

2008 Grape Crop Economics

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U.S. Concord Production- A Review

- 2007 Concord crop
 - 518,470 tons
 - 2nd largest crop in history
 - 39% increase from 2006
- Inventories were low in 2007 prior to harvest
 - Cash price increased on the East and West coast
- New York, Pennsylvania, Ohio
 - 2007 crop 15% larger than in 2006
- Michigan
 - 400% crop increase in 2007 from 2006
 - 2008 crop expected to be average

Washington Concord Production- 2007

- 249,000 tons
- 42% increase in production from 2006
- Above average quality
- Signs of acreage being pulled out for other crops



The 2008 Growing Season

- No early frost in 2007 left vines healthy
- More mechanical pruning
 - More buds left on vines
- Cool season
 - 2-4 week delayed bud break
 - Harvest started later than normal
- Quality fruit with reasonable Brix levels and good color
 - Smaller berries

Concord Grape Juice Industry

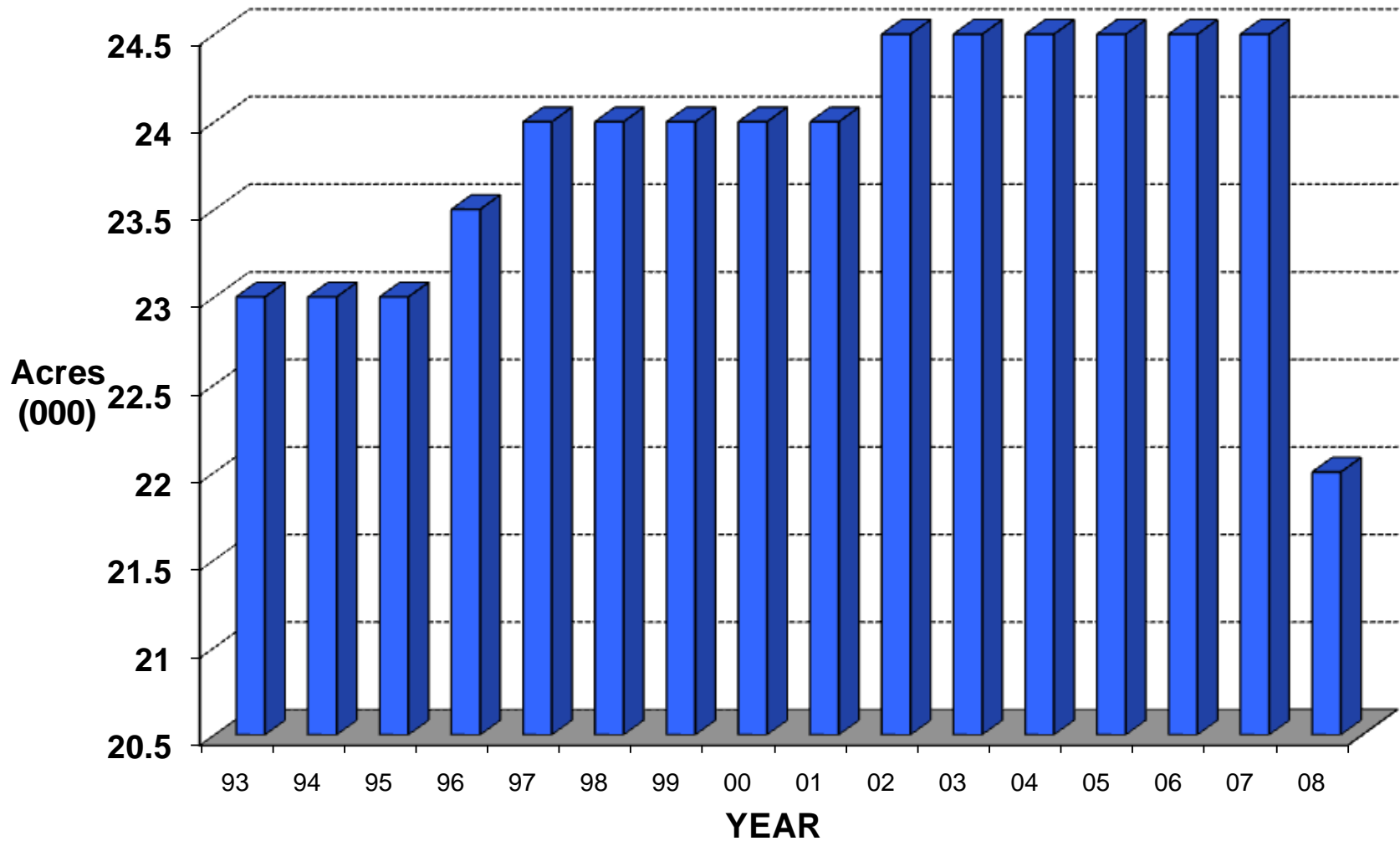
- Washington
 - Leading producer
 - Production averaged 211,840 tons 2002-2007
 - 2008 production estimated at 187,425 tons
 - Approximately 10,700 tons organic Concords
- New York
 - 2nd largest producer
 - Production averaged 114,650 tons 2002-2007
 - 2008 production estimated at 137,000 tons

