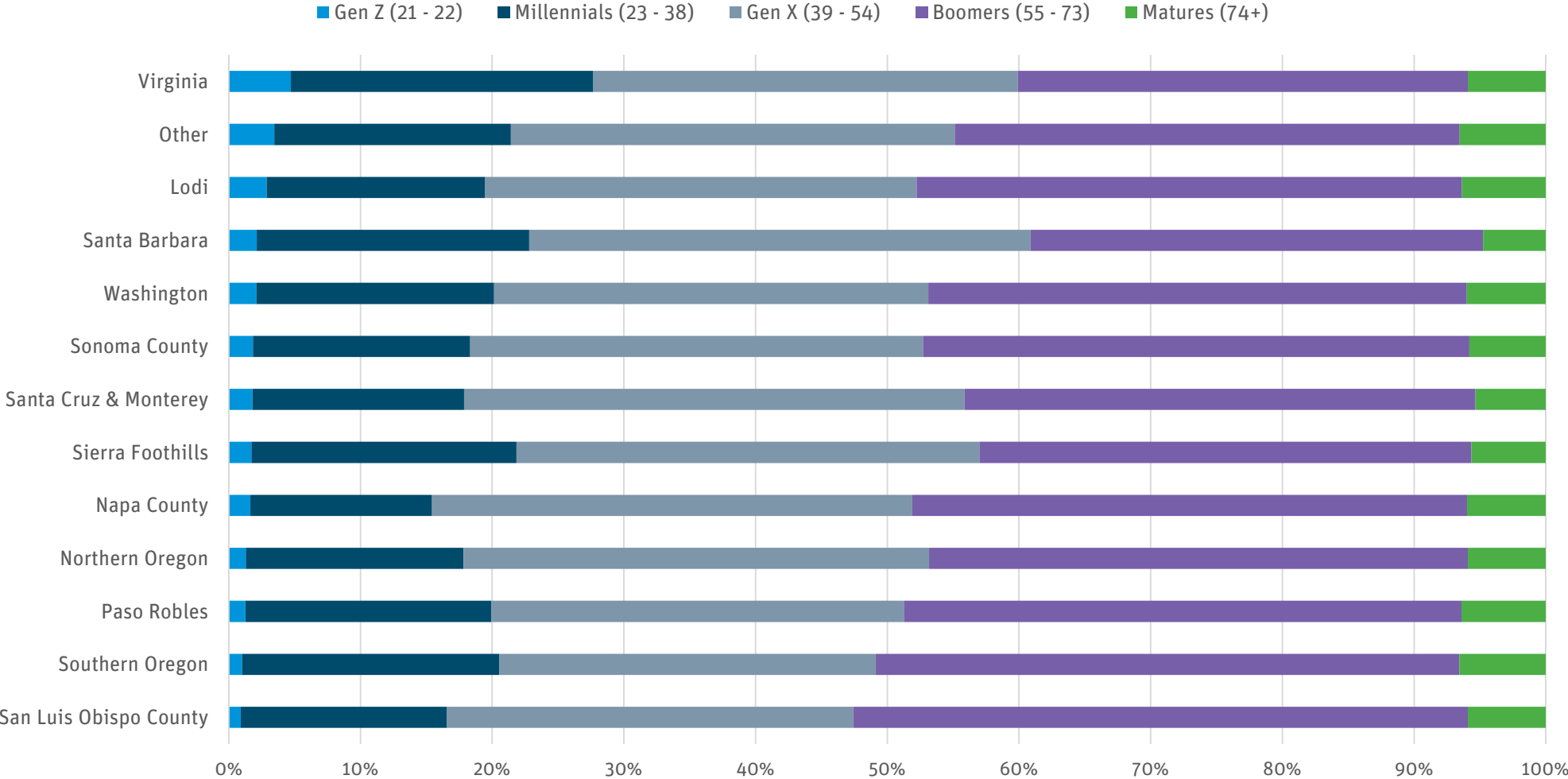
Wine Consumption by Cohort

■ 2014 ■ 2015 ■ 2016 ■ *2017 ■ 2018 ■ 2019



Source: SVB State of the Wine Industry Survey

Regional Consumer Demographics in 2019

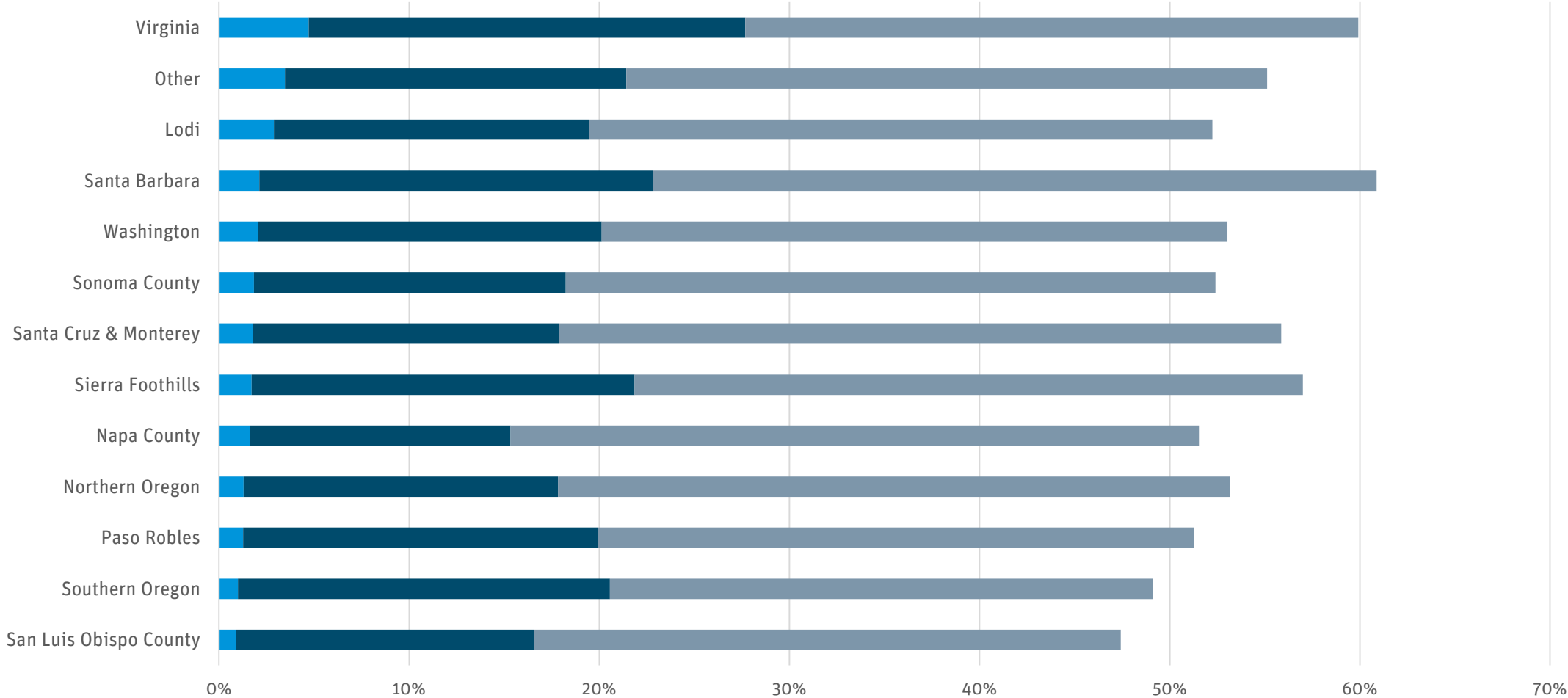


Source: SVB State of the Wine Industry Survey



Regional Consumer Demographics: Gen Z to Gen X

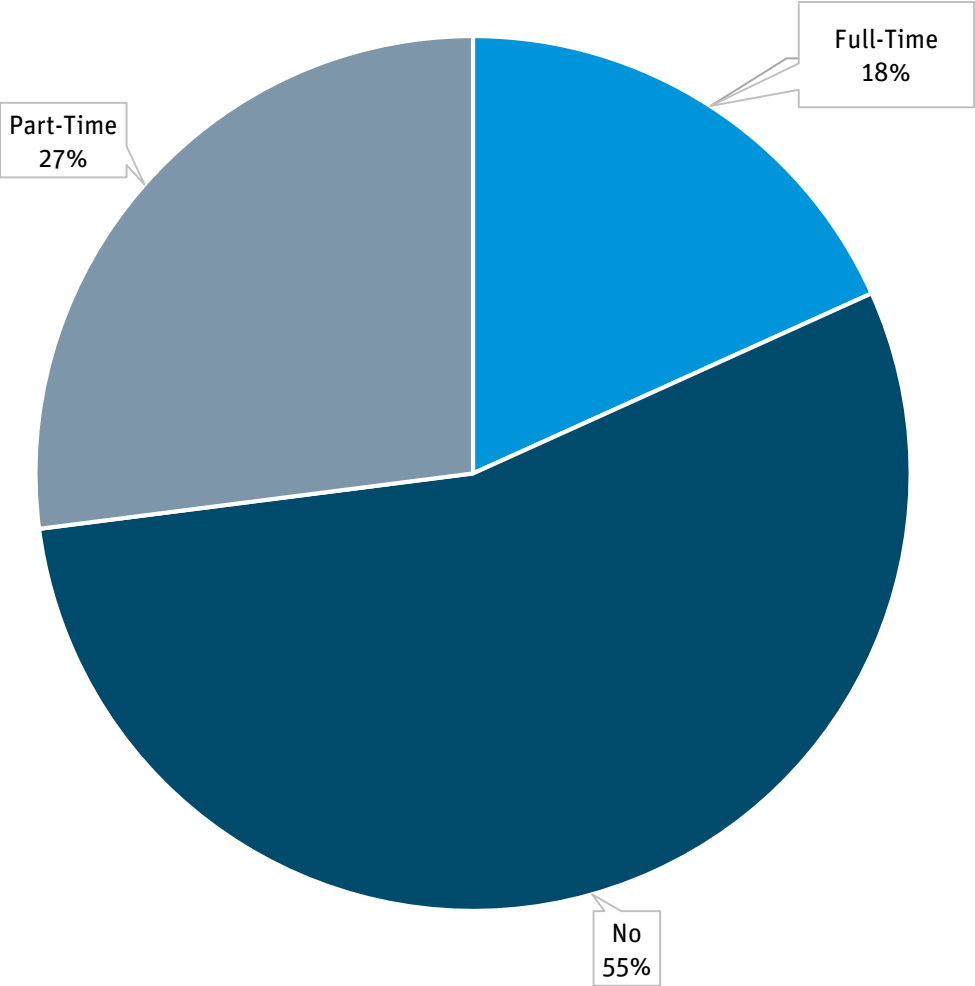
■ Gen Z (21 - 22) ■ Millennials (23 - 38) ■ Gen X (39 - 54)



Source: SVB State of the Wine Industry Survey



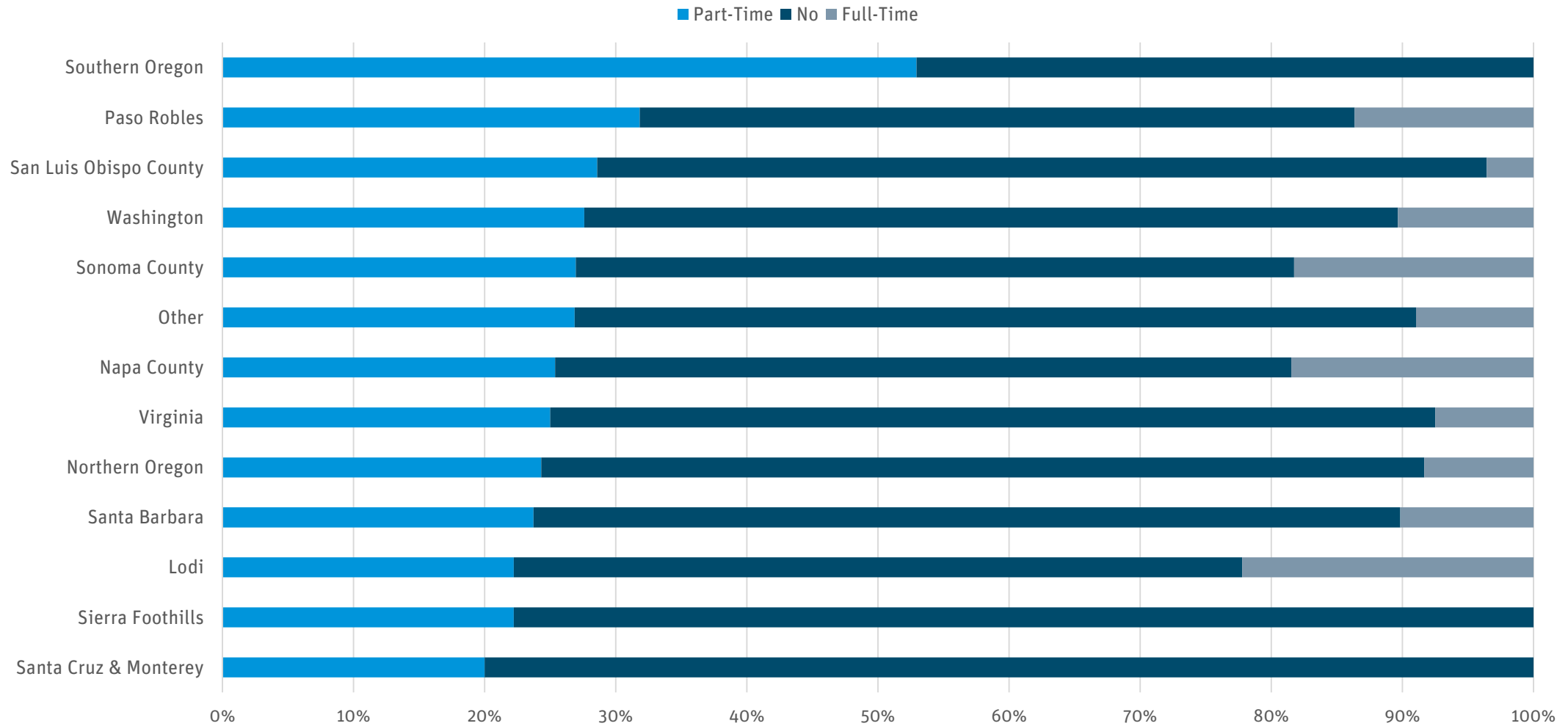
“Do you have a full-time employee dedicated to analyzing consumer data?”



Source: SVB State of the Wine Industry Survey



Regions with FTE's Dedicated to Consumer Data Analysis



Source: SVB State of the Wine Industry Survey

Wholesale Representation and Satisfaction



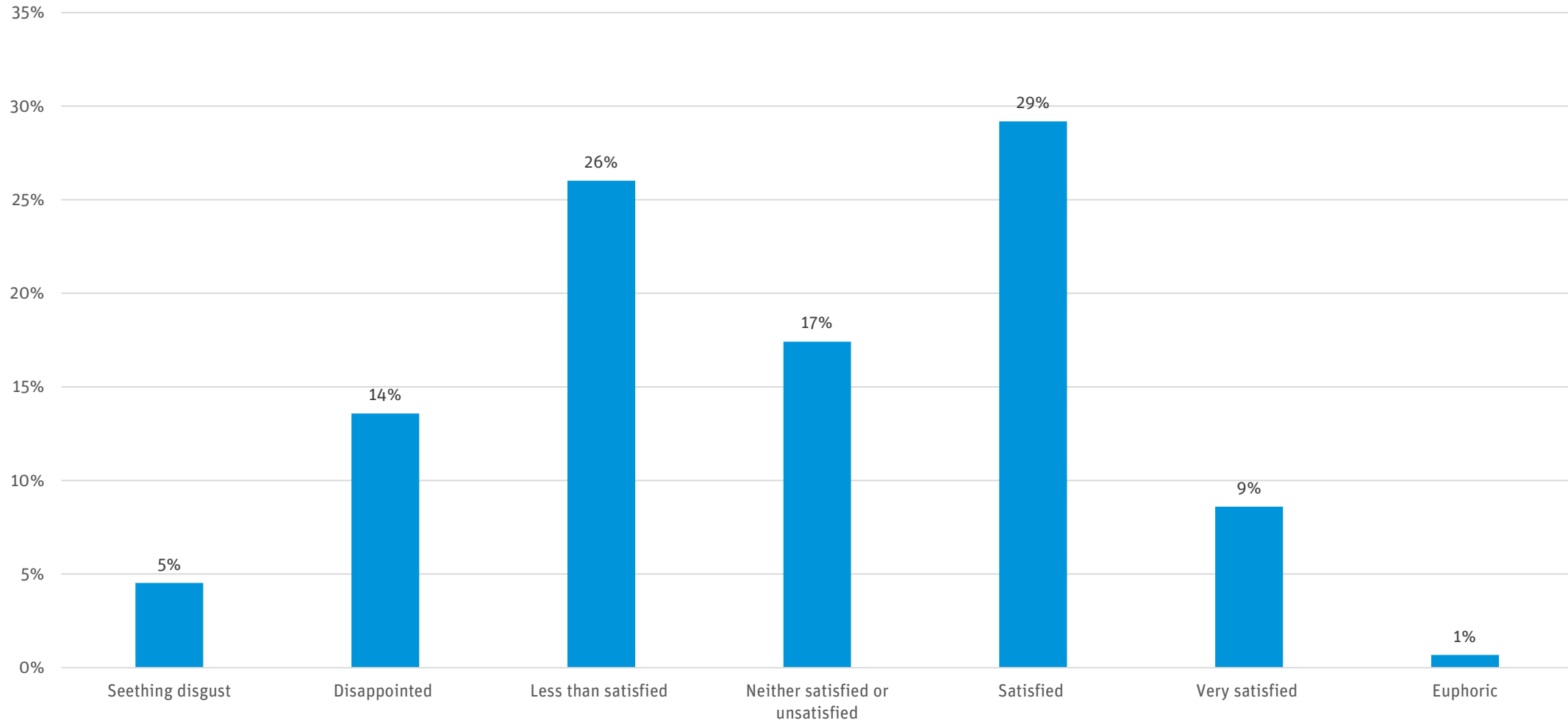
Summary

When it comes to how satisfied wineries are with their wholesale representation in 2019, “satisfied” represented the largest proportion of responses at 29%. This indicates that wineries are increasingly satisfied with their wholesale representation as the largest proportion of responses in 2018 were “less than satisfied” at 22%. Euphoric continues to remain the smallest proportion of responses at 1%.

While 39% of respondents in 2019 are satisfied to some extent, 45% remain unsatisfied. 5% of 2019 respondents are “seething disgust” versus 0% in 2018.

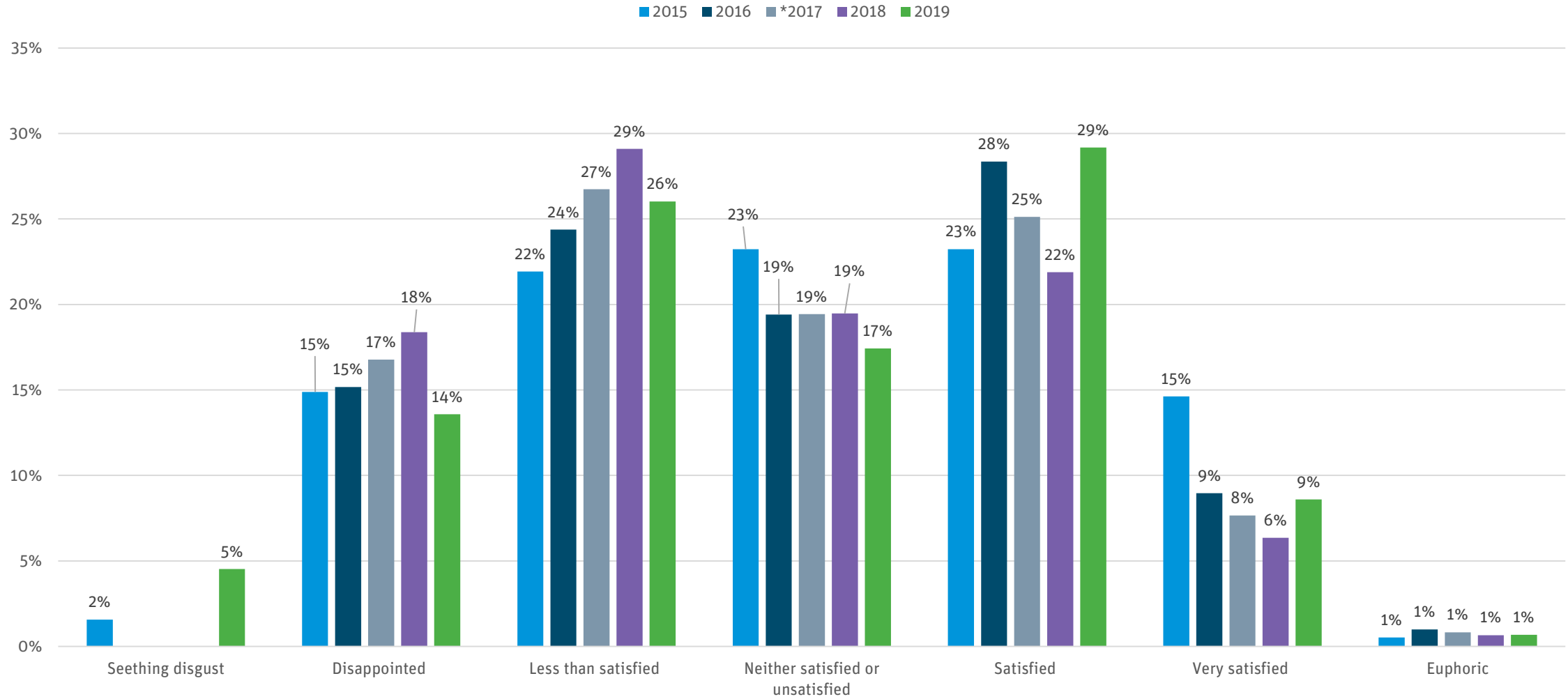
Regionally, the Sierra Foothills had the highest proportion of dissatisfaction at 67%, compared to the lowest, Lodi at 14%. Virginia, Santa Barbara and the Sierra Foothills all reported dissatisfaction at greater than 50% of the responses. However, it was Napa County that had the highest proportion of “seething disgust” responses at 8%, compared to the average at 5% in 2019.

