COLLEGE OF AGRICULTURE AND LIFE SCIENCES
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VIRGINIA TECH

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Differentiation & Direct-to-Consumer Sales in Viticulture

Dr. Mario Ortez

October 23rd, 2025

SOUTHERN EXTENSION RISK MANAGEMENT EDUCATION

USDA National Institute of Food and Agriculture
U.S. DEPARTMENT OF AGRICULTURE

Virginia Cooperative Extension
Virginia Tech • Virginia State University

Agenda

2-2.20 pm	▪ Virginia Agriculture and Viticulture Economic Outlook **Dr. Mario A. Ortez**, Assistant Professor and Pearson Fellow, Virginia Tech
2.20-2.50 pm	▪ Lending Update **Nicole Clem & Ryan Clouse,** Horizon Farm Credit
2.50-3.10 pm	▪ Virginia Farm Bureau Value Added Services and Grant Opportunities **Whitney Perkins**, Assistant Director, Agriculture Development and Innovation, VFB
3.10-3.30 pm	▪ Briedé Family Vineyards Business Spotlight **Paul Briedé,** Paul and his wife Loretta, operate a rare cultivars winery in Winchester, VA
3.30-4.30 pm	▪ Financial Tools for Decision Making **Michele Mickelwait & Miru Yim**, Kohl Centre Agri-food Finance Fellows, Virginia Tech

Virginia Agriculture

- Agriculture is Virginia's largest private industry by far
    - 90% of Virginia farms are owned by families or individuals
- The industry has an economic impact of $82.3 billion annually and provides more than 381,800 jobs in the commonwealth
- **Key sectors include:** poultry (broilers and turkey), cattle, row crops (corn and beans), as well as fruits and orchards, and viticulture

Latest USDA Grape Outlook

- The U.S. grape crop is forecast to be **5.59 million tons in 2025.** 3% higher than 2024**.** But 35% lower than the 2013 peak of 8.63 million

- Domestic grape production in **2024 was the lowest since 1987**, as grape production in top grape-producing State, **California, has trended downward over the last decade** after peaking in 2013 at 7.74 million tons.
    - CA accounts for ~90% of US production; ~18% for fresh market

- In 2025, grape production is expected to increase in California, New York, and Oregon and decrease in Washington year over year