Concord and Niagara Grape Acreage in Washington

- ConCORDS- 22,000 acres (est^m)
- NIAGARA- 1,730 acres (est^m)

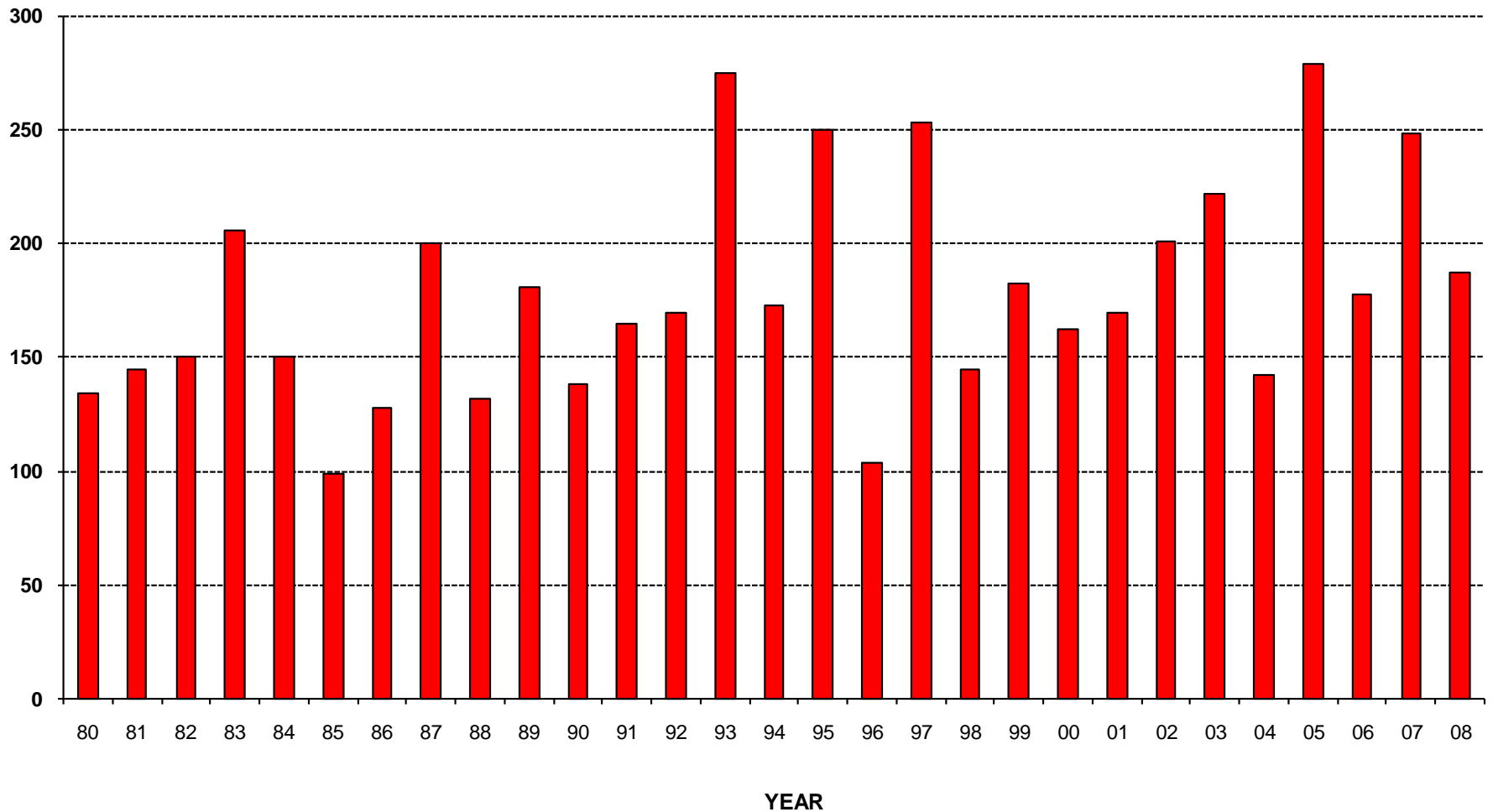


