



State of the Industry - Oregon

Rob McMillan
EVP & Founder
Silicon Valley Bank Wine Division

Tuesday February 15th, 2022



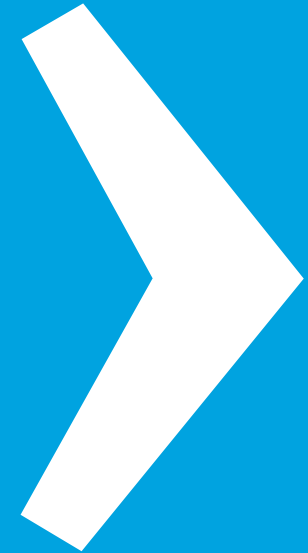
Today's Speaker



Rob McMillan
EVP & Founder
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Wine Division

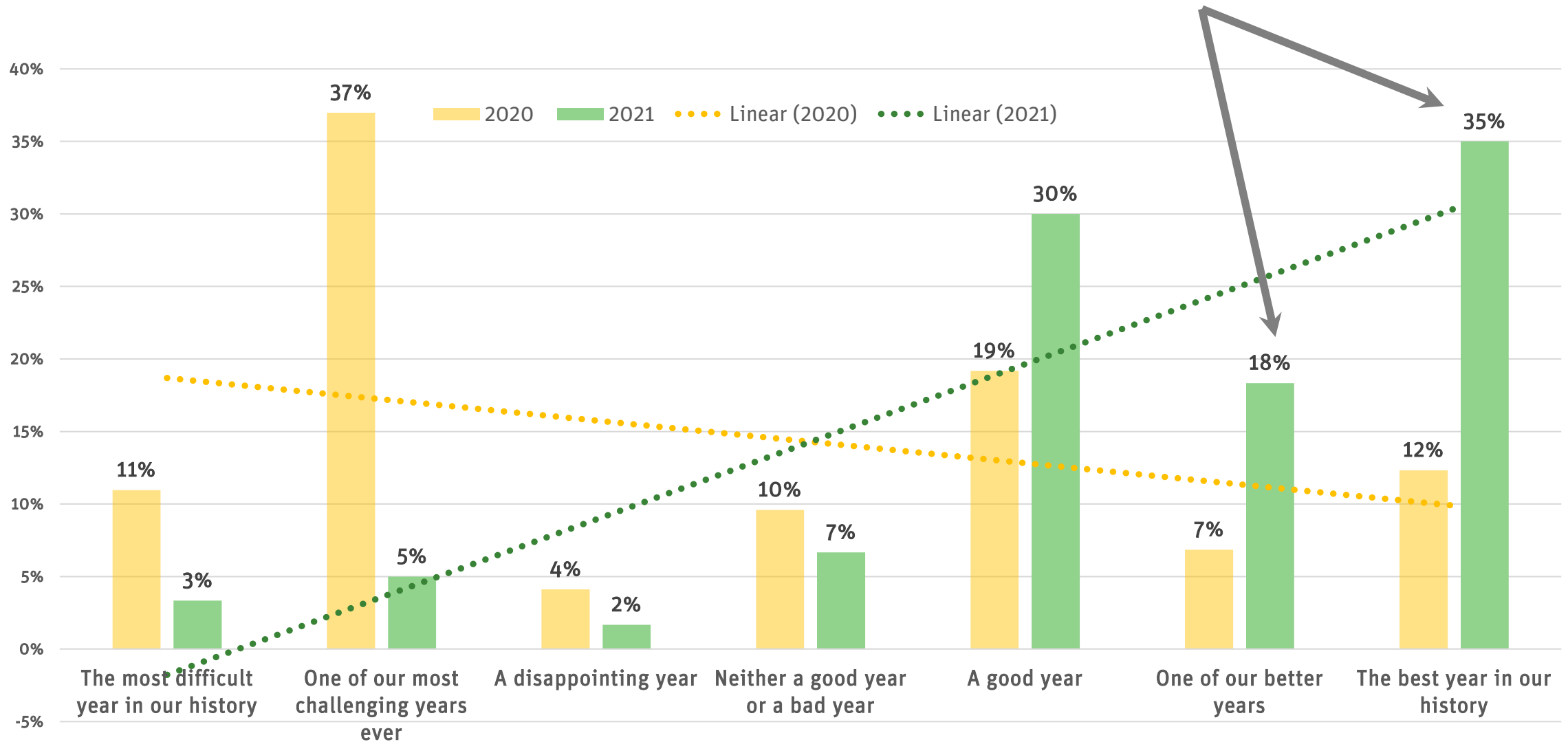
Snapshot of Industry Trends:

The Good News



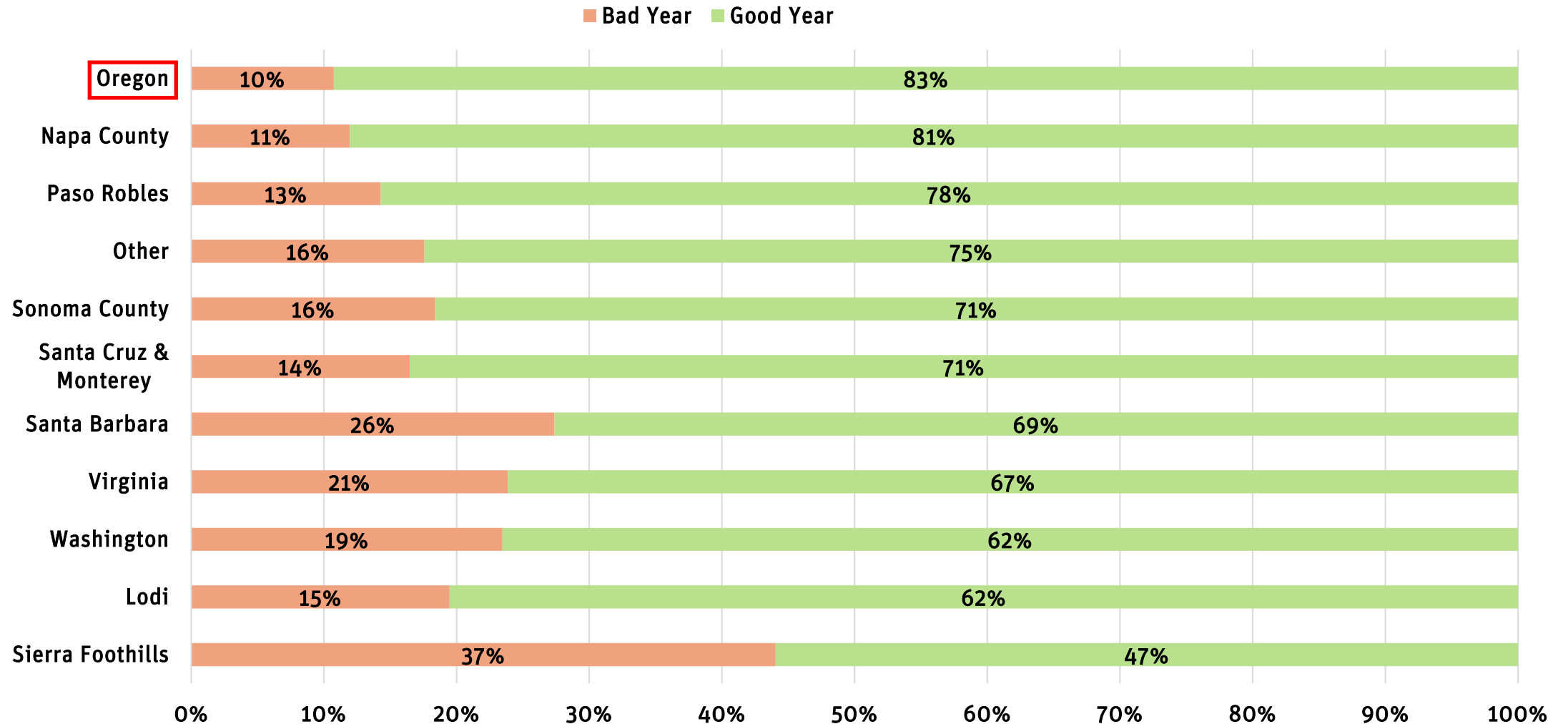
How was the year for Oregon wineries?