Wholesale Satisfaction Levels in 2019



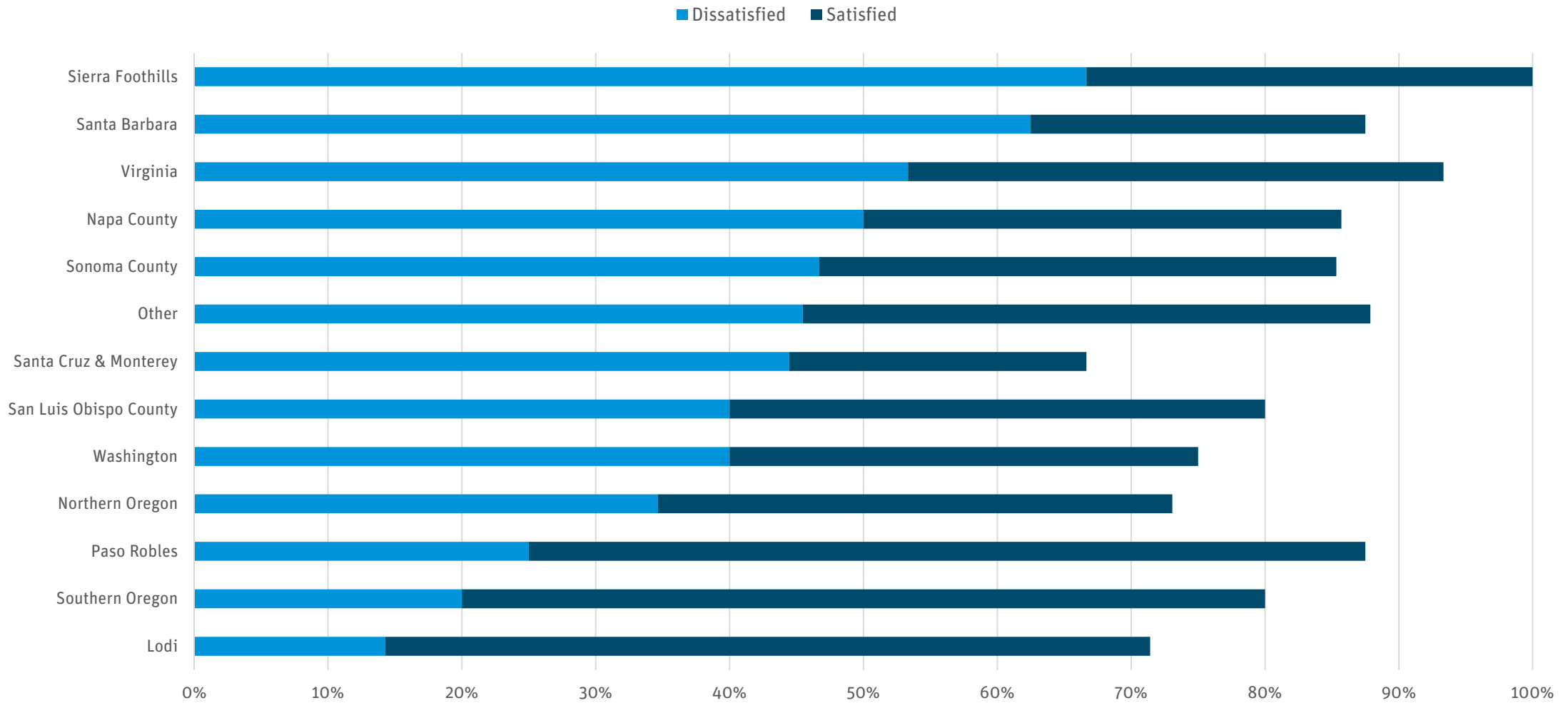
Source: SVB State of the Wine Industry Survey

Trend of Wholesale Satisfaction



Source: SVB State of the Wine Industry Survey

Trend of Wholesale Satisfaction by Region



Source: SVB State of the Wine Industry Survey

2019 Estimated Sales and Case Growth



Summary

By the end of 2019, wineries predicted dollar sales to be 10% greater than 2018 and case sales to be 8% greater. However, while wineries have predicted growth every year, these growth predictions are shrinking. Dollar sale growth went from 17% in 2015 to 10% this year and case sale growth went from 15% to 8% during that same time, representing a 41% and 46% decrease, respectively. Furthermore, while wineries historically predicted dollar sale growth to be greater than case sale growth and that continues to be the case in 2019, the variance between those two figures continues to shrink.

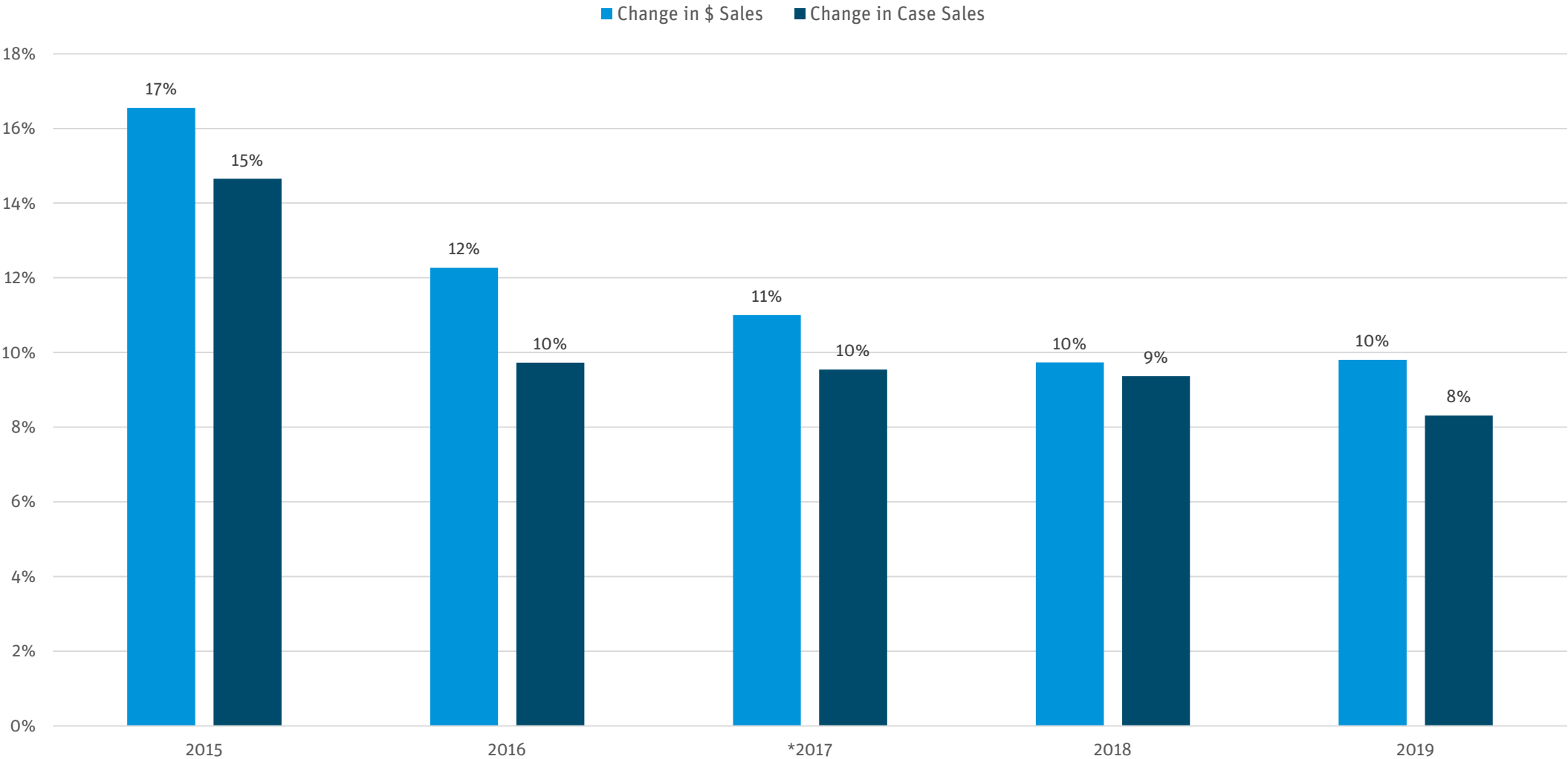
Regionally, San Luis Obispo County predicted the largest growth in dollar sales at 17.3%, while Sierra Foothills predicted the smallest at 3.9%. In regards to case sale growth, Paso Robles predicted the largest growth at 10.6%, while Sierra Foothills predicted the smallest at only 0.7%. Lodi and Paso Robles are the only regions that predicted greater case sale growth than dollar sale growth.

When split by case production, the 1 – 2,500 range predicted the greatest dollar sale growth at 10.5%, while the >250,000 range predicted the largest case sales growth at 9.5%. Interestingly, the lowest in both categories belongs to the 25K – 50k range at 4.2% and 3.6%, respectively. The >250k production range was the only group that predicted greater case sale growth than dollar sale growth.

Finally, when split by retail bottle price, the \$50 – \$59 range is predicting the greatest \$ sale growth at 13.1%, and the \$60 – \$69 range is predicting the greatest case sale growth at 12.7%. The \$70 – \$79 range represents the lowest variance between the two sales figures at 0.2%.

Note: Case Growth refers to the increase/decrease in number of cases sold year over year

Predicted Year-End Sales Growth

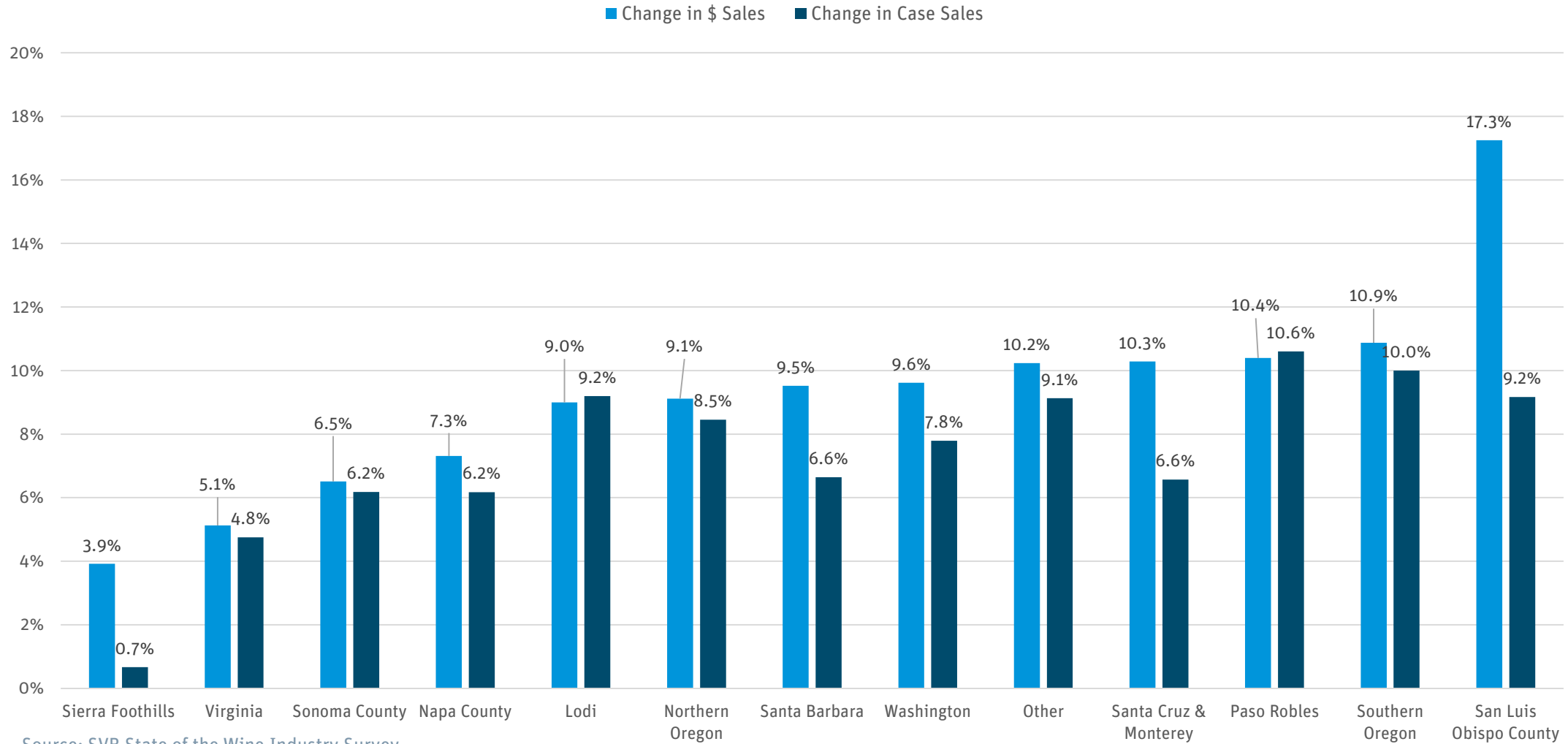


Source: SVB State of the Wine Industry Survey



Estimated Year End Sales and Volume Growth

Excludes wineries < 5 years

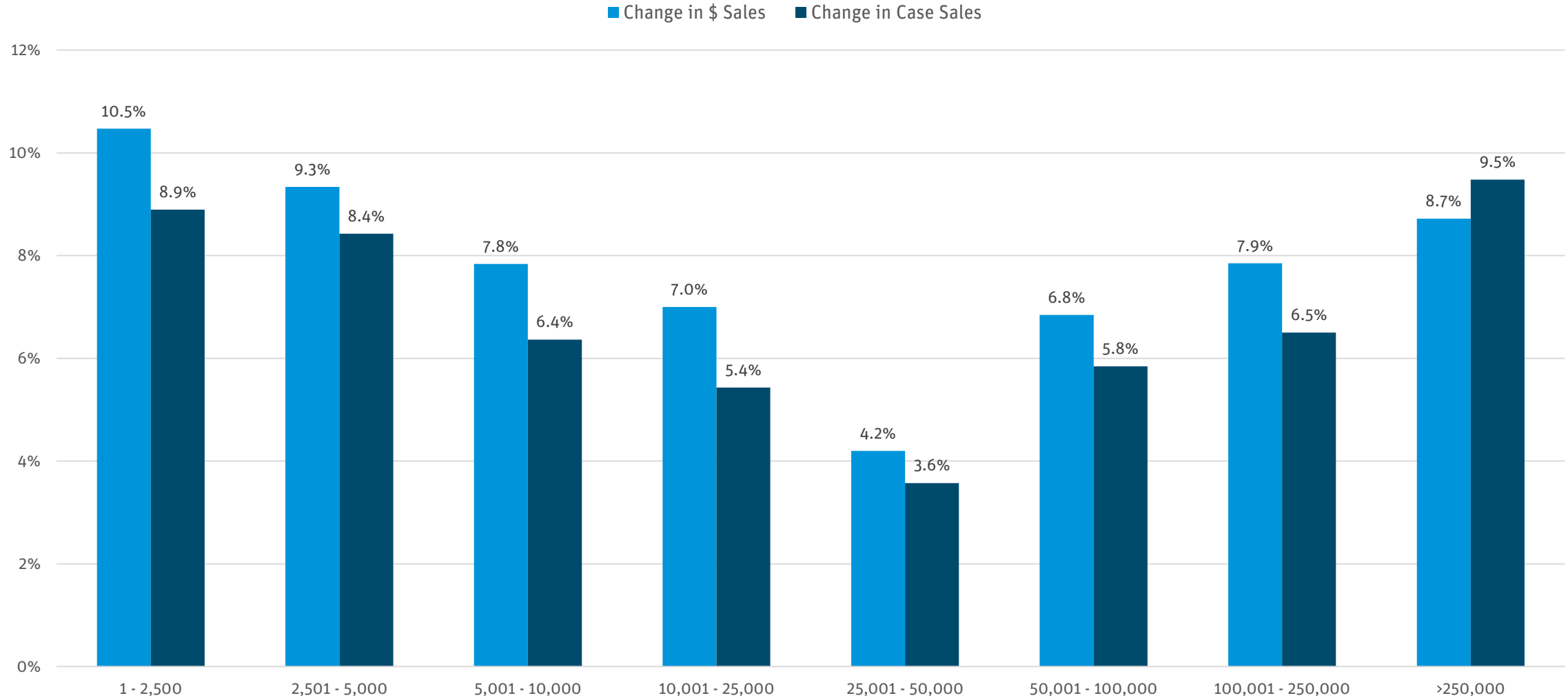


Source: SVB State of the Wine Industry Survey



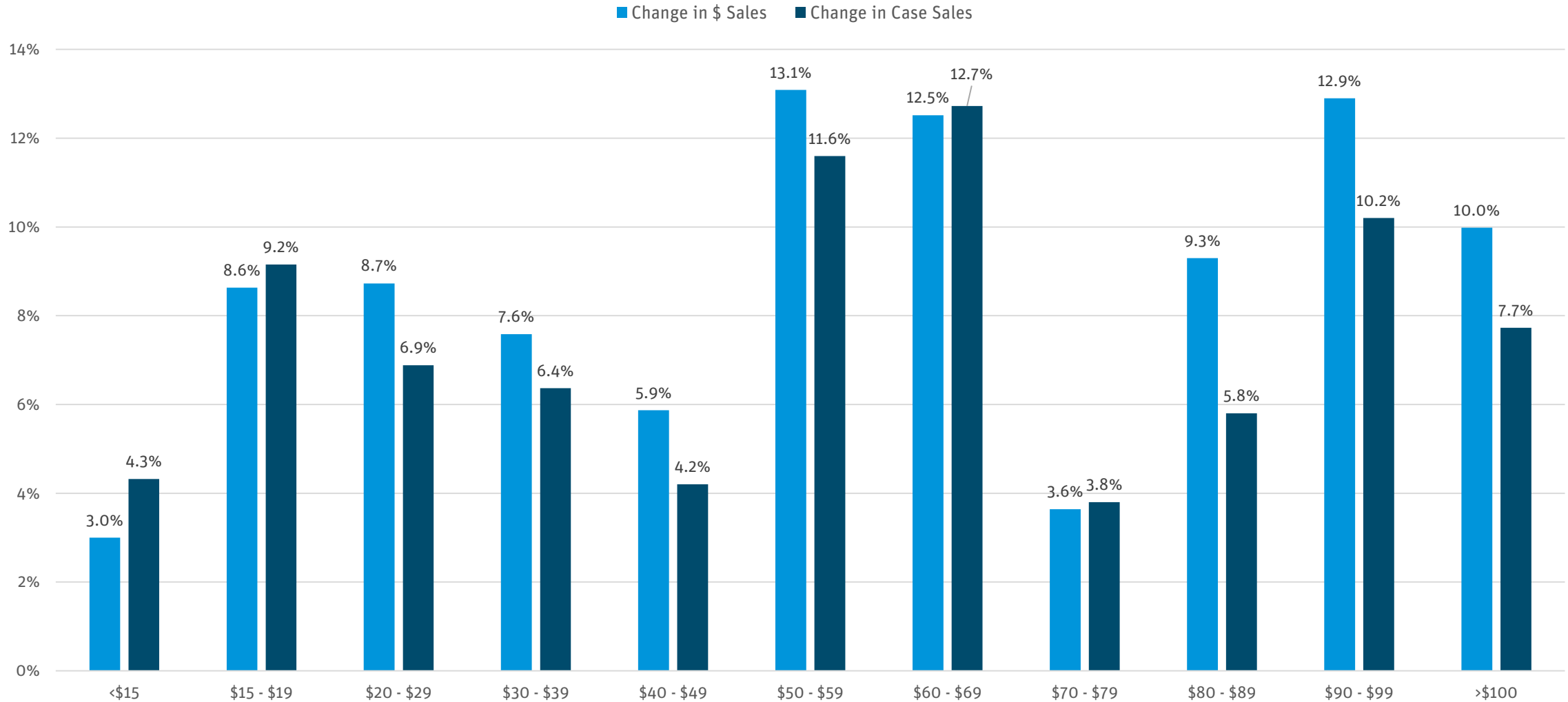
Predicted Sales Growth in 2019 by Production Size

Excludes wineries < 5 years



Source: SVB State of the Wine Industry Survey

Predicted Sales Growth in 2019 by Bottle Price



Source: SVB State of the Wine Industry Survey



2019 Net Retail Price Changes

Projected Increases/Decreases to Retail Bottle Price



Summary

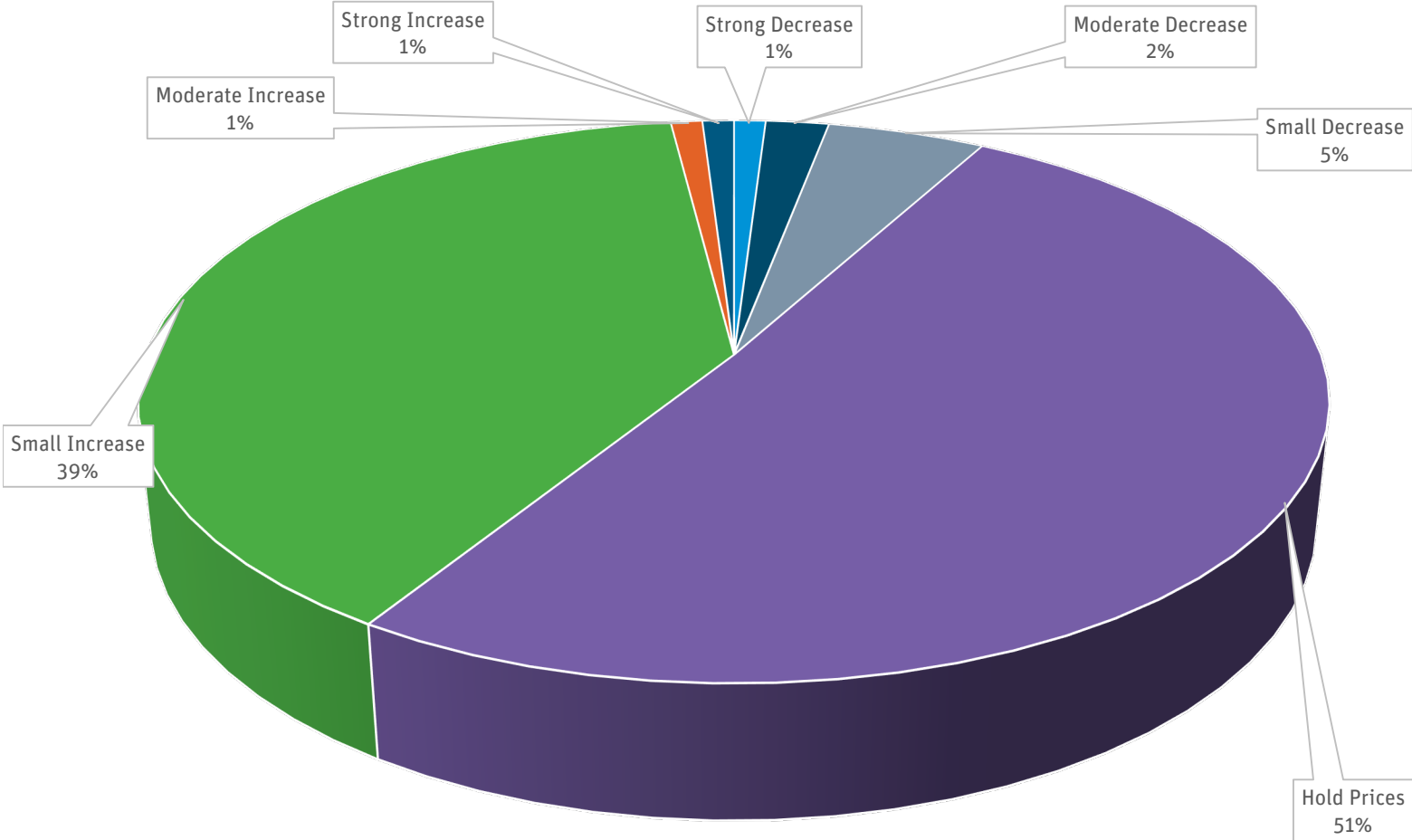
In 2019, the largest proportion (51%) of responses indicated that they are predicting prices to “hold” steady in 2020. However, 42% of respondents are predicting some form of price increase in 2019, compared to only 8% that are expecting a decrease in prices.