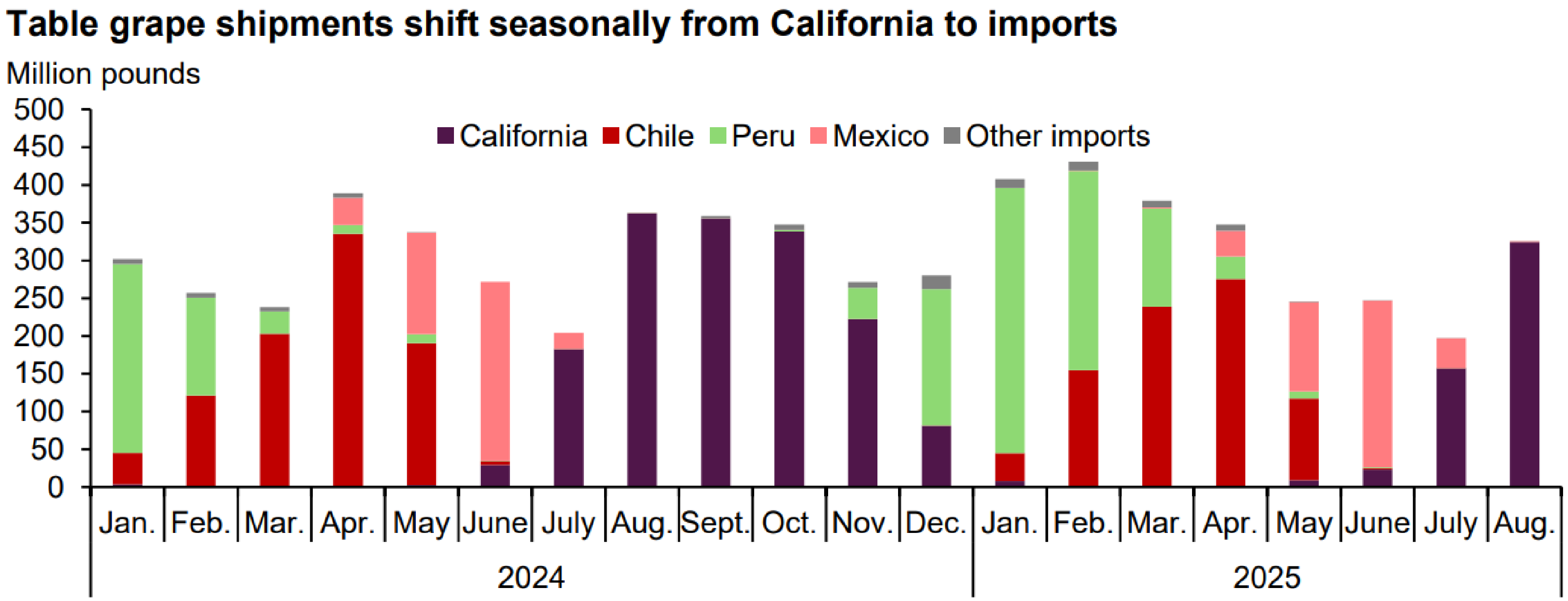
Source: USDA, ERS

Latest USDA Grape Outlook

- Per capita availability of **fresh grapes** was 9.56 pounds per person in 2024/25 (May–April), an increase of 15% YoY and the highest on record
- **Import** volumes reached record highs, exceeding 2 billion pounds and surpassing domestic production for the second year in a row
- From August to November: **California is the primary table grape supplier** for domestic consumption.

Source: USDA, ERS

Latest USDA Grape Outlook



Note: The Other imports category includes shipments from Brazil, Canada, Dominican Republic, Italy, New Zealand, South Africa, South Korea, and Spain.
Source: USDA, Economic Research Service based on data from USDA, Agricultural Marketing Service, *Market News*.

Source: USDA, ERS

Latest USDA Grape Outlook

- In 2025, wine-type grape production for **California** is forecast to be 3 million tons, 4% higher than 2024 but 16% lower than the previous 3-year average (2021–23)
- After producing a record wine grape crop in 2018 (4.29 million tons), wine-type grape acreage in **California** has declined by 40,000 acres from its peak of 590,000 bearing acres in 2018–19
- **Washington** wine-type production volume in 2025 is expected to be 120,000 tons, 21% lower than 2024 and 38% below the previous 3-year average (2021–23).
- The **Oregon** grape crop (most of it for process) this season is expected higher, from 84,800 tons in 2024 to 110,000 tons in 2025
- Combined, the expected increase in California and Oregon wine grape production will more than offset the decline in Washington State in 2025