53% said it was at one of their better or their best year in history!



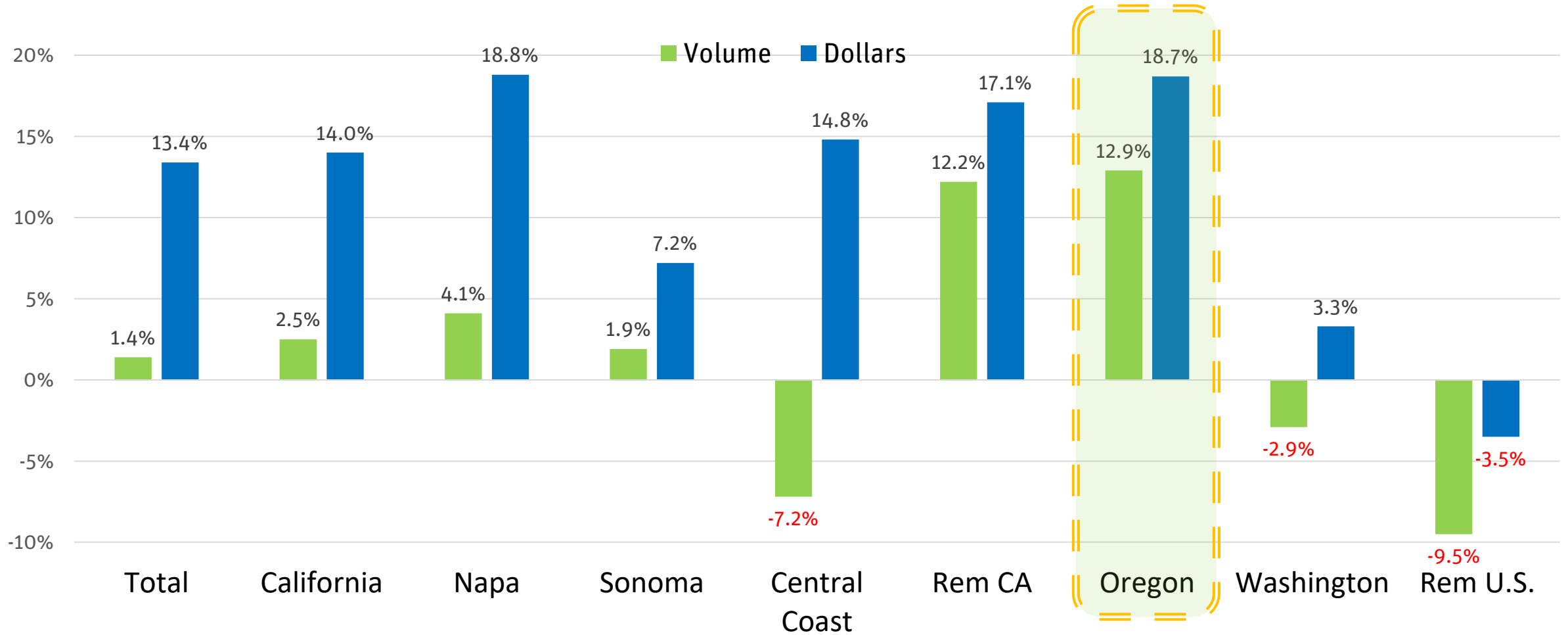
Compared to other regions, how good was 2021?

The best year of all the major regions!