The trend since 2011 indicates pretty clearly that the industry as a whole believes that prices are approaching their peak. After growing every year from 2011 – 2015, the proportion of respondents predicting price increases has taken a sharp downturn in the last four years. Meanwhile, the proportion of respondents predicting “hold prices” increased substantially from 2018. Furthermore, the proportion of respondents predicting a price “decrease” has consistently grown every year since 2013.

This trend is affecting higher-price wineries where the >\$100 group had the largest proportion of respondents who are holding prices at 58%, 39% of the >\$100 group are increasing prices and 4% are decreasing. There are only two price ranges \$20 – \$29 and \$90 – \$99 where there is a larger portion of respondents that will increase price rather than hold price.

Regionally, Northern Oregon had the greatest proportion of “increase” responses with 55%, while Lodi had the lowest at 25%. Livermore is the only region that had no responses predicting price “decreases.” The largest proportion of “decrease” responses belonged to Sierra Foothills at 27%.

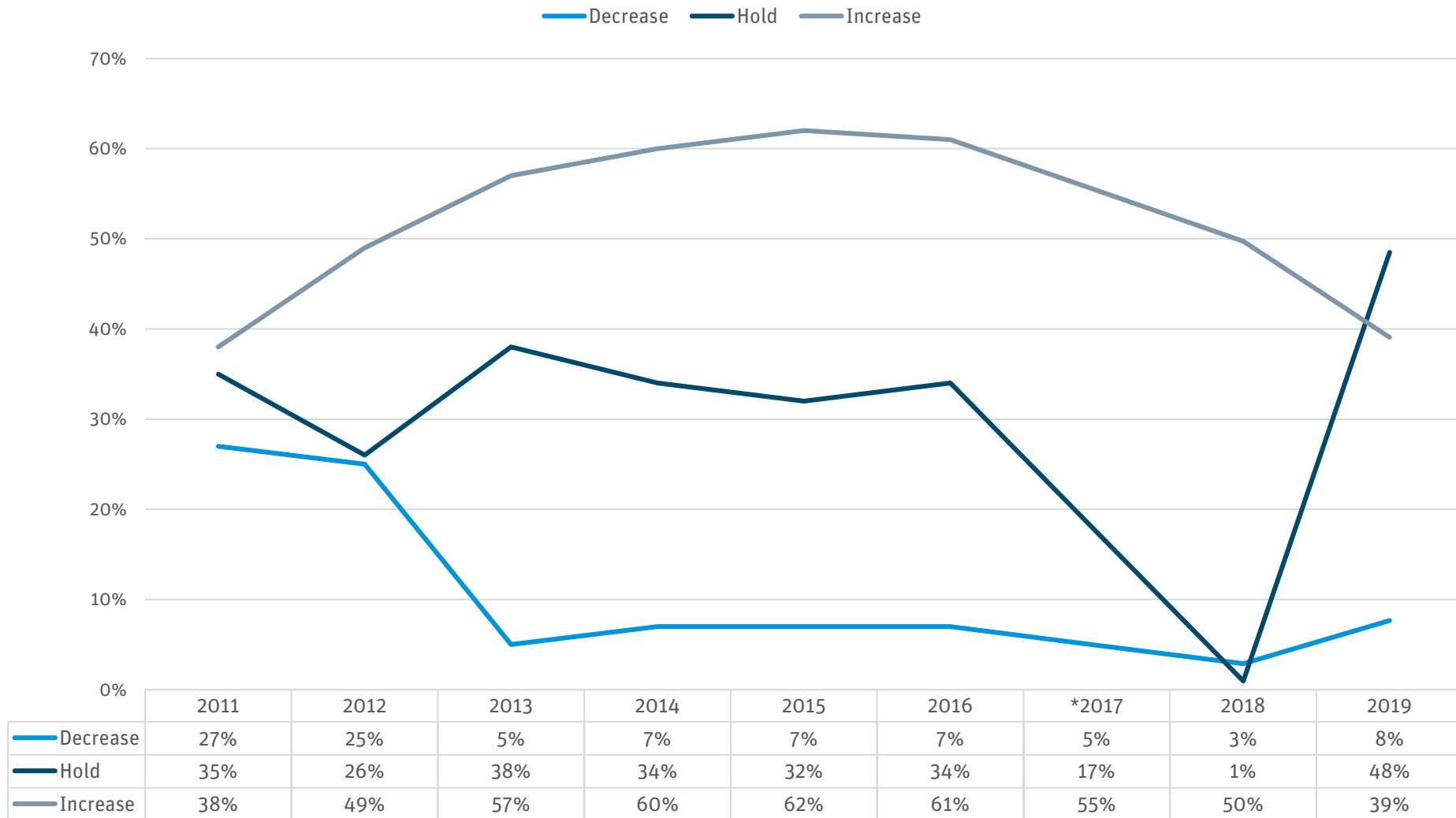
Projected Retail Price Changes in 2019



Source: SVB State of the Wine Industry Survey

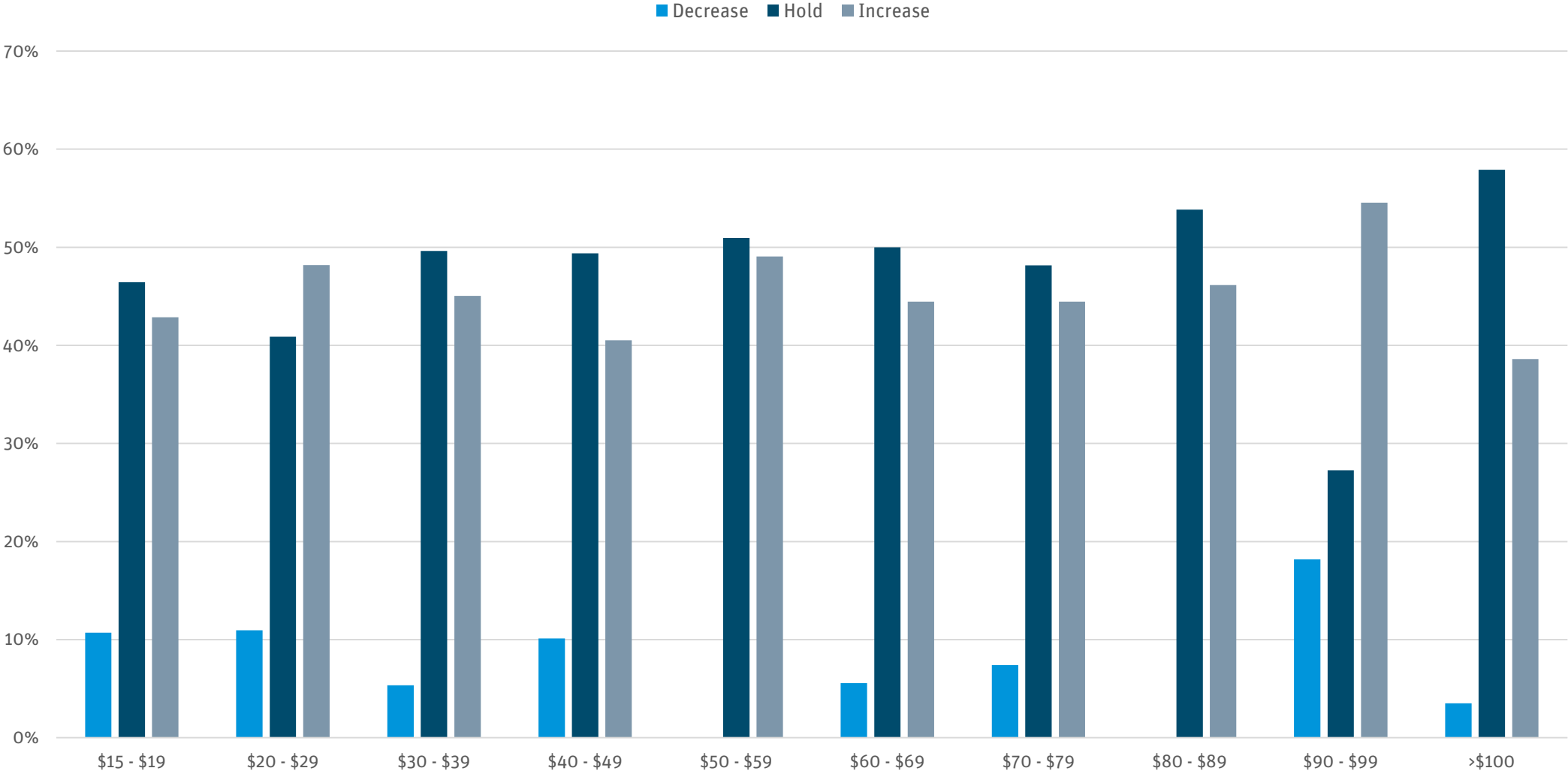


Trend of Projected Retail Price Changes



Source: SVB State of the Wine Industry Survey

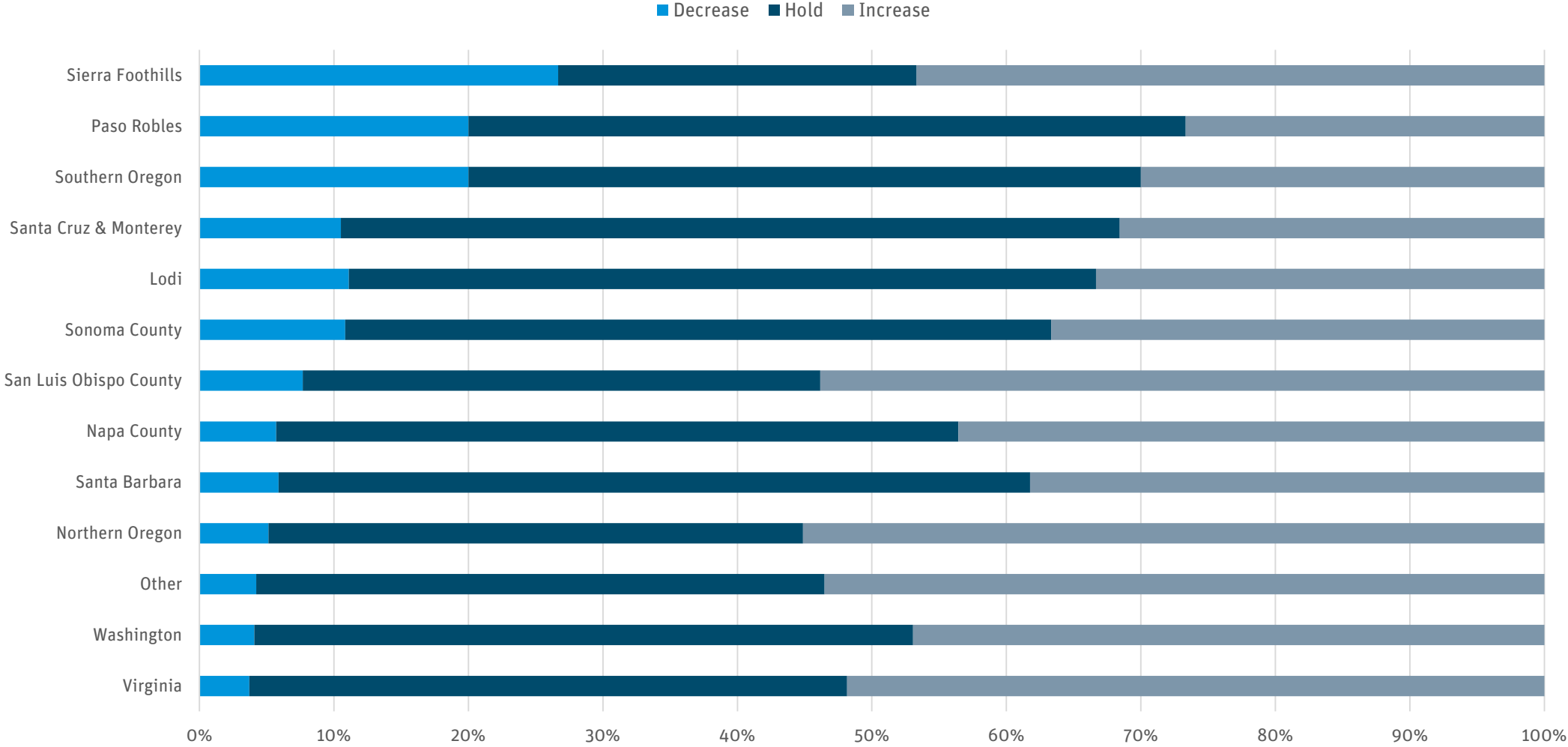
Projected Retail Price Changes in 2020



Source: SVB State of the Wine Industry Survey



Projected 2020 Retail Price Changes by Region



Source: SVB State of the Wine Industry Survey



Harvest Quality and Yield

2019 In Review and 2020 Grape Expectations



Summary

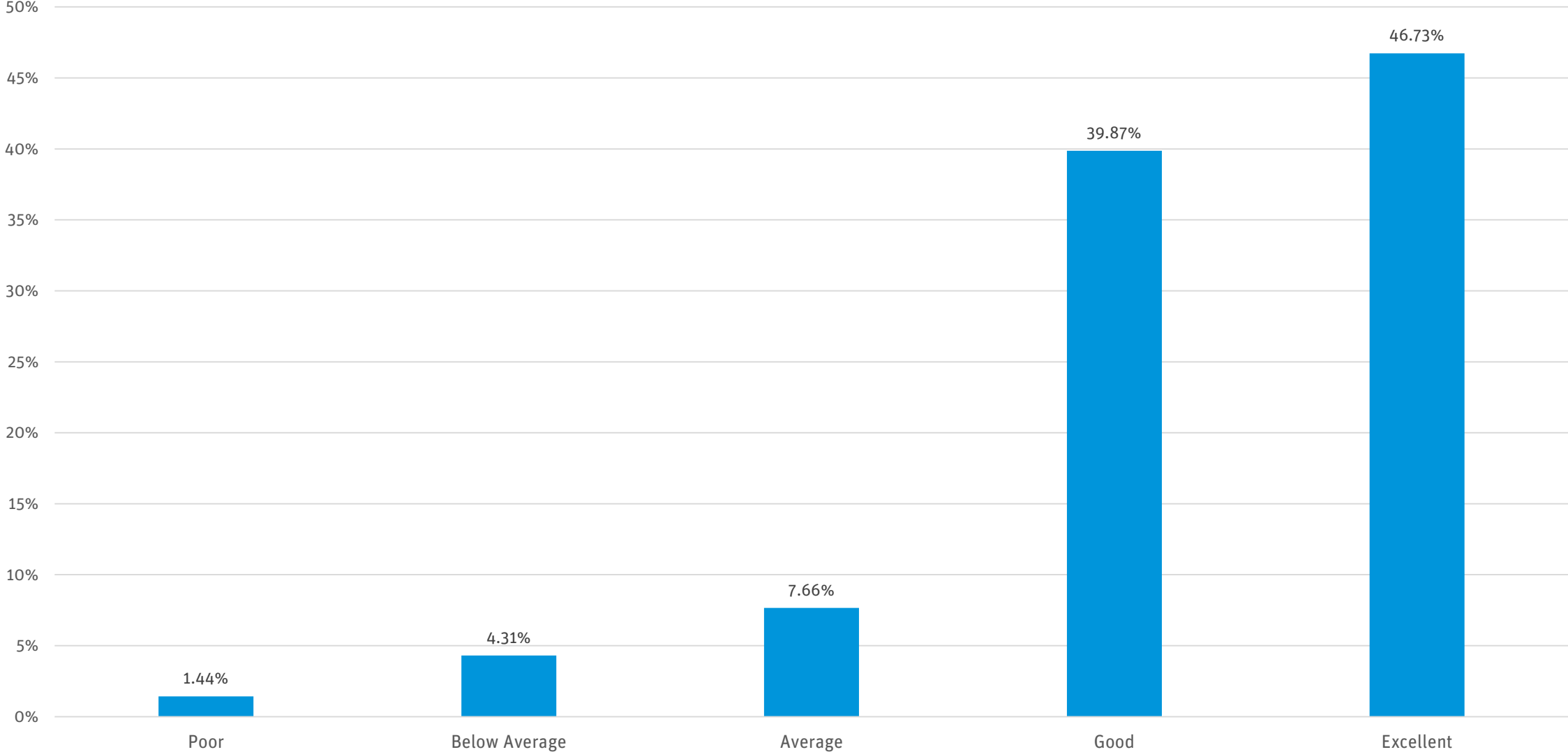
By almost all measures, 2019 was a great harvest. More than 86% of respondents reported the quality being either “good” or “excellent,” the latter group representing the largest proportion of responses at 46.7%. When it comes to 2019 harvest yield, 73% of responses indicated that their yield was at or better than average historical levels (32.8% reported better than average), and 49.8% reported that the yield was either above average levels or at a record-high. Meanwhile, less than 17% of responses this year reported their harvest yield being either below average or at a record-low.

Harvest always varies depending on the region, and that continues to be the case this year. From a quality perspective, Virginia had the greatest proportion of “excellent” responses with 81%, and Santa Cruz & Monterey was the only region that had all responses reporting quality at either “good” or “excellent.” From a yield perspective, Paso Robles had the best yields at 67% reporting either “better than average” or “record-high” yields. Livermore was the only region that had no responses indicating a yield that was either “below average” or “record-low” yields.

For quality, Southern Oregon had both the highest proportion of “poor” and “below average” quality responses, at 20% and 10%. For yield, Southern Oregon again had both the highest proportion of “record low” and “lower than average” yields, at 30% and 30%. All of this led to Virginia (8.44), Napa (8.03) and Santa Barbara (7.91) having the highest overall harvest ratings, while Southern Oregon had the lowest at 5.40.

As for expectations regarding how many tons of grapes will be purchased in 2020 and at what price, Sierra Foothills is predicting the highest average price per ton increase at 3.8% (versus the average of -0.96%), and Santa Barbara is predicting the highest average tonnage purchased increase at 9.4% (versus the average of 2.81%). Sierra Foothills is also the only region that is expecting the price per ton of purchased grapes to increase more than the tons of grapes purchased. Napa County, Lodi, Santa Cruz, Monterey, San Luis Obispo and Sonoma County all are predicting negative changes in price per ton suggesting that these regions will pay less for tons purchased.

