

Winegrapes vs. Nuts: An Historical Review of Production in the San Joaquin Valley and Implications for the Future

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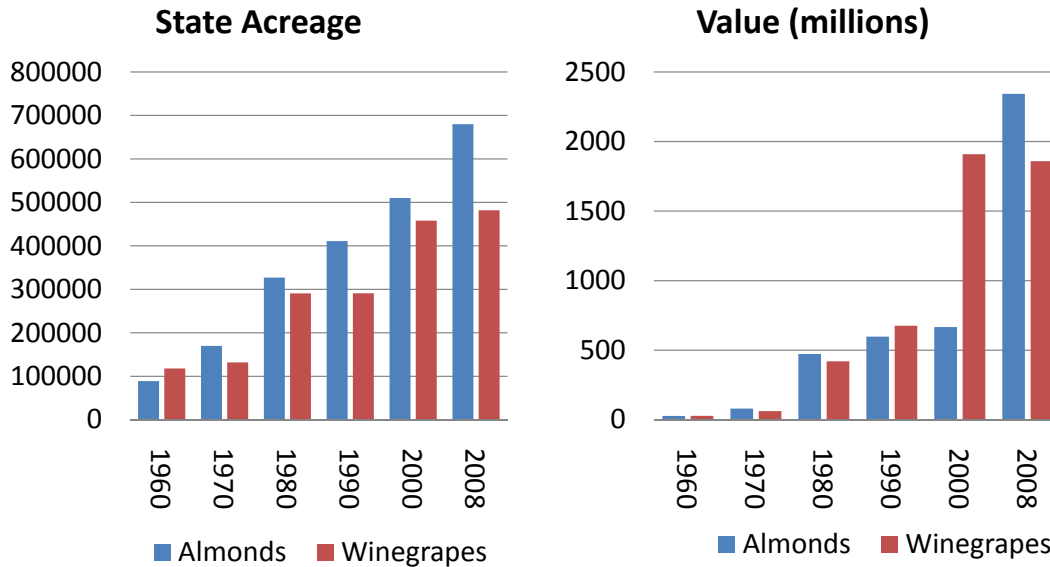
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Esterby Rancho Development 1880s

Grapes were promoted as the most profitable crop in
California in the 1880s and Fresno boomed



50 years of Almonds and Winegrapes



About 85% of California's almond 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 per acre and Profitability
- Consumption Trends
- Implications for Winegrapes