Source: USDA, ERS

Latest USDA Grape Outlook

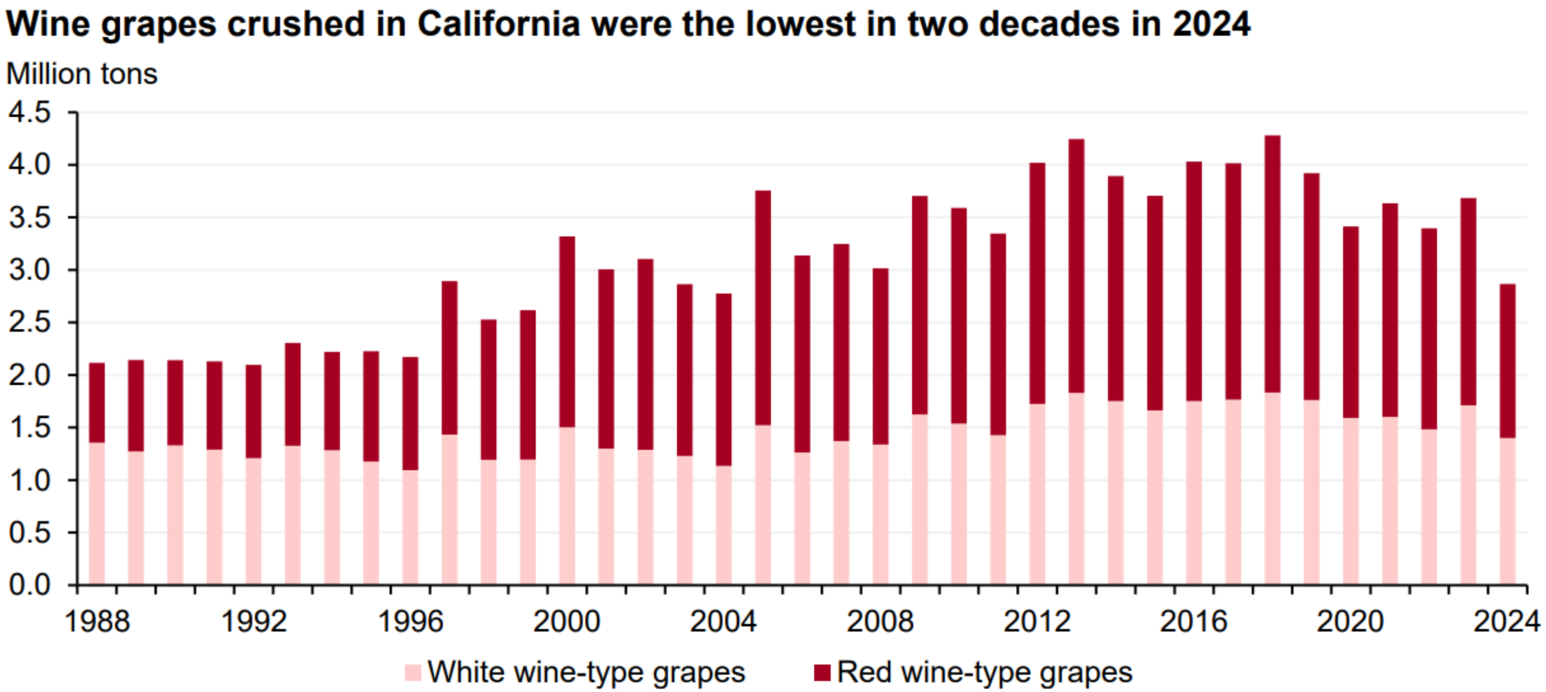
- In 2024, wine-type grape production declined year over year in California, Washington, and Oregon, as **U.S. demand for wine has fallen over the last decade**

- **Wine per capita** availability fell in 2024 to 2.21 gal/person, a decrease of 11% YoY and 30%below the peak of 3.13 gal/person in 2013

- Wine **imports** in 2024 were 18 percent lower than the 2022 peak

Source: USDA, ERS

Latest USDA Grape Outlook



Source: USDA, Economic Research Service based on data from California Department of Food and Agriculture, *California Grape Crush Report*, various issues.

- The top wine-type grape crushed in 2024 was **Chardonnay** with 527,800 tons, followed by **Cabernet Sauvignon** with 454,600 tons. These top two varieties accounted for one-third of all wine-type grapes crushed in 2024.