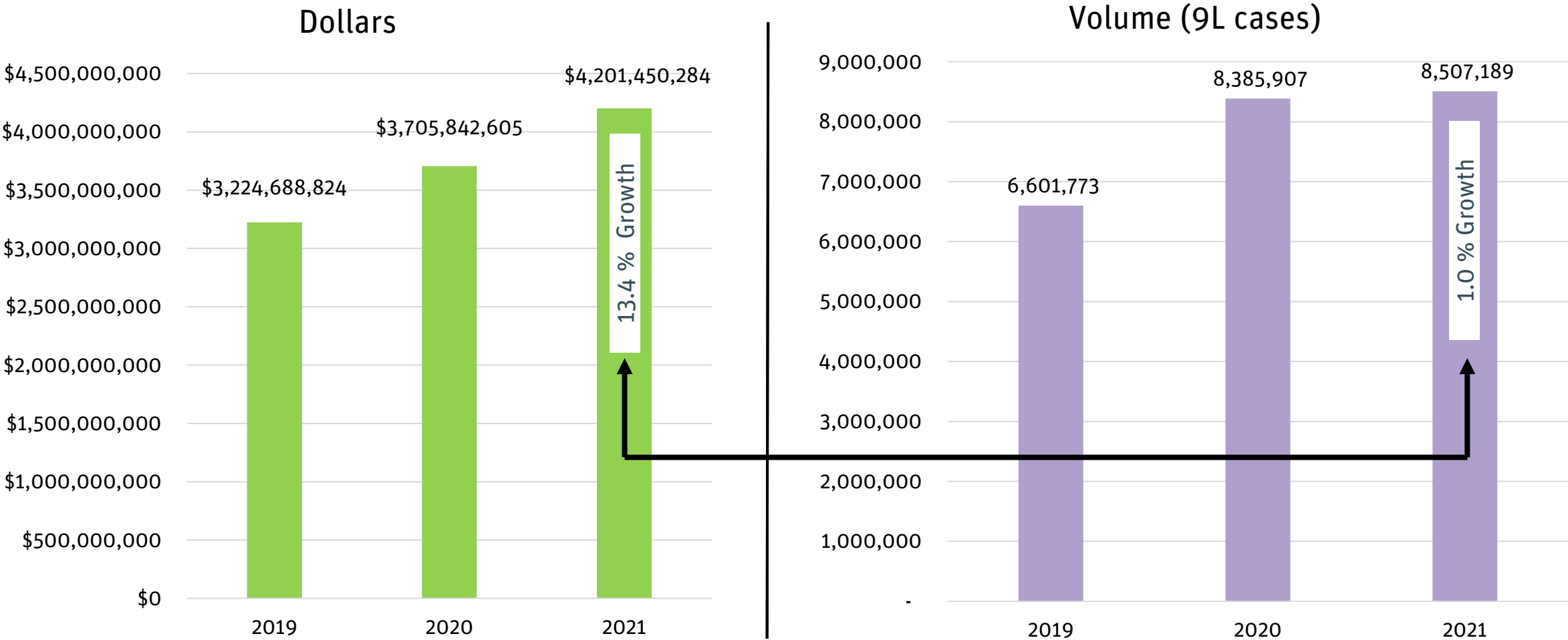


2021 Regional DtC Shipment Growth vs Year Ago

Oregon tops in volume growth and almost in dollars growth

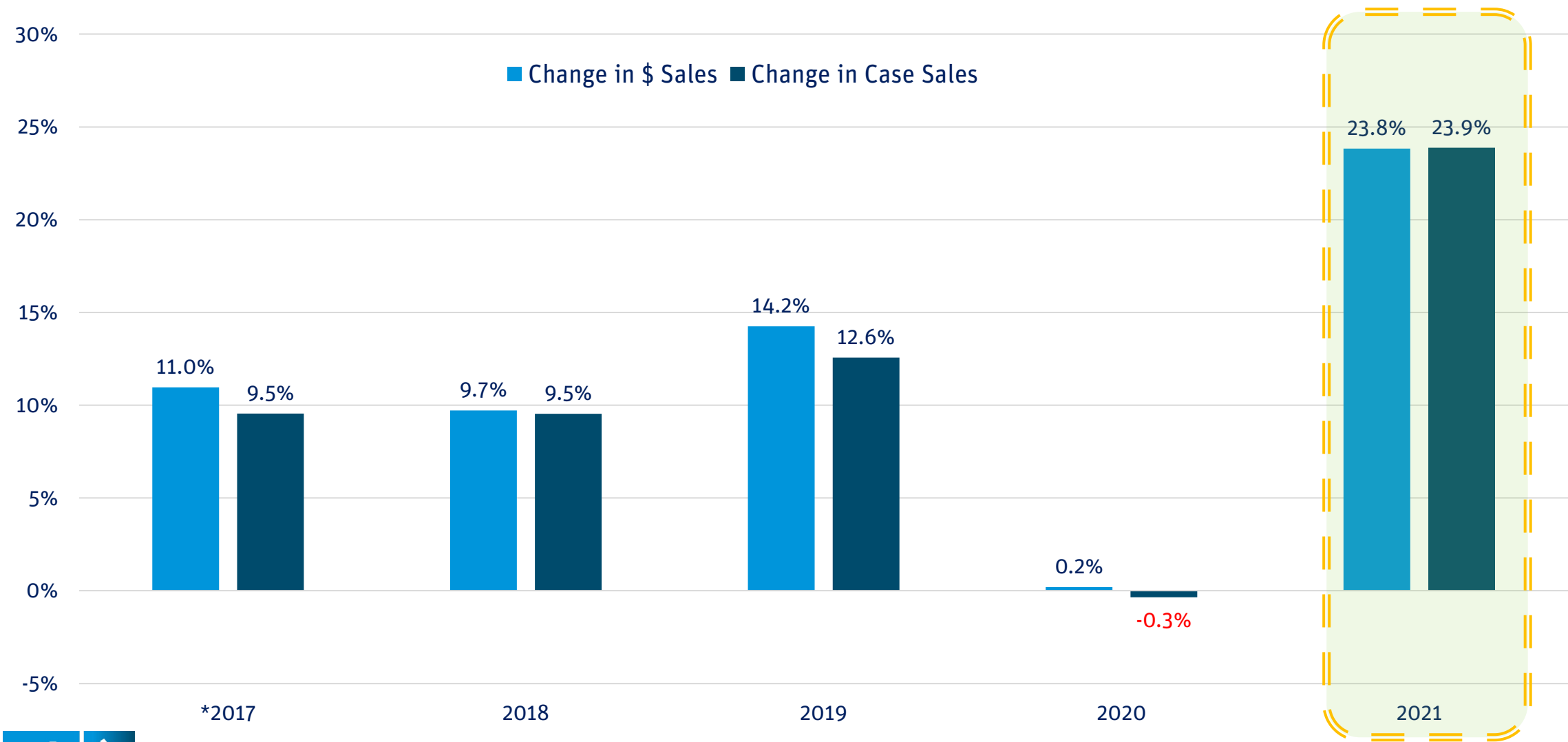


Industry: Record Direct to Consumer Shipments = 10% of total wine
DTC Continues to grow, especially with larger wineries



