

Winegrapes in the San Joaquin Valley

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Important Points

- Growers do choose across crops and future profits are a significant part of that choice
- Winegrape's relative profitability has been challenged, especially by tree nuts
- Current and projected record-high prices for annual crops raise another challenge to winegrape acreage
- Higher winegrape prices will likely be needed to encourage planting of winegrapes
- Global competition offers winemakers and drinkers alternatives to higher-priced winegrapes from the southern San Joaquin valley

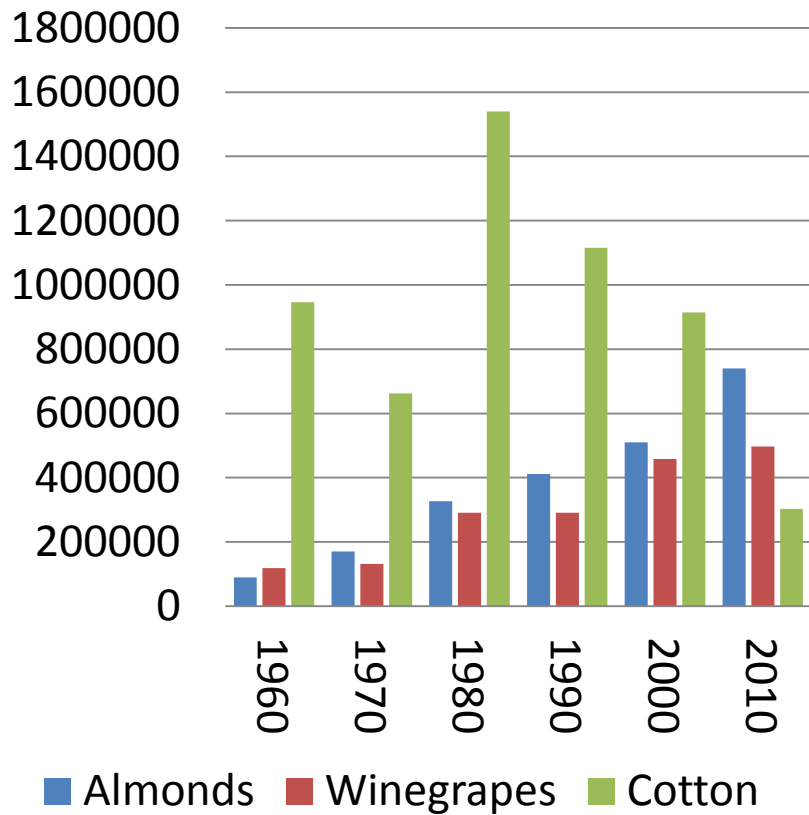
Esterby Rancho Development 1880s

Grapes were promoted as the most profitable crop in California in the 1880s, leading to major plantings. Below a prosperous Fresno grape farmer (on left) is contrasted with a wheat farmer on the right.

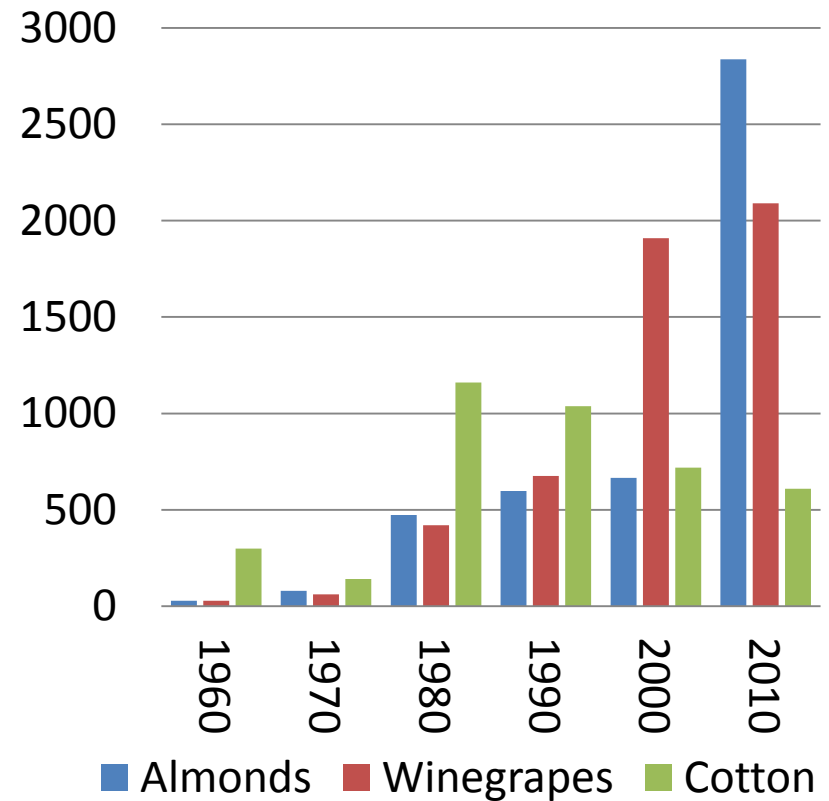


50 years of Almonds, Winegrapes, Cotton

State Acreage



Value (millions)



