January 2019: Total U.S. Wine Market

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US Wine Sales +3%	Off-Premise +2%	DTC Shipments +12%	Winery Jobs +6%

[12 month change]
The total U.S. wine market grew to more than $70 billion in total value and 408 million cases in total volume in 2018. While sales growth, particularly in volume, has slowed as the total market has doubled since 2003, consumers are buying wine at higher price points. Suppliers have not been able to rise prices, however, and are also having to react to changes in how consumers buy wine. (Metrics above reflect trends from the past 12 months.)

Total U.S. Wine Market Tops $70 Billion

U.S. consumers purchased more than 408 million cases of wine worth $70.5 billion in 2018, according to data compiled by the research firm bw166 and Wines Vines Analytics. Americans remain willing to spend more on wine as the market's total value increased by 5% over the previous year, while volume increased by just 1%.

Changes to the market size can be used as a measure of economic direction throughout the year. Little or flat growth in sales volume has led to some anxious speculation the U.S. wine industry is on the precipice of a steep decline. Yet Jon Moramarco, the managing partner of bw166 who compiled many of the statistics on the total market, is more bullish.

U.S. consumers spent an additional $3.5 billion, a 4.9% increase, on wine in 2018 compared to the previous year. In 2003, the U.S. wine market totaled around $35 billion and that has grown steadily each year. Annual growth has slowed as the market has nearly doubled in size.

Moramarco said consumers are choosing to spend “a little more on better wines.” Consumers are shifting, leaving wineries and retailers to meet them with new products rather than existing offerings. “You’re continuing to see growth over $10. You’re seeing softness under $10,” he said. “It’s increasing [in] overall dollars, but if you look at it item-by-item, you may not be seeing price increases.”

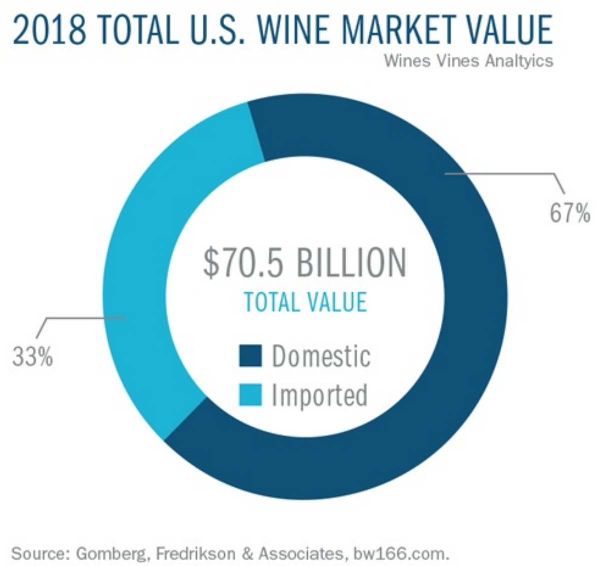
This reflects what Ste. Michelle Wine Estates is seeing, said Ryan Pennington, the Woodinville, Wash., vintner’s senior director of communications and corporate affairs. Ste. Michelle produces around 4.5 million cases per year. “The market does seem to be slowing a bit — not yet contracting, but certainly the velocity of sales growth and consumption growth is slowing from what it has been in past years,” he said.

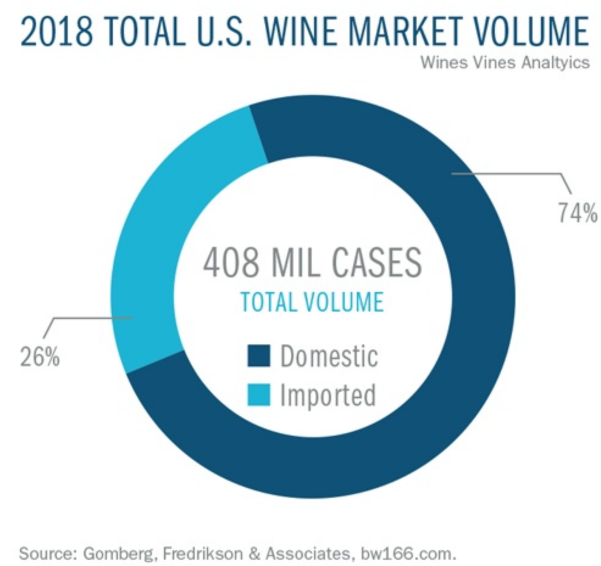
Pennington said “hot categories” are still performing well, but the overall market is beginning to slow. He said the trick is finding those niches where one can still enjoy robust sales growth. “We don’t see the sky as falling, by any means,” he said. “We think there’s still plenty of opportunity out there when you look at the segments that are performing well.”

The record-breaking 2018 harvest provided a supply of grapes that will challenge wineries to find ways to cultivate consumer demand, said Glenn Proctor, global wine and grape broker with Ciatti Co. in Novato, Calif. He said wineries that had hoped to parlay that excess production into better sales volume or increased prices likely found it wasn’t that easy. “They thought that they could take price up with the consumer, but both those things are proving very difficult,” Proctor said. “And you’ve got a lot of guys that are moving volume, that are having to discount back somewhere in the system in order to get it to move.”

Given that consumers are still spending, Proctor said wineries have opportunities to innovate in order to meet demand.

“There’s an opportunity in this market to look at supply differently,” he said. “There’s going to be opportunities at pricing that may make sense for new brands, second labels, private-label activity that potentially could even help jump-start some of the sales volume because there'll be different price dynamics."





Dave Derby, senior vice president of marketing for St. Helena, Calif.-based Trinchero Family Estates, which sells around 19 million cases a year, said the company is still enjoying the effects of the premiumization trend. He said the "most dramatic" growth had been in the $20-$24.99 segment, leading all other price segments in growth at 8.3%. Wine selling between $15 and $19.99 saw 7.2% growth and the $10 to $14.99 segment was up 6.2%.

Derby said sales at higher price points is what fueled the industry's growth in 2018, and the company expects they will continue to do so in the coming year. Trinchero sales in its luxury, super-luxury and ultra-luxury tiers grew by 7.2%, 8.3% and 2.1% respectively. "This is in sharp contrast to 2017, when wines below $9.99 were thriving."