Reported Trended Year-End Sales Growth – Oregon

2021 growing both volume AND value

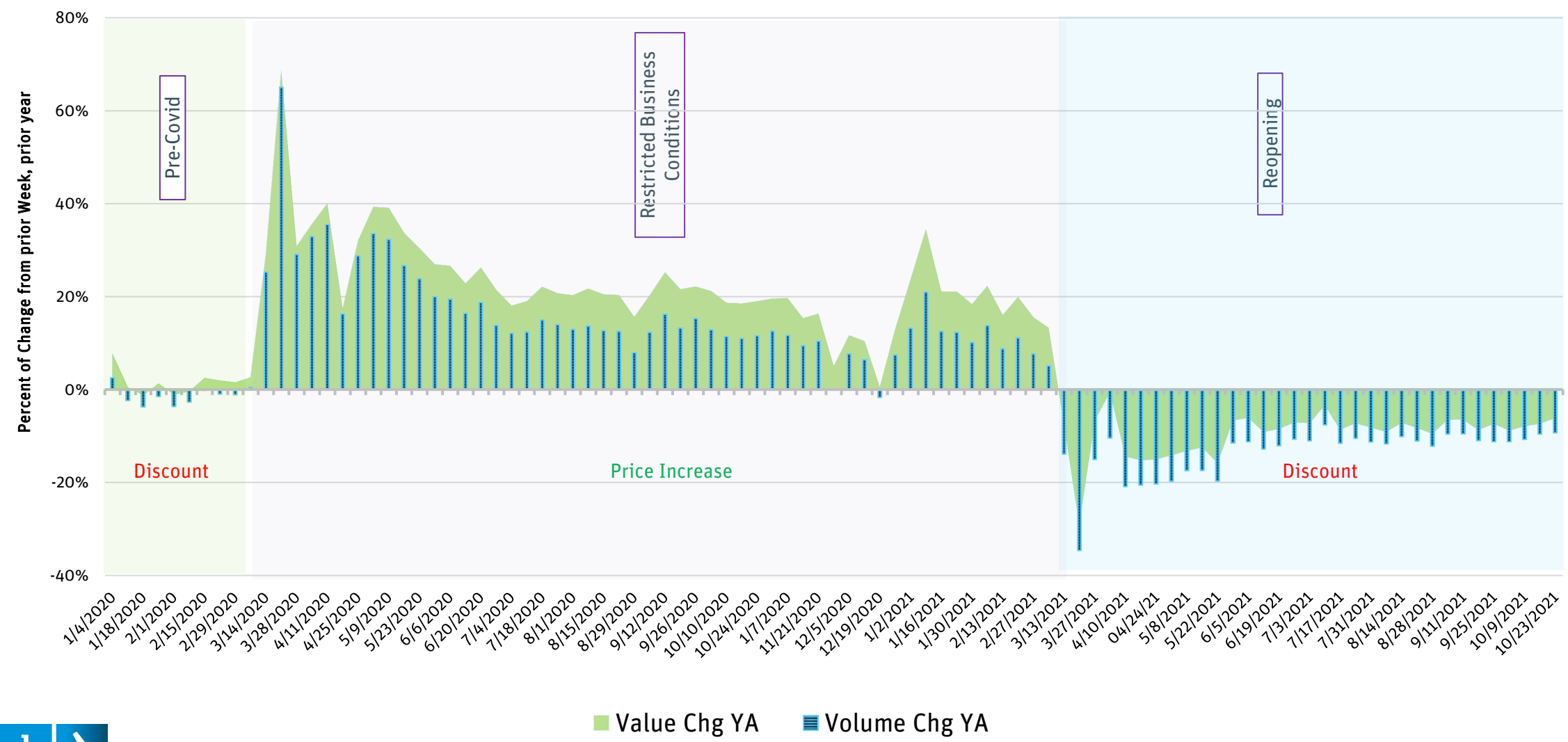


Snapshot of Industry Trends: *The Neutral News*



Industry Off-Premise Value & Volume Changes – Channel Shifts

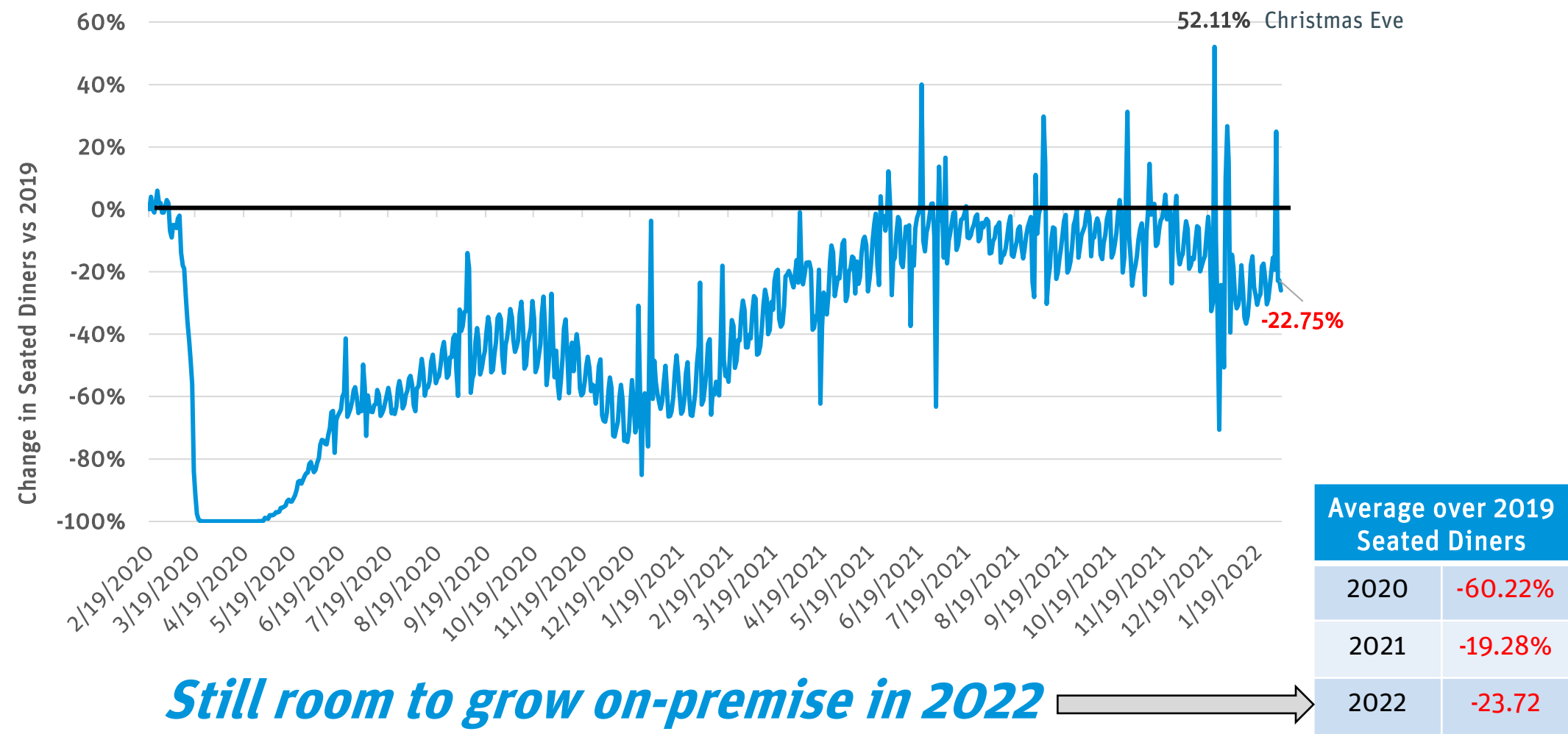
Now we know what happens if we don't think Omni-Channel