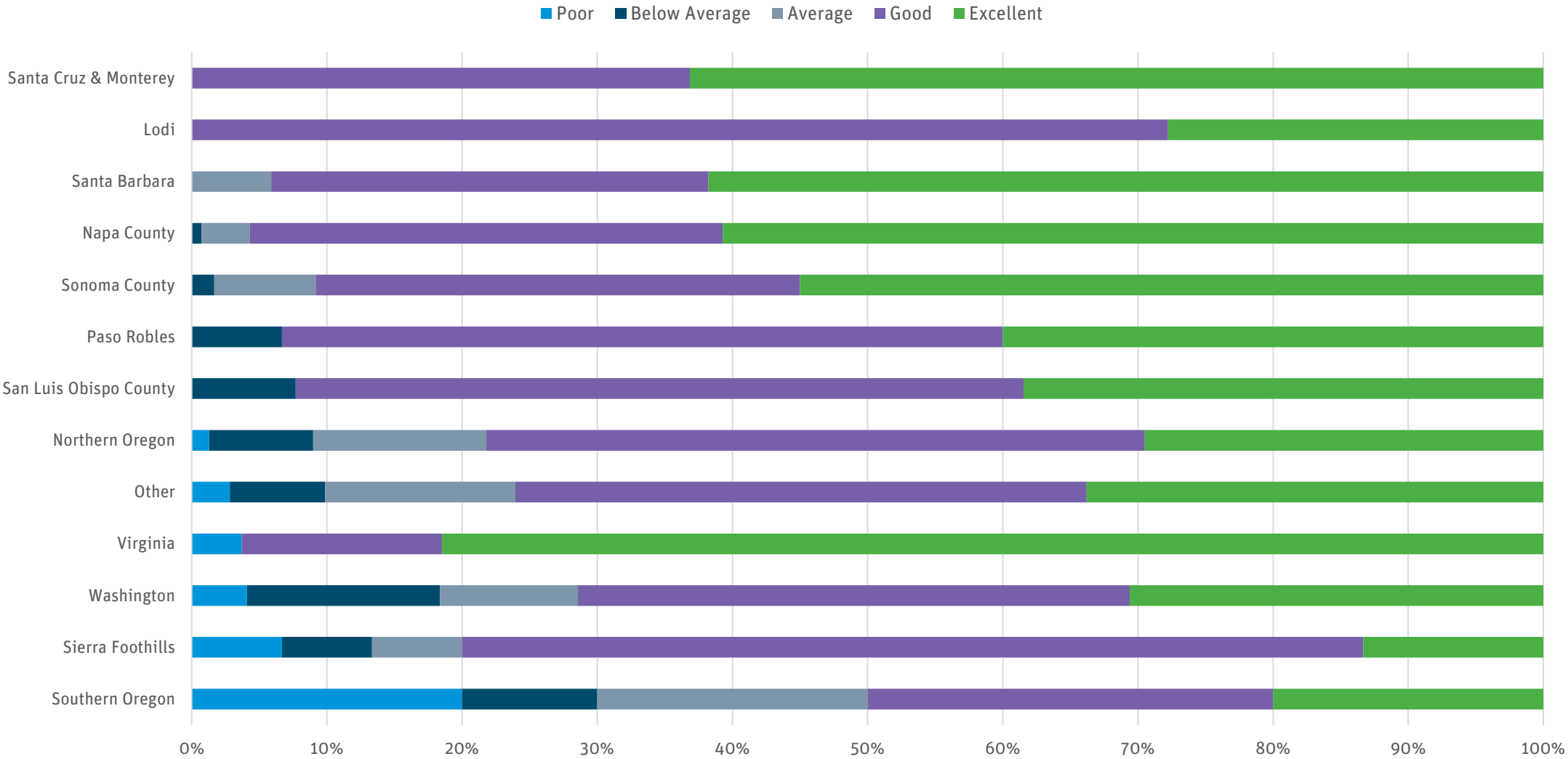
2019 Harvest Quality



Source: SVB State of the Wine Industry Survey



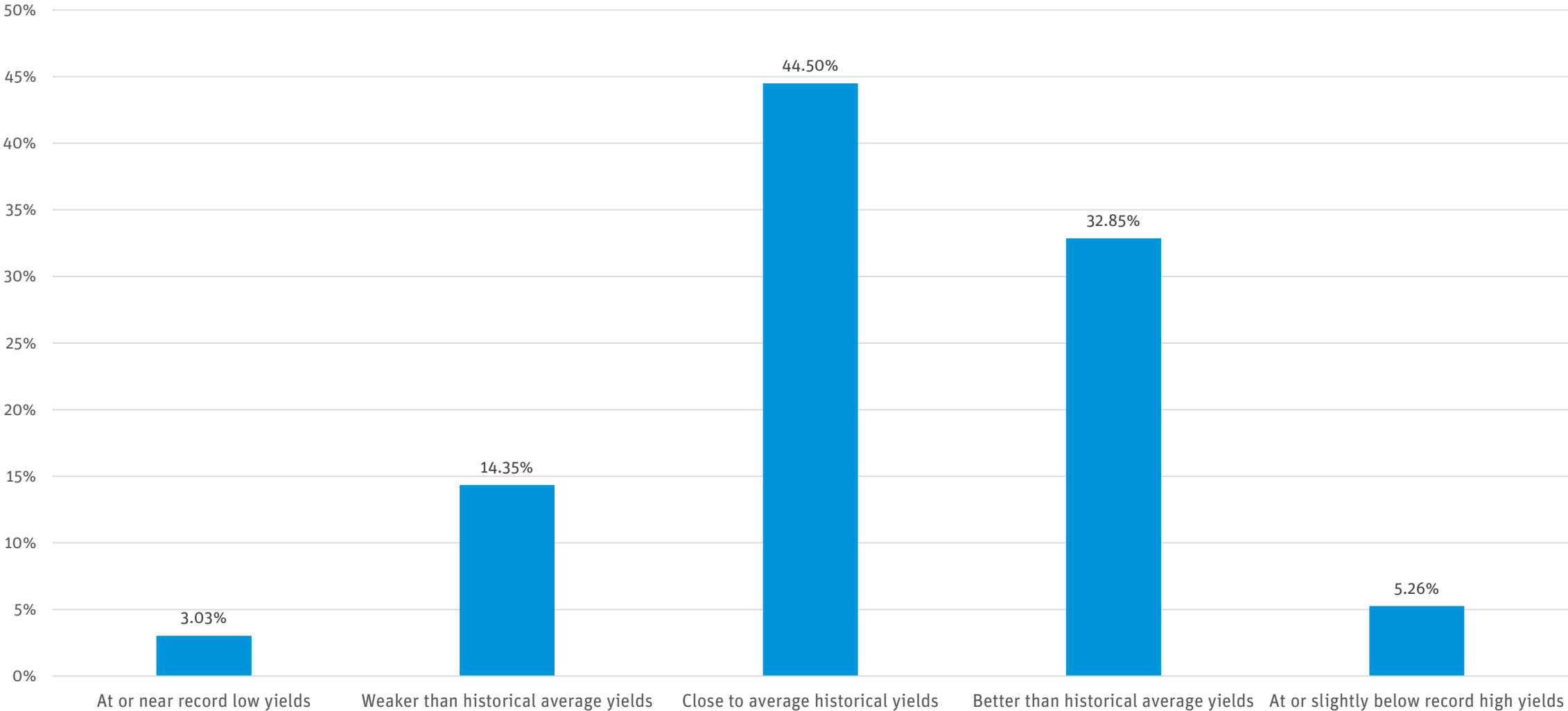
2019 Harvest Quality by Region



Source: SVB State of the Wine Industry Survey



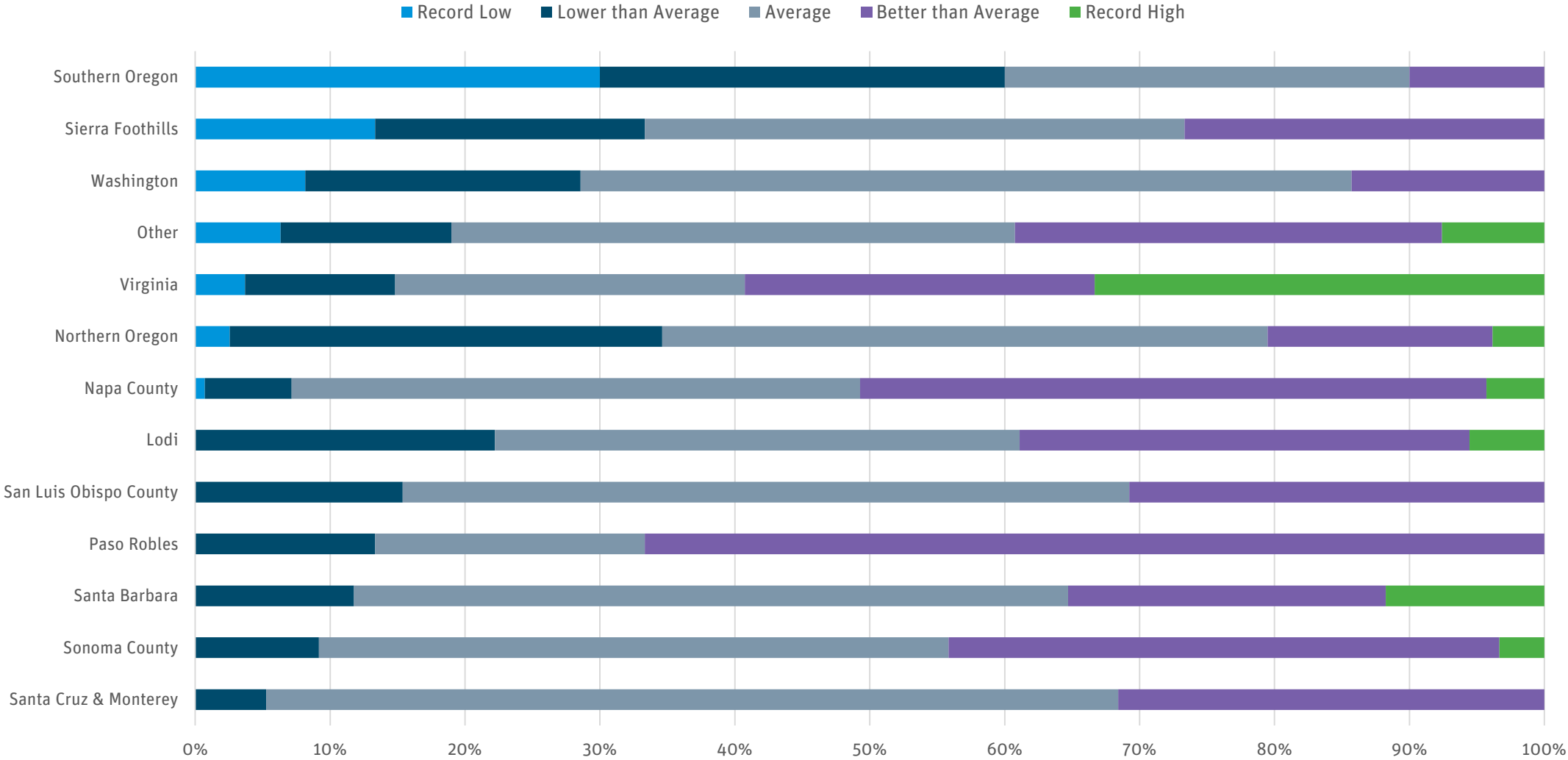
2019 Harvest Yields



Source: SVB State of the Wine Industry Survey



2019 Harvest Yield by Region



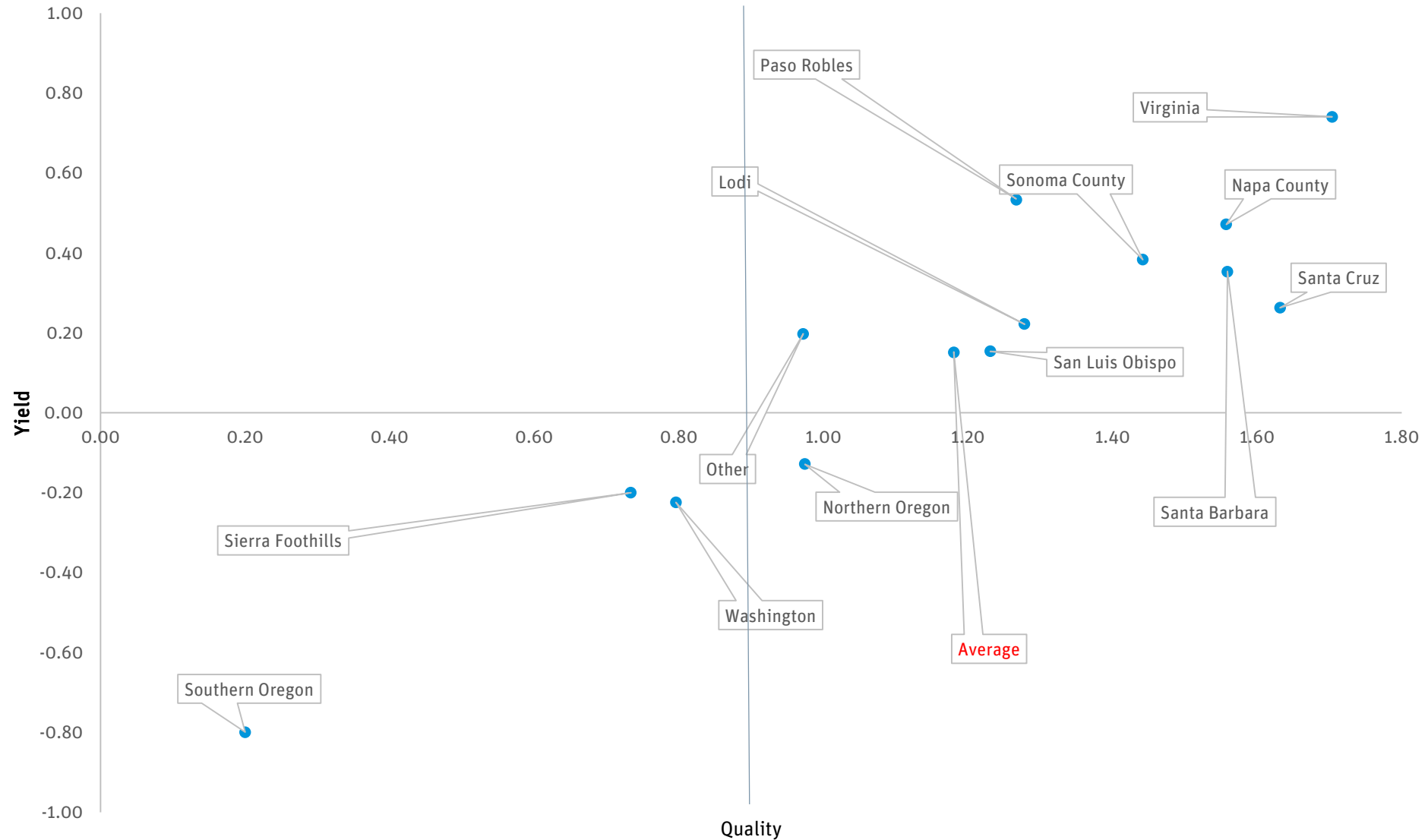
Source: SVB State of the Wine Industry Survey



2019 Harvest Rating

Region	Harvest Rating
Virginia	8.44
Napa County	8.03
Santa Barbara	7.91
Santa Cruz & Monterey	7.89
Sonoma County	7.83
Paso Robles	7.80
Lodi	7.50
San Luis Obispo County	7.38
Other	7.17
Northern Oregon	6.85
Washington	6.57
Sierra Foothills	6.53
Southern Oregon	5.40

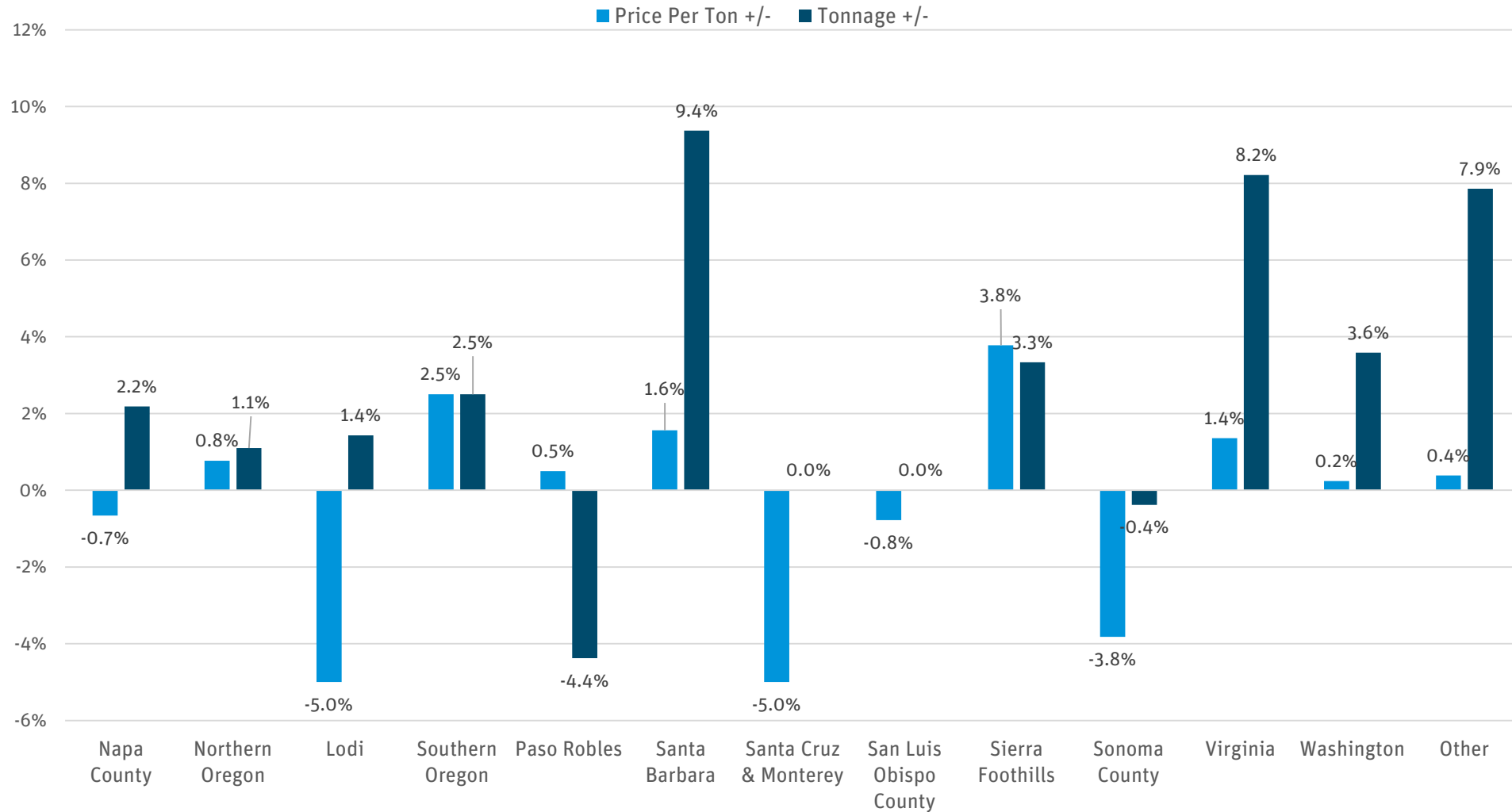
2019 Harvest Rating by Region



Source: SVB State of the Wine Industry Survey



Projected 2020 Grape Purchase Expectations by Region



Source: SVB State of the Wine Industry Survey

Sales and Acquisitions



Summary

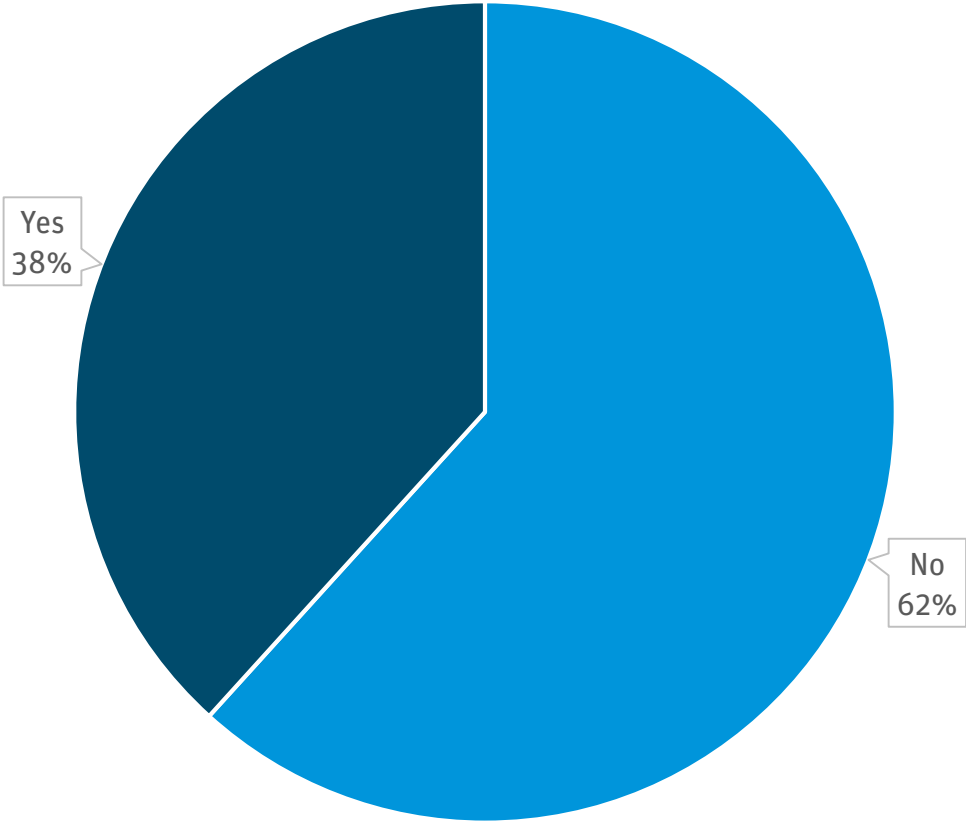
The subject of acquisitions remains a topic of conversation as roughly two out of five respondents indicated they are considering acquiring or would consider acquiring a hospitality facility, winery/production facility, vineyard, or brand in the next five years. There are varying degrees of interest, but wineries located in the Sierra Foothills region and abroad have the largest concentration of respondents (>50%) indicating interest in an acquisition. For those that are interested in an acquisition, a vineyard was the overwhelming favorite at 74%, followed by a winery at 61%, representing 26.6% and 21.8% of total responses, respectively. Acquiring a hospitality facility had the least interest at 43%, which is equivalent to 15.4% of responses. Overall, wineries with lower case production showed more interest in acquiring a vineyard, winery or hospitality facility and similar interest in acquiring a brand when compared to wineries with higher case production. In general, as case production increases, acquisition interest decreases.

Regionally, results were mixed with wineries in Virginia showing the most interest in acquiring a vineyard followed by wineries in Lodi, while Virginia responded with little interest in acquiring a brand and Lodi showed moderate interest in acquiring a brand; producers in the Sierra Foothills had the highest interest in acquiring a winery/production facility followed closely by Washington and Southern Oregon, while Washington and Sierra Foothills indicated some of the least interest in acquiring a hospitality facility; wineries located in San Luis Obispo County and Virginia indicated the most interest in acquiring a hospitality facility while responding with very little interest in acquiring a brand; Santa Cruz and Monterey overwhelming have the most interest in acquiring a brand, while exhibiting moderate interest in acquiring a vineyard or winery/production facility.

Regarding sales, 52% of respondents said that a sale of their winery in the next five years is either unlikely or not going to happen, while 31% said it is likely or they would seriously consider it, and the remaining 17% left the door open for the possibility. There were some clear indicators of wineries that are more open to the idea of selling. For instance, wineries in the Southern Oregon were much more open to the idea than wineries in Paso Robles. Wineries with higher case production were generally less interested in the idea of selling. Finally, in a clear trend, wineries that indicated weaker financial performance were far more interested in selling.

Using the respondents to this survey as a sample and Americanwineryguide.com's database of wineries, we were able to determine an estimate of the number of wineries in each region that may be interested in a sale within the next five years. Napa County had the most at 257 out of 1,025, followed by Washington (236), and Sonoma (231). Lodi had the least at only 33 followed by San Luis Obispo (52). As a percentage of total estimated regional wineries, Southern Oregon had the highest percentage of potential sellers at 70%, followed by Santa Cruz and Monterey at 42% and Sierra Foothills at 40%.