About 85% of California's almond and cotton acreage and 50% of winegrape acreage are in the San Joaquin Valley, (winegrapes down from 60% in 1980).

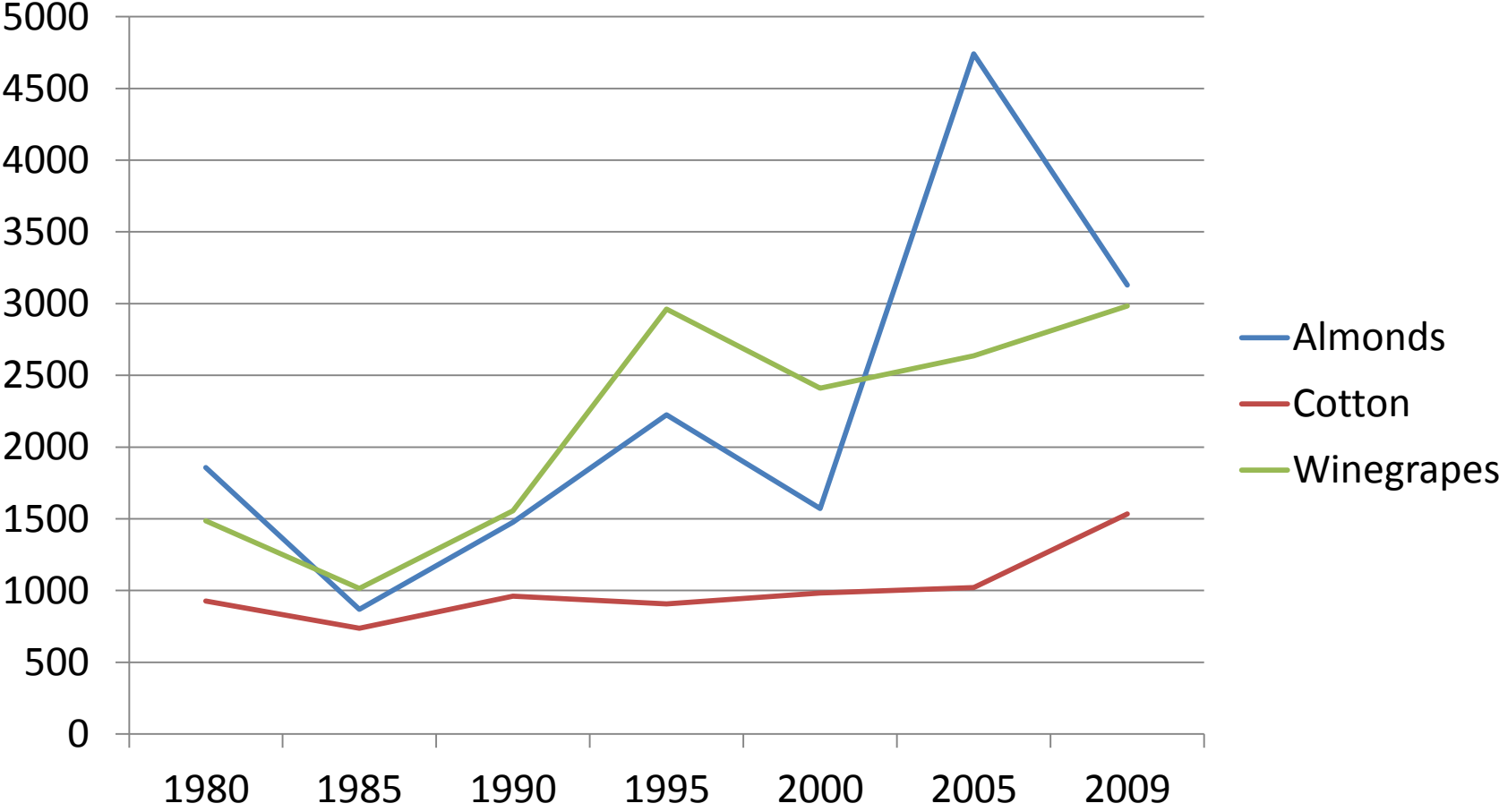
Topics to Cover

- Competition
- Acreage Trends
- Revenue and Average Returns per Acre
- Consumption Trends
- Implications for Winegrapes

Thinking about Competition for Winegrapes

- Competition from other growers of the same crop
 - Other areas of state?
 - Other countries growing winegrapes?
- Competition from other crops in your area for use of land
 - Farming expertise?
 - Water use of crop?
 - Land suitability?
 - Agglomeration effects?