Source: Nielsen

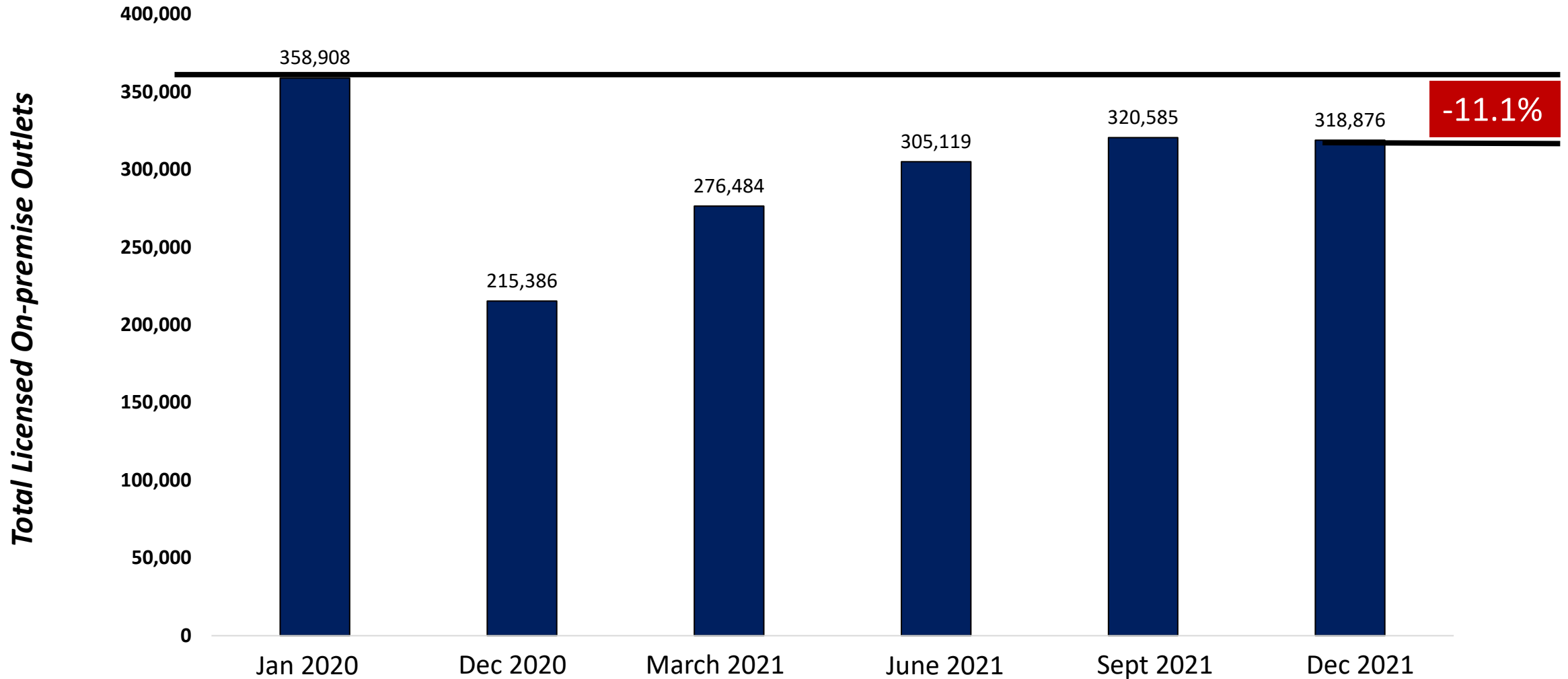
Industry: Change in Restaurant Seated Diners vs. 2019

Restricted on-premise underscores the need for omni-channel thinking



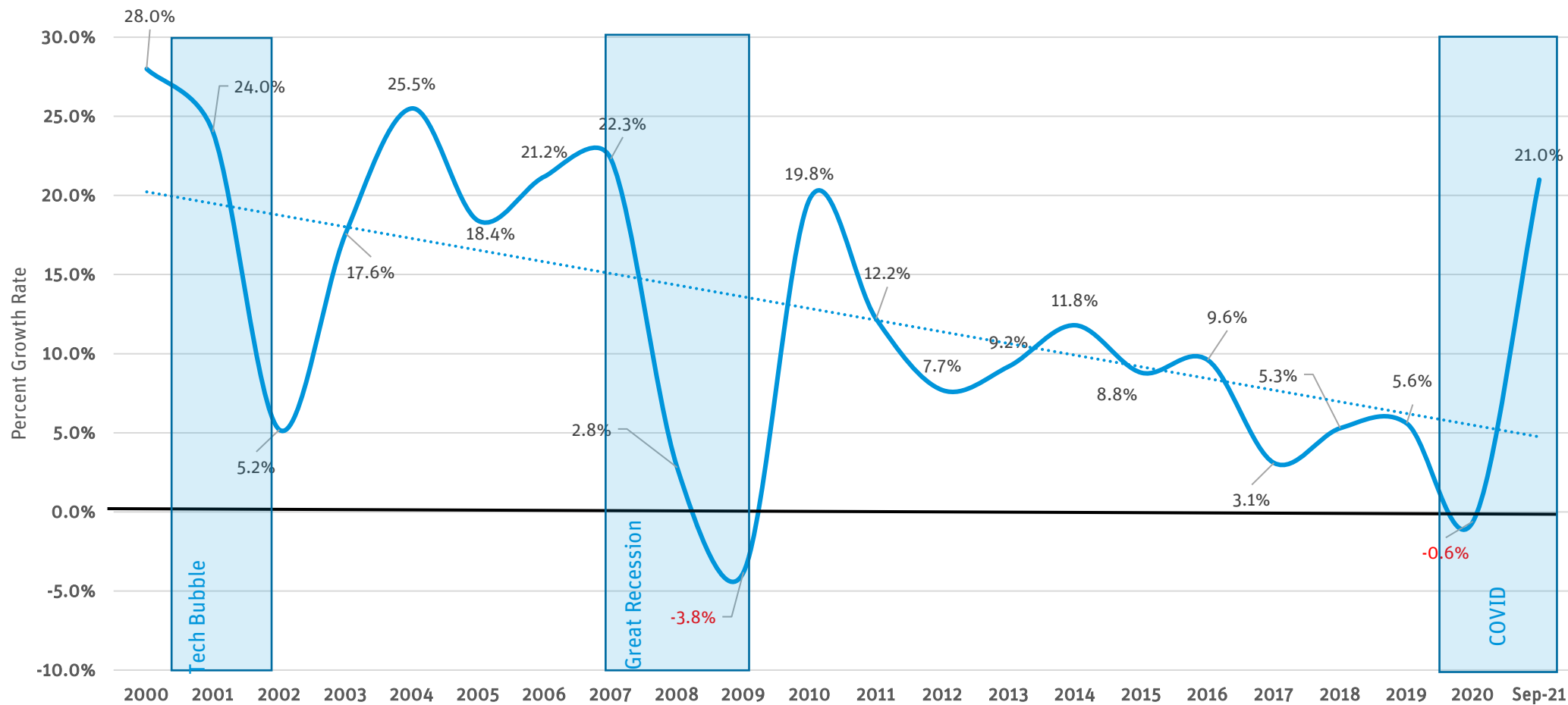
On-premise account openings stabilizing lower for now