CONCORD GRAPE ACREAGE IN WASHINGTON, 1993-2008



WASHINGTON CONCORD GRAPE PRODUCTION, 1980-2008 (1,000 TONS)

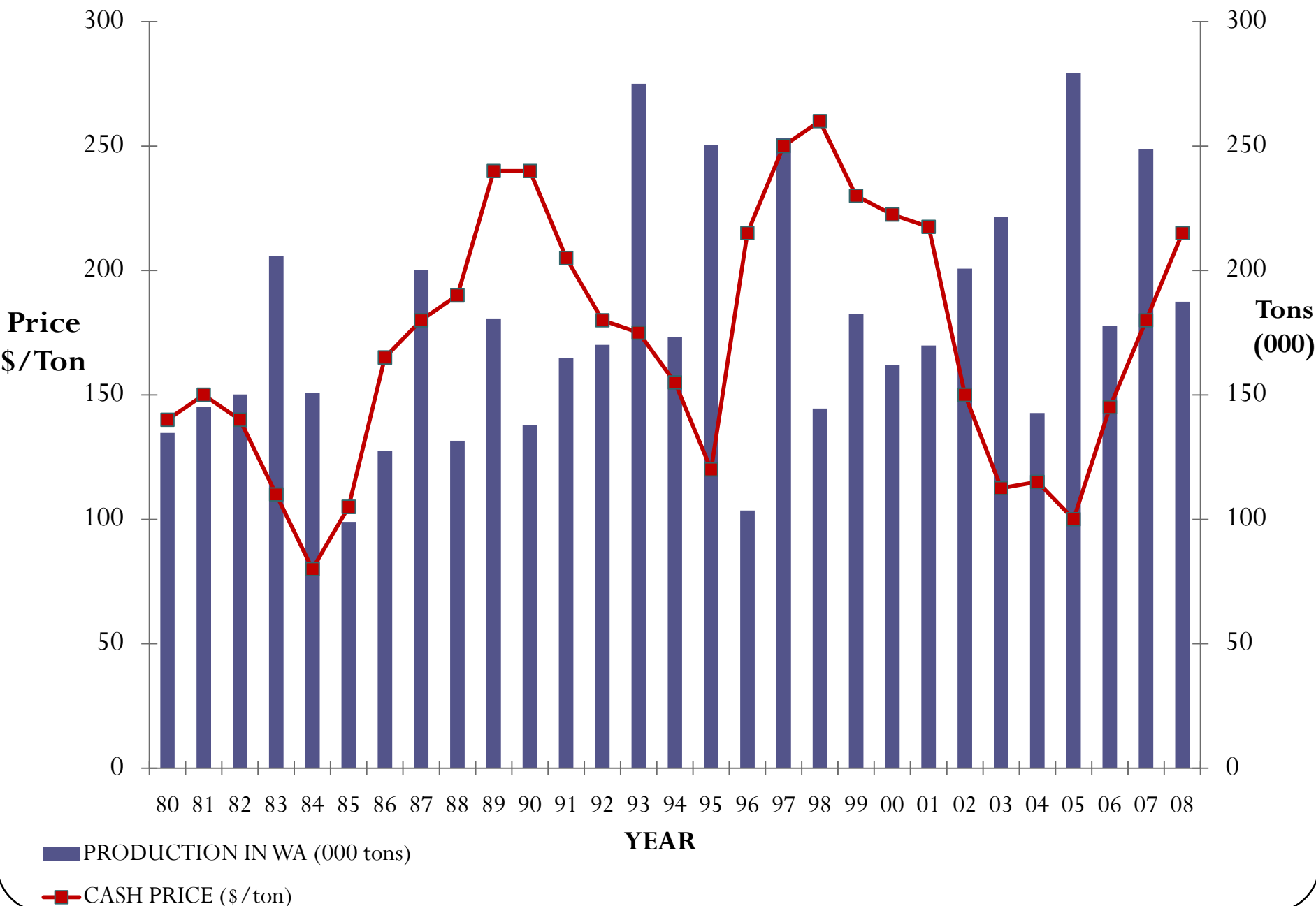
Tons
(000)