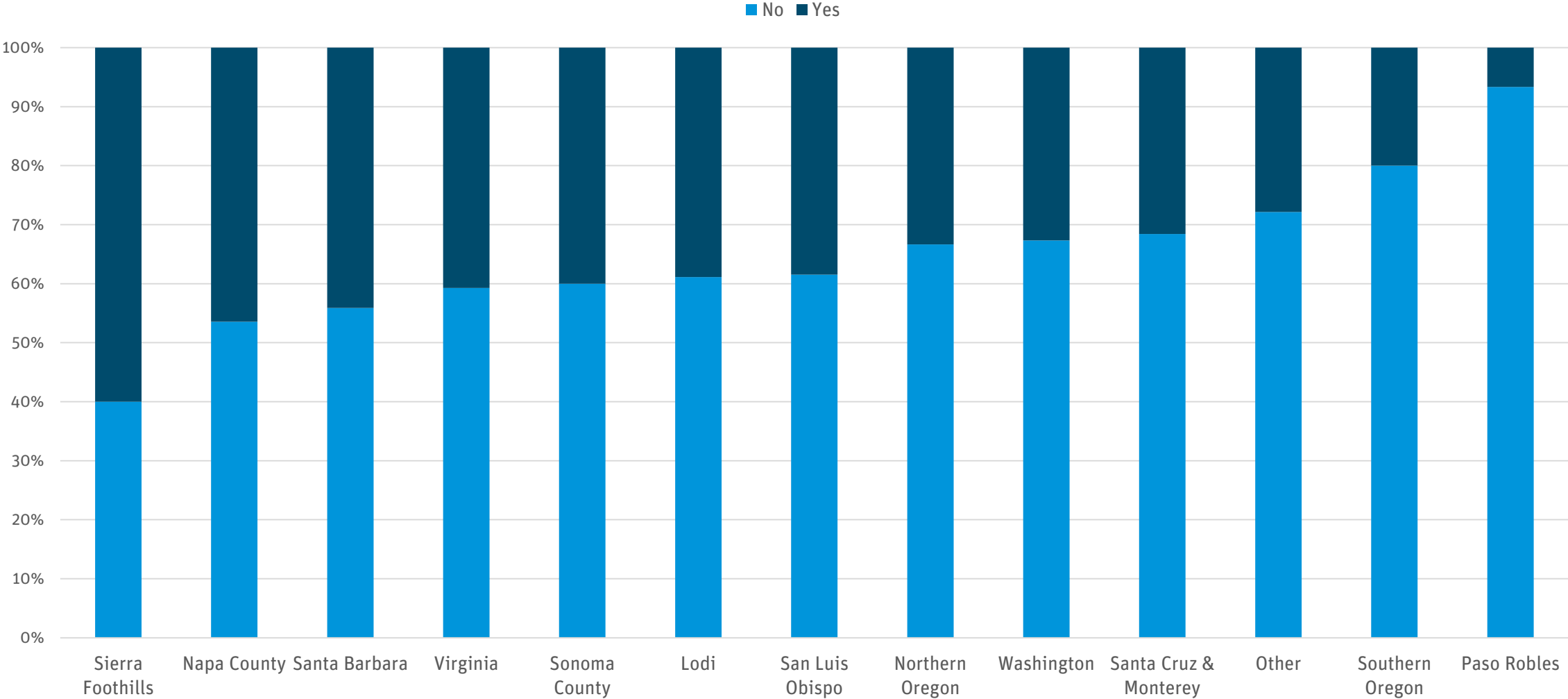
“Are you currently considering or would you consider the acquisition of a brand, vineyard and/or facility within the next 5 years?”



Source: SVB State of the Wine Industry Survey



Regions with Greater Interest in Acquisitions

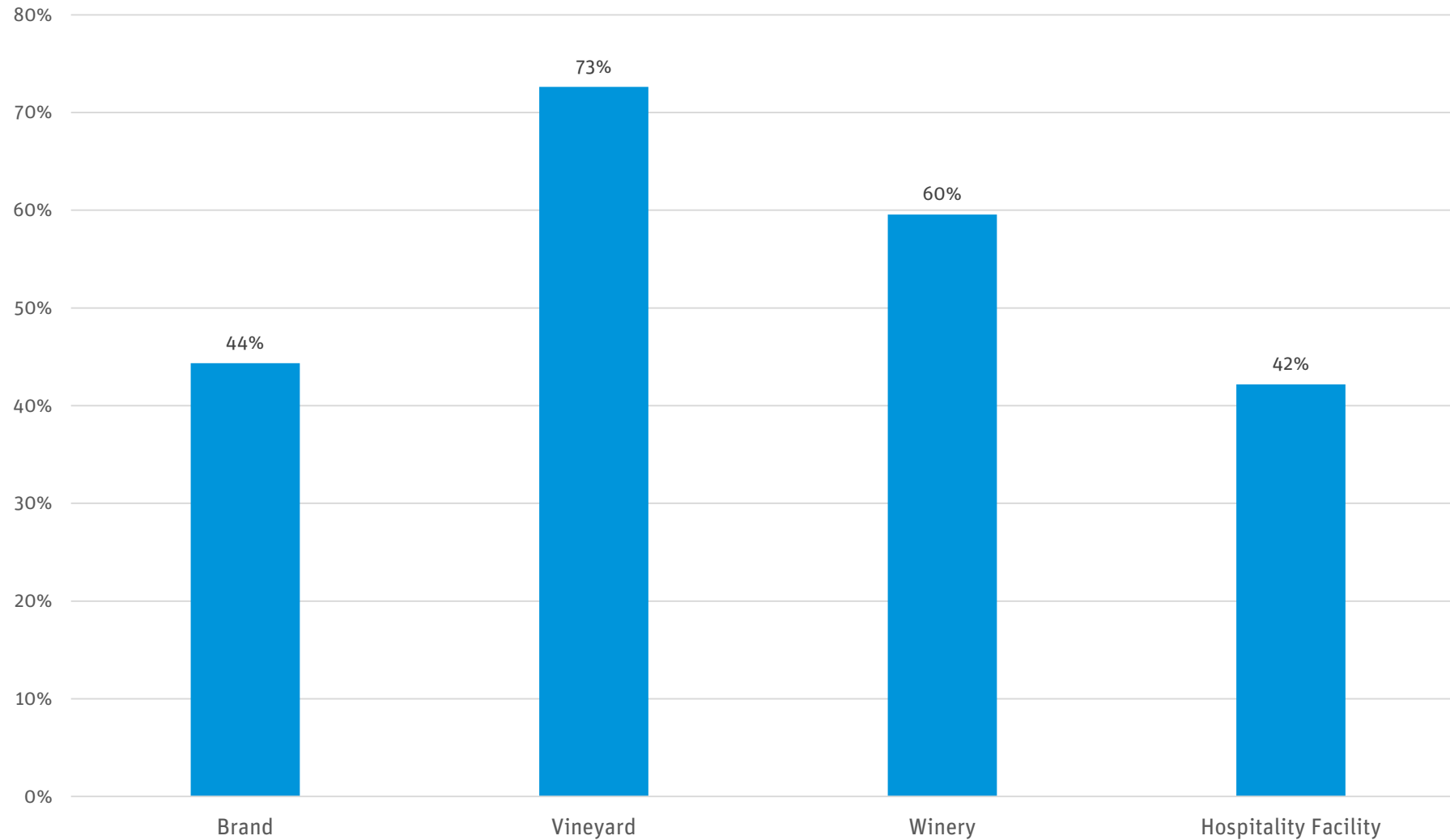


Source: SVB State of the Wine Industry Survey



Acquisition Would Include?

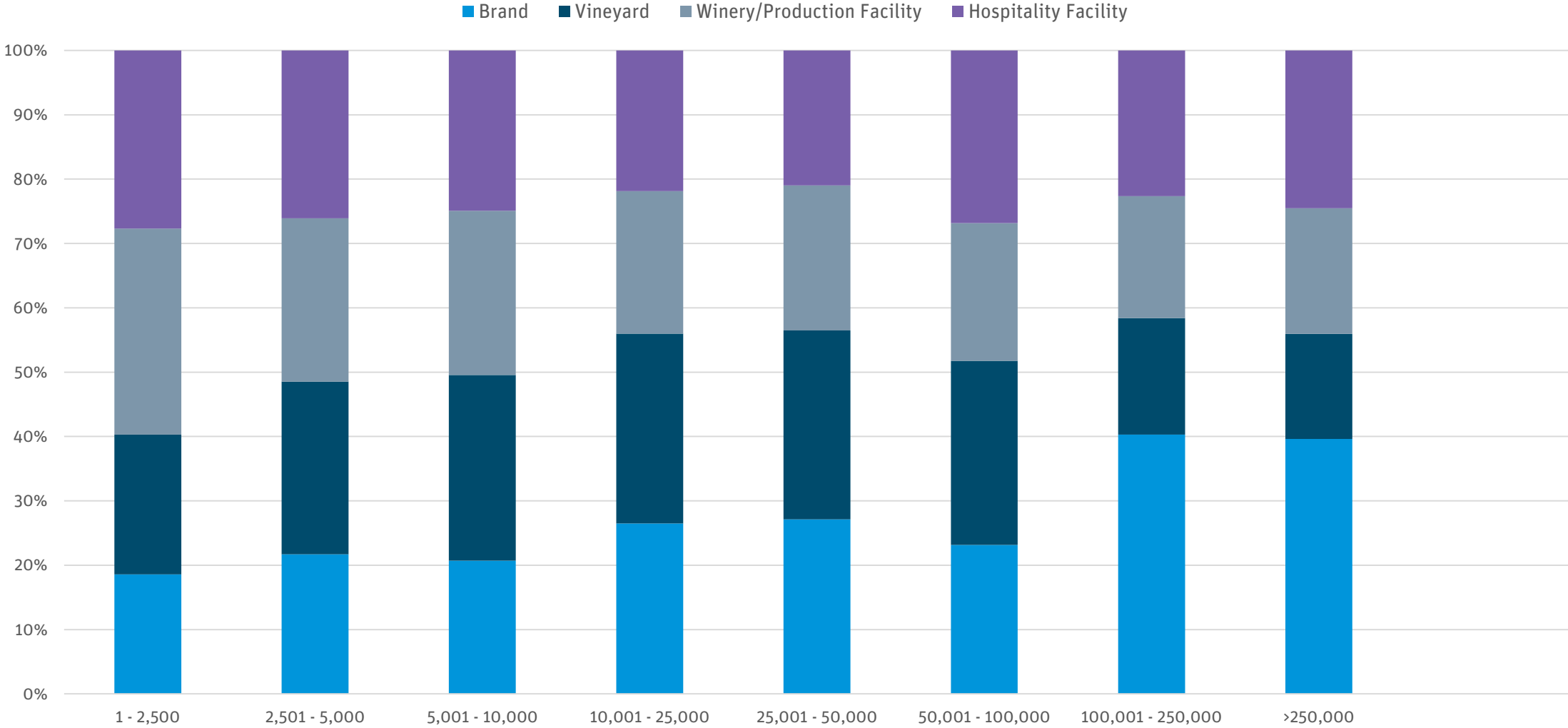
Respondents could choose more than one option



Source: SVB State of the Wine Industry Survey



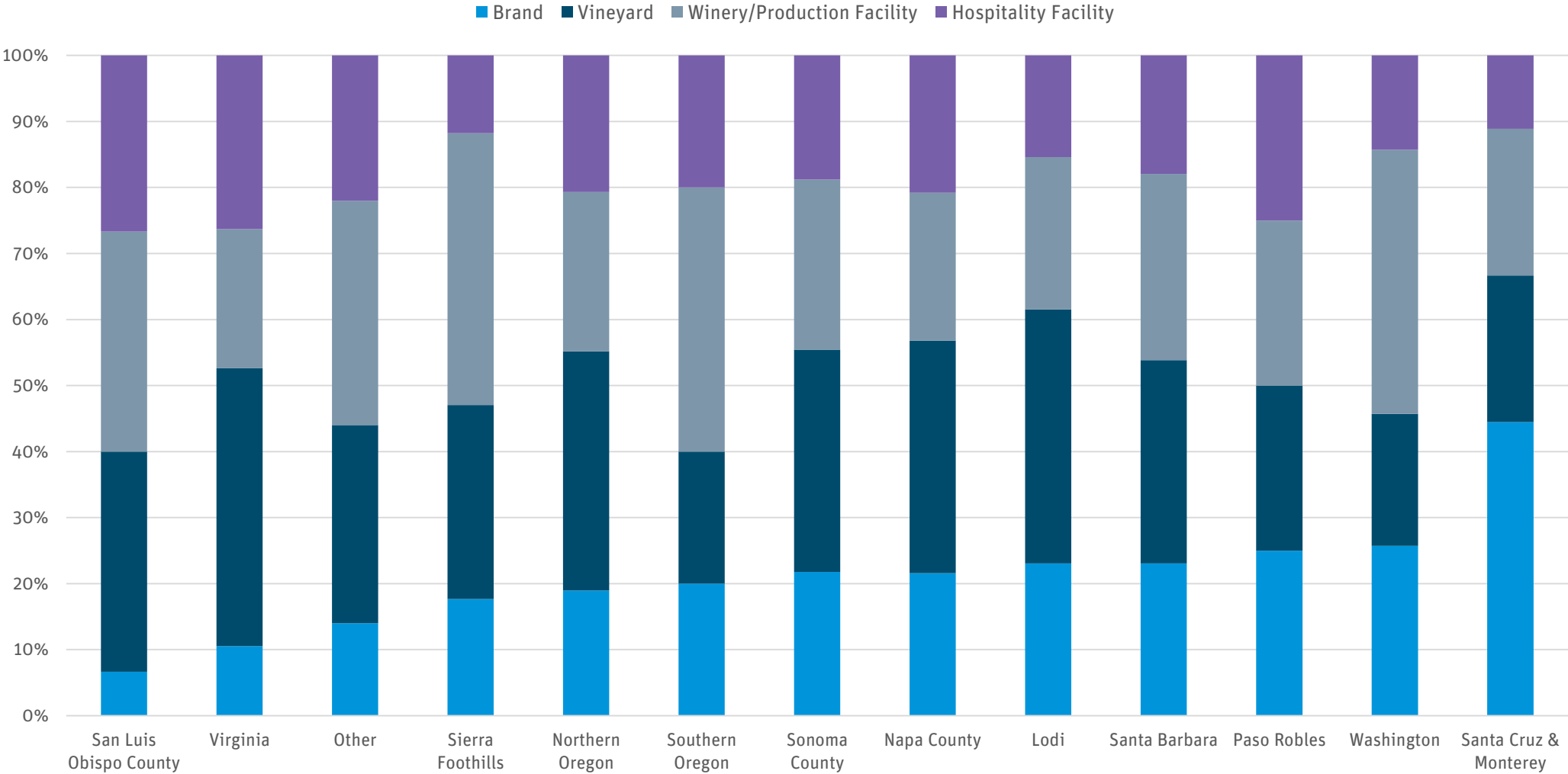
Interest in Acquisition by Case Production



Source: SVB State of the Wine Industry Survey



Regional Interest in Acquisition

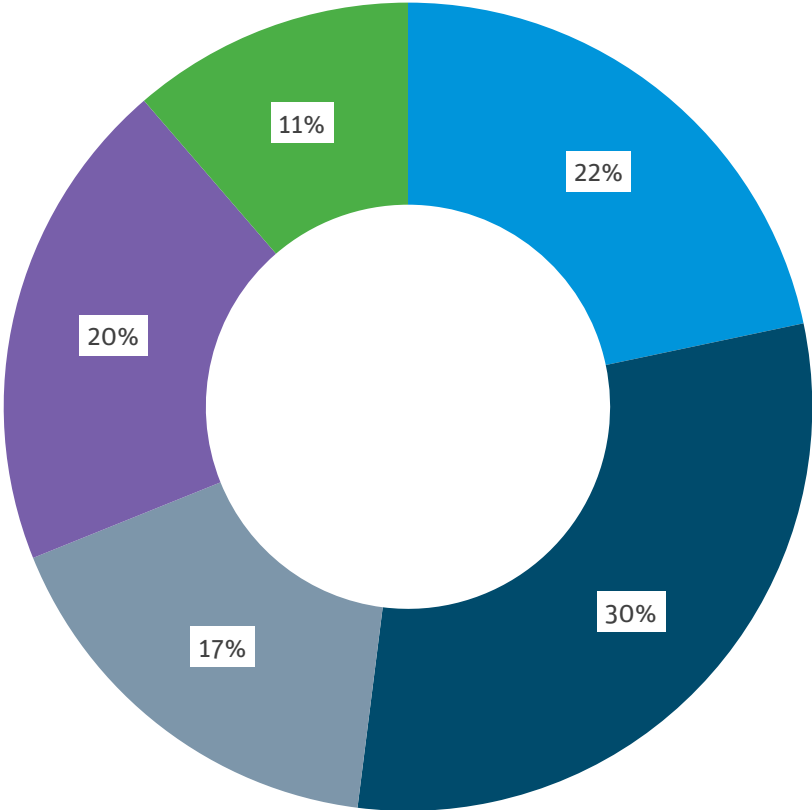


Source: SVB State of the Wine Industry Survey



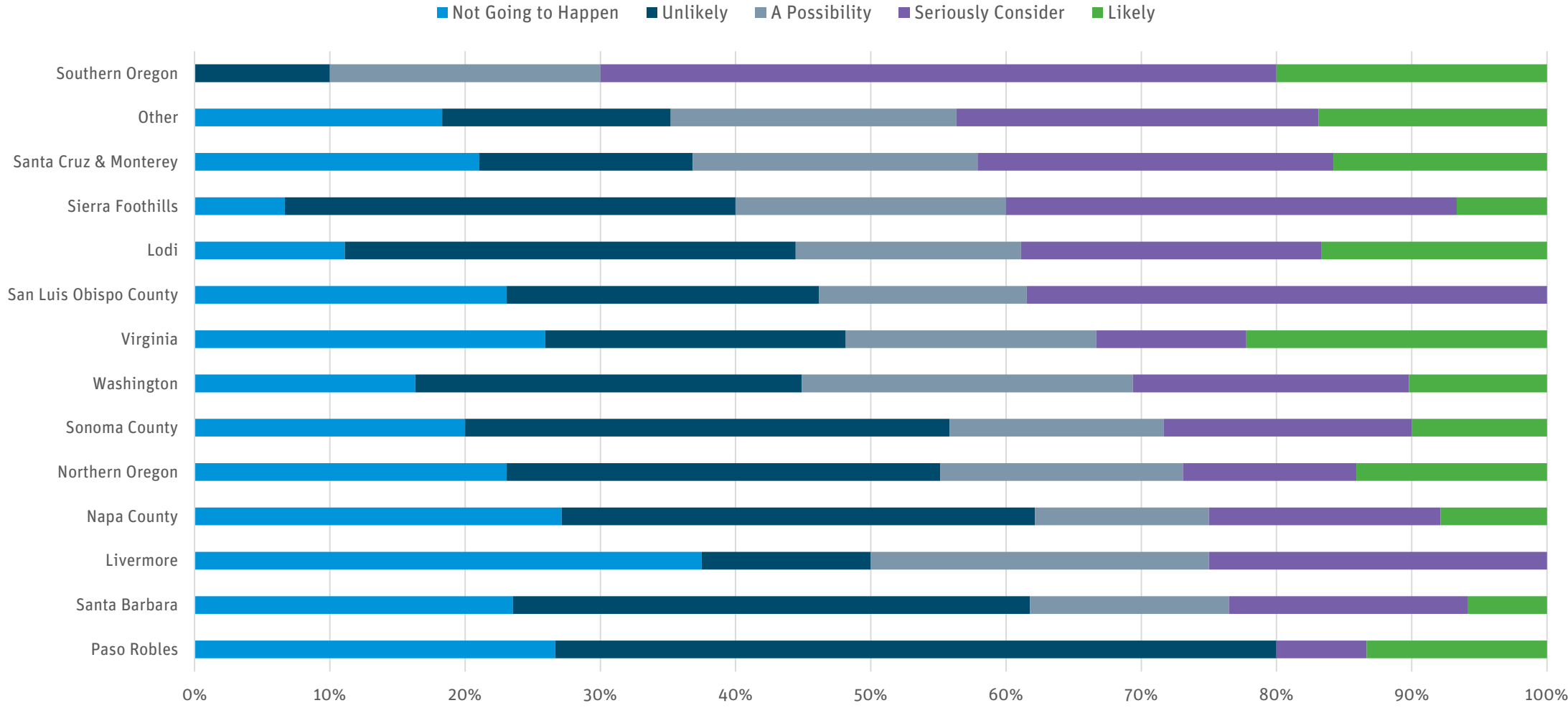
“In the next 5 years, presuming you receive a fair price, the sale of your winery would be...”