He said to capitalize on the shift in spending, Trinchero will diversify its portfolio with a focus on ultra-premium and luxury categories. "Today's consumer is evolving with shopping patterns and category preferences."

Judd Wallenbrock, president and CEO of C. Mondavi & Family wine company in St. Helena, said the past year saw slow, steady growth, which he added has been the trend for the past 30 or 40 years. C. Mondavi produces around 1.7 million cases, and Wallenbrock said much of its sales growth came from higher-priced wines. He noted the company's "real growth" came in the $12-$15 range, the $20-$25 range, and in the $50-plus wines.

If, as some analysts predict, the economy turns in 2019, Wallenbrock said the company's offerings at other price tiers can meet consumer demand if it shifts to lower prices.

"Total U.S. sales continue to grow, but not at a high rate," said Nick Frey, brand ambassador for 25,000-case Balletto Vineyards & Winery in Sebastopol, Calif. "There appears to be some pessimism by some suppliers going into 2019. The key is the economy, and the uncertainty around tariffs and the stock market right now make people cautious."

Moramarco said the challenge wineries face in the current market is keeping pace with their own niche rather than being distracted by trends in the market at large.

"It's a maturing market," he said. "Everybody has to look at the niche they're in, and plan on how they're going to gain share in the niche they operate in, because the market is likely going to grow slower."

The slower growth won't affect everyone equally, nor is it necessarily bad. It might not measure up to expectations, but the reality, according to Moramarco, is that wine remains "a good way to make money."

The ways to do so, however, have become a bit more of a challenge to find.

"The market has lots of opportunity for people who are smart and can compete well," he said. "Unfortunately, it's not a market where a rising tide lifts all ships."

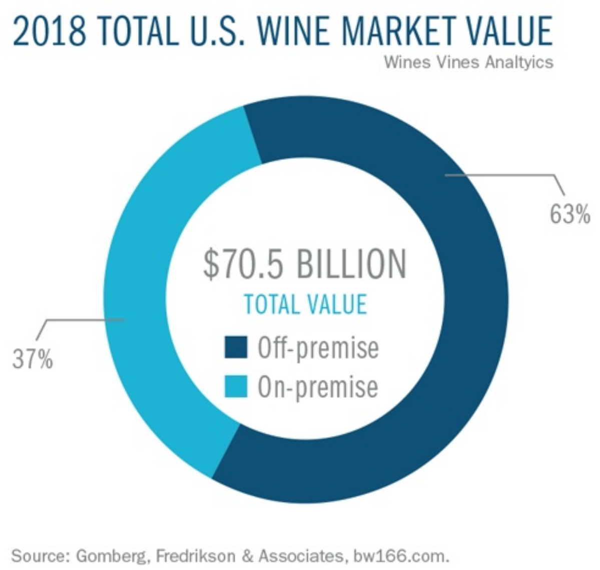
— Peter Mitham, Stacy Briscoe

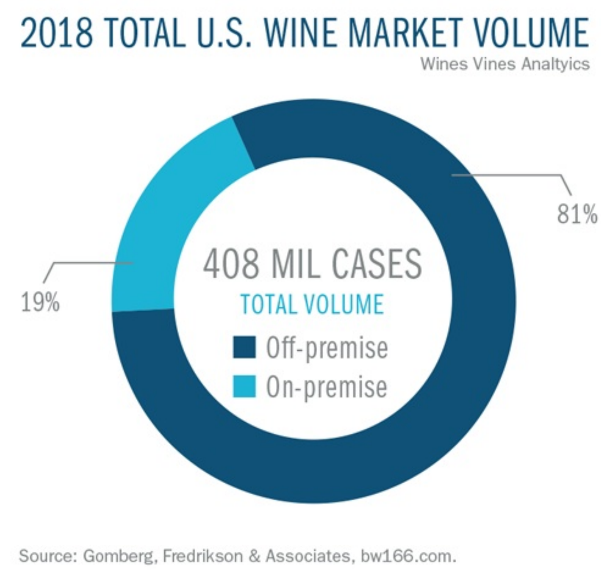
Consumers Switching Channels

As direct-to-consumer wine shipments continue to see dramatic increases (increasing 10% in December), wine sales growth in the off-premise sector particularly, by volume, has not been robust. The off-premise market is much larger, and DtC has been growing from a smaller base, but sluggish off-premise sales figures also might be a result of changes in the way people are buying wine.

Anthony Riboli whose family founded and owns Los Angeles-based San Antonio Winery that produces around 650,000 cases a year said even though the industry is seeing year-to-year growth in total sales, there is a general sense that growth isn't as strong as it should be. "Why? The Amazon effect: People are not physically in stores as often as they once were, and wine is typically a spontaneous purchase."

Off-premise sales accounted for $44.5 billion of the total market value and on-premise came to $26 billion. Of the on-premise sales by value, imports accounted for $8.4 billion and domestic wine was at $17.5 billion. By volume, on-premise sales accounted for 77 million of the 408 million cases sold in the United States, and of those, imports accounted for 20 million.





Precept Wine Brands, a Seattle, Wash.-based vintner that produces 1.9 million cases a year, also sees a shift in how consumers are buying wine, but Precept president and CEO Andrew Browne emphasizes the importance of a wine's curb appeal not only in format but point of purchase.

Precept has seen double-digit growth in sales of both its boxed and canned wines, which he said offer good value, too. "People stop buying because they get bored or they get tired of the product that they've been buying, so they go on a treasure hunt," he said. "We're going to get the trial because of the curbside appeal. You're going to get the repeat business because they really like what you put in the bottle."

But the purchase experience is also important. Browne said Amazon and Total Wine are both forcing retailers to up their game when it comes to making consumers feel comfortable purchasing wine, something he believes will lead naturally to higher sales.

"If you take Amazon and Total Wine, [they're] changing the mindset of the retailers," he said. "They have to put out a better product. … If you have a good experience, you're going to buy more expensive products."

But as consumers shift to innovators such as Total Wine & More, it's becoming harder to track sales. Total Wine reports sales of branded products but not the private label brands that have been a key element in its sales growth. Moreover, what is tracked might skew the averages, making it harder to know which segments are growing and at what rate.