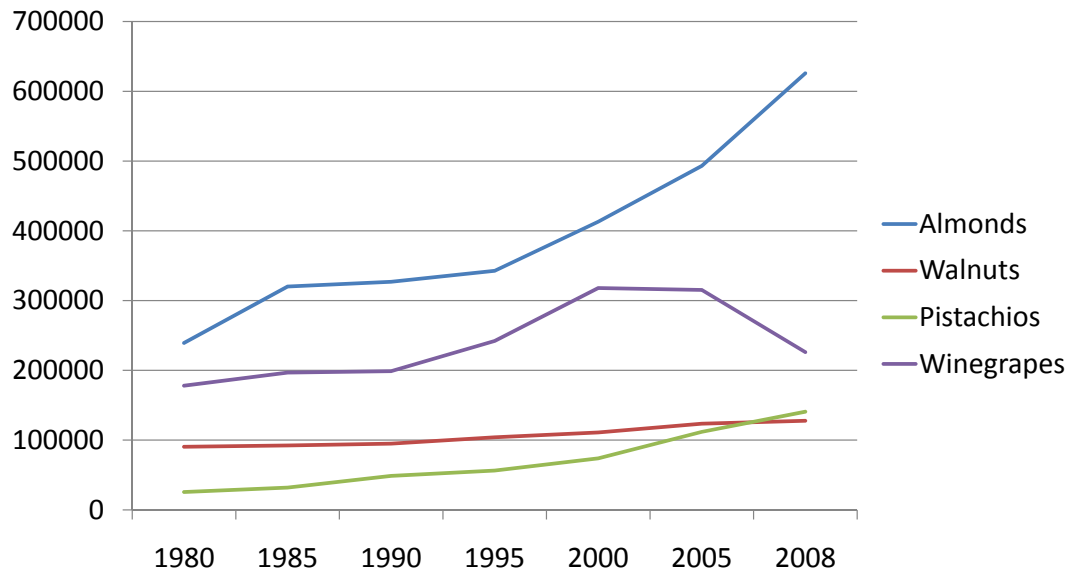
Data Sources

- County Agricultural Commissioner Reports
 - Gross revenue and bearing acres by crop 1980, 1985, 1990, 1995, 2000, 2005, 2008
- UC Cooperative Extension Cost Studies
 - Walnuts 2007; Pistachio, Winegrapes District 11, and Almonds North San Joaquin Valley, 2008
- Wine Market Council

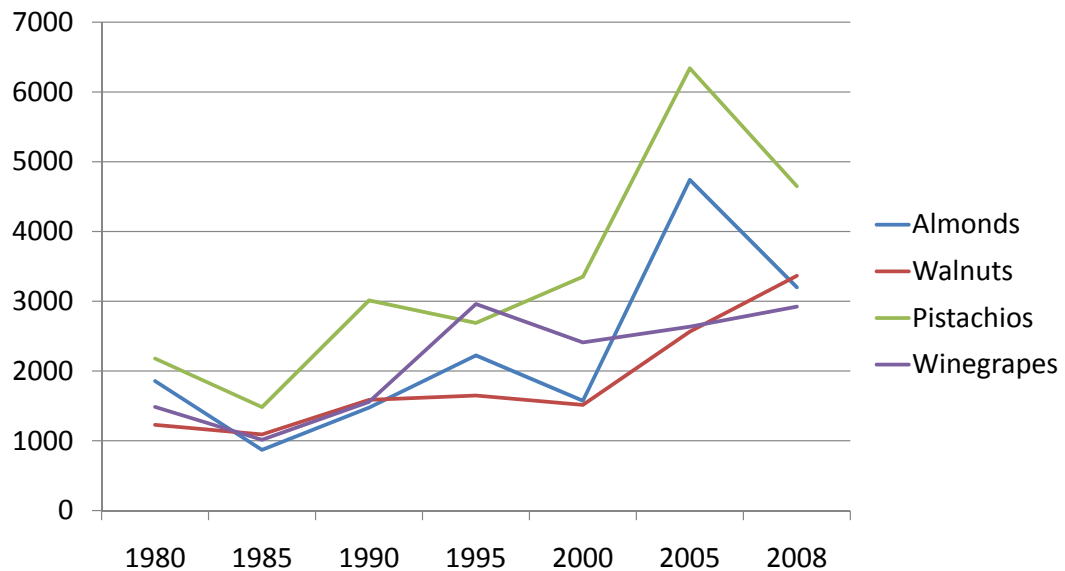
Thinking about Competition

- 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?

Bearing Acres San Joaquin Valley



Gross Revenue per Acre



Profitability?

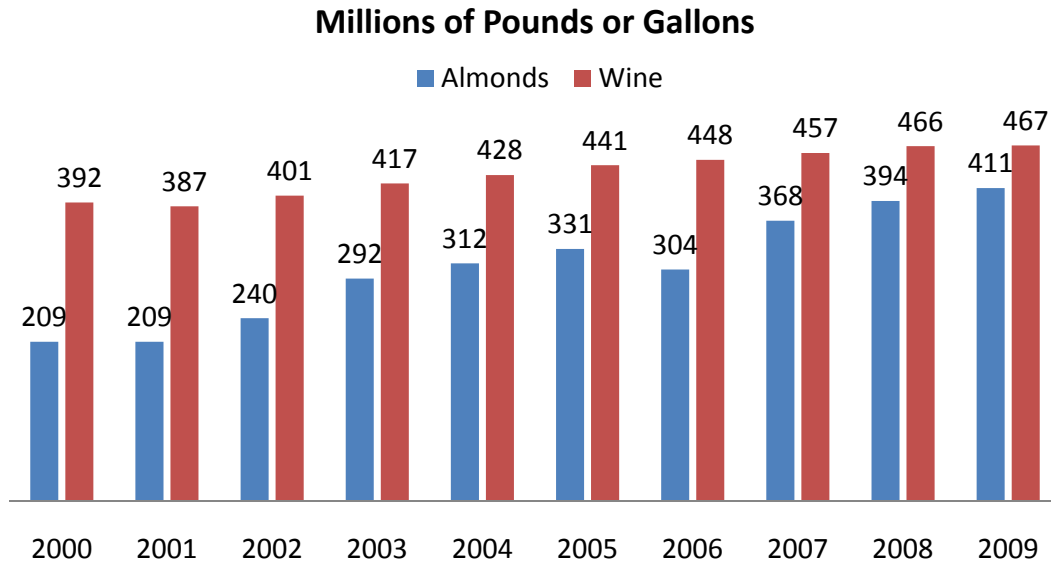
	Almonds	Winegrapes	Pistachios	Walnuts
Establishment	4839	6746	9676	5705
Cultural	2029	1555	1888	1180
Harvest	391	417	213	810
Cash OH	341	981*	384	322
Total Cash Cost	2761	2953	2485	2312
Gross Revenue	3200	2923	4650	3365
Gross Profits	439	30	2165	1053