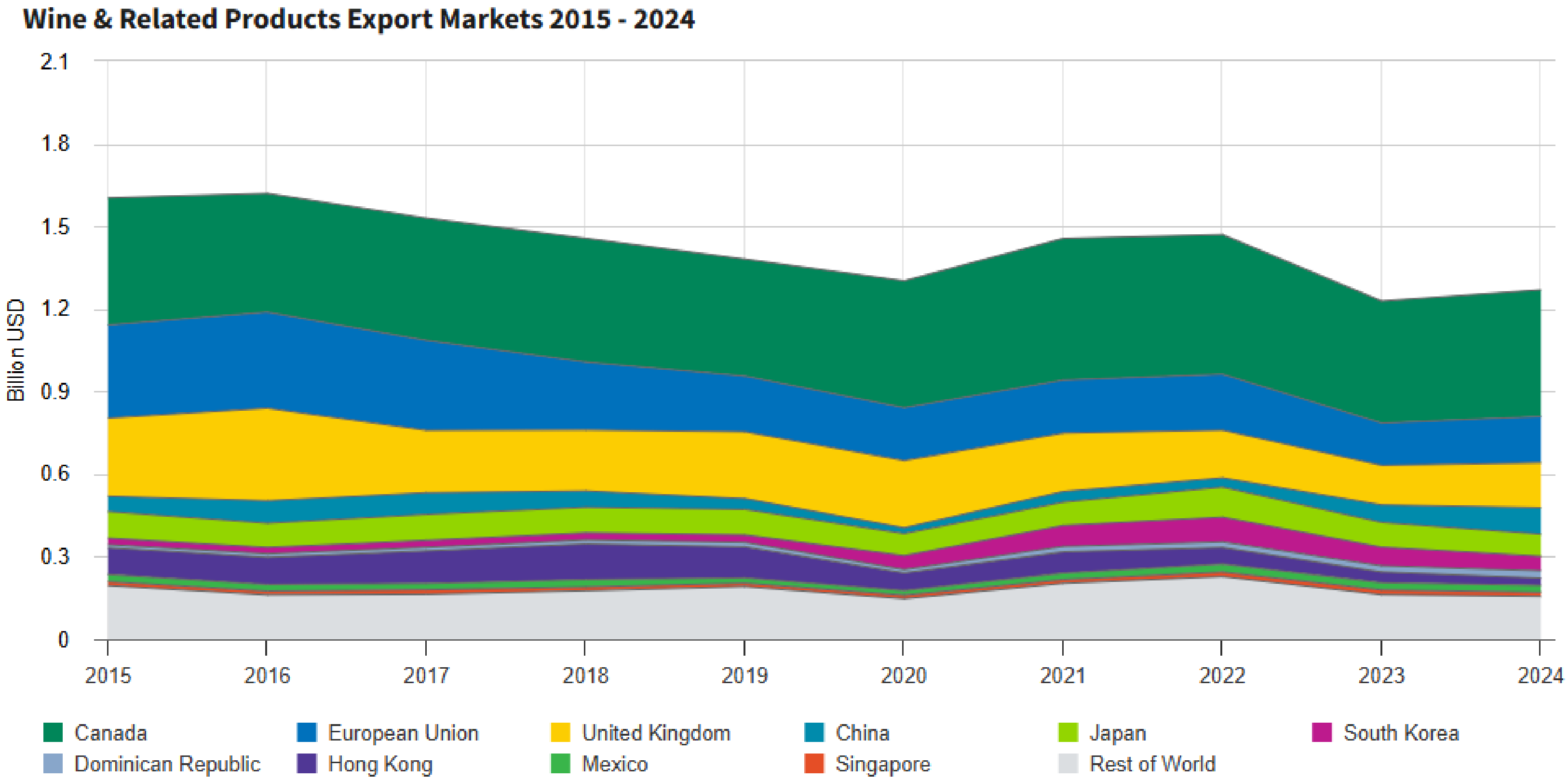
Source: USDA, ERS

Latest USDA Grape Outlook (Processed)

- Processed grapes include canned, dried, and juice products
- In 2024/25 (August–July), **U.S. per capita availability** of processed grapes (excluding wine) on a fresh-weight basis was 7.14 pounds—a decrease of 13% YoY
- About 60% of processed grape availability is dried

Source: USDA, ERS

Latest USDA Grape Outlook (Exports)



- Canada ($460 million), EU ($168 million), UK ($164 million), China ($96 million), Japan ($80 million), Dominican Republic ($27 million)