"It's getting harder to see what's actually going into the market," Jon Moramarco with bw166 said.

Grocers, for example, tend to sell a larger proportion of the lower-priced wines available, and they hold a larger share of boxed-wine sales. Meanwhile, some of the channels that aren't measured by traditional market research firms have a higher average bottle price.

A key example: direct-to-consumer shipments, which have an average bottle price nearly five times the average of off-premise sales ($36.42 in December 2018, according to Wines Vines Analytics/ShipCompliant by Sovos data vs. $7.48 a bottle for off-premise in November).

Two of the hottest trends of 2018, consumers' embrace of rosé and alternatives to the traditional 750-ml glass bottle are expected to stay strong in the coming year.

Dave Derby at Trinchero Family Estates said the company's premium 3L boxes saw 6.1% sales growth, 500 ml Tetra Paks were up 15%, and the company's wine in can program enjoyed 66% growth in the past year. The company handles the French rosé brand Bieler Père et Fils and other domestic brands and saw a 43% increase in rosé sales with a 17.4% jump in sparkling-rosé sales.

Wallenbrock also said rosé remains hot but noted that there's "certainly no shortage of entries in this category" and that the real winners in the crowded field appear to be coming from the south of France. "We've also witnessed the return of Merlot, which makes us very happy," he said. "We are not seeing more Merlot being planted, but what we are seeing is a return of the higher-end Merlots, finally, after the 'Sideways' impact so many years ago."

As far as cans go, he said the low cost of entry from a new crop of custom canning vendors has allowed a flood of new brands, taking shelf space away from 1.5-liter bottles, boxed wine and even from refrigerated beer display cases in retail stores.

"Rosé is still hot in general, whether French or domestic," Riboli said. "Alternative packaging such as canned wine is becoming more prevalent on the shelves."

Riboli also mentioned the uncertainties regarding what has become the newest alternative to wine in many states: legal cannabis. "It's a budget thing," he said. "If a person has a certain amount of money to spend on recreation, he or she may now choose to allocate a portion of those funds to cannabis because it's legal."

— Peter Mitham, Stacy Briscoe

Despite Sales Growth, Pricing Remains Flat

Even as consumers are trading up and grape prices remain strong, wineries have not been able to push much on pricing. Some have the advantage of supplying brands from mature, estate vineyards while others have shifted resources to where they can be most competitive.

Anthony Riboli, of San Antonio Winery, acknowledged the industry's rising costs but added that wineries need to be strategic on pricing. "Labor's going up, grape prices are going up, so everything is going up. Price increases are coming, but we want to do it when and where we can, and we want to do it judiciously," he said. "Many brands have a reputation for being at a certain price point, so raising even just five dollars can be very hard. If you do, will consumers turn to another brand?"

The Riboli family owns more than 500 acres of California vineyards and recently completed a large-scale production winery in Paso Robles, Calif. "We've raised our prices judiciously, but we're also very appellation-specific — Monterey and Paso are two of the biggest appellations used. Others have had to expand their vineyard sourcing and become 'California [appellation]' in order to maintain a lower price point," he said.

Riboli added the industry, especially in California has to keep innovating to stay competitive with imports looking to break into the U.S. wine market that has become the world's largest. "With all that competition it puts more pressure on the domestic wine business. And that's not going to stop."

Glenn Proctor, global wine and grape broker with Ciatti, said pricing dynamics will be driven by the change in supply relative to consumer demand. Consumers have the means to afford better wines, and this has shifted them away from volume. Suppliers, in turn, are being forced to grapple with reduced demand. "Hopefully the consumer buys a whole bunch more wine, but that hasn't been happening," Proctor said. "I think this is more of a demand issue when you look at the metrics."

This is causing vintners to be more strategic than two or three years ago when it comes to securing grapes and wine. Rather than scramble to lock in supply, buyers have confidence that they'll be able to access supply when they need it, and potentially at lower prices.

"We've seen people back off some contracts, assuming they'll be able to pick up that supply at a later date if they need to – so it gives them the flexibility just in case they don't need to," he said. "From a buyer perspective, that supply could potentially be bought at a lower price than they have it currently contracted for."

Sellers shouldn't be holding out for strong prices in a market where buyers are holding off.

"You need to adjust your expectations. You need to cast a wide net and be open to pricing that works for both the buyer and seller," he said. Proctor said he's encouraging anyone with excess inventory to take deals and make something happen because there's just too much uncertainty the market will be any better six months or a year from now.

