

WINES & VINES

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U.S. Wine Market Is Most Lucrative

Experts examine imports/exports to show producers the path to profitability

by **Kate Lavin**



Bill Turrentine discusses opportunities for U.S. wineries in the global marketplace. Photo by Ken Freeze

Sacramento, Calif.—The United States is “by far the most lucrative wine market in the world,” according to [Bill Turrentine](#), and that’s both a blessing and a curse. Turrentine, chairman of the board for [Turrentine Brokerage](#), was one of three industry experts to speak Thursday at the Unified Wine & Grape Symposium about the role of the U.S. in the global marketplace.

There are great benefits to being located in the world’s most promising wine market. One disadvantage is that wine sellers in other countries target our market. “They all know how well New Zealand has done here with Sauvignon Blanc and how well Argentina has done with Malbec,” Turrentine said. “They will try to succeed, and they will keep coming relentlessly. That’s the downside of having the most lucrative wine market in the world.”

When it comes to exporting U.S. wine abroad, wineries find market conditions less favorable. Still, Turrentine said, “If we ignore that 81% of world wine consumption that’s outside the U.S., we’re going to miss out on a lot of opportunities.”

By the numbers

According to [Daniel Sumner](#), director of the Agricultural Issues Center at the [University of California, Davis](#), the U.S. is responsible for 7% of global wine imports but just 4% of global wine exports. The U.S. exports nearly \$1 billion worth of wine each year, and the No. 1 international destination for U.S. wine in dollars is the European Union, followed by Canada.

When Japan, Hong Kong and China are lumped into the same category, U.S. exports to those countries exceed exports to Canada by volume but not value, meaning the U.S. exports more wine to Asia and gets less in return. And in spite of the U.S. wine industry’s increasing interest in China, Sumner said the market is not the right fit for everyone.

“The U.S. is home to the biggest market in the world, so when individual wineries look at shipping to China, it shouldn't surprise us to think that individual wineries are saying, ‘I’ve got places I can sell my wine for higher profits than the Chinese market’,” Sumner said.

With 50 million residents who have disposable income, South Korea is home to an increasingly profitable wine market. But the nation, which has a longstanding and fruitful trade agreement with Chile, still doesn’t have a trade agreement in place with the United States.

Sumner said that there has been a surge in bulk wine sales out of California—more than 50% of California wine exports are bulk wine—but because of the associated low price, bulk wine exports account for just a quarter of wine exports by value. Shipping also is important when considering the low return for bulk wine. “If you can avoid shipping a bottle, it makes sense to ship it in bulk,” he said. “The bottled wine fell dramatically a couple of years ago, but bulk wine really hasn't changed that much.”



Turrentine's map identifies the largest wine export paths.

Across the map

Turrentine created a map detailing global wine export trade routes. Germany is the biggest importing country in the world by volume, with 16% of the import market, but when evaluated in dollar value it falls to No. 3. The No. 1 source of Germany's imports is Italy, which also is a large importer of bulk wine. "Most of the wine going into Italy does not get sold in Italy, but it is packaged there and sold to other places in the EU," he said.

Turrentine told the audience that although the United States cannot be a low-cost producer in bulk wine due to labor costs, the U.S. competes well with bulk wine sales of varieties such as French Colombard (which sells as a varietal wine in Europe but not in North America) and Ruby Cabernet.

To that extent, Turrentine noted that innovative wine marketing countries like Australia and Chile don't try to market the same products to new markets; rather, they consider how to tailor products to meet the needs of individual markets. Speaking about U.S. wine sales, Turrentine said, "The industry as a whole has tried to find somebody to buy what we have to sell, instead of looking at the market."

Even for successful exporting countries, the path is not without pitfalls. Turrentine cited Australia, where overplanting resulted in a runaway wine market that saw the most popular wines fall in price from \$8 to \$4 per bottle. In comparison, California plantings appear to be creating a relatively tight supply. "These should be good times for the California wine business," Turrentine said.

Retailers in the UK use wine as a driver to attract customers, Turrentine said, although the continued driving down of prices has made it increasingly difficult to secure a profit for wine exports in that country.

The Wine Institute, which has extensive experience promoting California wines around the world, is a good place to start exploring export options, Turrentine said, adding that WI's export program is open to members and nonmembers alike.

Who would benefit?

In order to make money in the export market, "you have to be a significant player" and not a boutique grower, said [Jeff O'Neill](#), founder of [O'Neill Vintners & Distillers](#). With more than 1 million tons, Gallo leads the U.S. export market, followed by The Wine Group, Bronco and Constellation. The top eight producers of U.S. wine exports comprise 80% of the 55 million-gallon U.S. wine export market. In terms of bottled wine exports, Gallo controls 60% of the market share in U.S. wine.

"There is a price-point where the consumer doesn't care" about country of origin," O'Neill said. "If you get down to that \$4 category, the consumer wants price and value."

According to O'Neill, Italy don't just dominate the U.S. bulk wine import market: It is the No. 1 exporter to the U.S. as well. And rather than exporting bulk wines, Argentina in recent years has turned bottled wine exports into a hot commodity.

Regardless of individual winery and vineyard experiences with exports, Turrentine asserted that the practice permeates every element of the wine business. “Growers are participating in the international wine market just by selling to California wineries.” And that’s a good thing: By 2030, the U.S. will account for 19% of global wine consumption—up from 9% in 1980.

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