



# WINE MARKET REPORT

Issue Five, Volume Seven

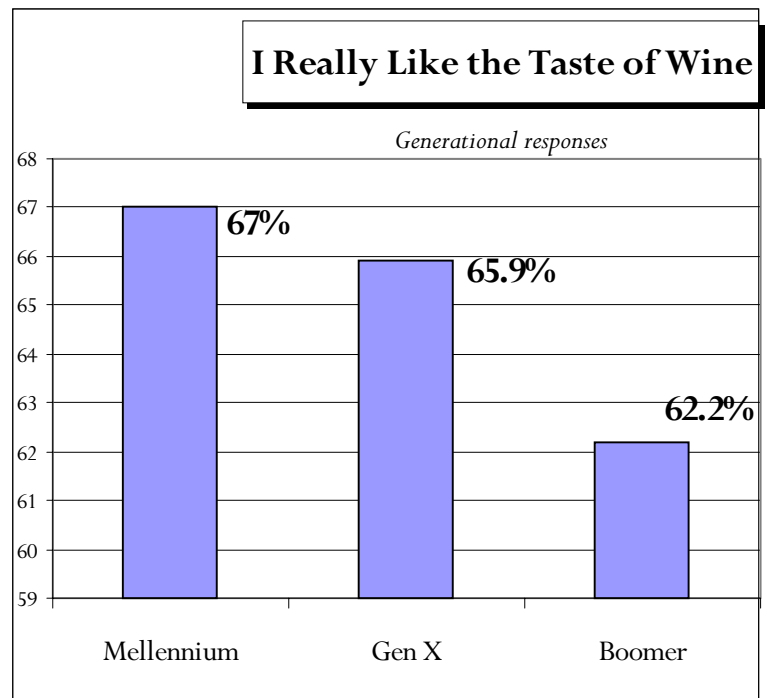
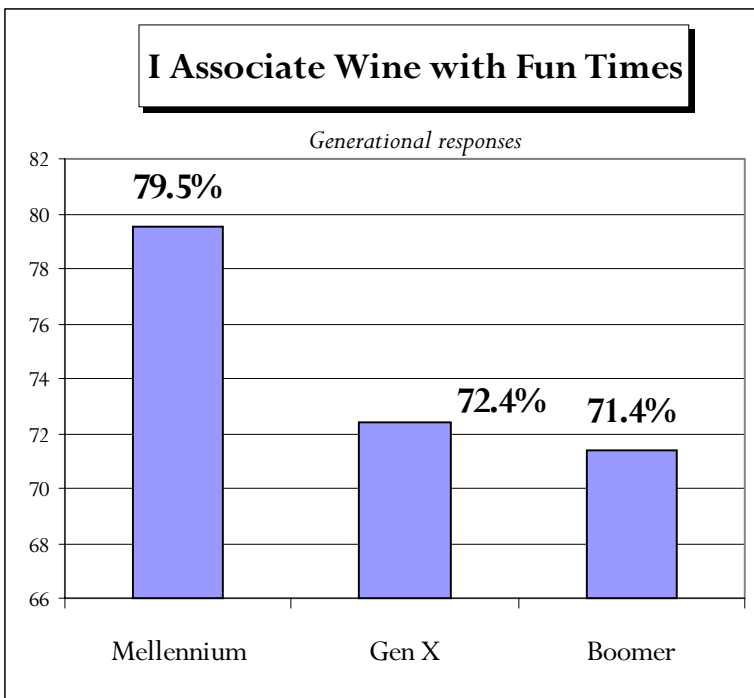
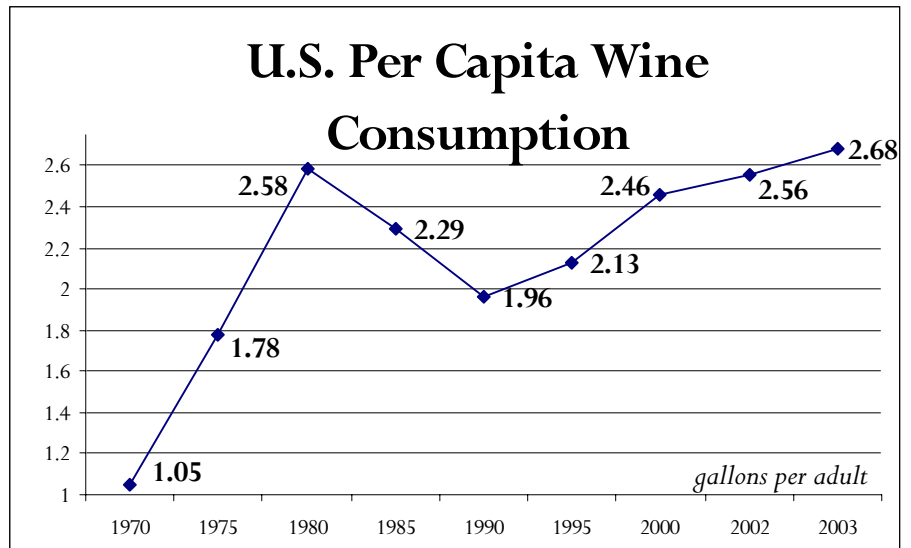
Know today what's coming tomorrow in the WineBiz!