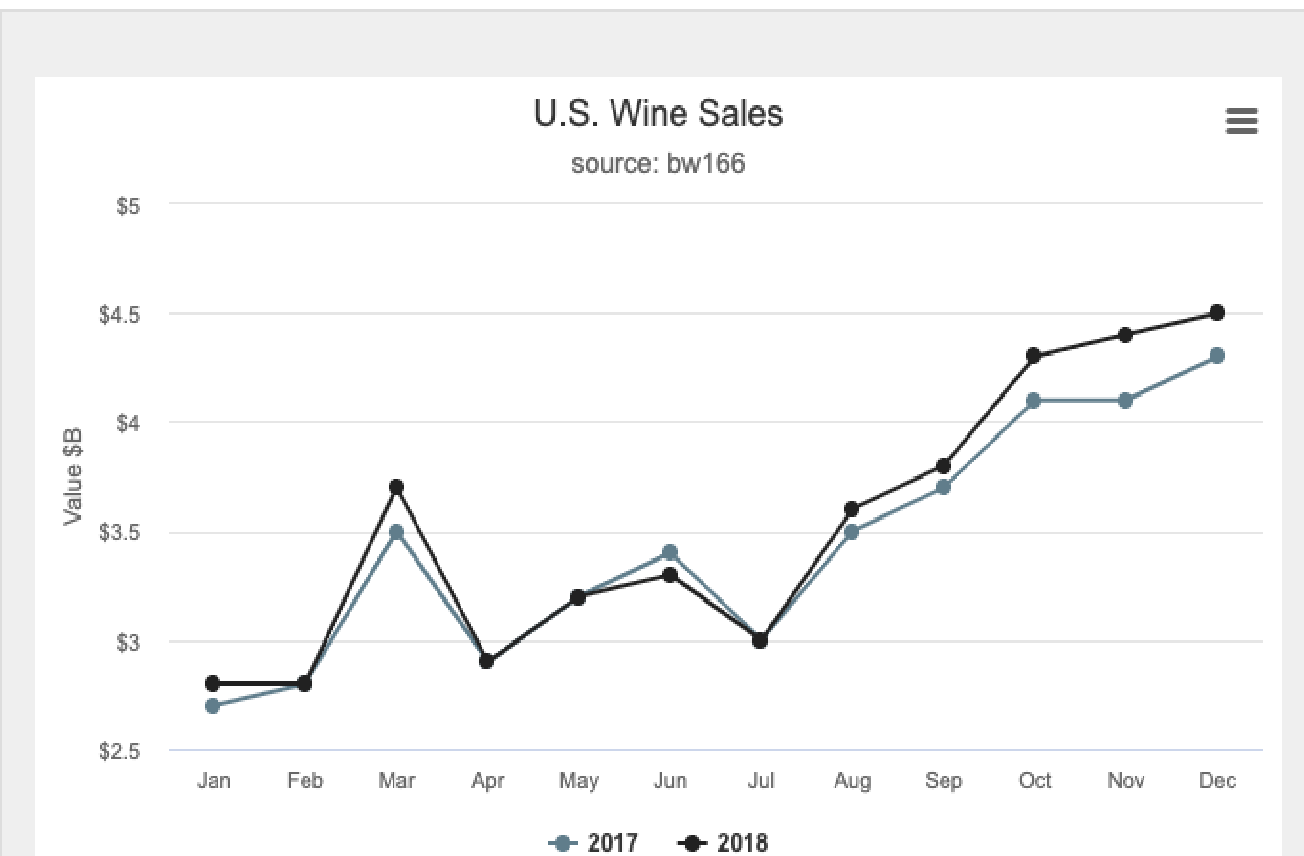
While bulk wine prices per gallon could be down 20% to 30% for some grapes from some regions, opportunities to cultivate demand with new offerings for an open-minded consumer are cause for optimism.

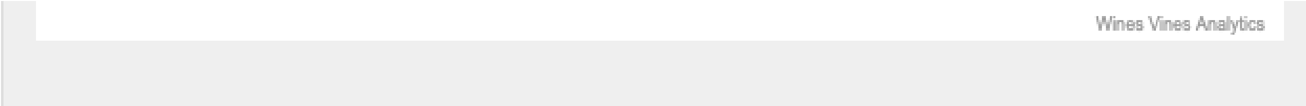
Nick Frey, at Balletto Vineyards & Winery, said holding the line on price helps retain customers and, with more than 700 acres of vineyards, the winery doesn't have to find the best deal on the open grape market to do so. "We are not increasing prices in spite of rising production and grape costs. Competition is strong, and with uncertainties in the economy today, no change in price is important," he said. "Margins are always under pressure, especially as production costs for labor and inputs continue to increase."

Judd Wallenbrock, at C. Mondavi & Family, said the company takes full advantage of its 2,700 acres of vineyards to be competitive on pricing, especially in the luxury tier. "We find that our wines are pretty low in the spectrum of pricing compared to our competitors," he said. He added the company is "cautiously" nudging prices higher in the wholesale market but is fortunate to have a robust DTC program to provide better margins.

— Peter Mitham, Stacy Briscoe

Wine Industry Metrics: December Delivers Steady Sales, Shipment Growth





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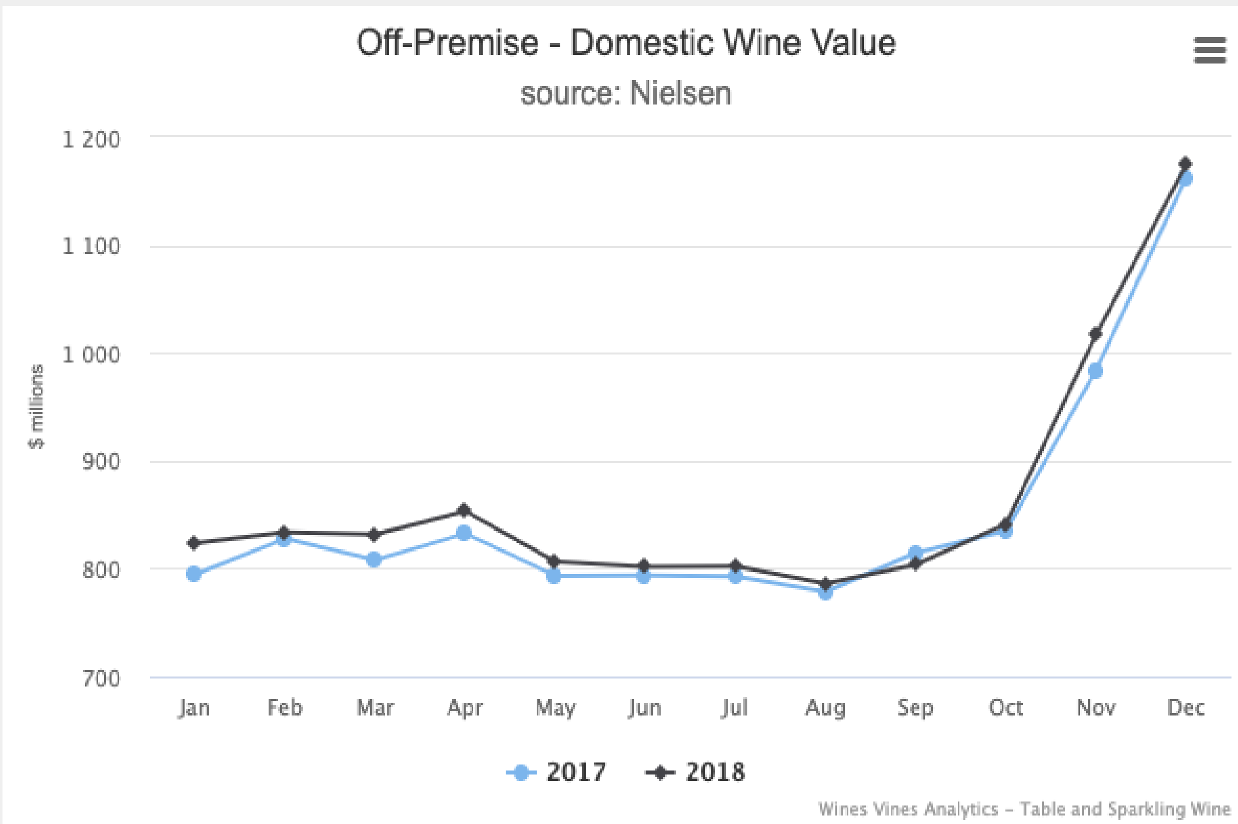
U.S. wine sales rose 2% in December to $4.5 billion, market research firm bw166 reported. Domestic table wines drove the growth, also gaining 2% to $4.2 billion while sparkling wine sales were flat at $209 million. Domestic wine sales increased 3% to $47 million in the latest 12 months, boosting total wine sales in the U.S. to $70 billion, 5% above a year ago.