Source: USDA, FAS


Let’s talk wineries…

US at a Glance

At a Glance

		'20-'25	'25-'30
Revenue	$33.4bn	↑6.7 %	↑2.2 %
Employees	57,001	↑2.2 %	↑2.2 %
Businesses	7,221	↑2.5 %	↑2.3 %
Profit	$7.5bn	↑7.7 %	
Profit Margin	22.4%	↑1.0 pp	
Wages	$4.5bn	↑4.8 %	↑2.2 %

Five-year growth rates display historic and forecast CAGRs

Source: IBIS World

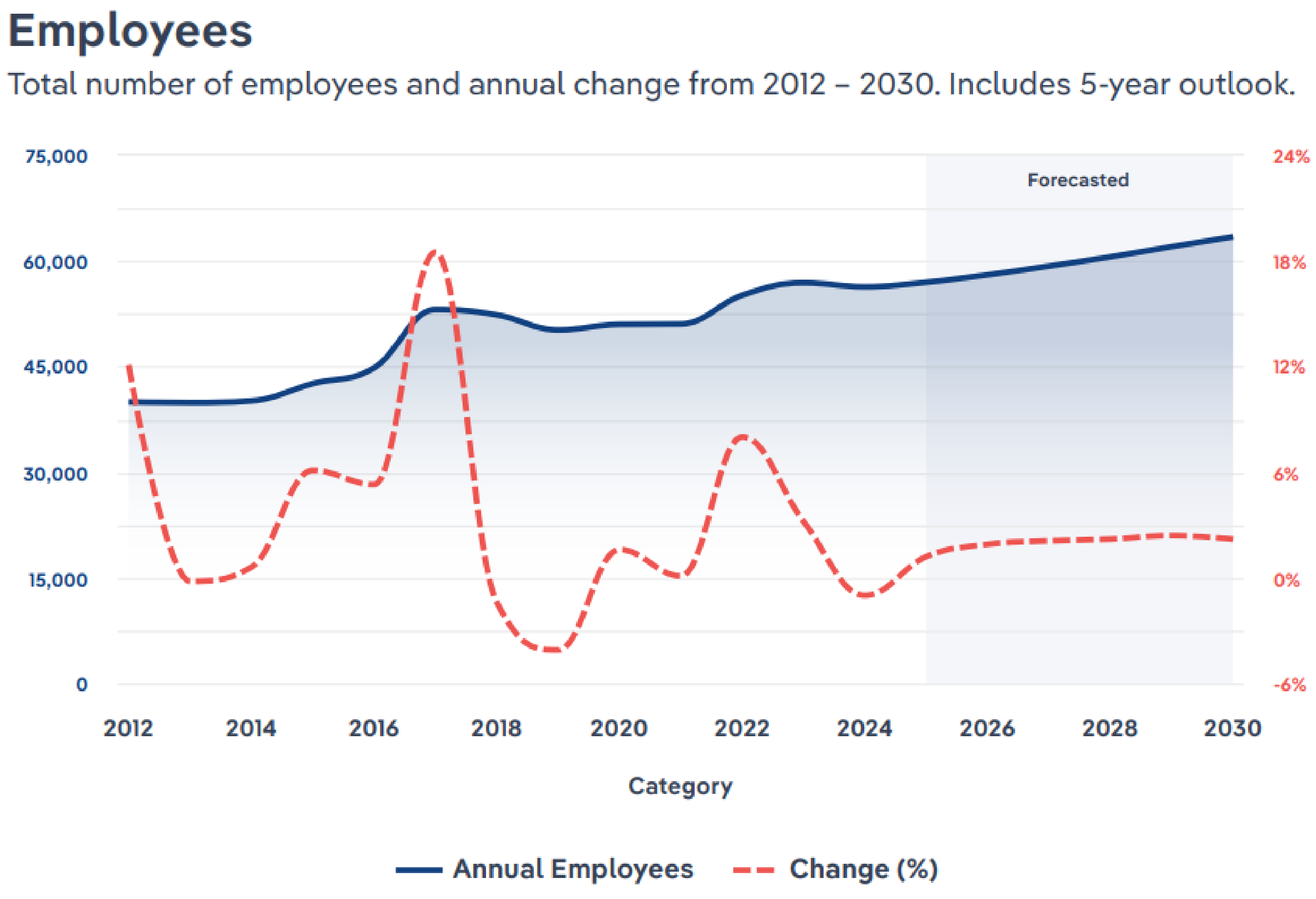
US at a Glance

Products and Services

Item	Revenue	Market Share
Chardonnay	$6.7bn	20%
Cabernet Sauvignon	$6.4bn	19.3%
Pinot Grigio	$4.0bn	11.9%
Sauvignon Blanc	$2.3bn	7%
Merlot	$2.1bn	6.4%
Pinot Noir	$2.1bn	6.3%
Zinfandel, Riesling and other blends	$9.7bn	29.1%