■ Not going to happen ■ Unlikely ■ A possibility ■ Something you'd seriously consider ■ Likely



Source: SVB State of the Wine Industry Survey

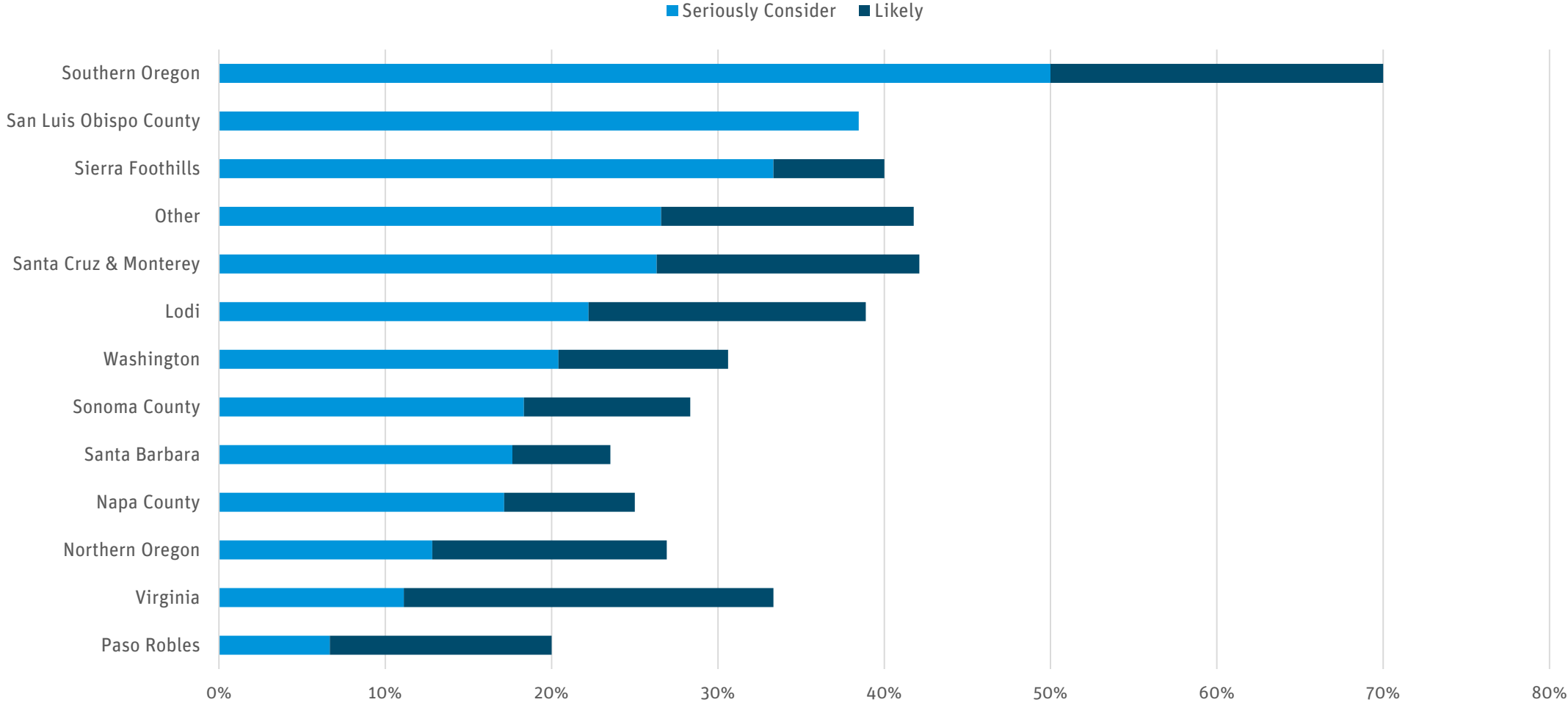
“In the next 5 years, presuming you receive a fair price, the sale of your winery would be...”



Source: SVB State of the Wine Industry Survey



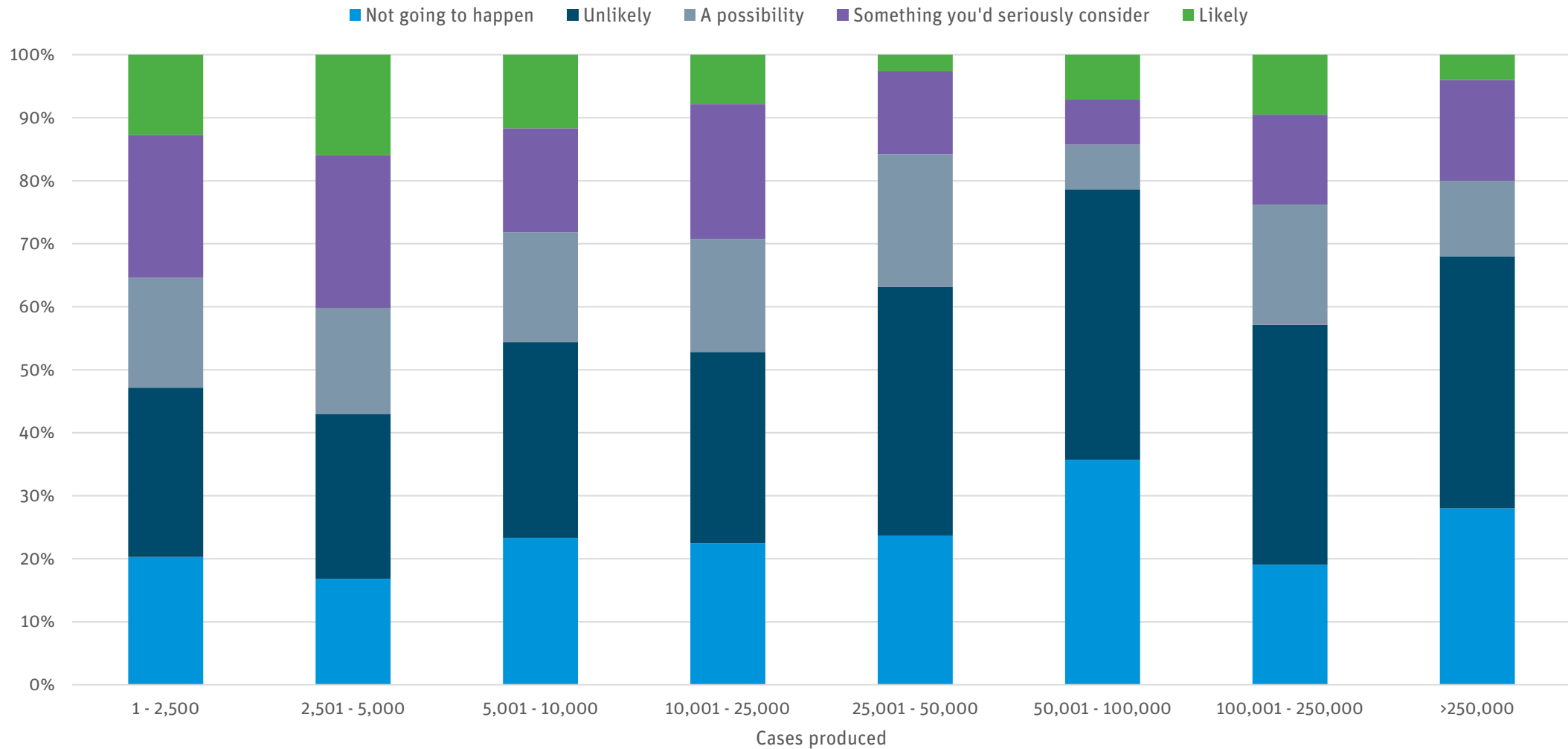
2019 Regions Seriously Considering a Sale



Source: SVB State of the Wine Industry Survey



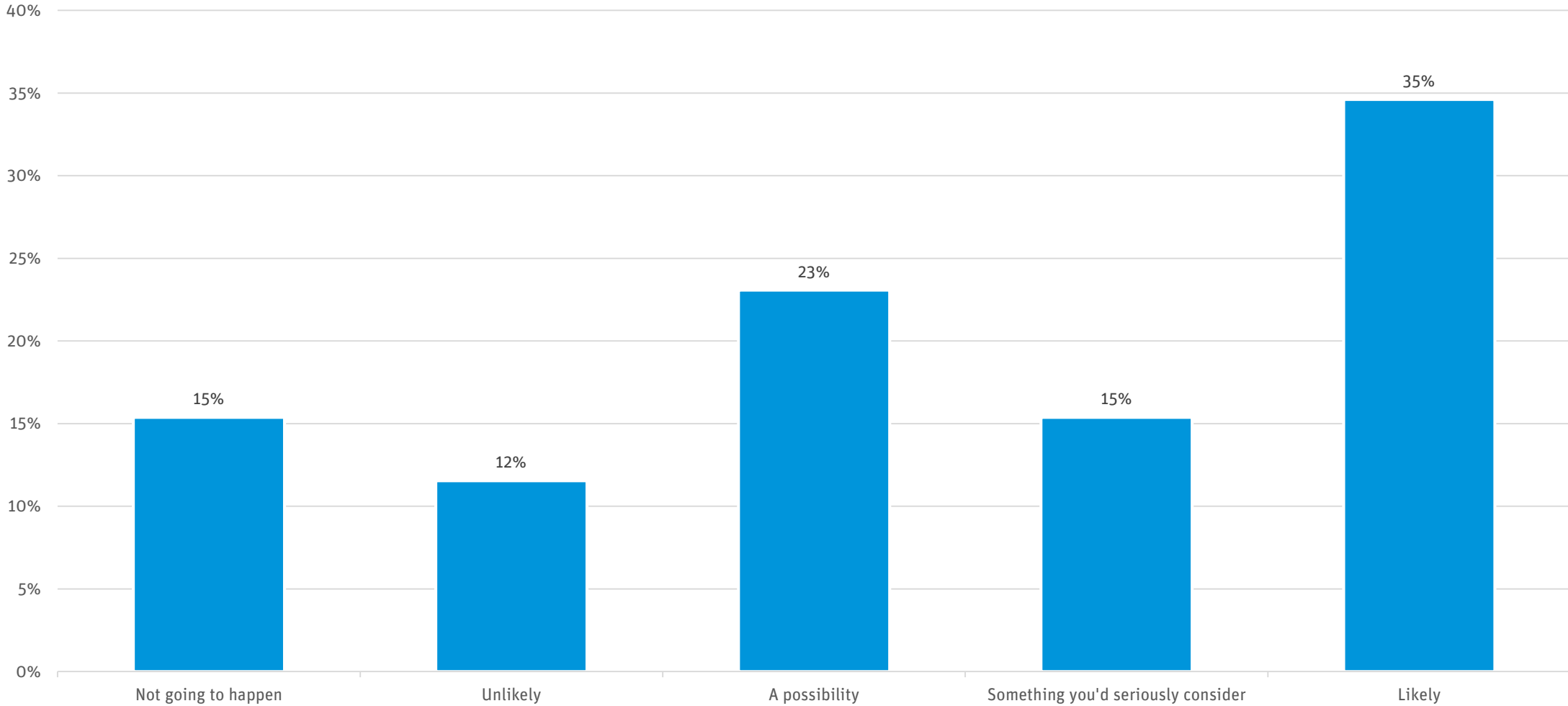
“In the next 5 years, presuming you receive a fair price, the sale of your winery would be...”



Source: SVB State of the Wine Industry Survey



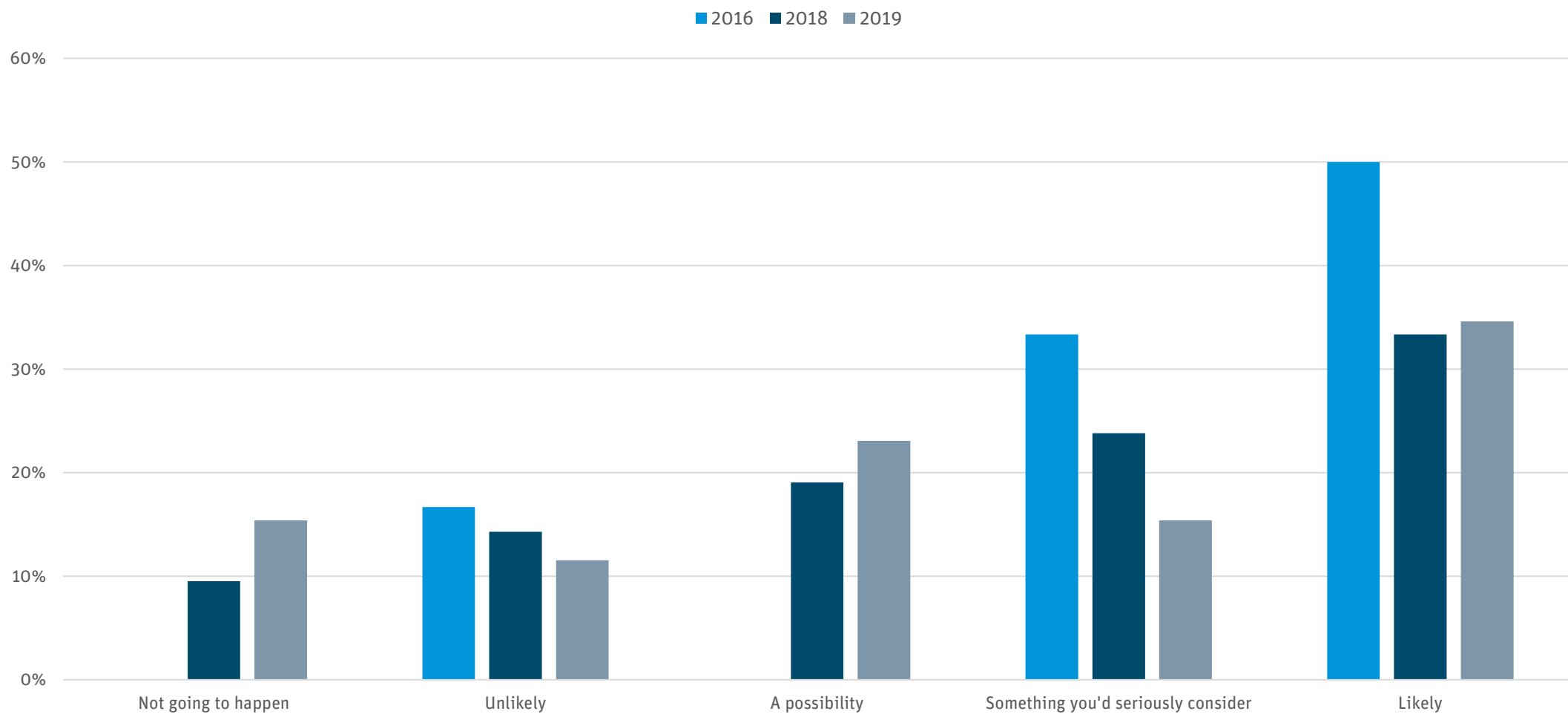
Likelihood of Winery Sale within 5 Years for Wineries with Weaker Financial Performance



Source: SVB State of the Wine Industry Survey



Year-over-Year Comparison: Likelihood of Winery Sale within 5 Years for Wineries with Weaker Financial Performance



Source: SVB State of the Wine Industry Survey



Wine Tourism and Local Politics

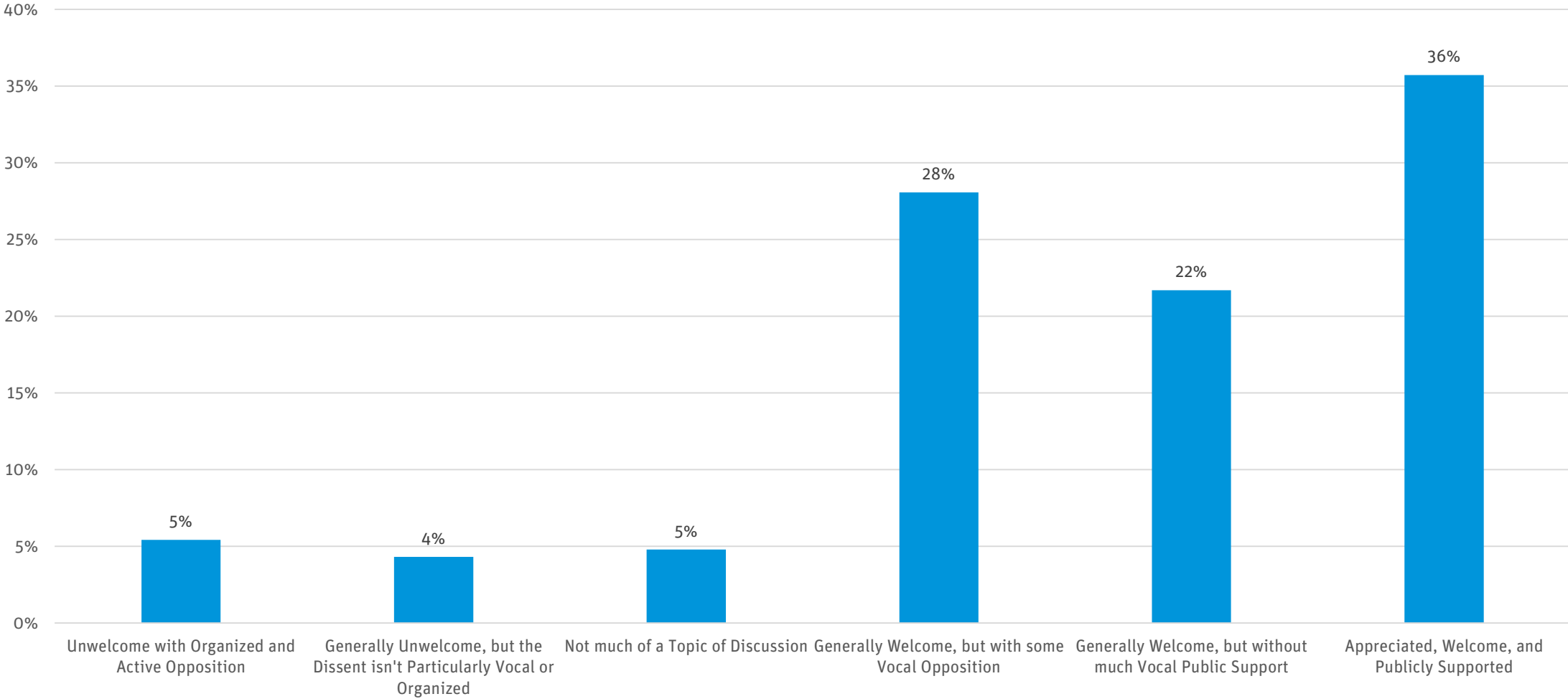


Summary

Generally, tourism is perceived to be welcomed in 2019. Only 9% of respondents this year indicated the local opinion on tourism is that it is unwelcome (down from 11% in 2018), while 50% said that it is welcome with some opposition, and the remaining 36% said that tourism is appreciated and welcomed (up from 34% in 2018).

Tourism is especially welcomed in regions like Southern Oregon (90% welcome with no opposition) and Paso Robles (87% welcome with no opposition). However, tourism is a polarizing topic. Regions like Napa (46% welcome with opposition and 19% unwelcome), Sonoma (37% welcome with opposition and 15% unwelcome), and especially Santa Barbara (35% unwelcome and 32% welcome with opposition) are far less welcoming of tourists, whether that is to the benefit of local wineries or not.

2019 Local Opinion on Tourism

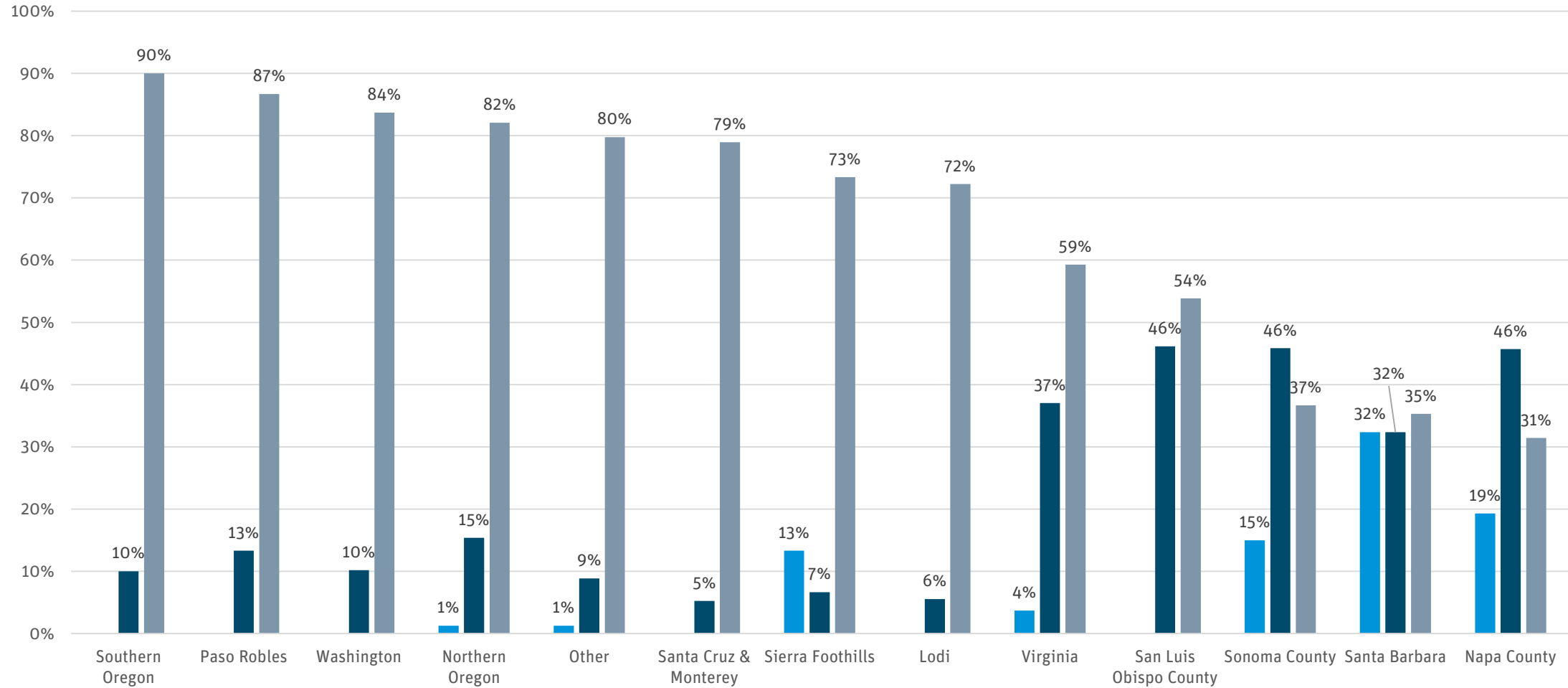


Source: SVB State of the Wine Industry Survey



2019 Local Opinion on Tourism

■ Unwelcome ■ Welcome with Opposition ■ Welcome



Source: SVB State of the Wine Industry Survey

Winery Confidence Rating



Summary

In the following charts, the Net Sentiment Scale ranges from -100 (entirely pessimistic) to +100 (entirely optimistic), with the midpoint of 0 representing neutrality.

We thought winery confidence was looking pessimistic in 2018 – but the overall sentiment for 2019 came in at a whopping **-49%**. Increasing concerns about the global economy, legislation and substitutes, whether they be hard seltzers or cannabis, has our industry uncertain about the outlook for their wines and the industry. The only positively trending sentiments in 2019 were about the availability of fruit and capital!

Interestingly, our break-away AVA, Paso Robles (and to a lesser degree Oregon) seems to be the only region with an overall rosy outlook for the future.