Concord Grape Production and Prices in Washington and the U.S., 1997-2008

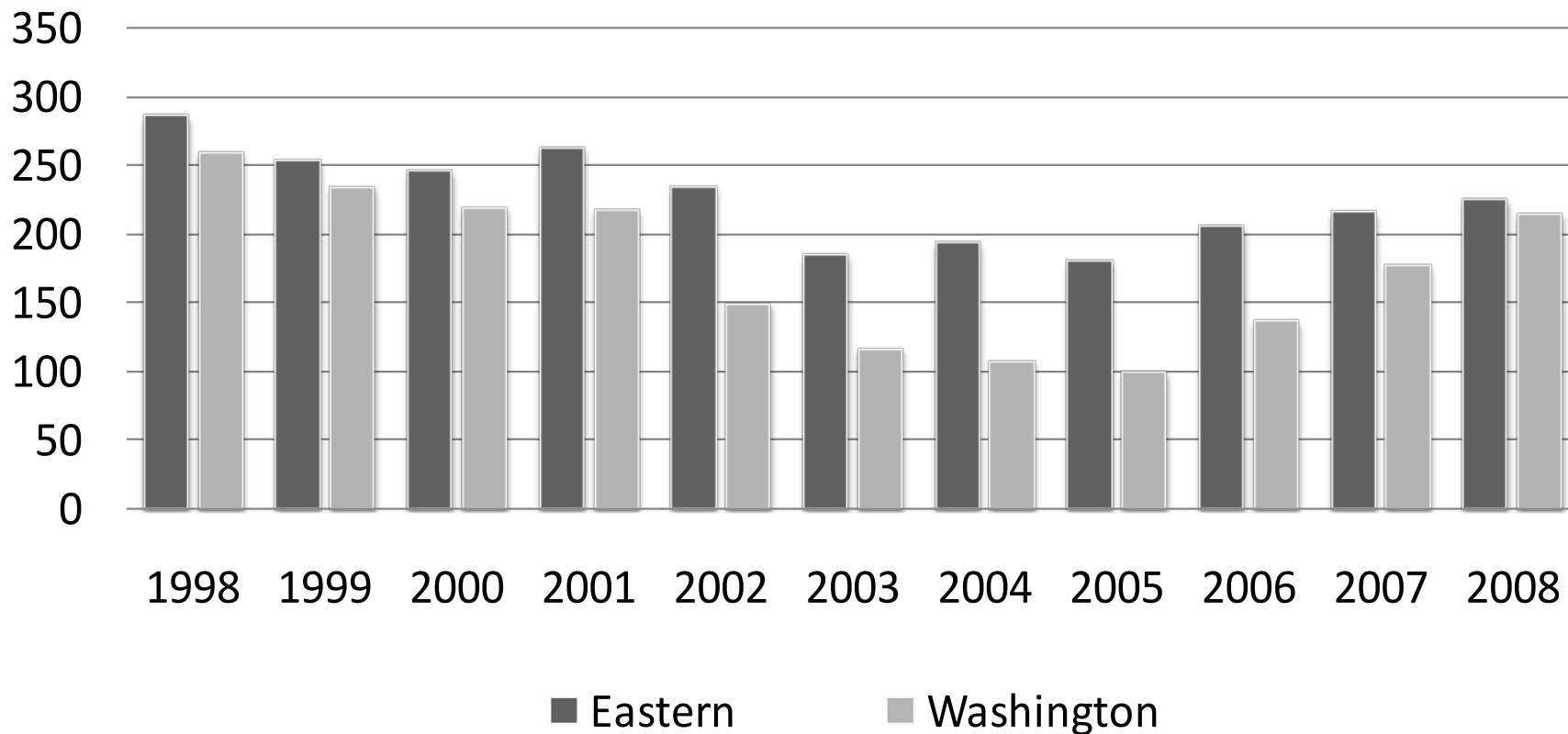
Year	Washington Production (Tons)	U.S. Production (Tons)	Cash Price in Washington (\$/ton)
1997	242,500	441,280	250
1998	143,000	340,635	260
1999	183,000	479,650	230
2000	160,000	391,675	223
2001	167,000	350,610	218
2002	199,000	383,800	150
2003	212,000	411,000	112
2004	140,000	356,120	115
2005	275,000	563,760	100
2006	175,000	372,870	145
2007	248,583	518,470	180
2008	187,425	460,000 (Est.)	215