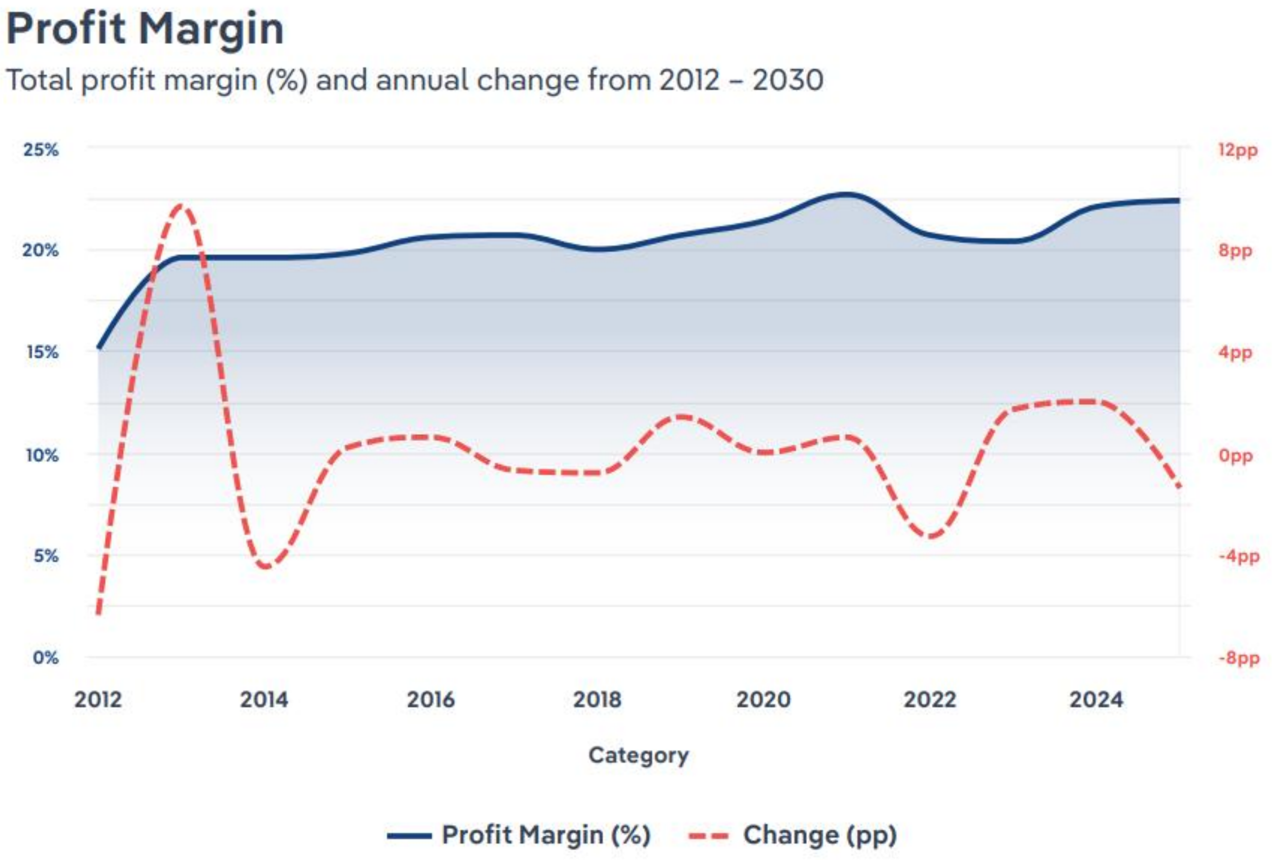
Source: IBIS World

US at a Glance



Source: IBIS World

US at a Glance



Total Profit

$7.5bn '20-'25 ↑7.7 %

Profit Margin