Restaurants expected to exceed pre-pandemic sales in 2022



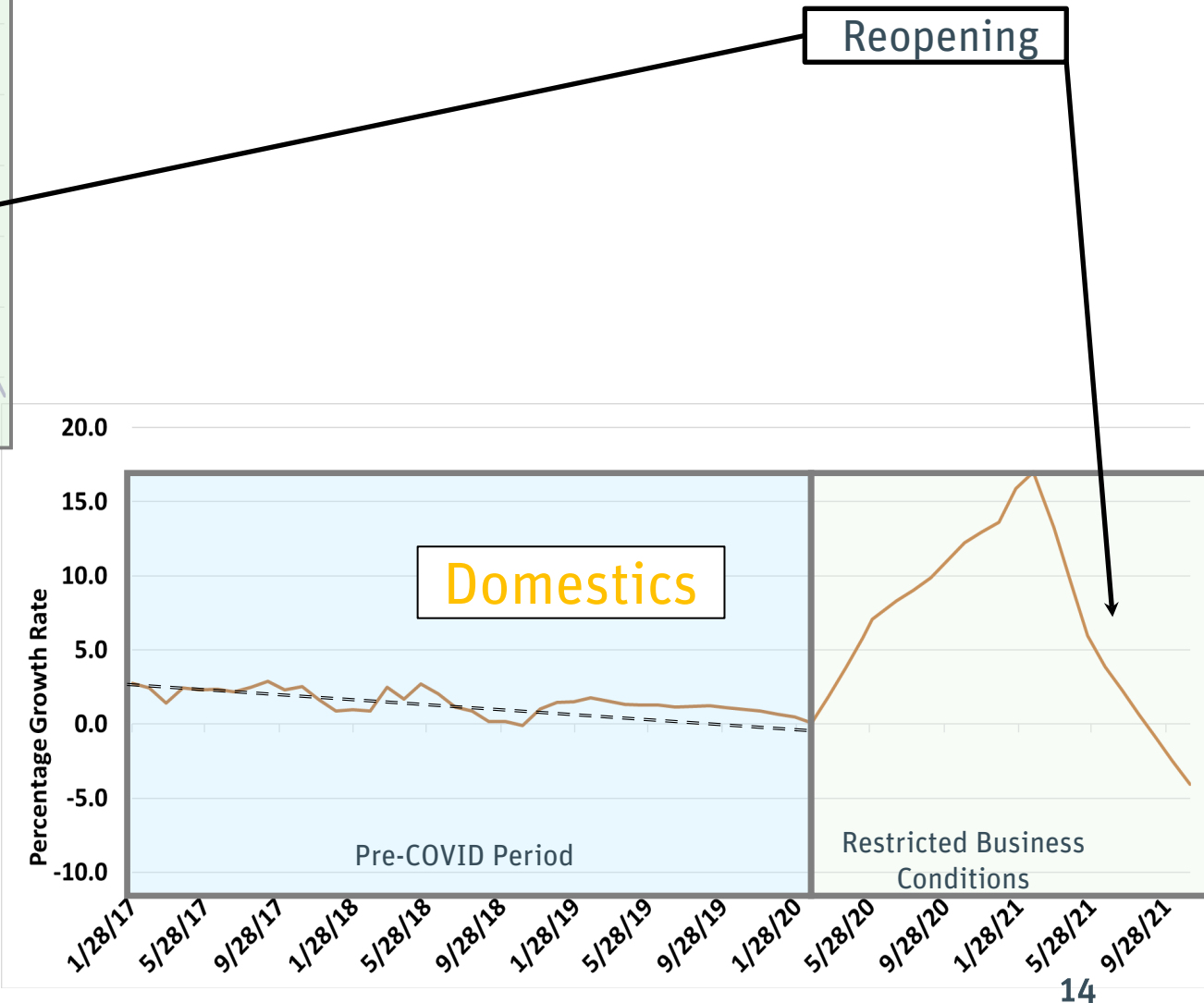
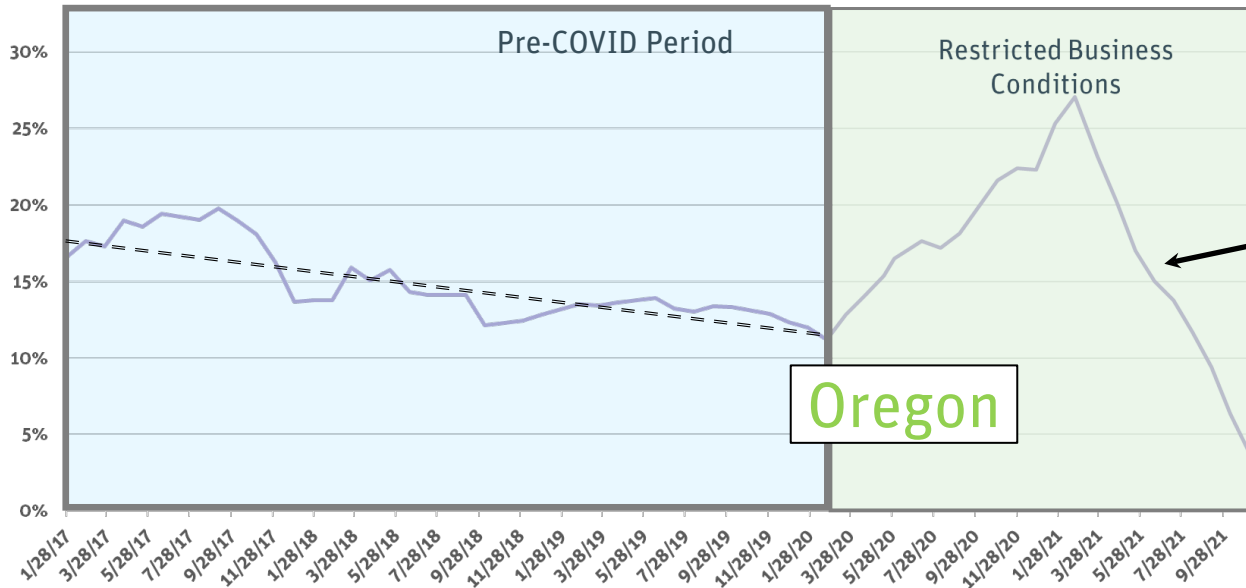
Industry: Sales Growth in Premium Wineries