Gross Revenue per Acre

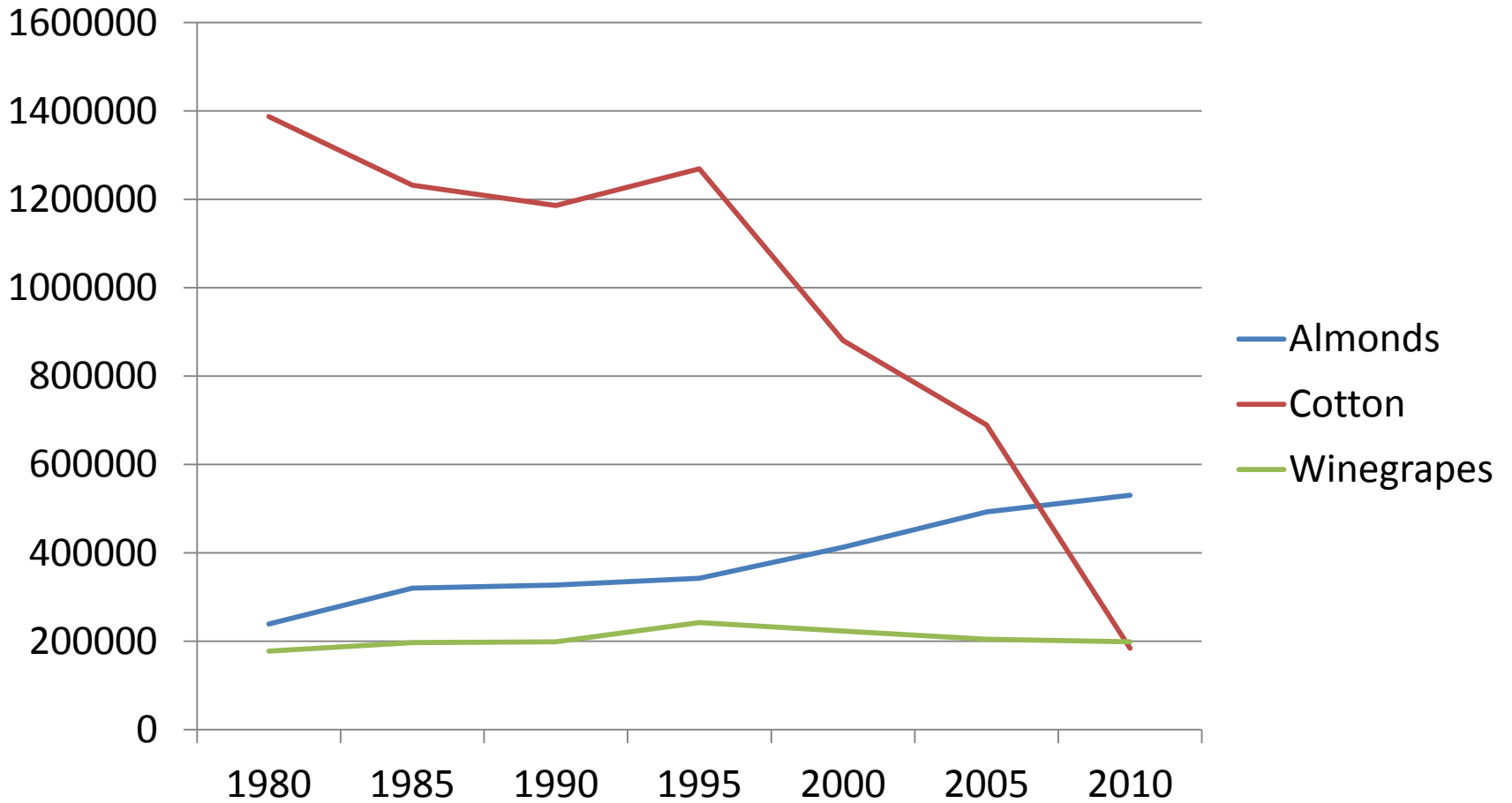


5 Year Weighted Average Returns per Acre San Joaquin Valley, 2005-2009

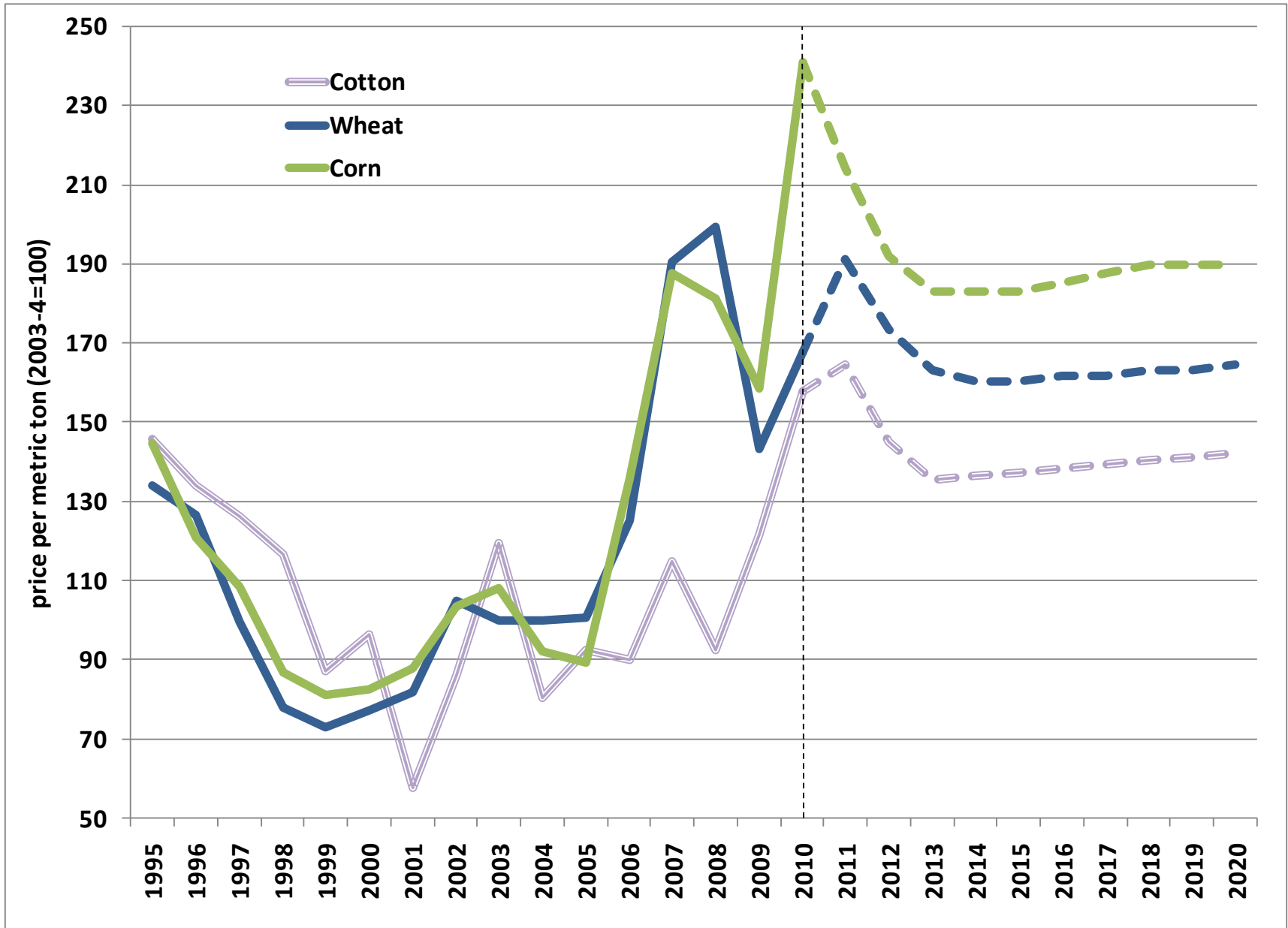
	Almonds	Winegrapes	Cotton
Establishment	4839	6746	0
Total Cash Costs	2761	2603	1073
Gross Revenue	3747	2571	1190
Difference	986	-32	17

Costs do not include non-cash overhead expenses such as interest on land or depreciation of vineyard/orchard establishment. Gross revenue is derived from County Ag. Commissioner reports and is a 5 year (2005-2009) weighted average.