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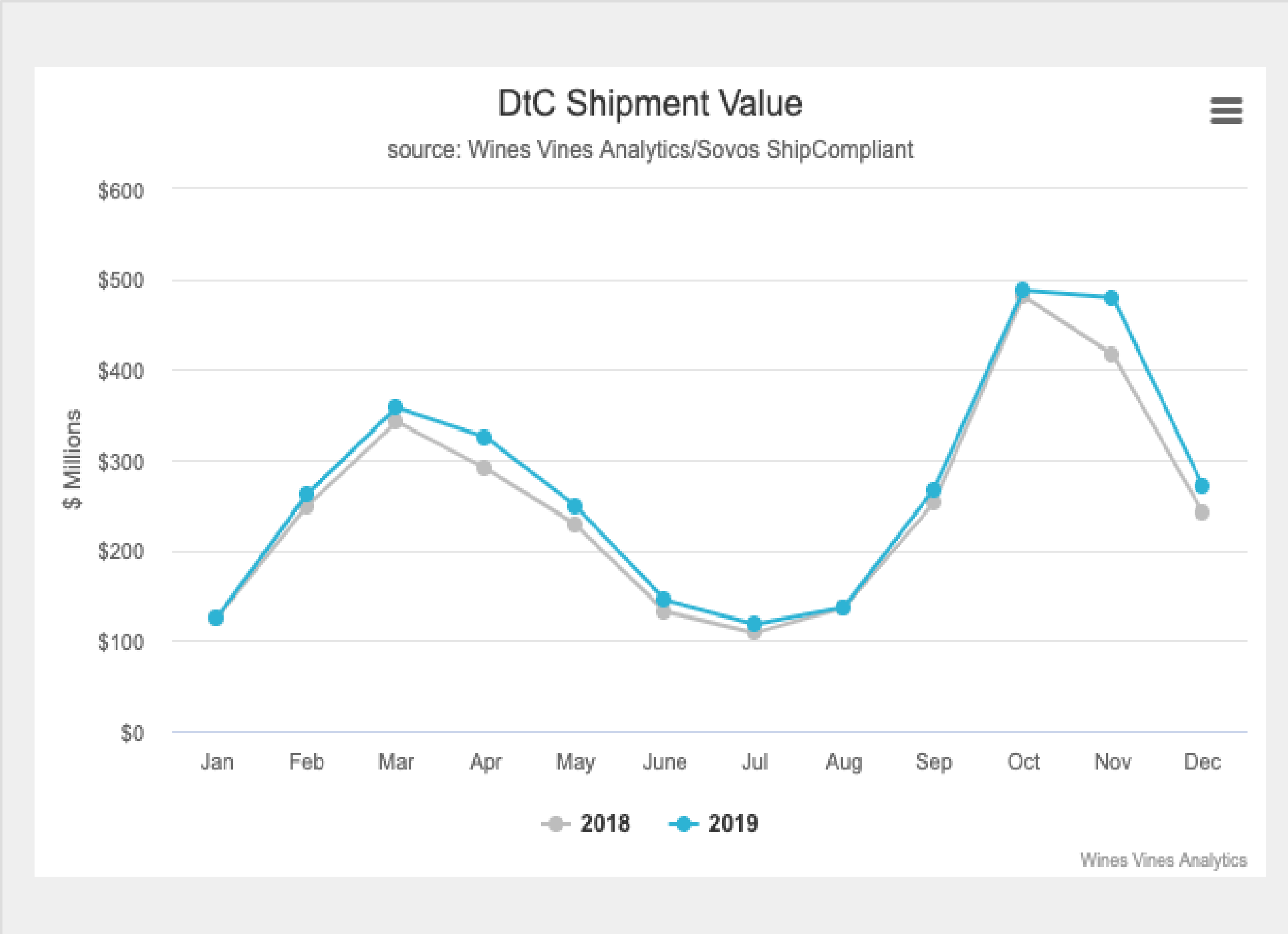
Domestic wine sales at off-premise outlets Nielsen tracks totaled $1.2 billion in December. Case sales topped 12 million for the month. Sparkling wine sales increased 42% to $153 million. Sales in the latest 52 weeks increased 3% to $12 billion.



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Direct-to-consumer (DtC) shipments rose 10% in December to approach $242 million, Wines Vines Analytics/ShipCompliant by Sovos reported. The gain in value trounced a 3% rise in case volumes to 552,888. The phenomenon reflected not only strong spending through the holiday season but the emerging trend of consumers paying more for less. Data for the full year demonstrates this: shipment value rose 12% to $3 billion, while volume rose just 9% to more than 6.3 million cases. DtC shipments totaled $242 million in December, up 10% from a year earlier and volume totaled 552,888 cases in December, up 3% from a year ago.