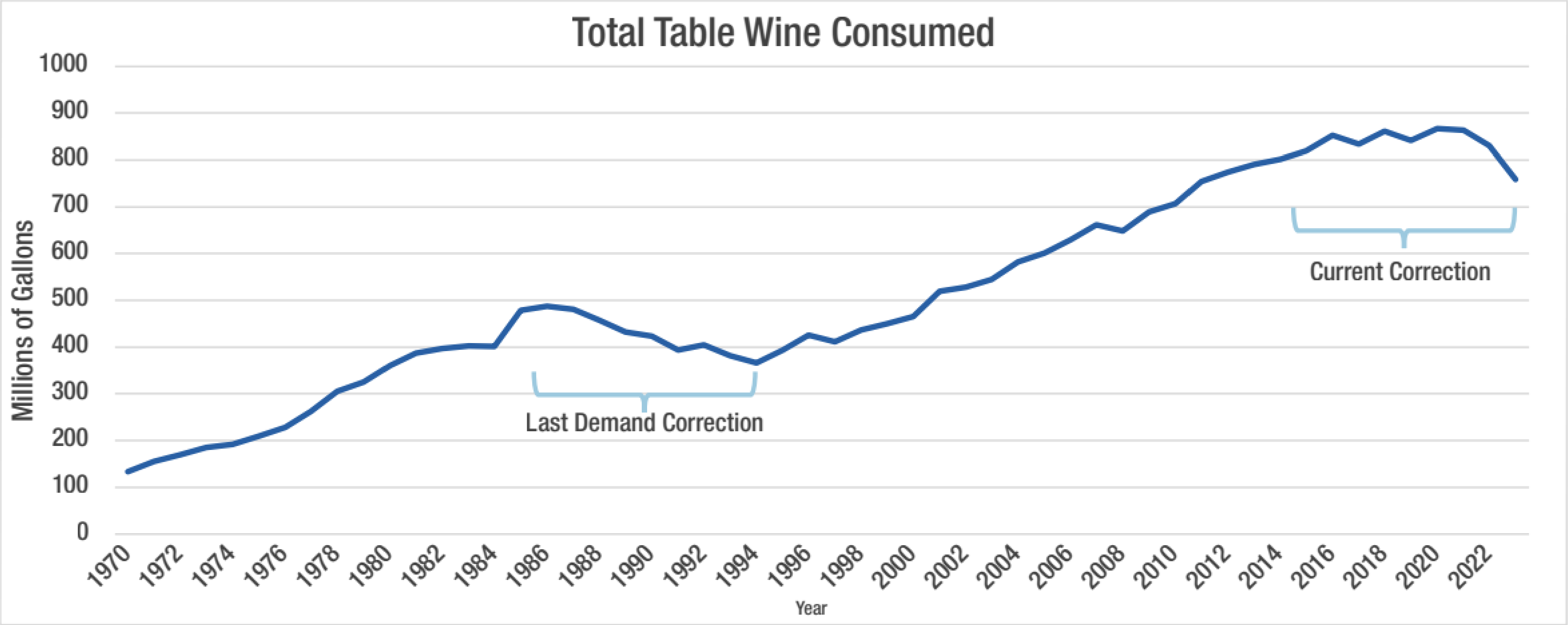
22.4% '20-'25 ↑1.0 pp

Profit per Business

$1.0m

Source: IBIS World

US at a Glance



Source: CA Wine Institute

US at a Glance (Demographic Shifts)