WASHINGTON CONCORD GRAPE PRICES AND PRODUCTION, 1980-2008



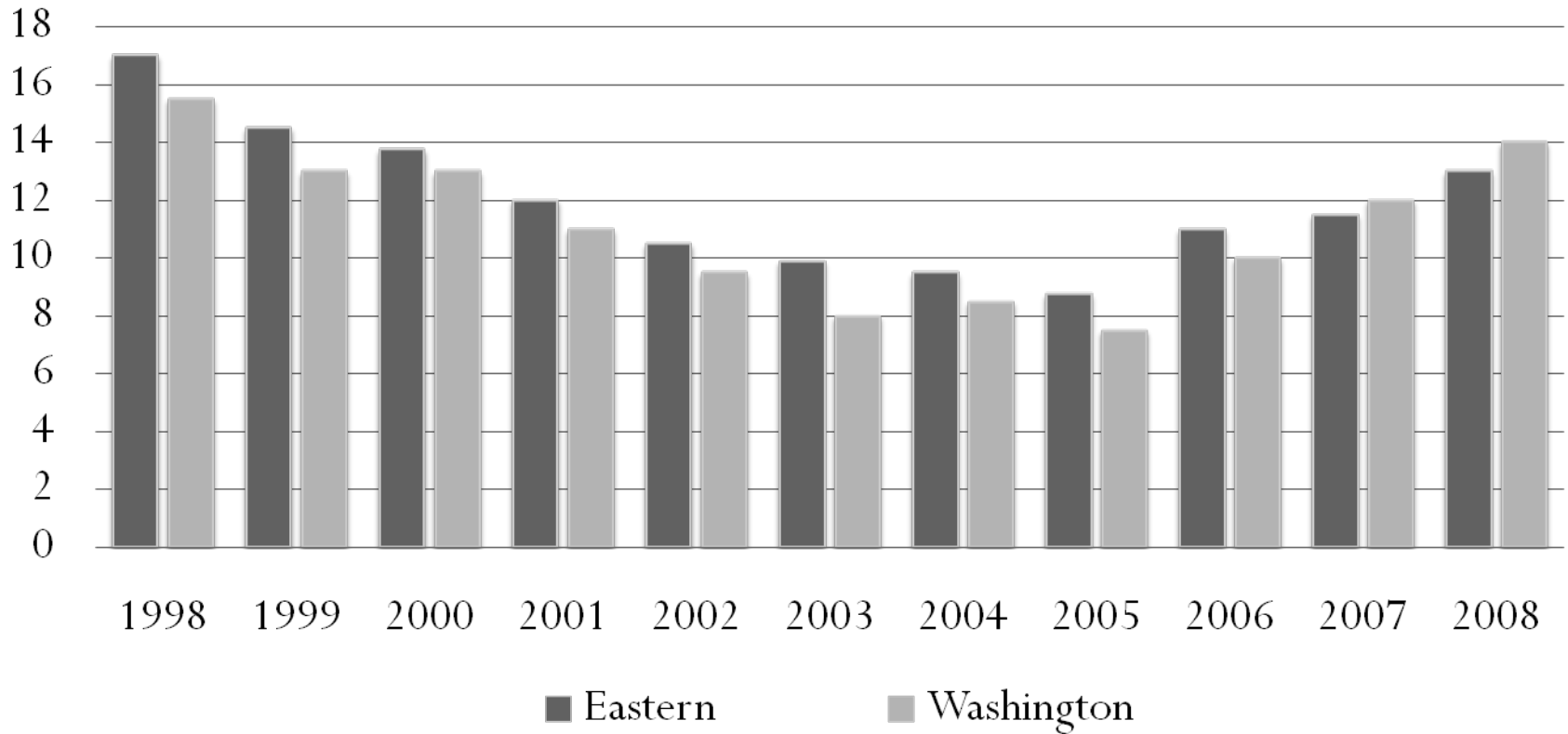
U.S. Concord Cash Grape Prices 1998-2008