Bearing Acres San Joaquin Valley



Indexed U.S. prices for upland cotton, wheat, and maize, 1995-2010 with projections through 2020 (2003-2004 = 100) USDA Projections

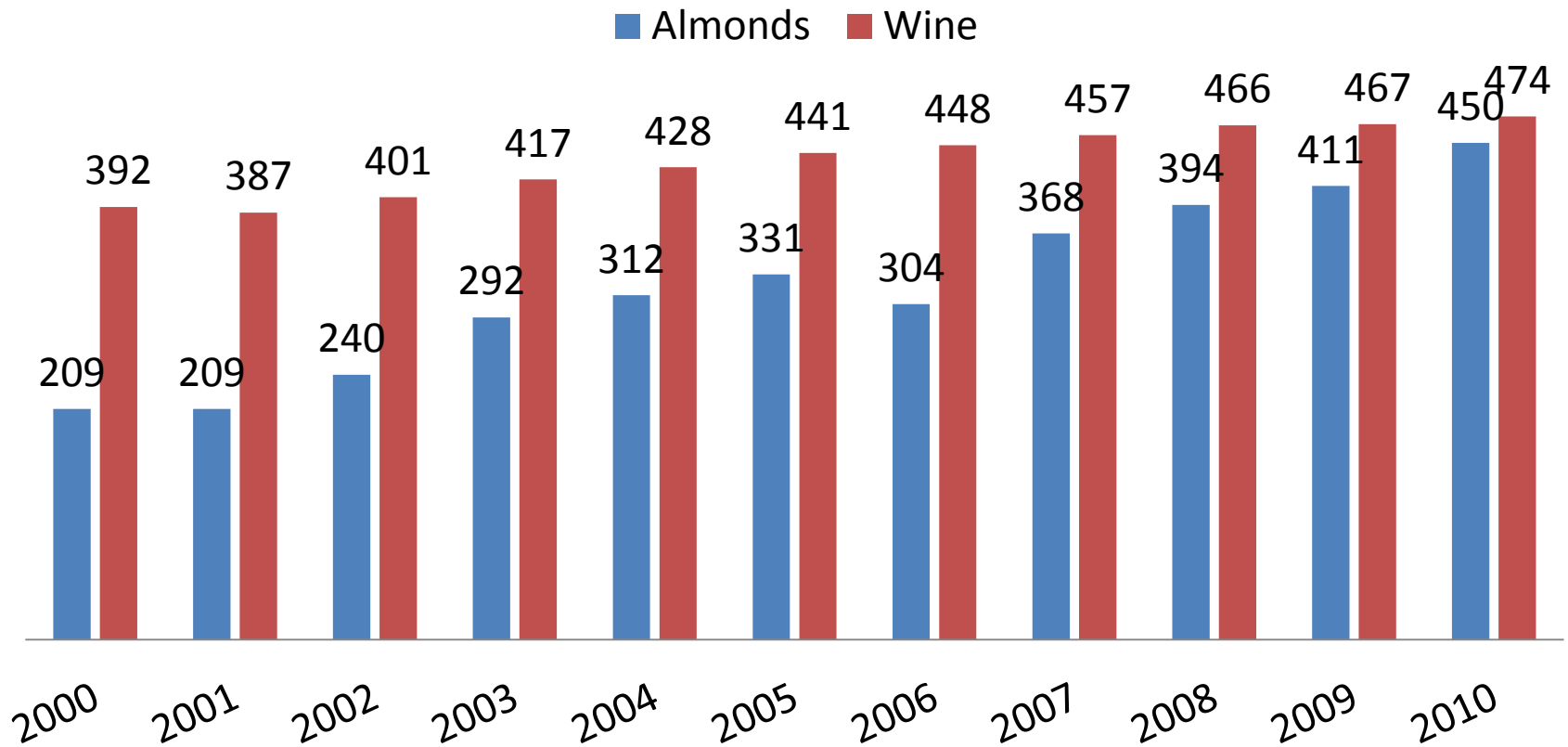


Consumption Trends?



