Agricultural Issues Center
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Commodity Profile: Wines and Wine Grapes

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Overview

In the colonial and post-colonial period up through the middle of the 19th Century, the wine industry in the United States and Canada was relatively tiny, with almost all of the meager consumption satisfied by imports. Although there was some development in the latter half of the 19th century, wine production in North America only began to develop significantly with the expansion of the California industry early in the 20th century. After the prohibition era from 1920 to 1932, the industry needed to be recreated. In a sense, the industry was reborn in the early 1970s with an aggressive movement towards higher quality.

Demand

Wine consumption increased steadily in the 1970s and 1980s, but decreased in the 1990s. From 1989 to 1995, per capita consumption dropped from 2.3 gallons to 1.7 gallons. It started to increase again in 1996. In 2000, per capita consumption was 2 gallons.

Supply

California produces 91 percent of the total U.S. wine production and is home to 847 wineries. New York produces 4 percent of the total, and Washington, Oregon and Idaho collectively produce approximately 3 percent.

The acreage of grapes for wine production in California increased 63 percent, from 295,000 acres in 1991 to 480,000 acres in 2001, and was 486,000 acres in 2002. (Wine grape acreage is only available for California.) These figures do not include nonbearing acreage with vines less than three years old. The total U.S. grape acreage was 948,650 acres in 2002. Total production also increased, although there were annual fluctuations. In 1991, California produced 2.2 million tons of wine grapes. By 2001, production had increased to 3.1 million tons, which was 8 percent lower than production in the peak year of 2000. In 2002, grape production increased to 6.7 million tons. Wine grapes accounted for almost half (47 percent) of California's grape production.

Exports

Internationally, the United States ranks fourth in wine production after France, Italy and Spain. The U.S. exported 3 million hectoliters, or 12 percent, of the approximately 23 million hectoliters of wine produced domestically in 2002. The value of U.S. wine exports was $533.5 million in 2002. The top export destination for U.S.-produced wine in 2002 was the United Kingdom, which received more than one-third of all wine exports. The U.K. has been an increasingly important trading partner for wine, with exports increasing from $17.4 million in 1989 to more than $189.2 million in 2002. Canada was the second most important export destination, receiving $83.3 million. The Netherlands and Japan were other important destinations, together receiving one-fourth of wine exports.

Wine exports were California's third most important agricultural export commodity in 2002 after almonds and cotton. An estimated 91 percent of total U.S. wine exports originated in California in 2002. Total California wine exports amounted to $485.7 million in 2002, slightly higher than the previous year (Agricultural Issues Center, University of California). Total U.S. wine exports rose from $97.7 million in 1989 to $533.5 million in 2002 (Figure 1). They peaked in 2000 at $534.3 million.

Wine exports to Canada more than quadrupled from $18.2 million in 1989 to $83.3 million in 2002 (Figure 2) and grew almost at the same rate as the total increase in U.S. exports. In 1989, Canada received 18 percent of total U.S. exports. Canada's share was about 17 percent in 2001 and 16 percent in 2002. Mexico received a small, but slightly increasing, share of U.S. fresh wine exports from 1989 to 2001 (Table 1). In 1989, $1.4 million worth of fresh wines were exported to Mexico. In 2002, exports amounted to $2.4 million, down from $3.8 million in 1999. In addition, small amounts of distilled spirits made from grape wine valued at $129,771 were shipped from the United States to Mexico in 2002.

Imports

The United States imports more wine and wine products than it exports. In 2002, the total value of imported wines and other wine grape products amounted to $2.7 billion, and rose to $3.1 billion in 2002. The majority of imports came from France, Italy Australia and Chile. In 2002, the total import value of wine and other products had increased 185 percent from $931 million in 1989.

Wine imports make up the majority of total imports in the wine and wine product sector. However, the import of distilled wine grape products has become more important during the past decade. Grape brandy imports, valued at almost $30 million in 1989 and equal to 3 percent of total wine grape related products, rose to $464 million and a 15 percent share in 2002.