\$/Ton



U.S. Concord 68 Brix Concentrate Prices 1998-2008

\$/Gal



Washington Niagara Production

Year	Washington Production (Tons)	U.S. Production (Tons)
2004	20,000	63,250
2005	30,000	85,550
2006	21,000	52,800
2007	23,000	83,600
2008	17,196 (Est.)	N/A

Niagara Acreage

•1,730 acres (estimate)

Concord and Juice Consumption

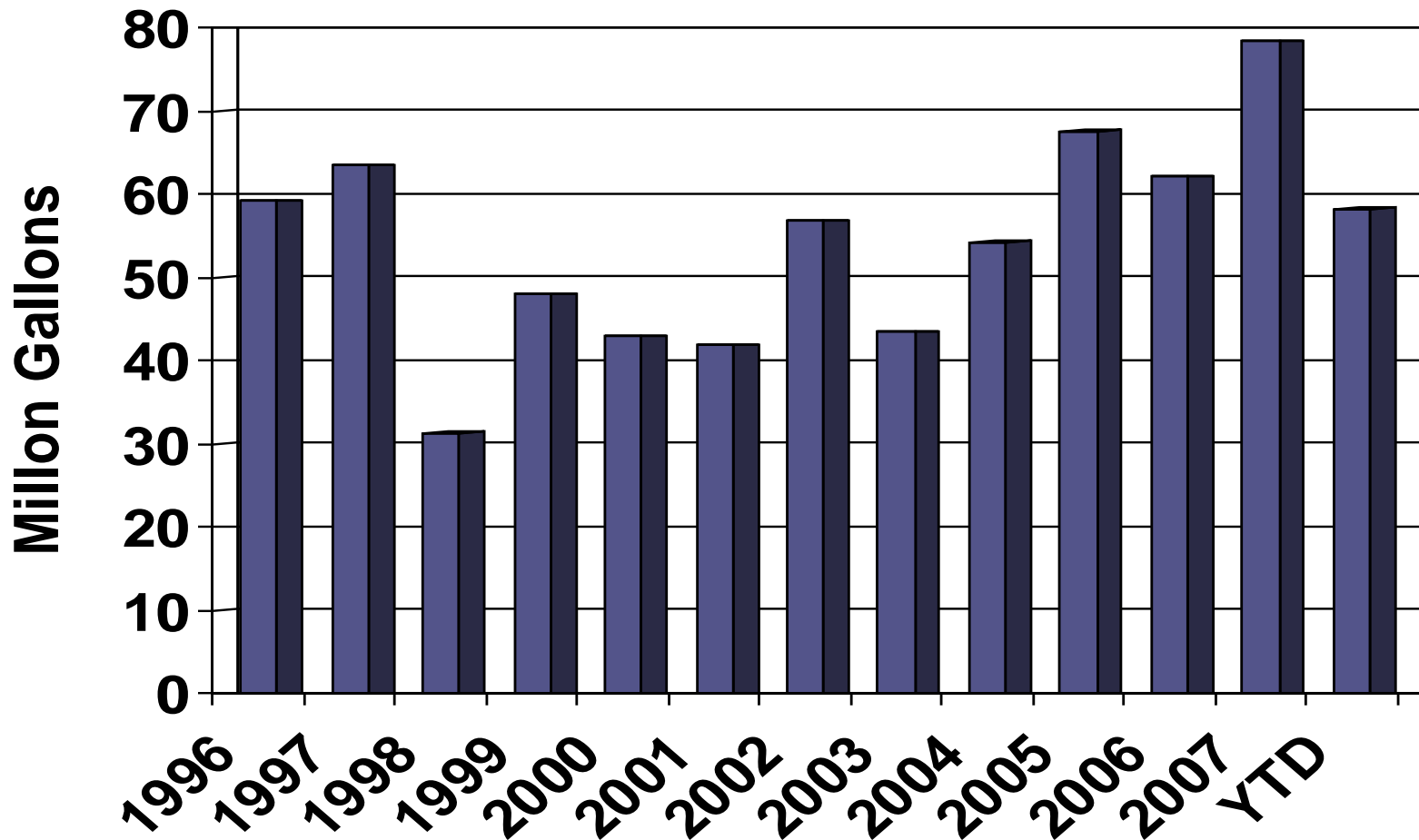
- Price increases could come from increased consumption
- Concord consumption in 2006 was 0.43 gallons per capita (single strength)
- U.S. consumes 10x's more orange juice and nearly 5x's more apple juice
- Soft drink consumption is 52 gallons/capita
- Ad campaign may make in-roads