Explanations for the negative sentiments could be:

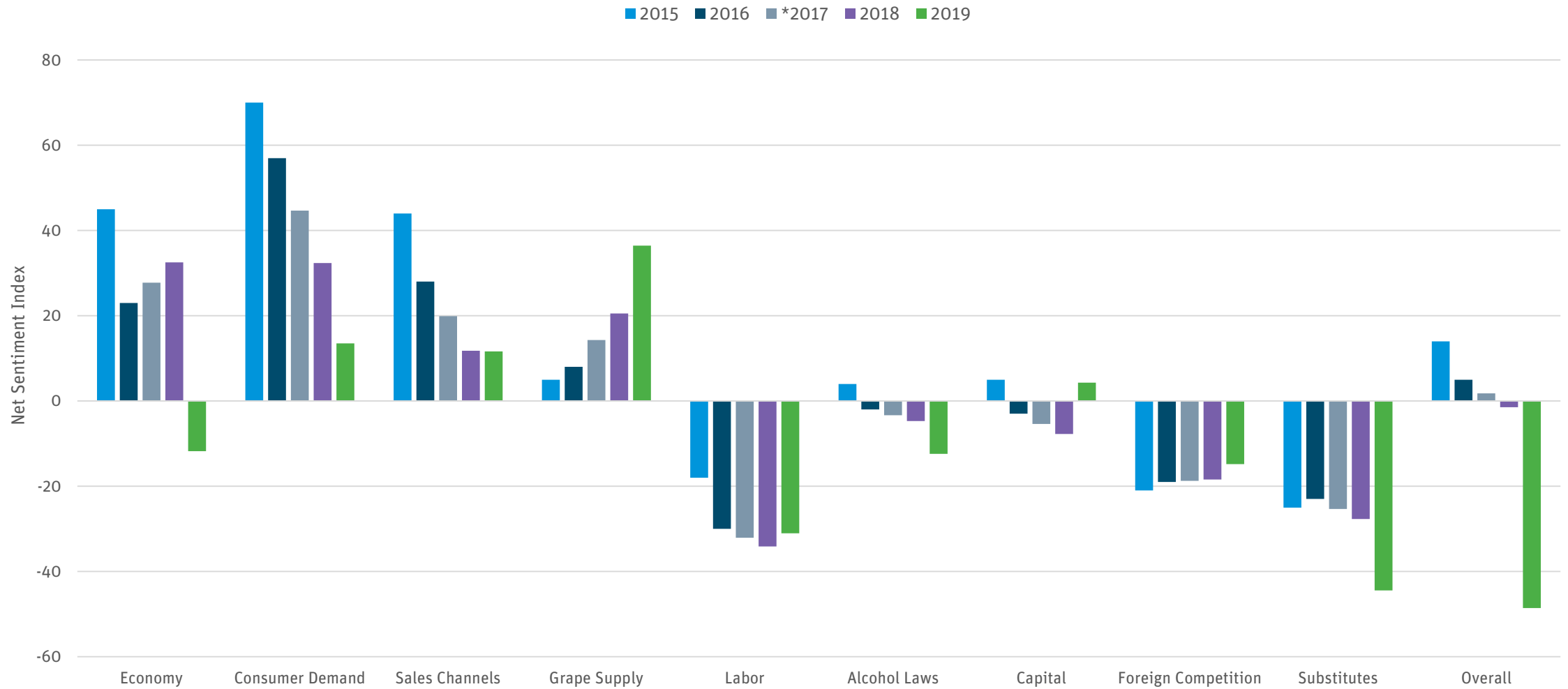
- Trade wars – Retaliatory tariffs on US wines in both the EU and China; trickle down effect of more expensive packaging materials
- Competition from Cannabis industry for customers, labor, land etc.
- Alternative Beverages (hard seltzer) offers cheaper and 'healthier' alternative

Positive sentiments fueled by:

- Bumper crops in most regions and softening fruit prices
- The Federal Reserve lowering benchmark interest rates 3x in 2019 allows for cheaper capital and incentivized sellers

Trend of Industry Sentiments

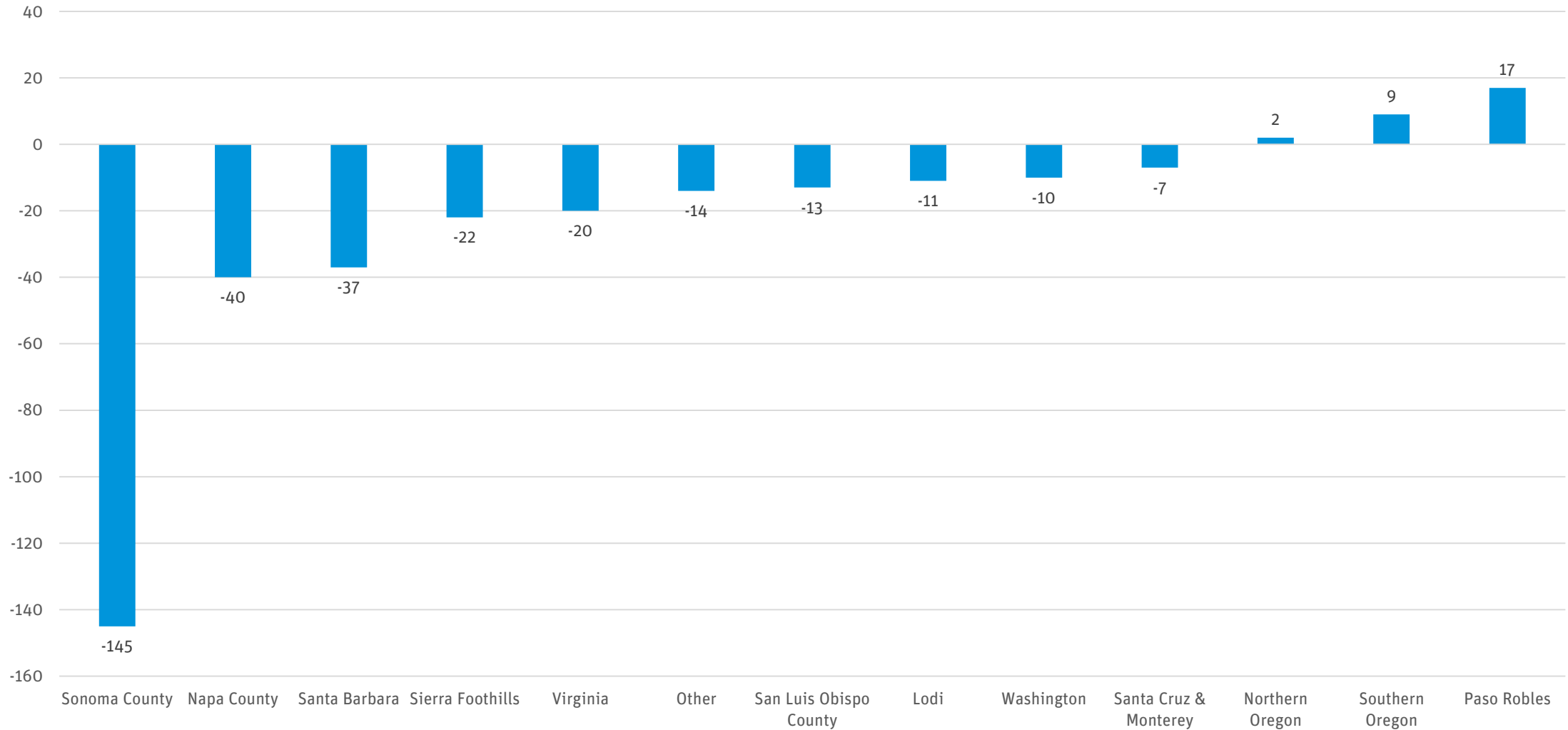
Total “Positive” responses to each category, minus total “Negative” responses to each category divided by total responses



Source: SVB State of the Wine Industry Survey

2019 Industry Sentiments

Total “Positive” responses for each region, minus total “Negative” responses for each region

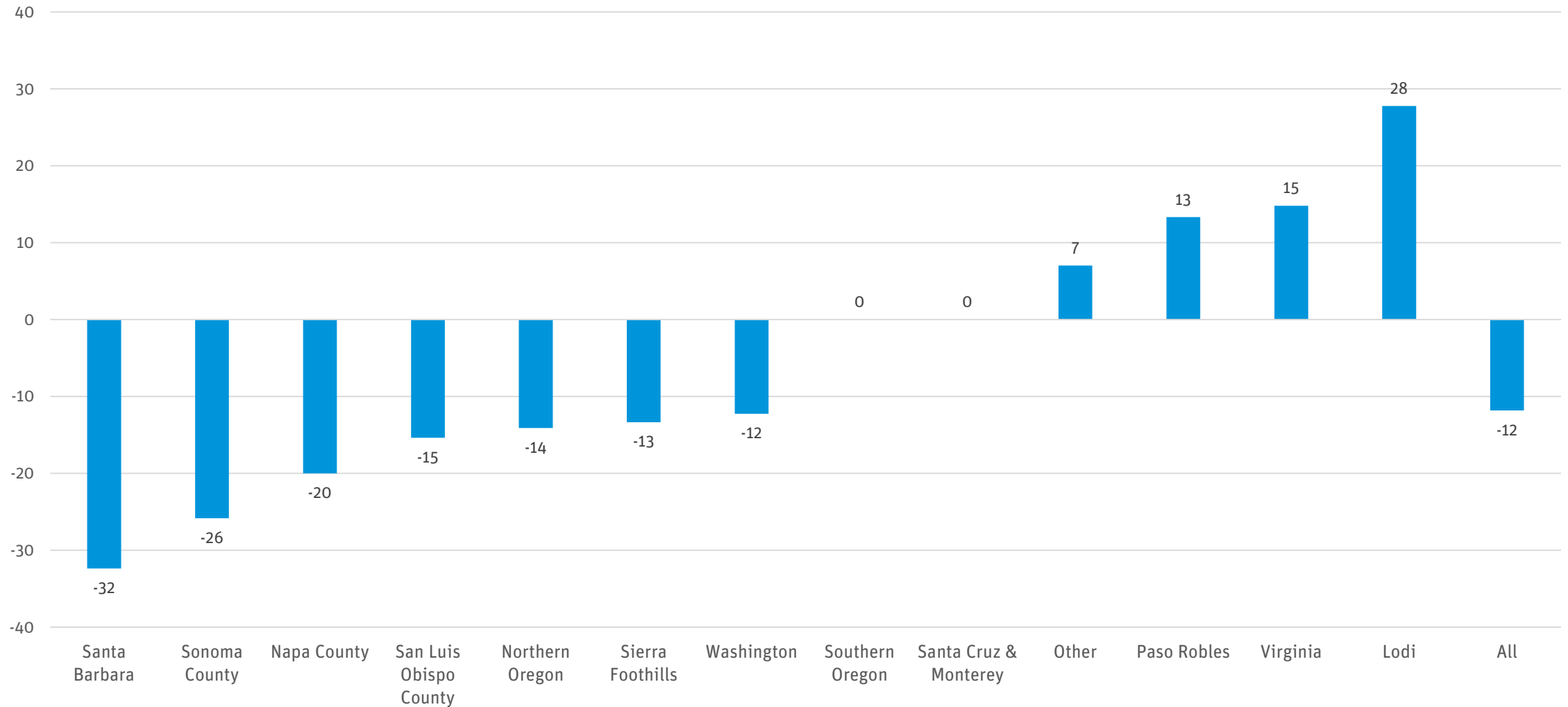


Source: SVB State of the Wine Industry Survey



Industry Sentiments Regarding the Economy

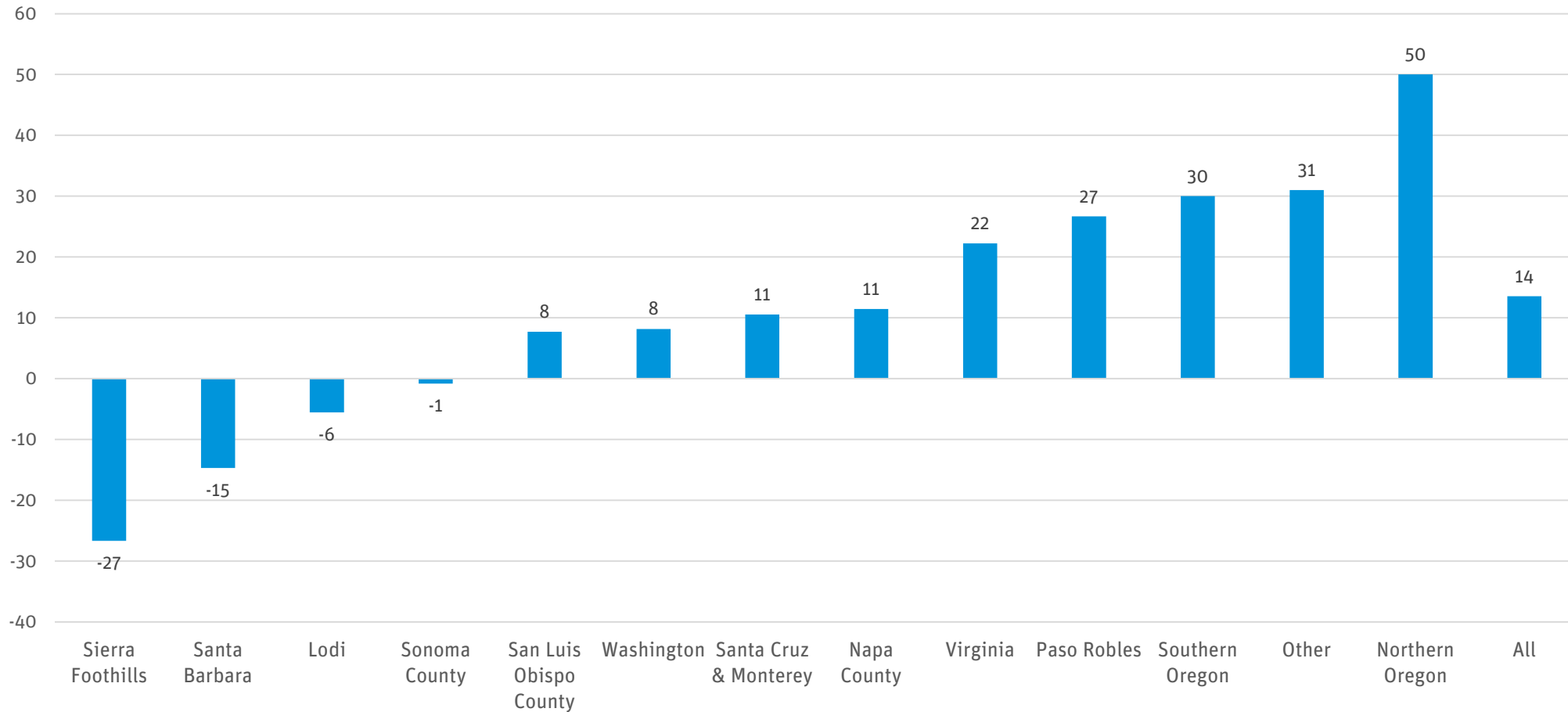
Total “Positive” minus total “Negative” responses for each region, divided by total responses from that region



Source: SVB State of the Wine Industry Survey

Industry Sentiment Regarding Consumer Demand

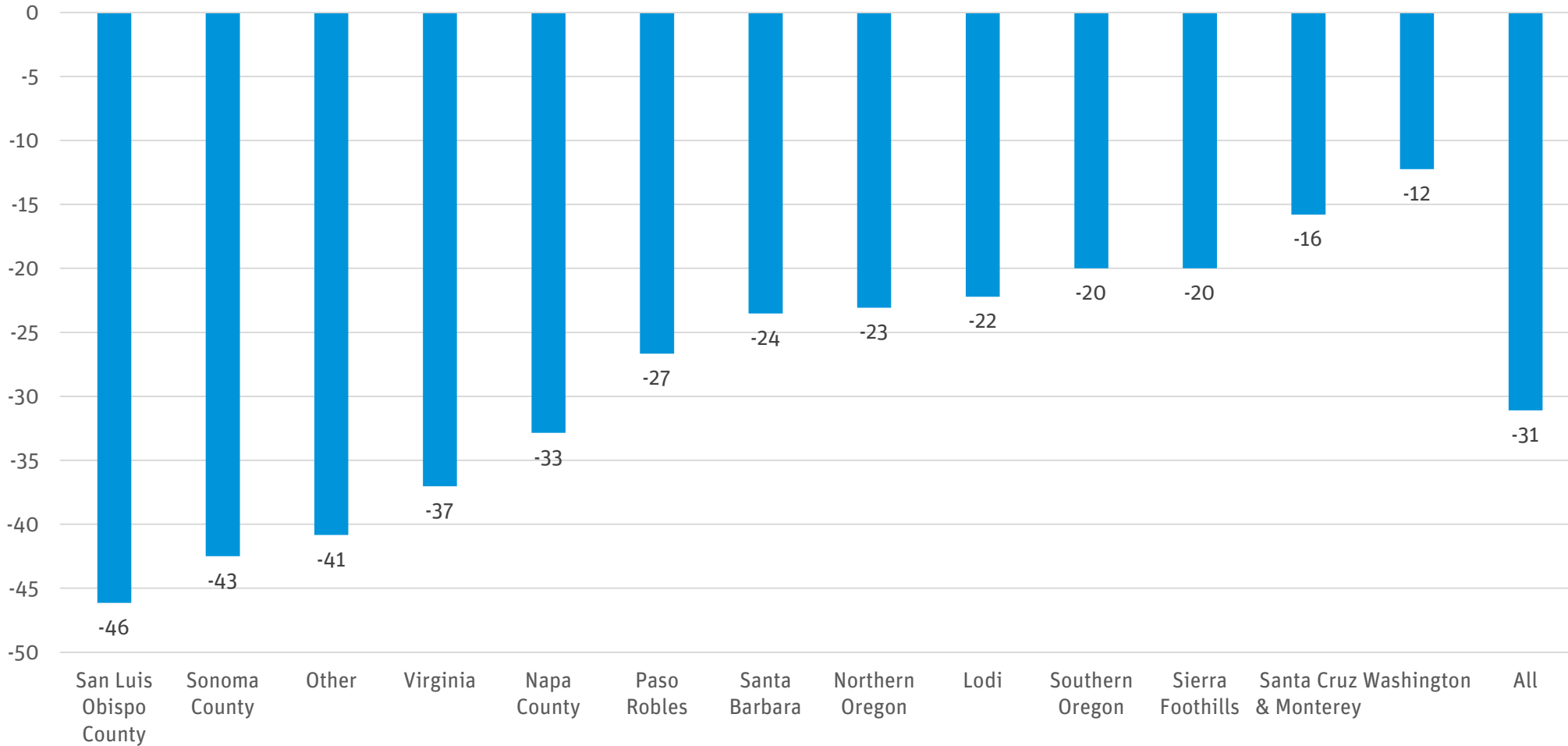
Total “Positive” responses minus total “Negative” responses for each region, divided by total responses from that region



Source: SVB State of the Wine Industry Survey

Industry Sentiments Regarding Labor

Total “Positive” responses minus total “Negative” responses for each region, divided by total responses from that region

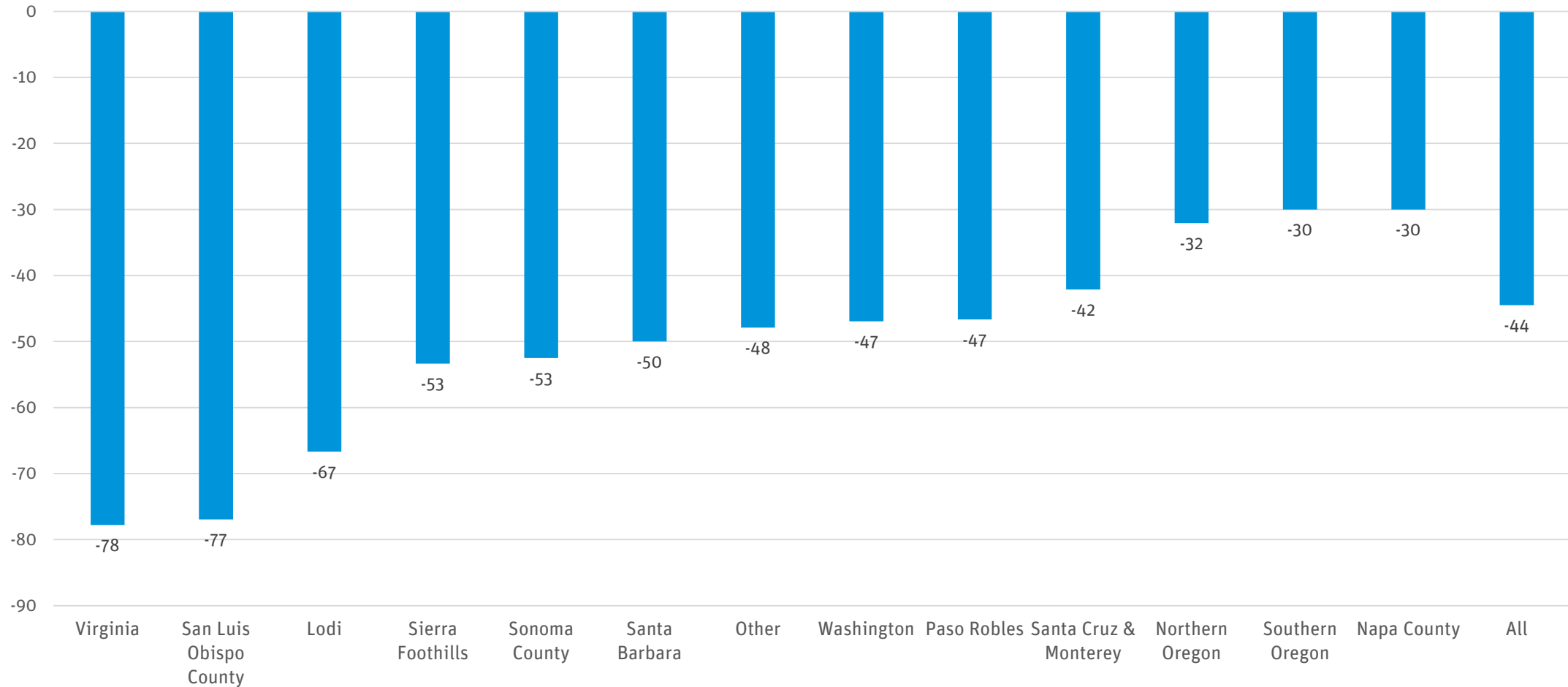


Source: SVB State of the Wine Industry Survey



Industry Sentiments Regarding Substitutes

Total “Positive” responses minus total “Negative” responses for each region, divided by total responses from that region

