Only direct-to-consumer (DTC) sales are providing some relief for Californian producers.

scritto da Fabio Piccoli | 20 Febbraio 2024

I’ve never liked the proverb ‘**misery loves company**.’ In fact, I believe that when things go wrong for everyone, it’s the worst sign, a symptom of a dangerously widespread malaise.

For this reason, the news of the difficulties coming from wine sectors of other countries not only does not leave me indifferent but also **raises further questions** about the current state of difficulty of the wine industry worldwide.

The latest negative news comes from California, where the Unified Wine & Grape Symposium was held recently, involving approximately **12,000 producers** from what can be considered the most important wine region in the United States, one of the most prestigious globally.

An interesting article about this important Symposium was written by Wine Searcher.

If already in 2020 **Jeff Bitter**, president of the **Allied Grape Growers** (the alliance of Californian winegrowers), had announced the need to uproot at least 30,000 acres (over 12,000 hectares) of vineyards in California, this year his forecast was even bleaker, leading him to call for the elimination of as many as 50,000 acres (over 20,000 hectares), nearly 10% of California's vineyard area.

But Bitter (whose name does not seem to bring good news, as it translates to "bitter" in Italian) did not stop there and bluntly told his fellow grape growers that they are "growing varieties that the market does not want."

While consumers, even in the USA, are increasingly oriented towards white wines, 63% of California's vineyards are still represented by red varieties, with Cabernet Sauvignon alone representing 27% of new vineyard plantings.

> *"But, California," Bitter said, "already has more Cabernet than it can sell. And despite 2023 being a great vintage, many growers didn't even harvest many vineyards because no winery wanted to buy their grapes. Three out of the last five years, we've left grapes on the vines."*

But bad news also comes on the rosé wine front, which seems to have significantly slowed its pace.

> *"Three or four years ago, everyone wanted to run towards rosé," said Danny Brager, managing director of Azur Associates and certainly one of the foremost wine market experts in the USA. "Now there's not as much excitement. If*

> *you talk about rosé from Provence, or rosé for $15 or $20, there are some brands that are doing quite well. But not many others. Overall, the rosé market is declining now. When you walk into stores, there's too much pink on the shelves."*

"I wouldn't want to sugarcoat it," Brager continued, "2023 was a tough year. I really want to urge resistance to excessive pessimism, but I realize it's hard when you look at the numbers."

The numbers:

The numbers from the US market indeed tell us about declines in almost all alcoholic beverage industries, not just wine, although the latter has been the most affected by consumer demand decreases, with a **7.6%** loss compared to beer's **-6%** and traditional spirits' **-5.3%.** The only alcoholic beverage category that saw sales growth in 2023 was ready-to-drink cocktails (RTD).

Wine sales in the US have declined especially in a channel that was strategic before the pandemic, that of restaurants: sales in this channel have decreased by 10%, and according to Brager, this decrease was driven by changes in how Americans eat.

"There are now 8,400 fewer fine dining restaurants in the United States than in the pre-pandemic period," Brager said, "replaced by **10,000 new fast-casual restaurants** that might sell wine, but it's unlikely they'll take it seriously."

The reasons for the decline in wine, according to Brager, are many and often discussed. Young people are not drinking as much alcohol, and when they choose an alcoholic beverage, they don't choose wine. Negative messages about alcohol being harmful to health have had a significant impact. And consumers are not "premiumizing" – buying more expensive wines – as much as they did in the early days of the pandemic.

The only positive news for American wineries at present comes from the so-called **DTC** (Direct to Consumer) channel. Direct-to-consumer wine shipments over $100 saw significant **growth** in 2023, up 6.1% in volume. DTC shipments of wines priced between $50 and $100 increased, albeit only by 0.6%. But DTC shipments of wines under **$50 decreased by 10%**.

There are also consumers of expensive **Cabernet in all the United States** – Brager emphasized – and this is positive because the "**average price of Napa Cabernet grapes has skyrocketed to over $8,000 per ton, which translates to an average price of $80 per bottle**".

The positive trend of DTC, and the continuation of a strong premiumization trend in this channel, testifies to the ongoing strong interest in wine, especially quality wine, and this should significantly reflect on the American distribution model, **which may have truly run its course**.