Concord Grape Juice Imports

- Single strength juice and concentrated
 - 41.8 million gallons in 2001
 - 67.6 million gallons in 2005
 - 78.4 million gallons in 2007
- Argentina accounts for 88% of volume
- Small amounts from Chile, Mexico, Brazil
- These imports compete with the traditional market

U.S. Grape Juice Imports (1996-2007)



Inventory of Grape Juice (million gallons)

Year	Production	Imports	Exports	Available for Consumption
2002	75.9	51.5	21.8	105.5
2003	87	53.2	23.4	116.8
2004	72.2	64.1	24	112.3
2005	112.3	61.4	22.9	150.9
2006	70.6	71.9	12.2	130.2

Pricing of Concord Grapes

1. Supply and demand conditions

■ Supply

- Current production
- Inventories of concentrate/product
- Imports

■ Demand

- Sale of products
- Exports
- Demand for inventories

2. Formula pricing based on sugar or soluble solids

What Are Concord Grapes Worth?

- Current bulk concentrate in west is \$14.00 per gallon
- Convert to tonnage
 - \$515.27/ton
- Shipping costs of \$1.50/ton
- Processing costs of \$155/ton
- Value of grapes not including storage and marketing is approximately \$305.06/ton

Economic Outlook

- Additional acreage likely to be removed
- Inventories should remain controlled
- Cash price likely to increase for 2009



Wine Sales Volume and Revenue Relationships

- Premium table wines priced at \$7 or more per 750 ml account for:
 - 38% **volume** of wine sold
 - 67% of total revenues
- Fastest growing market segment in sales
- Most profitable

Wine Grapes



Wine Sales in the U.S.- 1996 to 2007 in millions of gallons

Year	Table Wine	Dessert Wine	Champagne/ Sparkling Wine	Total Wine	Total Retail Value (billion)
2007 (Est.)	650	62	33	745	\$30.0
2006	628	57	32	717	\$27.8
2005	608	51	32	692	\$25.8
2004	589	45	31	665	\$24.0
2003	570	40	29	639	\$22.3
2002	552	37	28	617	\$21.8
2001	512	34	27	574	\$20.3
2000	507	33	28	568	\$19.2
1999	475	31	37	543	\$18.1
1998	466	31	29	526	\$17.0
1997	461	29	29	519	\$16.1
1996	439	31	29	500	\$14.3

Washington Wine Grapes

- Good winter
- Cool spring
 - 1 week to 10 day delayed budbreak
 - Some shatter at bloom
- Moderate growing season
 - Great color, high acids
- Late veraison
- Cool October
 - Merlot, Syrah and most whites look good
 - Cabernet Sauvignon and Cabernet Franc needed extra hang time

Wine Grape Production

Year	Washington Production (Tons)	California Production (Tons)
2004	107,000	2,770,000
2005	110,000	3,760,000
2006	120,000	3,176,000
2007	127,000	3,287,000
2008	138,000 (Est.)	3,400,000 (Est.)

Cost-of-Production

- www.nwgrapecalculators.org
- Juice Grapes- Conventional
- Juice Grapes- Organic

Northwest Grapes Cost-Of-Production Calculators Funding



United States Department of Agriculture
Risk Management Agency

Thank You!

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