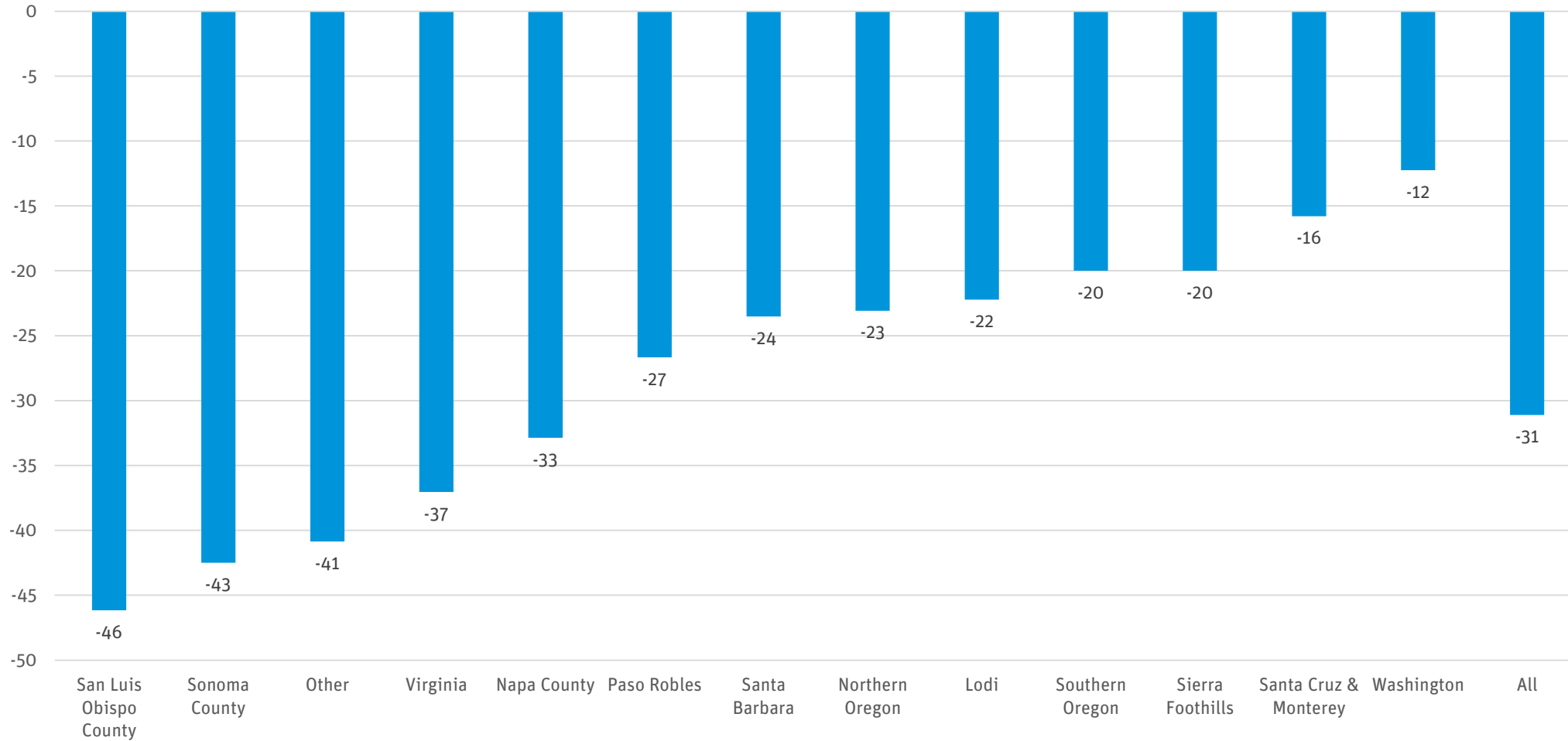


Source: SVB State of the Wine Industry Survey



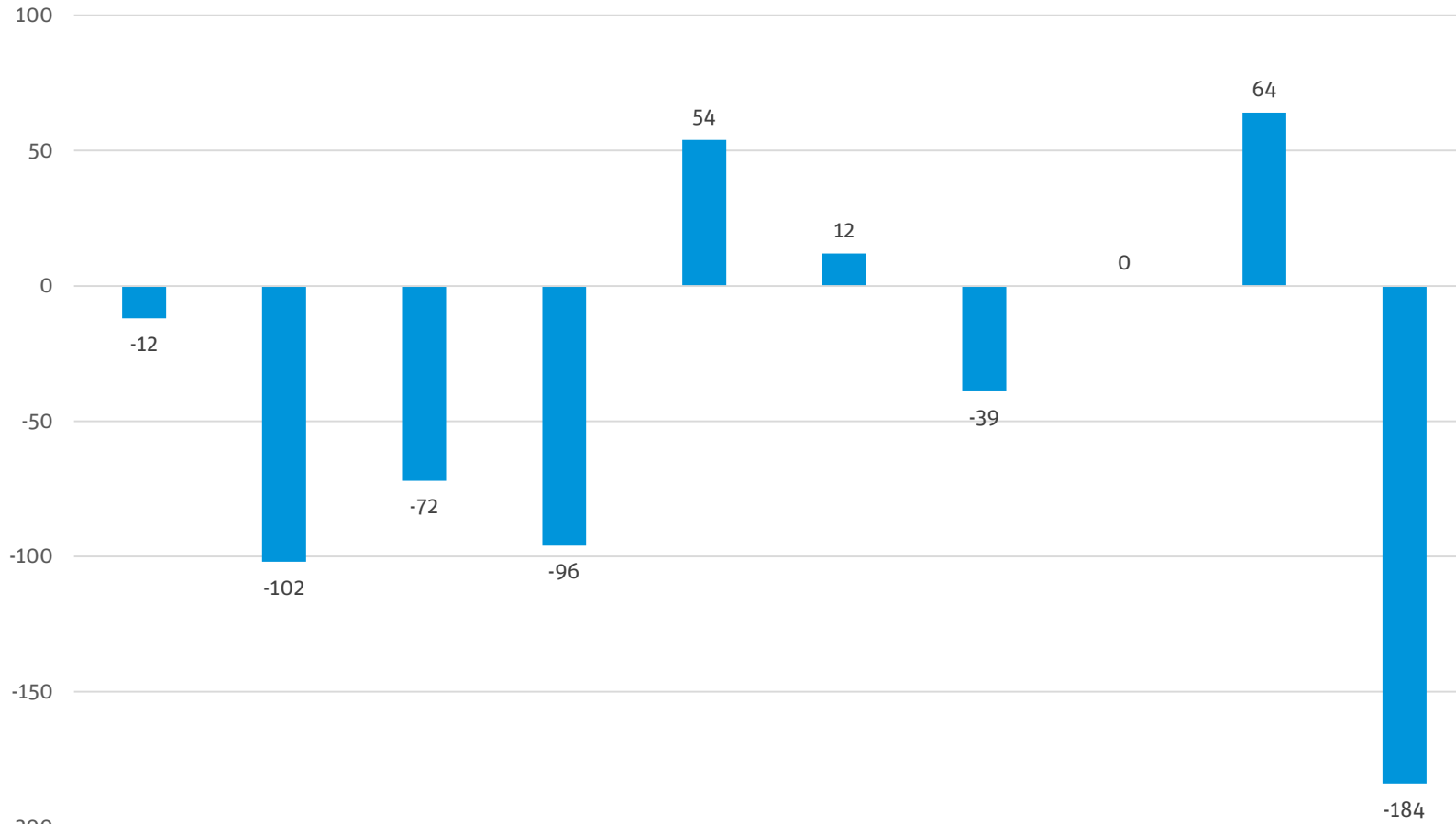
Industry Sentiments Regarding Foreign Competition

Total “Positive” responses minus total “Negative” responses for each region, divided by total responses from that region



Source: SVB State of the Wine Industry Survey

Difference in Net Sentiments of Less Successful Wineries when Compared to More Successful Wineries

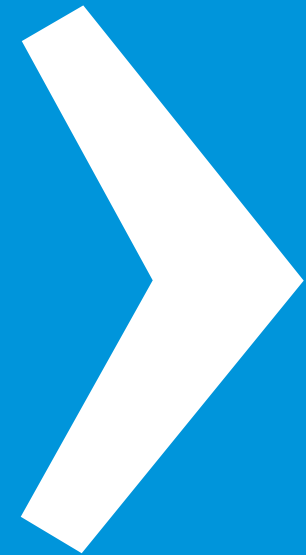


	Economy	Changing Consumer Demand	Direct, Wholesale, or Export	Grape Supply	Labor	Laws	Capital and/or Debt	Foreign Competition	Substitutes	Overall
■ Variance in Sentiments	-12	-102	-72	-96	54	12	-39	0	64	-184

Source: SVB State of the Wine Industry Survey



Drivers of Success



Summary

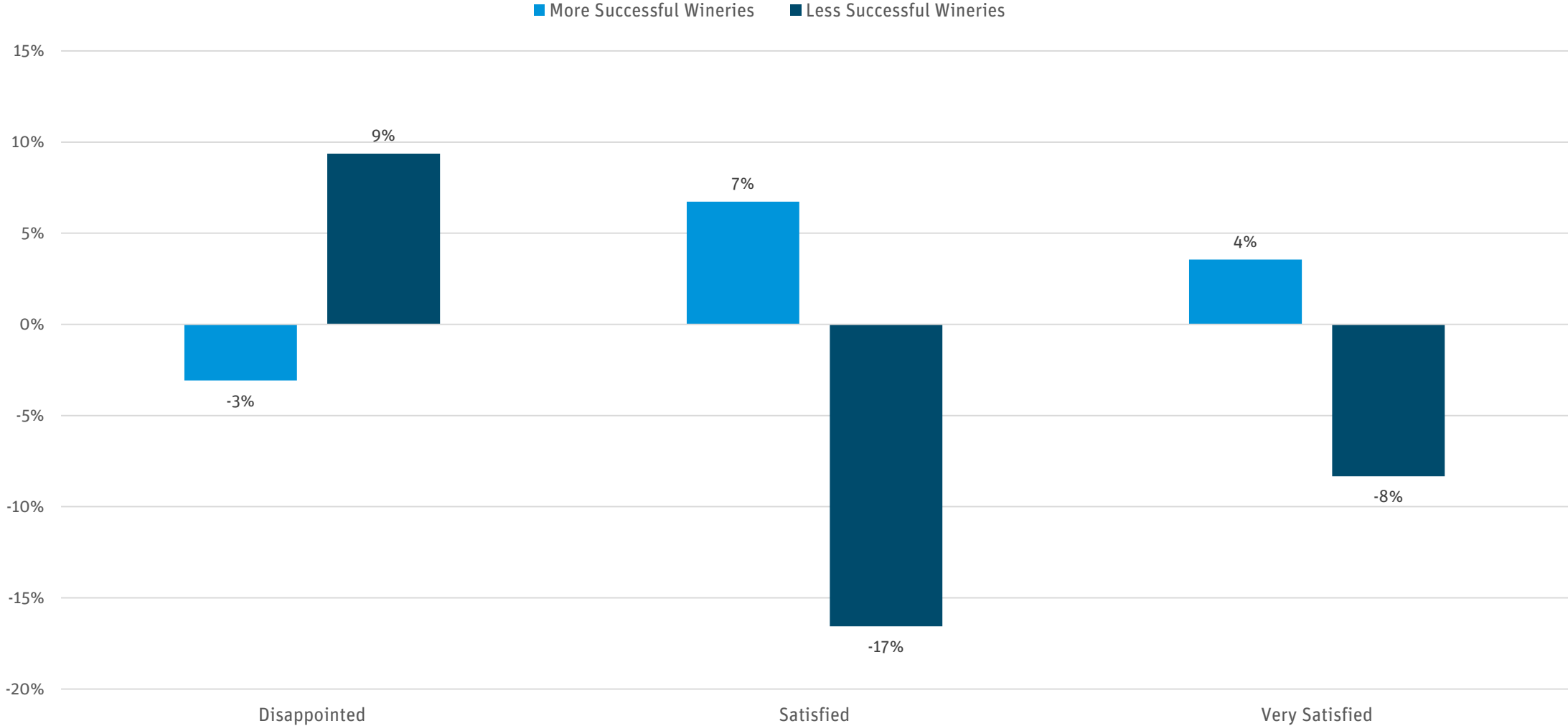
“More Successful Wineries” were those that reported 2019 as being either one of their better years, or the best year in their history.

“Less Successful Wineries” were those that reported 2019 as being either one of their most challenging years or the worst year in their history. In both instances, wineries < 5 years old were not included.

“More successful wineries” have a greater proportion of wholesale satisfaction than “less successful wineries” percentage of wholesale satisfaction as 7% of successful wineries were “satisfied” and -17% of unsuccessful wineries were satisfied. 4% of successful wineries were “very satisfied” while -8% of unsuccessful wineries were very satisfied. While successful wineries are more satisfied, they also have a larger proportion of disappointment in wholesale satisfaction of -3% versus less successful wineries at 9%.

Wineries are showing increasing concern about industry sentiment. Overall less successful wineries are more concerned than more successful wineries. Less successful wineries are seeing a negative impact from the economy, changing consumer demand, direct, wholesale and export, while the same categories have a positive impact on successful wineries. Both more successful and less successful wineries feel negatively impacted by labor, laws, foreign competition and substitutes.

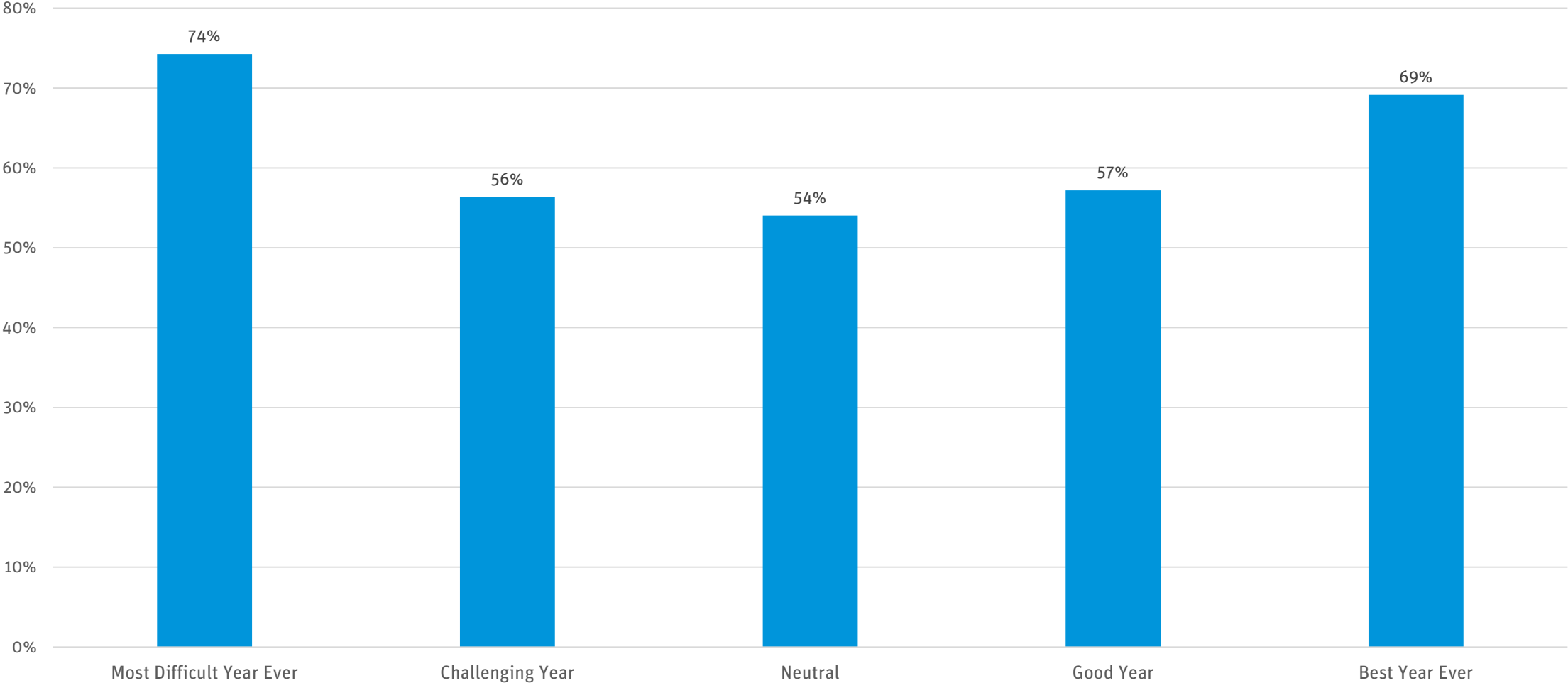
Wholesale Satisfaction when Compared to the Average Winery in 2019



Source: SVB State of the Wine Industry Survey

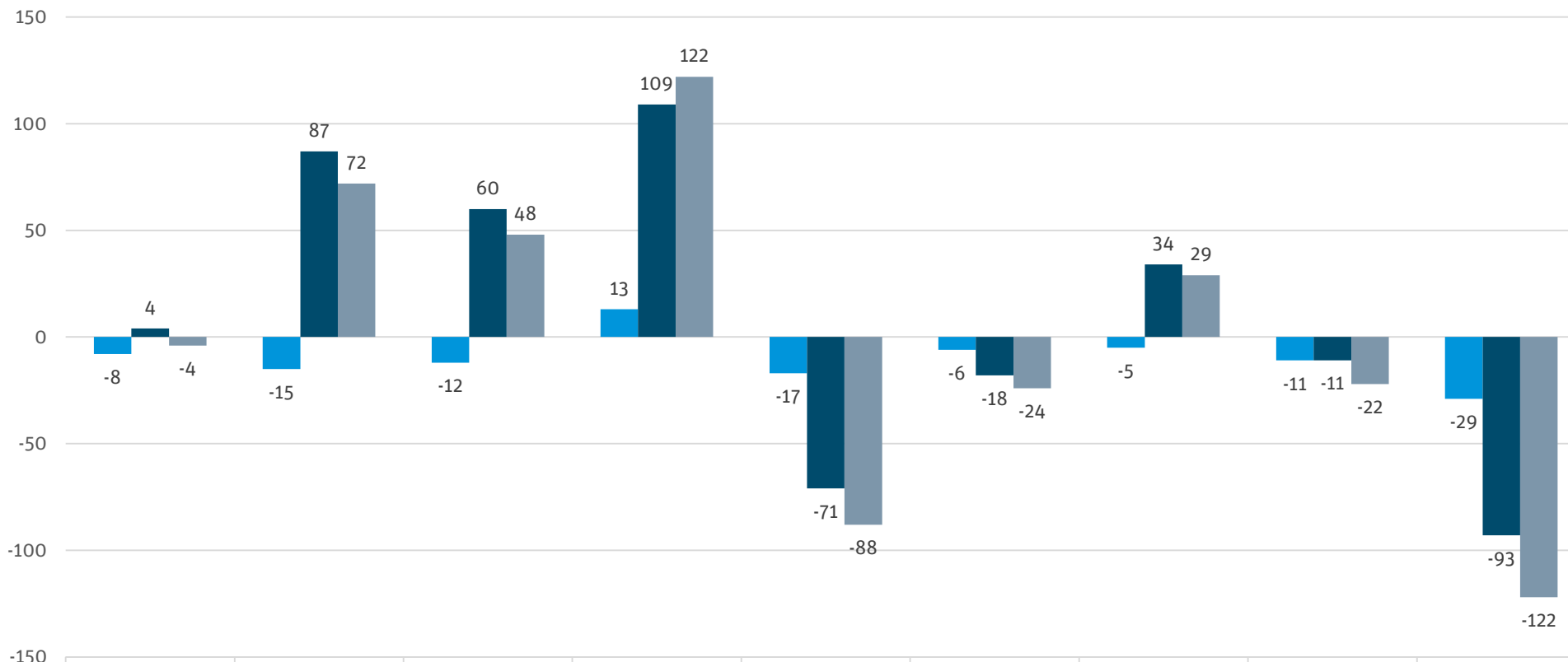


Average DTC Sales of More Successful and Less Successful Wineries



Source: SVB State of the Wine Industry Survey

Industry Sentiments of More Successful versus Less Successful Wineries Compared to Average Industry Sentiment



	Economy	Changing Consumer Demand	Direct, Wholesale, or Export	Grape Supply	Labor	Laws	Capital and/or Debt	Foreign Competition	Substitutes
■ Less Successful Wineries	-8	-15	-12	13	-17	-6	-5	-11	-29
■ More Successful Wineries	4	87	60	109	-71	-18	34	-11	-93
■ Average Net Sentiment	-4	72	48	122	-88	-24	29	-22	-122

Source: SVB State of the Wine Industry Survey

About Silicon Valley Bank's Premium Wine Banking Division

Founded in 1994, SVB's Wine Division offers financial services and strategic advice to premium vineyards and wineries. With one of the largest banking teams in the country dedicated to the wine industry, SVB's Wine Division has offices in Napa and Sonoma counties and primarily serves clients in the fine wine producing regions along the West Coast of the United States.

<https://www.svb.com/premium-wine-banking>

Disclaimer

This material, including without limitation to the statistical information herein, is provided for informational purposes only as derived through the responses and information derived from the annual SVB State of the Wine Industry Survey. The views expressed in this article are solely those of the author and do not reflect the views of SVB Financial Group, Silicon Valley Bank, or any of its affiliates. Silicon Valley Bank is not selling or distributing wine or wine-related products. Silicon Valley Bank provides banking and financial services, along with industry insights to Vineyards and Wineries. Silicon Valley Bank is not responsible for (or a participant in) the sales of any wineries' products in any fashion or manner and makes no representations that any promotion or sales of alcoholic beverages will or will not be conducted in a lawful manner. Further, Silicon Valley Bank disclaims any responsibility or warranty for any products sold by wineries or other wine industry service providers.

©2020 SVB Financial Group. All rights reserved. Silicon Valley Bank is a member of the FDIC and the Federal Reserve System. Silicon Valley Bank is the California bank subsidiary of SVB Financial Group (Nasdaq: SIVB). SVB, SVB FINANCIAL GROUP, SILICON VALLEY BANK, MAKE NEXT HAPPEN NOW and the chevron device are trademarks of SVB Financial Group, used under license.