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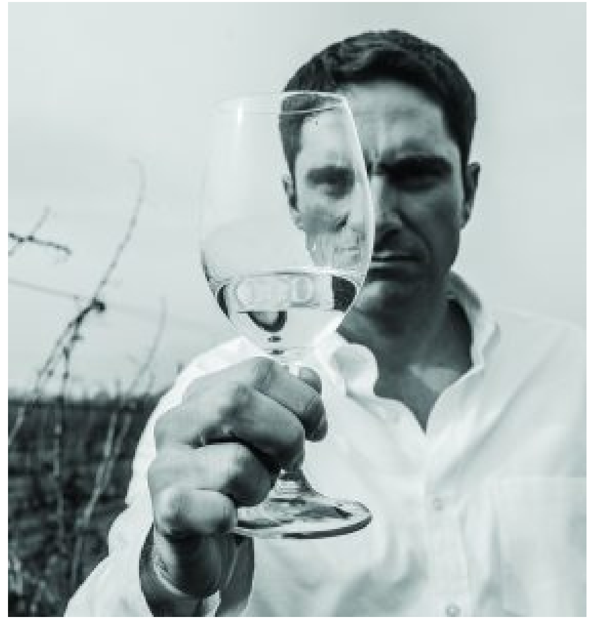
Direct to consumer positions, including tasting room and retail staff, enjoyed strong demand at wineries in December, Winejobs.com reported. Hiring rose 48% versus a year earlier to a subindex reading of 237. The demand offset declines for all other positions, which pushed Winejobs.com's Winery Job Index 10% lower to 151. The relatively small finance category saw the greatest drop, at 47%, while the significant winemaking and vineyard subcategories saw declines of 40% and 25%, respectively.

Executive Q&A: Donny Sebastiani, CEO Don Sebastiani & Sons

Donny Sebastiani launched Don Sebastiani & Sons in 2001 with his father, Don, and younger brother, August. Wines Vines Analytics ranks the negociant wine company as the 21st biggest volume producer in the U.S. with 1.1 million cases in 2018 and an average bottle price of $9. The company owns no significant acreage of vines and operates with offices in Sonoma, Calif., and a winery in Napa, Calif.



The company, informally known as Don & Sons, sources its two biggest brands, Smoking Loon and Pepperwood Grove, from California and Chile. The company also owns about 18 other brands. Among the fastest-growing of these are The Crusher California wines at $14 and B Side North Coast wines at $25. The B Side 2016 Cabernet Sauvignon was 82% Napa Valley grapes, so Donny Sebastiani knows the grape and bulk wine market from low end to high end.

Q: Did your company buy fewer grapes and/or bulk wine in 2018 than before?

Donny Sebastiani: It was probably consistent with the year before, but our mix shifted. We ended up buying a lot more grapes this past harvest as opposed to contracting for finished wine. It was an opportunity. There's a pretty significant oversupply of grapes and wine happening right now, particularly in the North Coast. There is a belief about real estate, and particularly some of these growers think the values are going to go up into the stratosphere for infinity and that a rising tide lifts all boats, but sometimes a rising tide just floods everything, and I think that there's a little bit of that going on.

Some of the prices are in the stratosphere, and you would say 'gosh, that doesn't make any sense.' For Napa Cabernet, the average price is $6,000, $8,000, $10,000 a ton, yet the average price for a bottle of Napa Cabernet is still $40 or whatever it is. That math doesn't add up. Talk to these guys and they kind of sit there and shrug, and then after a little while the math starts to come home to roost. So we're seeing a lot of buying opportunities on the grape side that we're trying to take advantage of.

Q: What contributed to the oversupply?

Sebastiani: I think it's a combination of the prices coming down because they got overheated, like the real estate did 10 years ago, and a very, very big harvest. I had some vineyards coming in with almost double the production of the previous year. It was a bit of a double whammy for everybody.

DON SEBASTIANI & SONS
Sonoma, Calif.
Founded: 2001
Annual case production: 1.1 million
Average bottle price: $9
DtC sales: 5%
Vineyard acreage: NA
Top brands: Smoking Loon, Pepperwood Grove, The Crusher, B Side
www.donandsons.com

Q: Do you see a trend of wineries buying fewer tons of grapes and preparing for declining sales?

Sebastiani: My guess is that wineries don't necessarily buy less in anticipation of declining sales. I think they generally buy to their needs or whatever their demand forecast is, but I do think there is a general softening in some places in the wine business. And a lot of those places are the high-volume businesses that end up soaking up a lot of the volume. When there are some supply problems, they just kind of kick it under the rug and blend some extra juice away in some huge brand, and some of those huge brands are starting to back up a little bit.

> You've got these uber-rich guys wanting to come in because it sounds like a fun idea to start a winery. They don't necessarily have the same economic principles to abide by; they don't need to make money. In some cases maybe they need to lose money because they're making too much money with their tech investments.

Q: Is the long-running premiumization trend still active?

Sebastiani: I'd say so. People are still trading up from the $6 bottle of wine to the $12. Where we are with The Crusher and B Side, over $10 and below $25, that's still a very strong category. It has double-digit growth; grocery stores [and] restaurants still like promoting it. But the higher, higher end is getting a little bit soft, and the low end is getting slower, too, from what we see.

Q: What's driving that from the consumer side?

Sebastiani: Probably good-quality wine. It's very, very rare that you taste a wine that's actually bad. There's all sorts of wine that I don't like, but it's all about a stylistic preference or a body/weight preference or an occasion preference. But it's not because this is substandard wine. Twenty years ago, I think that was more the case. You might pop open a bottle of Chardonnay and spit it back out, but that just doesn't happen anymore. Quality across the board is getting so good. If you're in an under-$10 mentality but you try a wine that's $12, you realize that for a few more dollars, look what you can get.

Q: Is that why you're emphasizing your brands on the upper side of $10 where premiumization kicks in?

Sebastiani: For sure. It's a smart business case. It's a fun thing for us to sell. We're not pushing a rock uphill. It makes a lot of sense for a lot of reasons.

Q: What's the most profitable segment of your business?

Sebastiani: The lower end is tight, but you've got the volume driving it. But that teen price point is a much better profit. You've got to put better stuff in the bottle, so you spend 10% more but you get 20% more in revenue. You just don't have the same explosive volumetric growth that you can have under $10. So neither are great.

Q: Is the domestic wine industry at a turning point now in terms of sales? What signs have you noticed?