21% Growth is the Most Since 2007, but trending down



2017–2021 Off-Premise Growth Rate: **Oregon** best among Regions

..but declining trend consistent with total domestic sales



Reopening

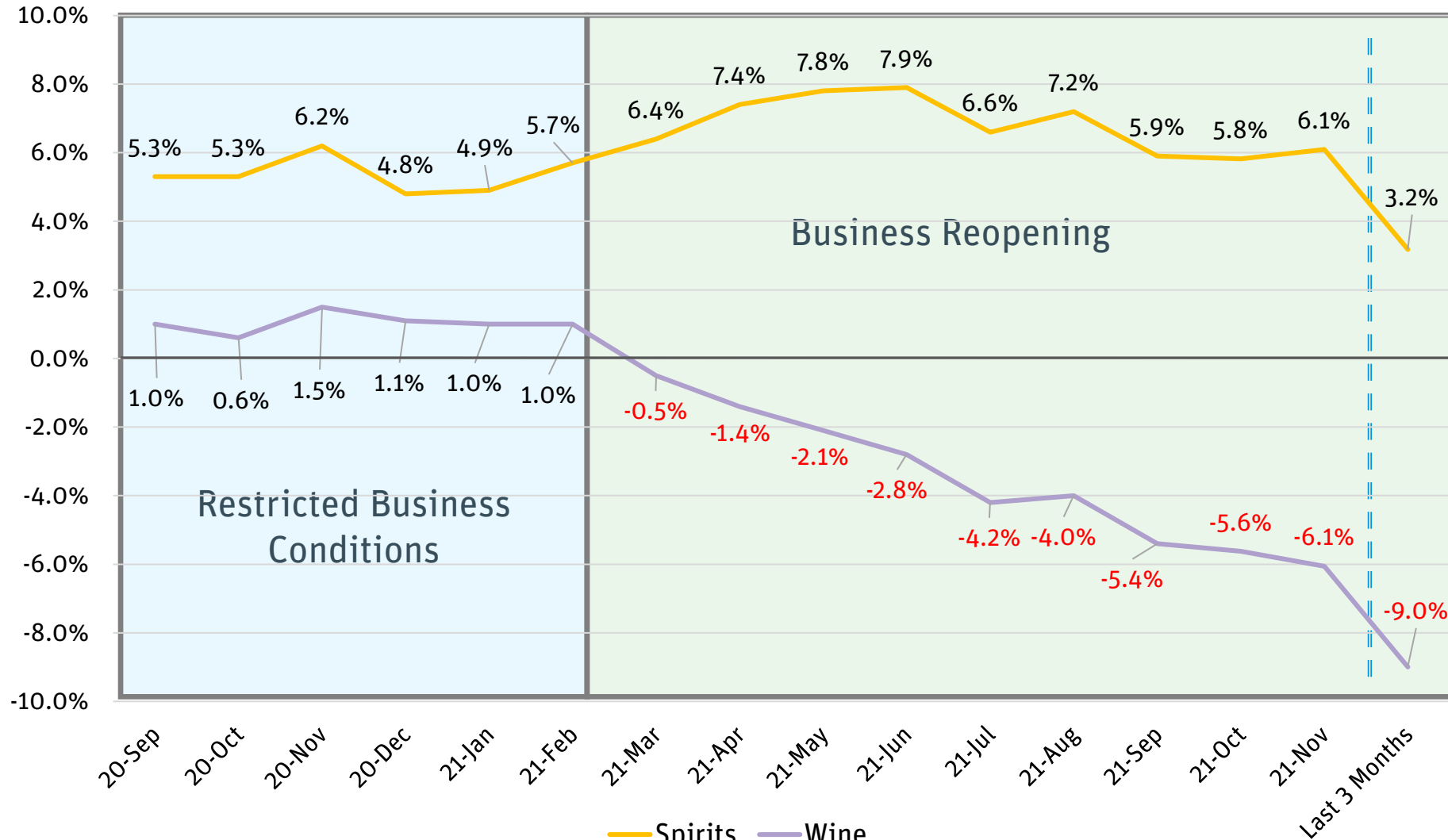
Snapshot of Industry Trends

The Difficult News