California Domestic Shipments

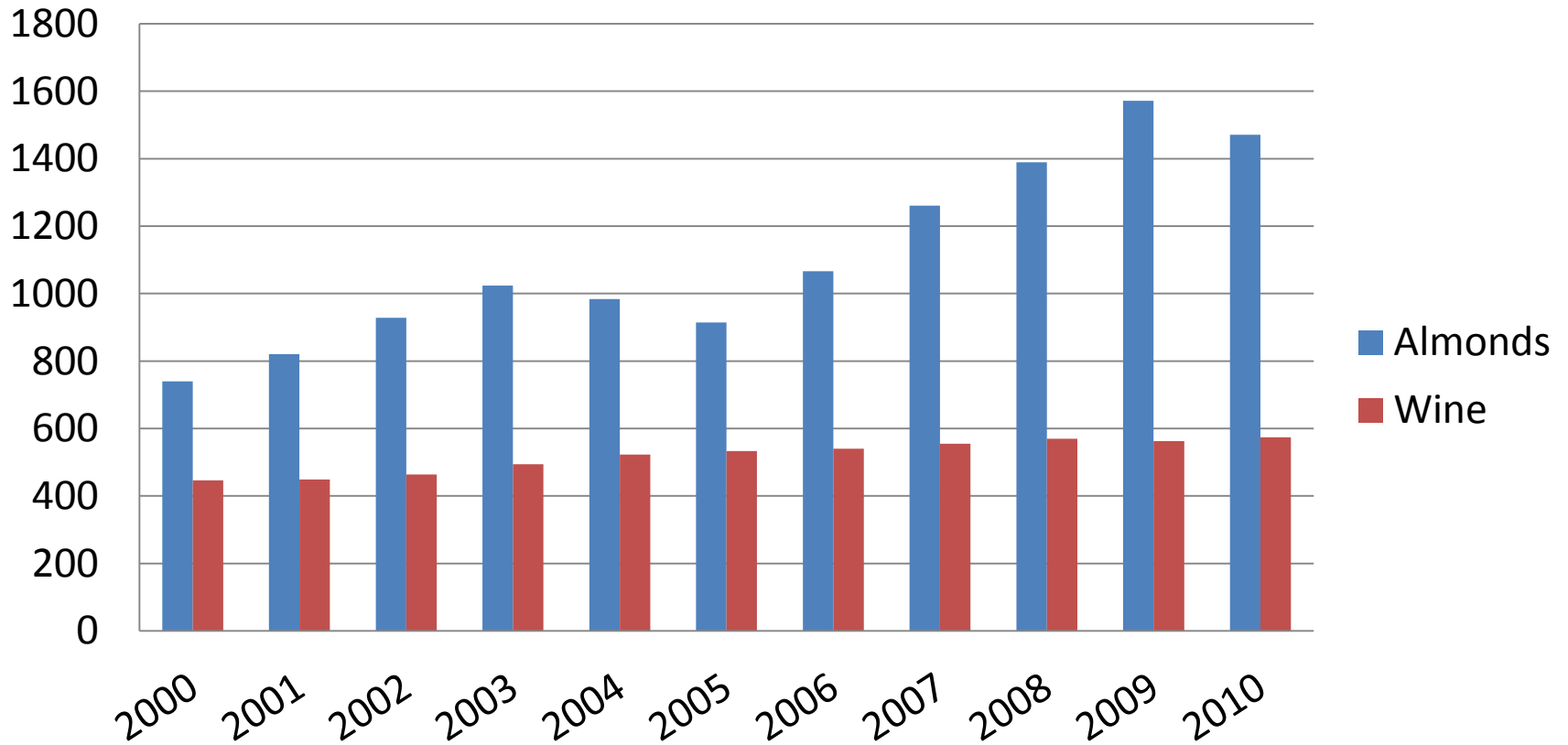
Millions of Pounds or Gallons



Source: Wine Institute and California Almond Board

Total California Shipments (Domestic and Export)

Millions of gallons or pounds



The World Matters for Both

	Almonds	Wine
% World Production	80	7
% California Production Exported	70	17
% of World Shipments	90	4

Two ways of looking at these numbers:

1. Since there is a large demand for wine in the world, California producers have a major opportunity to increase volume if they can compete with other producers. In contrast, California almond producers may well face increased international competition and lose market share.
2. International demand is still growing for Almonds and California has brand recognition. In contrast, demand for wine is stable or shrinking and major old world producers dominate

Future Demand for Wine in the U.S.?

v13n6.pdf (application/pdf Object) - Mozilla Firefox
http://agecon.ucdavis.edu/extension/update/issues/v13n6.pdf