Sebastiani: I think there might be some mega, macro-economic things going on that are way beyond any of our control. The availability of money and the competition from Chile and China. These are things that don't necessarily have anything to do with trends in Pinot Noir consumption. But I just read an article that said something like 30% more wineries opened in California in the past five years and how that was making it so much more difficult for everyone to compete. That's real. On the high end, that builds some of the boom-and-bust cycle.

You've got these uber-rich guys wanting to come in because it sounds like a fun idea to start a winery. They don't necessarily have the same economic principles to abide by; they don't need to make money. In some cases maybe they need to lose money because they're making too much money with their tech investments.

So we're going out and trying to buy Napa Cabernet, and I'm trying to pencil it out on an economically reasonable P & L, whereas some other clown is like, I don't care, just pay what it costs and we'll charge on the flip side what it takes to make money when we sell it to our wine club. The accumulation of that over the last five, 10, 20 years is changing how the high end of Napa and Sonoma work.

Q: Are you preparing for the next recession?

Sebastiani: I am an old-fashioned, small-government, gold-standard, conservative financial type, and so I am always bracing for some sort of recession. I think that the federal government is printing too much money. I think that a lot of the growth over the last 10 years that everybody is really excited about is not as real as maybe it looks. A lot of the growth is government spending and government jobs, which is a wicked combination and not entrepreneurial, free-enterprise, free-market growth. Also, a lot of those jobs are not necessarily wine-drinking jobs.

> If I could, I would brace ourselves for recession. But remember that in the long run we're all dead. You've just got to work today's program and hope for the best.

If I could, I would brace ourselves for recession. But remember that in the long run we're all dead. You've just got to work today's program and hope for the best. I don't know really what measures you take. You can make a decent argument that the way we're positioned (with largely value-priced wines), a macro-economic recession could benefit us. I don't think that's necessarily the case, but you've just got to take the issues as they come. If I could predict the future, I would have done something better than the wine business. I'd have invented Google or something.

Q: Did growing up in a multi-generation winemaking family give you a comfort level about the long-term prospects for the success of the wine business?

Sebastiani: I think indeed there's credit due to a lot of people, and obviously to my family for putting me in this position. I think that Ernest and Julio Gallo over the last 100 years made wine like salt and pepper for dinner. You can definitely have dinner without salt and pepper. You could totally survive and have a delicious dinner, but it's even more delicious if you have salt and pepper. So everybody has salt and pepper, at least somewhere in the house, and that's kind of the way wine is now. Recessions come and go, and boom and bust, and you go to people's houses and they cook different things and drink different things at different times of day. Wine has really evolved over the last 100 years, but really in the past 20 years. It has become an integral part of that dinner-table experience.

I think I'm trying to say what you said in a different way. It does give you some reassurance to grow up in a family like mine, but part of my job, part of any boss's job is to get up in the morning not comforted by the fact that your business is going to go on forever, but worried about the fact that your business is going to shut down tomorrow. I don't know that I feel all that comforted. But it's been going on this long, we should be able to keep it going for a little while longer. People continue to drink wine. They may drink it differently, but there is still going to be a bottle of wine on the dinner table for most houses.

— *Jim Gordon*

A Rising Price for That Special Bottle?

A Rising Price for That Special Bottle?

As growth in the total U.S. market continues to come from consumers buying wine at higher prices, the ongoing premiumization trend might also have raised the price for what consumers are willing to spend for a special bottle of wine as well as an apparent increase in spending for just a regular night.

The Wine Market Council hosted a recent webinar in which research consultant Christian Miller of Full Glass Research stated the price point for a “special-occasion” bottle of wine has historically been about $20. “But now we’re starting to see more and more regular purchases in the plus-$20 segment, and the real special-occasion purchase to go plus-$30,” he said.

In 2018, 24% of high-frequency consumers reported buying wine priced between $20 and $30 monthly or more often– nearly the same percentage as those who reported buying a wine priced between $15 and $20 in 2014.

If one assumes most monthly wine purchases are for casual occasions, the change in willingness to buy at certain price points is a more gradual curve. Yet proportionally, the largest drops in purchase frequency are when one hits $20 and $30. More than 80% of high-frequency consumers report purchasing up to $9.99 on a monthly basis, 59% up to $14.99, 35% up to $19.99, 20% up to $29.99 and down to 5% at $99.

Miller said he and the council are going to be diving into diving into consumer purchase behavior by price segments in the coming months.

Getting to know occasional wine consumers

The webinar also covered some of the group’s recent research showing changes in patterns of U.S. wine consumers. According to the past three years of WMC surveys of high-frequency wine drinkers (those who drink more than once a week) and occasional wine drinkers (imbibing once a week or less), the two groups are moving in opposite directions. Those who already enjoy wine are doing so more often, while occasional drinkers are, on balance drinking less frequently. “We’re seeing a real divergence in the market,” Miller said.

In both groups, slightly more than 50% of those surveyed say they are drinking the same amount as compared to a year ago. In the most recent survey, 35% percent of high-frequency drinkers say they’re drinking more wine and 13% say they’re drinking less, while 19% of occasional consumers are drinking more and 29% report drinking less.

The shift is concerning, because there are many more occasional wine drinkers in the United States and they typically are the source of high-frequency consumers. “If the once-a-weekers are decreasing their consumption, they will have a large impact on sales among occasionals more generally," Miller noted in a council report. "It would also suggest that a substantial number of consumers quite familiar with wine are finding reasons to cut back or replace it with another beverage."

Miller said he decided to examine consumers who report drinking once a week on average to better understand the trends in occasional wine consumption. He compared once-a-week consumers to high-frequency ones and those who buy and drink wine less than once a week. This last group accounts for 18% of the U.S. drinking-age population, based on the council's surveys. Once-a-weekers represent about 7% and high frequency 12%.

Looking at 32 attributes, such as demographics, consumption rates and purchasing habits, once-a-weekers were similar or closer to high-frequency drinkers and more once-a-week consumers were increasing consumption as well.

Among the occasional wine drinkers, who who were cutting back on wine appear to be leaving beverage alcohol in general, as the declines for wine, beer and spirits are all similar. "The failing away in occasionals is moving away from most alcohol categories and not switching to beer and spirits," he said.