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 an average across all San Joaquin valley counties. *Winegrape costs are from 2008 study of establishment and operation in District 11 and include salary and benefits for a manager of \$350 an acre.

Consumption Trends?

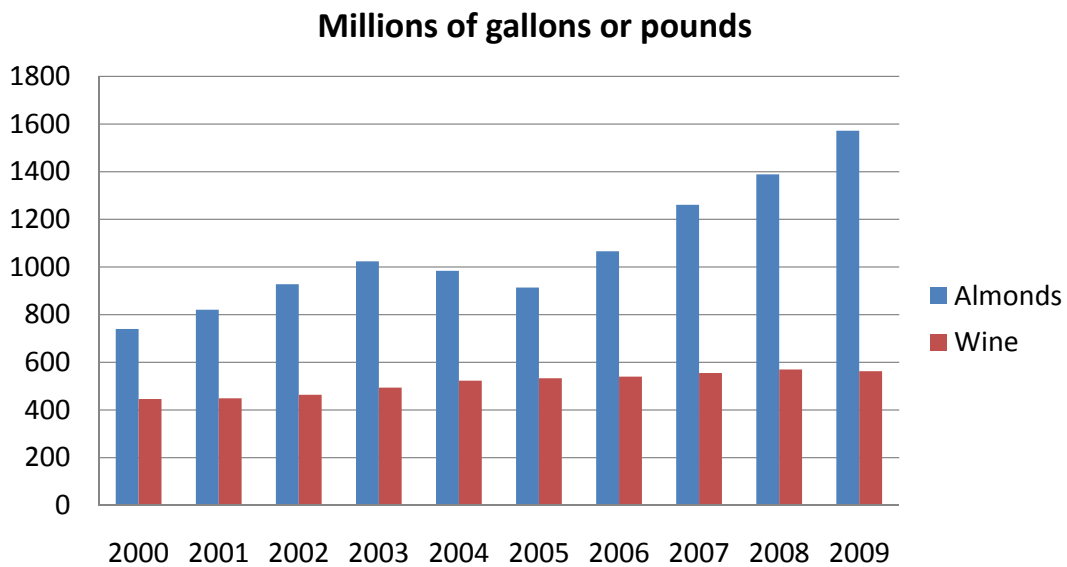


California shipments to U.S.



Source: Wine Institute and California Almond Board

Total California Shipments



Comparing Almonds and Wine

	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.?