Compared to total imports, wine shipments from Canada and Mexico were insignificant and have not changed substantially during the last decade. Canada shipped $4.9 million worth of wines to the United States in 2001 (Canada Statistics), up from just

$580,000 in 1990. Imports from Mexico were $7.48 million in 2002, which was less than the pre-NAFTA level of $9.9 million.

Tariff rates and policy changes resulting from NAFTA

U.S. tariffs on imported wine from nations with which the United States maintains normal trade relations range from 5.3 cents per liter to 22.4 cents per liter, depending on the type of wine. Countries without normal trade status with the United States face higher tariffs of 33 cents per liter and $1.59 per liter, depending on the type of import.

In 1988, before the Canadian-U.S. Free Trade Agreement (CUSTA), Canada imposed a variety of tariffs on U.S. wines. Tariffs for fresh wines ranged from 11 cents per liter to 20.24 cents per liter, depending on alcohol content. Vermouth exports to Canada faced a tariff of 3.3 cents per liter and distilled spirits made from grape wine were charged 19.19 cents per liter. Under CUSTA, all Canadian tariffs on wine from the United States were phased out over seven years. Tariffs were reduced 25 percent during each of the first two years of the agreement and then 10 percent a year over the next five years.

Mexico imposed a tariff of 20 percent on most wine imports from the U.S before NAFTA. Under NAFTA, Mexico agreed to eliminate most tariffs over 10 years. Some tariffs were eliminated immediately. Beginning in 2003, U.S. wine exports to Mexico no longer faced tariffs.

In 1988, U.S. tariffs on fresh wine imports ranged from 9.9 cents per liter for wine with an alcohol content under 14 percent to 26.4 cents per liter for wine with an alcohol content over 14 percent and 30.9 cents per liter for sparkling wine. All tariffs on wine shipments from Canada were phased out over 10 years according to the CUSTA schedule.

In 1993, Mexico faced the same U.S. tariffs that Canada had in 1988. Most Mexican imports consisted of distilled grape wine products, which faced tariffs from 13.2 cents per liter to 33 cents per liter for different container sizes in 1993. NAFTA eliminated the tariffs immediately.

Prices

The California price for wine grapes differs depending on how the grapes are utilized before they are sold. (California is the only state with differentiated prices for grape utilization.) One to two percent of wine grapes are sold as fresh grapes, before being processed. During the period between 1992 and 2002, the price for fresh grapes was well below the price for processed grapes, except in 1994 (Figure 4). On average, fresh grapes received $301.33 per ton. Processed wine grapes, however, received an average price of $497.78 during the period. Prices for processed grapes rose dramatically, from $384.90 in 1993 to $591.47 in 1997. Since 1997, prices dropped slightly. In 2002, the price per ton for processed wine grapes was $486.18.

Sources

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Tables and figures

Table 1: U.S. Wine Exports to Mexico, in million $, 1989-2002

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Fresh wine	1.4	1.9	1.4	2.8	2.3	3.8	1.3	2.0	2.2	2.6	3.6	2.5	2.2	2.4
Total	2.5	2.0	1.9	3.6	2.8	4.1	1.4	2.3	2.3	2.7	3.8	3.0	3.0	2.9

(Source: U.S. Customs Service)

Figure 1: U.S. Wine Exports, 1989-2002
(Source: U.S. Customs Service)