Miller added this reinforces the idea of a split between consumers, but one that isn't as neatly defined between high-frequency and occasionals. He also sees a silver lining in that high-frequency and once-a-week consumers are net increasing their consumption. "I think this is good news," he said. "The market of those increasing consumption is larger than we thought."

— Andrew Adams

Industry News

Total beverage alcohol spending up 5%

Santa Rosa, Calif.—Consumers purchased more in the entire beverage alcohol category with overall spending at $253.8 billion, an increase of $12.4 billion or 5.1% more than the previous year, according to the bw166 Total Beverage Alcohol Overview report released Jan. 14. As spending increased, consumers moderated consumption with the bw166 TBA serving index ending the year at 120.8, a change of only 0.2%.

The legal drinking age population in the United States reached 240.7 million people, an increase of 1% or 2.4 million. The overall beverage alcohol serving index softened slightly to 101.4 versus 102.2 in 2017, indicating the average adult consumed six fewer drinks. But the

LDA population continues to grow older. The number of consumers between the ages of 61 to 70 increased by 1.6% to 36.2 million and those between the ages of 71 to 80 rose 7.1% 20.5 million.

The equivalent wholesale value of all beverage alcohol sold in the U.S. in 2018 was $125.3 billion, an increase of 3.6%. Jon Moramarco, bw166 managing partner, noted this total includes actual wholesale transactions as well as equivalent values for direct-to-consumer purchases.

Beer volumes declined 2% to 200.2 million barrels, but consumer spending increased 5% to $117.3 billion. The average retail price for a case of beer increased to $31.29 (excluding on-premise markups).

Spirits volumes increased by 2.9% to 235.6 million cases. Consumer spending also increased by 5.6% to $64.3 billion.The average retail price for a 750-ml equivalent bottle increased to $15.92 (excluding on-premise markups).

Beckstoffer expands in Lake County

St. Helena, Calif.—Beckstoffer Vineyards has purchased a new vineyard in Lake County, where the family-owned company has farmed hundreds of acres in the Red Hills area since the late 1990s.

The St. Helena, Calif.-based grower in December purchased more than 189 acres in the Red Hills American Viticultural Area from Treasury Wine Estates for $7 million, according to Lake County records. The deed was filed Dec. 27. The deal includes leases, adding the acreage to 220 acres, according to the company. The deal was first reported in *Wine Business Monthly* magazine.

The Cabernet Sauvignon vineyard, known as Clear Mountain Vineyards in county records, is close to Beckstoffer's other Red Hills properties: Amber Knolls Vineyard and Crimson Ridge Vineyard. There are about 1,100 acres of plantable acres at Amber Knolls Vineyard and about 680 acres at Crimson Ridge, according to Beckstoffer Vineyards' website. "We're just expanding in the Red Hills area," said Andy Beckstoffer, chairman and chief executive officer at Beckstoffer Vineyards.

A Treasury Wine Estates representative confirmed the sale. "In light of some refinements to appellation for certain brand tiers, Clear Mountain vineyard was considered non-core to the company's requirements. We're pleased to confirm the sale of the vineyard to Beckstoffer Vineyards, who have had a long history in the Lake County region," the company representative said in a written statement.

Robert “Bob” Steinhauer developed the vineyard for Beringer Vineyards in the late 1980s, which lie more than 2,000 feet above sea level. Steinhauer, who had joined Beringer in 1979 as vineyard and growers relation manager, had worked for Andy Beckstoffer in the 1970s.

Leadership changes at Jackson Family Wines

Santa Rosa, Calif.— Jackson Family Wines announced several recent executive leadership appointments. Katie Jackson, second generation owner, has been promoted to senior vice president, corporate and social responsibility. Gayle Bartscherer, who has been with the company since 2008, holding positions in brand marketing before taking on the role of senior vice president of international marketing and business development, has been appointed to the executive team as senior vice president, international marketing and development. Viviann Stapp, who joined Jackson Family Wines in 2013 as vice president, legal counsel, has been promoted to senior vice president, general counsel; Kristen Reitzell, former public relations manager of the company’s Spire Collection, has been promoted to vice president of public relations. Jane Catelani Howard, former chief financial officer for Traditional Medicinals, has joined the company as senior vice president of finance.

New Executive VP of Sales & Marketing at IBG

Denver, Colo.— Integrated Beverage Group (IBG) appointed Nichole Simpson as its new executive vice president of sales and marketing. Simpson brings more than 11 years of experience in the beverage industry to her new role, most recently working as the senior adult beverage buyer at Walmart. Prior to that, she held multiple positions at E. & J. Gallo Winery including category and brand management. In her new position, Simpson will lead IBG brand development, with an emphasis on leveraging the company’s science and data to drive innovation. Simpson will also head all marketing efforts around the existing portfolio of brands, which includes Replica, The Great Oregon Wine Company, Rascal, Duck Pond Cellars and others. Additionally, Simpson will lead IBG’s sales efforts among strategic retail accounts.

Deutsch hires new VP

Stamford, Conn.— Deutsch Family Wine & Spirits hired Scott Ehrlich as the company’s vice president of fine wine, effective Jan. 14. In his role, Ehrlich will be responsible for the company’s portfolio of high potential priority and scalable brands and direct-to-consumer sales. Ehrlich will be based in the Stamford office and report to Iain H. Douglas, chief marketing officer. Ehrlich brings 18 years of experience in the wine and spirits industry. He spent the past six years at Constellation Brands in San Francisco, Calif., most recently as the director of portfolio strategy where he helped launch a luxury wine sales and marketing division and led the development of the company’s fine wine strategy. Prior to Constellation, Ehrlich was the director of marketing, luxury imports at Ste. Michelle Wine Estates in Woodinville, Wash.

C. Mondavi hires new CFO

Napa, Calif.—C. Mondavi & Family hired Claire Hobday as the company's new chief financial officer, effective immediately. Hobday has more than 20 years of experience in the finance industry, with 16 at an executive level and seven in wine industry financial leadership roles. Most recently, Hobday was the director of finance and accounting for Pacific Union Company providing strategic financial leadership and reporting for wine entities such as Harlan Estate Winery and BOND Estates. Hobday received an executive MBA in Wine Business at Sonoma State University in 2018 and has a Level II WSET certification.