UPDATE
GIANNINI FOUNDATION OF AGRICULTURAL ECONOMICS • UNIVERSITY OF CALIFORNIA
V. 13 no. 6 • Jul/Aug 2010

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

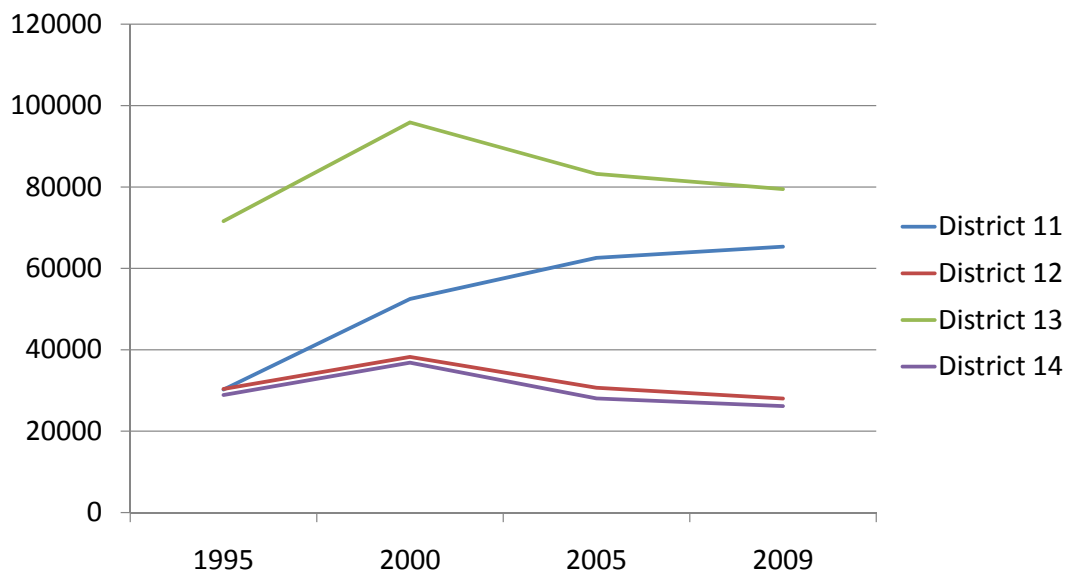
In conjunction with the 4th Annual Meeting of the American Wine Economics Association, the Agricultural Issues Center and the Robert Mondavi Institute for Wine and Food Science Center for Wine Economics held a one-day symposium on "Outlook and Issues for the World Wine Market." Robert Smiley, wine industry 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-

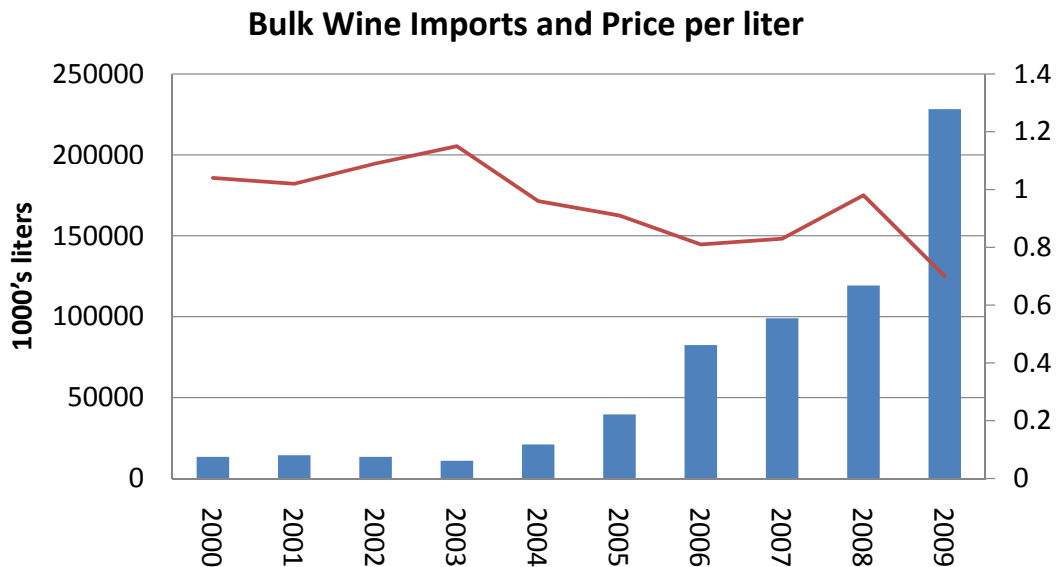
Lapsley's predictions for 2030

- 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?



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 105,000 acres currently planted in districts 13 and 14, 93,000 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—which means the wineries must decide if they are wine producers or winemarketers.

Conclusion?

- San Joaquin winegrape growers are excellent farmers.
- They probably can out compete foreign producers in the long run
- But, when it comes time to replant, can grapes out compete nuts?