## U.S. Per Capita Wine Drinking Hits All-Time

The wine culture in the United States reached a record high per-capita consumption figure in 2003, jumping a surprising 5 percent as the very youngest adults appeared to be signaling they are taking to wine much as their baby-boomer parents did.

The preliminary figure of 2.68 gallons per U.S. adult was reported by John Gillespie of the **Wine Market Council** at a keynote presentation today at the **Unified Wine & Grape Symposium** being held in Sacramento. His figures were from data just released by the **Adams Beverage Group**, an alcoholic beverage data-tracking group. The figure beat out the previous all-time high of 2.58 gallons recorded in 1982.

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"We're seeing the tip of a generational preference [for wine] that mimics that of the baby boomers," who created the previous record.

Gillespie attributed the surge in per-capita consumption, which was unexpected by virtually every wine industry analyst, to continuing positive fallout from media reports on the benefits of moderate drinking; to increased industrywide and brand promotional and advertising campaigns; and, perhaps most importantly, to the apparent increasing penchant of adult members of the Millennial generation (individuals under 27 years of age) to drink wine (a trend previously reported by *WMR*).

"Our research at Wine Market Council this year showed clearly that Millennials like the taste of wine, even more so than baby boomers, they consume more wine in casual restaurants than other generational groups and are more likely to drink wine both in family and friendly gatherings and even alone," said Gillespie. "Wine is culture for this group. It is cool for them."

### First Statistical Data Released

Gillespie's report came as the first statistical data on annual shipments of California and imported wine was released by **Gomberg-Fredrikson & Associates**.

Those figures showed an expected record year of shipments, but at the expense of the margins of many California wineries and subsequent weak performance of many traditional brands. That was because much of the growth was in Super Value wines (those priced \$1.99-\$2.99 at retail per bottle) and imports. On top of that, nearly all of the growth of Super Value wine was by one winery—**Bronco Wine Co.**, which was named "Winery of the Year" at the Symposium for posting both the largest bottled and bulk wine shipments of any wine company in 2003.

Deflation due to both oversupply and the impact of imports was listed as a major problem last year in the U.S. wine market. However, most speakers at the Symposium said they believe the worst of the oversupply is over and the weak dollar will make it much more difficult for imported wines to continue to compete against moderately priced U.S. wines, which also won't face price-hike pressures because of favorable (for American wineries) exchange rates.

Other California "wine stars" named by Gomberg-Fredrikson were:

- » **Ironstone**, which saw an 87 percent jump in case sales, or a 284,000 rise, in large part because of its moderately priced Leaping Horse new brand
- » **Blackstone**, which saw a 25 percent rise, or 214,000 cases.
- » **Don Sebastiani & Sons**, which saw a 33 percent increase, or 187,000 cases, driven by its Smoking Loon brand.
- » **Hahn Estates**, which saw a 201 percent increase, or 135,000 cases, because of its new HRM Rex Goliath new brand.

Much of the U.S. wine market's overall growth in 2003 was from imported wines, particularly Australia, which increased its bottled shipments to America by 36 percent to 15.3 million cases, and could in a few years overtake Italy (19.1 million cases) as the biggest U.S. importer. Australia only moved into the No. 2 position last year, surpassing France. *WMR*

## U.S. Wine Market Shipment Figures

	2002 cases	2003 cases estimated	Case difference	% difference
<b>California Shipments to U.S. Market</b>	167.7	173.8	6.1	3.5%
<b>California exports</b>	21.9	22.9	1.1	4.8%
<b>Total California Shipments</b>	189.5	196.7	7.2	3.8%
<b>Imports</b>	60.6	66.2	5.6	9%
<b>Total U.S. Wine Market</b>	228.3	240.0	11.7	5%

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