- Wineries have evolved into a **highly competitive landscape** where predicting consumer preferences is increasingly challenging.
- **Younger generations display a notable shift in drinking habits**, seeking variety and diversity in their choices. This shift has blurred the lines between markets for wineries, breweries and distilleries.
- While **older generations may have had more consistent preferences**, the current market demands that wineries innovate and adapt quickly to capture a share of the younger consumers who are open to exploring new experiences.

Source: IBIS World

US at a Glance

Distinctive Product / Brand Positioning

- With overall wine volume growth flattening and supply imbalances increasing, especially in bulk/entry-level wines, differentiation becomes critical. (State of the US Wine Industry, 2025).
- Premium and niche wines (small production, unique varietals, terroir-driven) hold more resilience in value. (State of the US Wine Industry, 2025).
- **Strategy:** Emphasize **rare varietals**, **unique terroir**, **storytelling**, **limited-production runs**, and clear branding.

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US at a Glance

Value-Added & Agritourism Experiences

- As the traditional wine market becomes more crowded, wineries increasingly succeed by offering experiences — tastings, tours, events, lodging, food pairings.
- These activities build direct-to-consumer revenue, deepen customer loyalty, and enhance brand differentiation.
- **Strategy:** Create immersive experiences (vineyard walks, behind-the-scenes, seasonal festivals), integrate hospitality offerings, leverage the “destination” element.

US at a Glance

Financial & Operational Efficiency + Quality Focus

- Industry reports stress that improved wine quality and operational efficiency are top drivers for investment and competitiveness. (Wine Business Monthly).
- Given the macro pressures (declining per capita consumption, oversupply) cost control and efficiency while maintaining premium quality matter more than ever.
- **Strategy:** Implement precision viticulture, streamline processes, focus on quality over quantity; monitor inventory and avoid over-production. (State of the Wine Industry, 2025.

US at a Glance

Innovative Use of Technology & Data

- Emerging studies show technologies like sensors, AI, precision management in vineyards and enotourism can increase efficiency and enhance guest experiences.
- **Strategy:** Use digital tools for vineyard monitoring, guest management systems for tourism/experiences, leverage data for decision-making.

US at a Glance

Innovative Use of Technology & Data

Sensors in Viticulture: Functions, Benefits, and Data-Driven Insights

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Abstract

Use of sensors and related analytical predictions can be a powerful tool in providing data-informed input to a viticulturalist's decision process, complementing their vineyard observations, experience, and intuition. Up-to-date measurements, predictions, and alerts offer actionable insights and suggestions for managing key vineyard operations, such as irrigation, disease control, canopy management, and harvest timing. In many cases, anticipatory interventions can mitigate risks before problems become apparent. Sensor data platforms facilitate implementation of the principles of precision viticulture – doing the right thing, at the right time, in the right place. By offering guidance on the targeting, timing, and dosage of vineyard practices, they can enhance operational effectiveness and efficiency while conserving labor and resources.

This paper is primarily intended for viticulturalists and vineyard managers as a succinct summary of viticulture sensor data platforms, their functions and benefits, how they work, and some practical considerations related to their acquisition and deployment. It may also be of interest to researchers in agriculture and IoT systems.

So the theme today…

- Exploring the **potential of value-added and product differentiation opportunities** in Virginia agriculture

- Reviewing **two key financial tools** for strategic decision-making:
  1. **Partial Budgets** – for **short-term decisions** and incremental changes
  2. **Income Statements** – for **longer-term financial evaluation** and performance tracking

- Understanding **how these tools can help assess the financial potential** of new ideas and enterprise adjustments

- Grateful to have **Virginia Farm Bureau, Horizon Farm Credit and Briedé Family** farms for joining us as we explore value-added ventures and diversification strategies

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