UPDATE

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Special Issue

The World of Wine: Economic Issues and Outlook

Notes from the Guest Editor: Daniel A. Sumner

Also in this issue

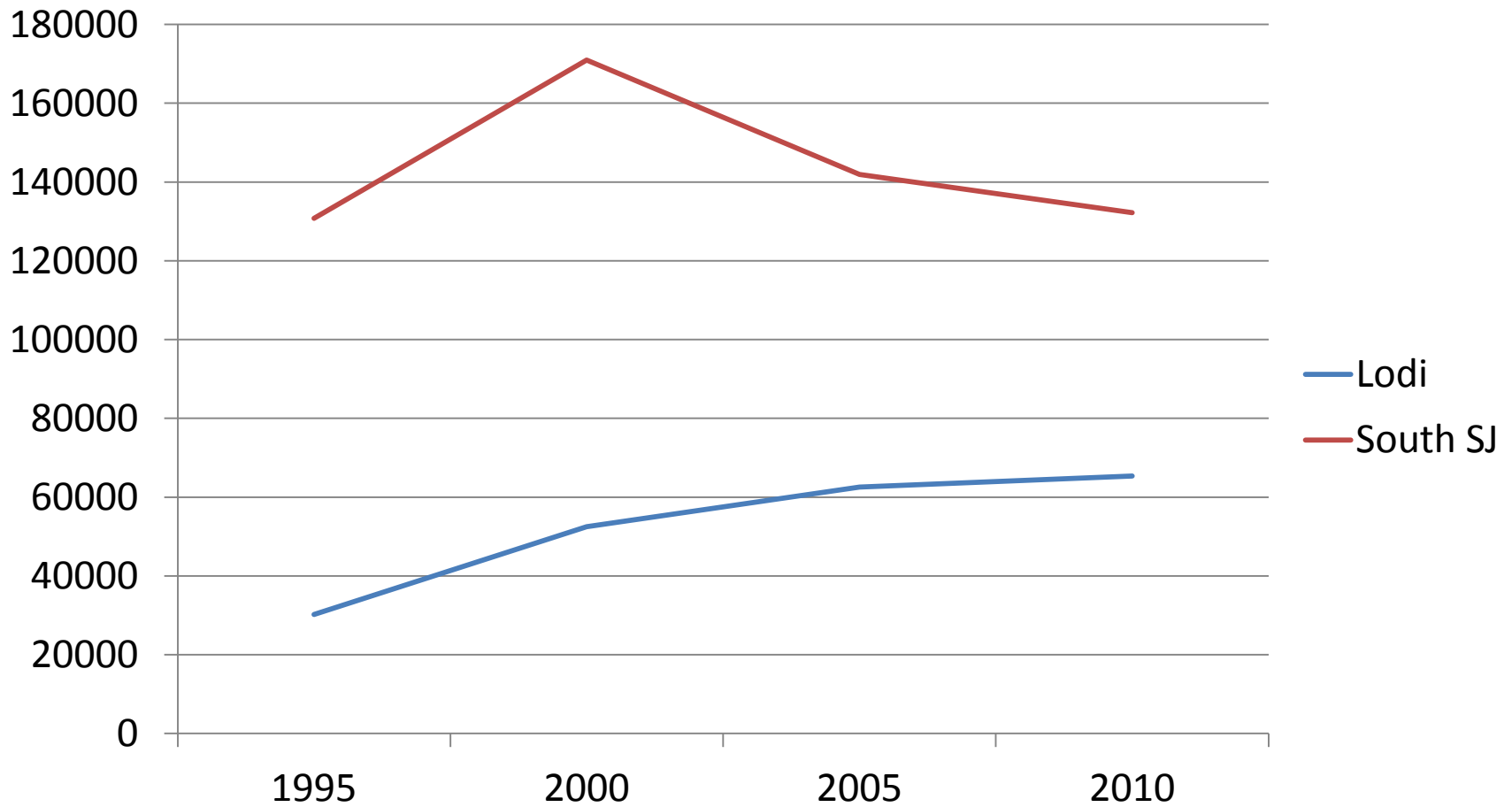
Is the World Overflowing with Wine? The Global Context for California Wine Supply and Demand
Daniel A. Sumner.....2

In conjunction with the 4th Annual Meeting of the American Wine Economics Association, the Agricultural Issues Center and the Robert Mondavi Institute for Wine and Food Science Center for Wine Economics held a one-day symposium on “Outlook and Issues for the World Wine Market.” Robert Smiley, wine industry expert and vines and reducing price supports, while phasing out its long-standing program to pay for distillation of surplus wines. James Lapsley brings the world wine situation back to California. He analyzes the growing demand for wine among different demographic groups in the United States. He also shows that competitive challenges, in part from the suc-