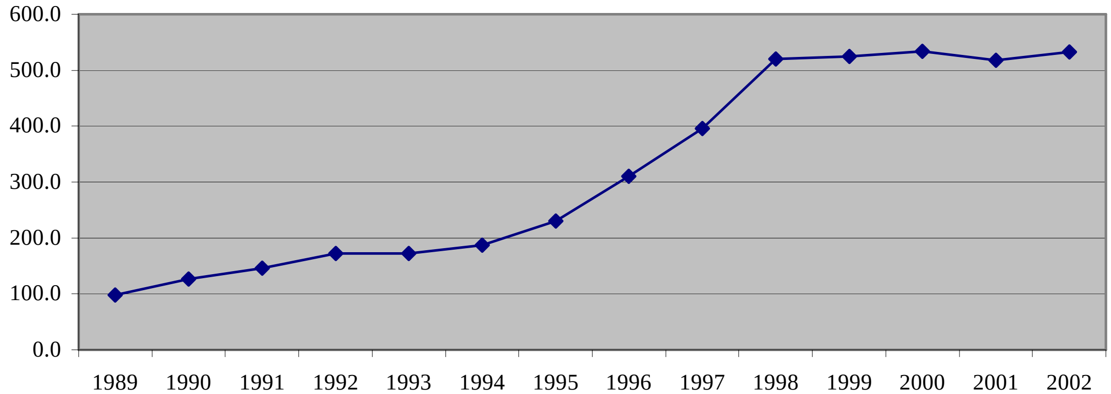

Figure 2: U.S. Wine Exports to Canada, 1989-2002
(Source: U.S. Customs Service)

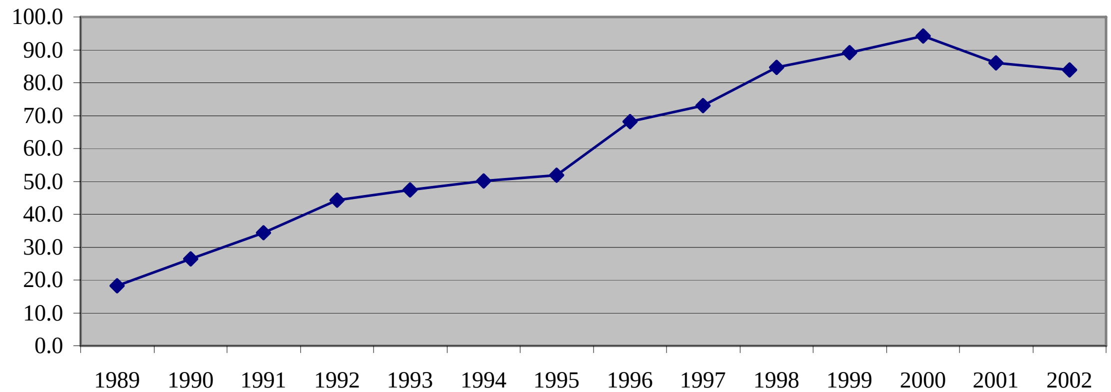

Figure 3: U.S. Wine Imports, 1989-2002
(Source: U.S. Customs Service)

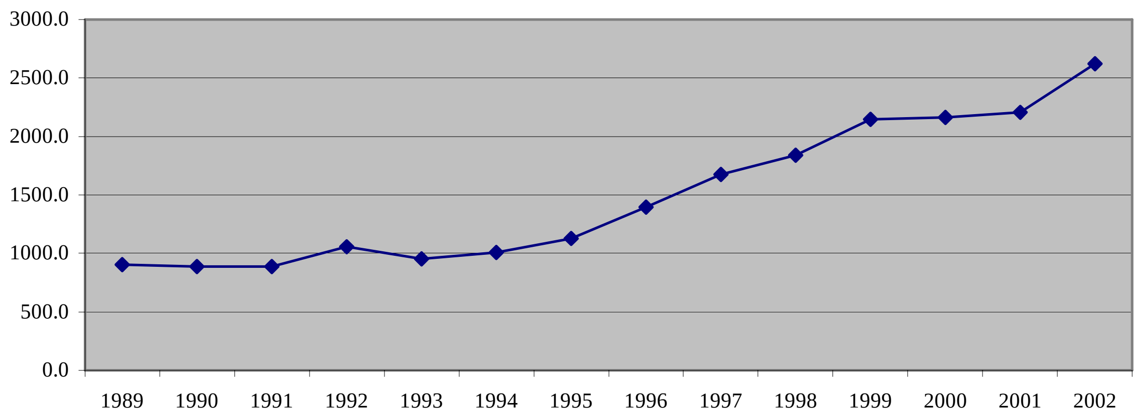

Figure 4: California Wine Grape Prices, Fresh and Processed, 1992-2002

(Source: National Agricultural Statistics Service)