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

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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

• 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?
Profitability?

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

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.

Millions of Pounds or Gallons

Source: Wine Institute and California Almond Board

Total California Shipments

Source: Wine Institute and California Almond Board
Comparing Almonds and Wine

<table>
<thead>
<tr>
<th></th>
<th>Almonds</th>
<th>Wine</th>
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</thead>
<tbody>
<tr>
<td>% World Production</td>
<td>80</td>
<td>7</td>
</tr>
<tr>
<td>% California Production</td>
<td>70</td>
<td>17</td>
</tr>
<tr>
<td>% of World Shipments</td>
<td>90</td>
<td>4</td>
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</tbody>
</table>

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.?
Lapsley’s predictions for 2030

- Population and per capita consumption will both increase—leading to a 45% increase in volume
- A 2030 market of 407 million 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?