Lapsley's predictions for 2030

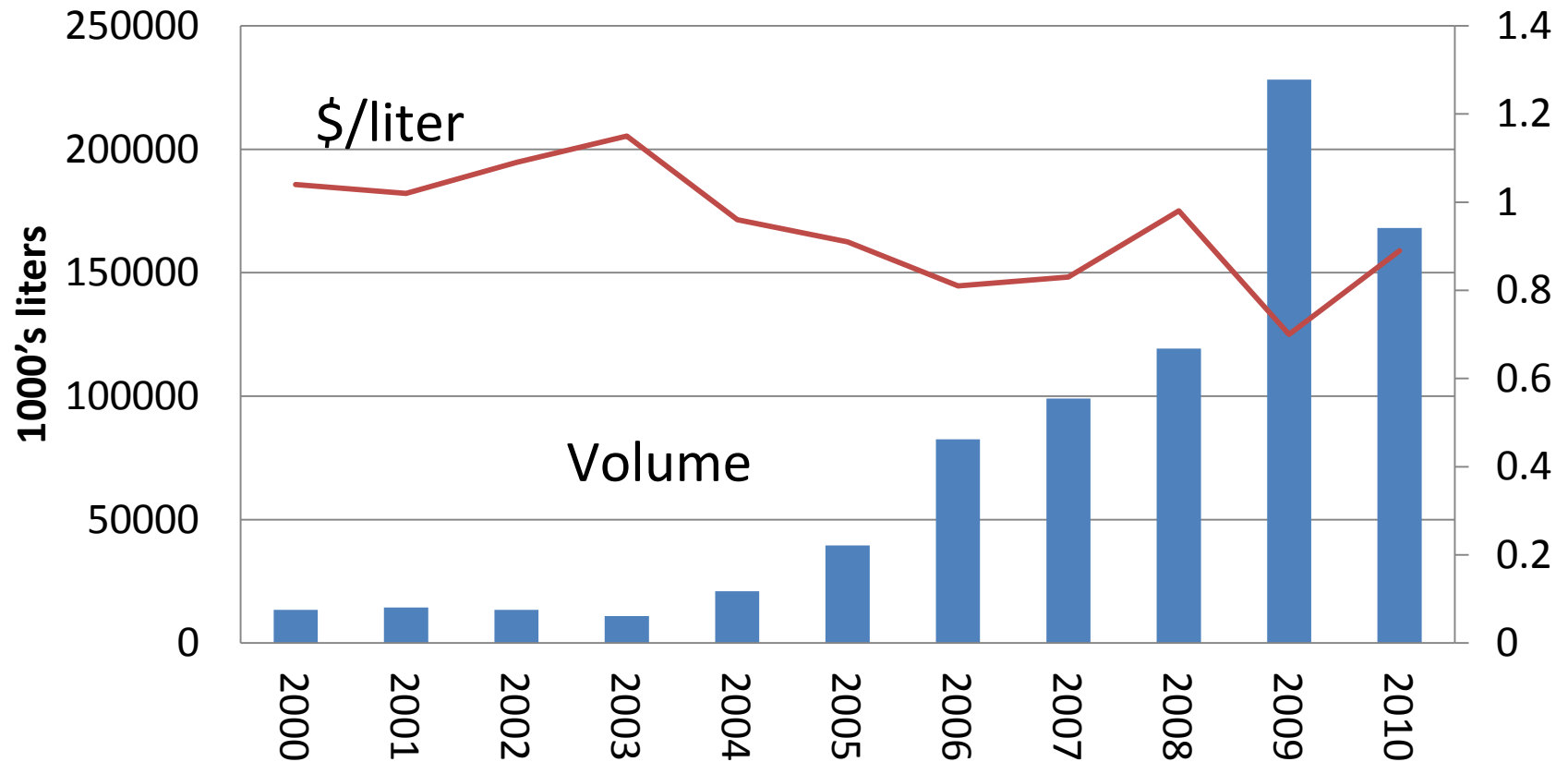
- Population and per capita consumption will both increase—leading to a 45% increase in volume
- A 2030 market of 407million cases is an increase of 125 million cases, requiring 1.75 million tons of grapes
- Assuming California supplies 60%, and that half sells at \$5 a bottle or below, the San Joaquin valley needs to expand production by 500,000 tons, or 42,000 acres at 12 tons/acre
- Total acreage is down by about 50,000 acres

Bearing Winegrape Acreage San Joaquin Valley



So how will wineries meet demand?

Bulk Wine Imports and Price per liter



The future of Winegrapes in districts 13 and 14?

- With average yields of over 12 tons/acre, the region is very productive but is in competition with other bulk wine producing regions of the world.
- Of the 92,000 acres currently planted in districts 13 and 14, 91,000 are over 10 years old and will probably be pulled by 2030.
- Will those acres be replanted and another 40,000 added to meet my projected increased demand—or will wineries meet demand by importing bulk wine?
- Replanting is probable only if major wineries commit to long-term contracts and if California winegrapes can compete with winegrapes grown elsewhere.

Conclusion?

- San Joaquin winegrape growers are excellent farmers.
- They probably can out compete foreign producers in the long run
- In the short term, can perennial crops compete with annuals?
- When it comes time to replant, can grapes out compete nuts?