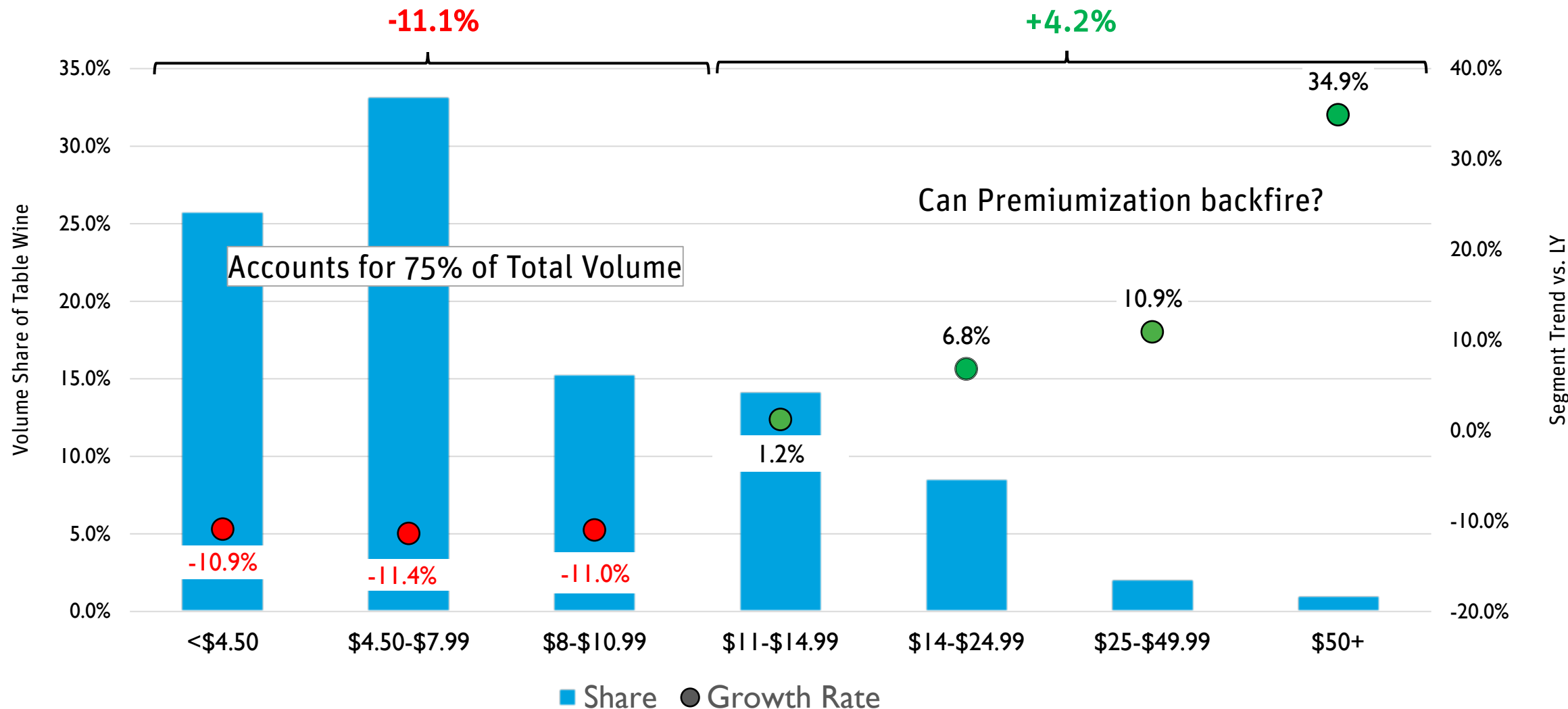
Industry: Combined On-and Off-Premise Wholesale Depletions

Industry Volume depletions started falling with reopening



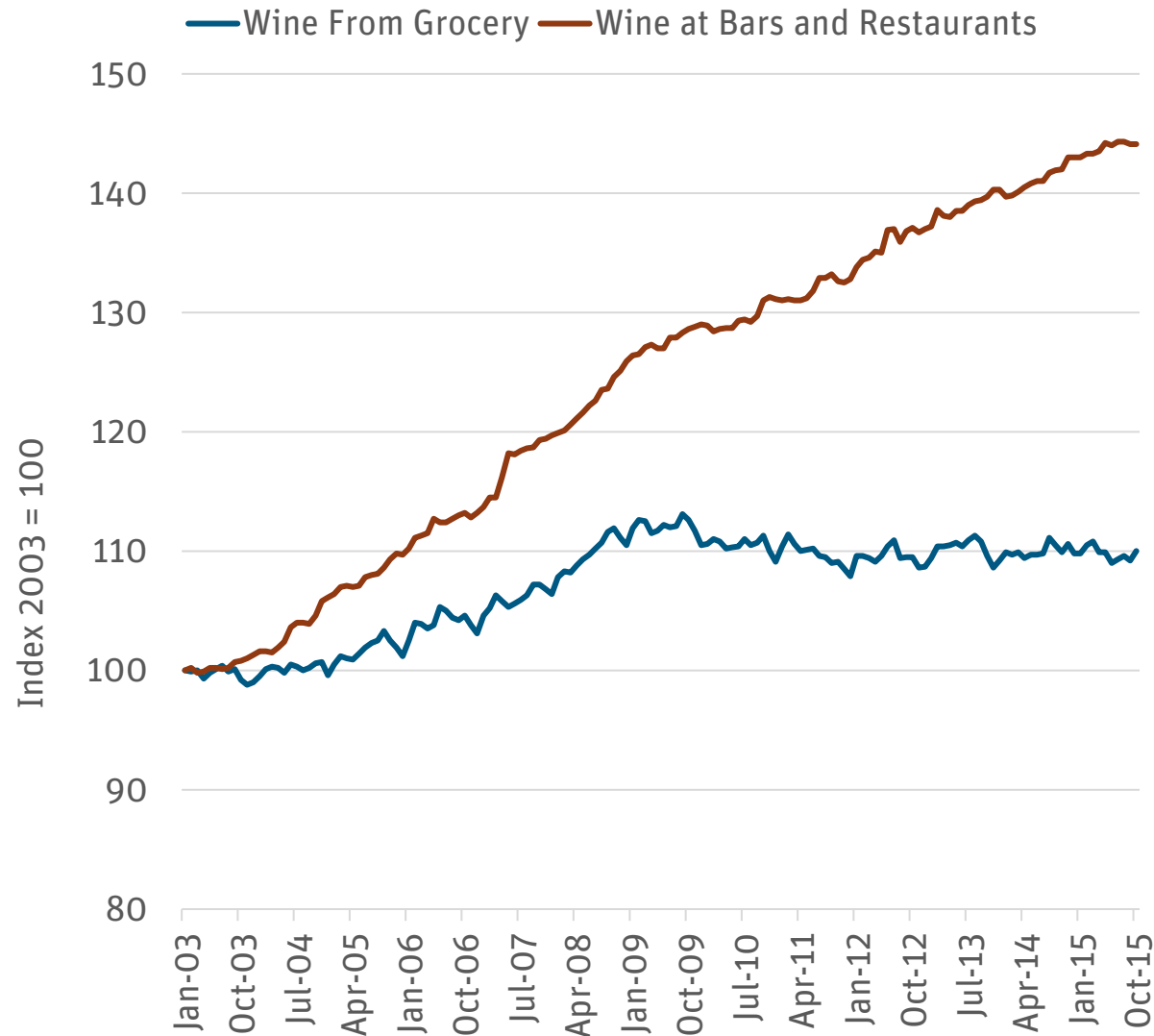
Industry: Table Wine Volume Sales Growth by Price Range

Under \$11 should be a consumer on-ramp



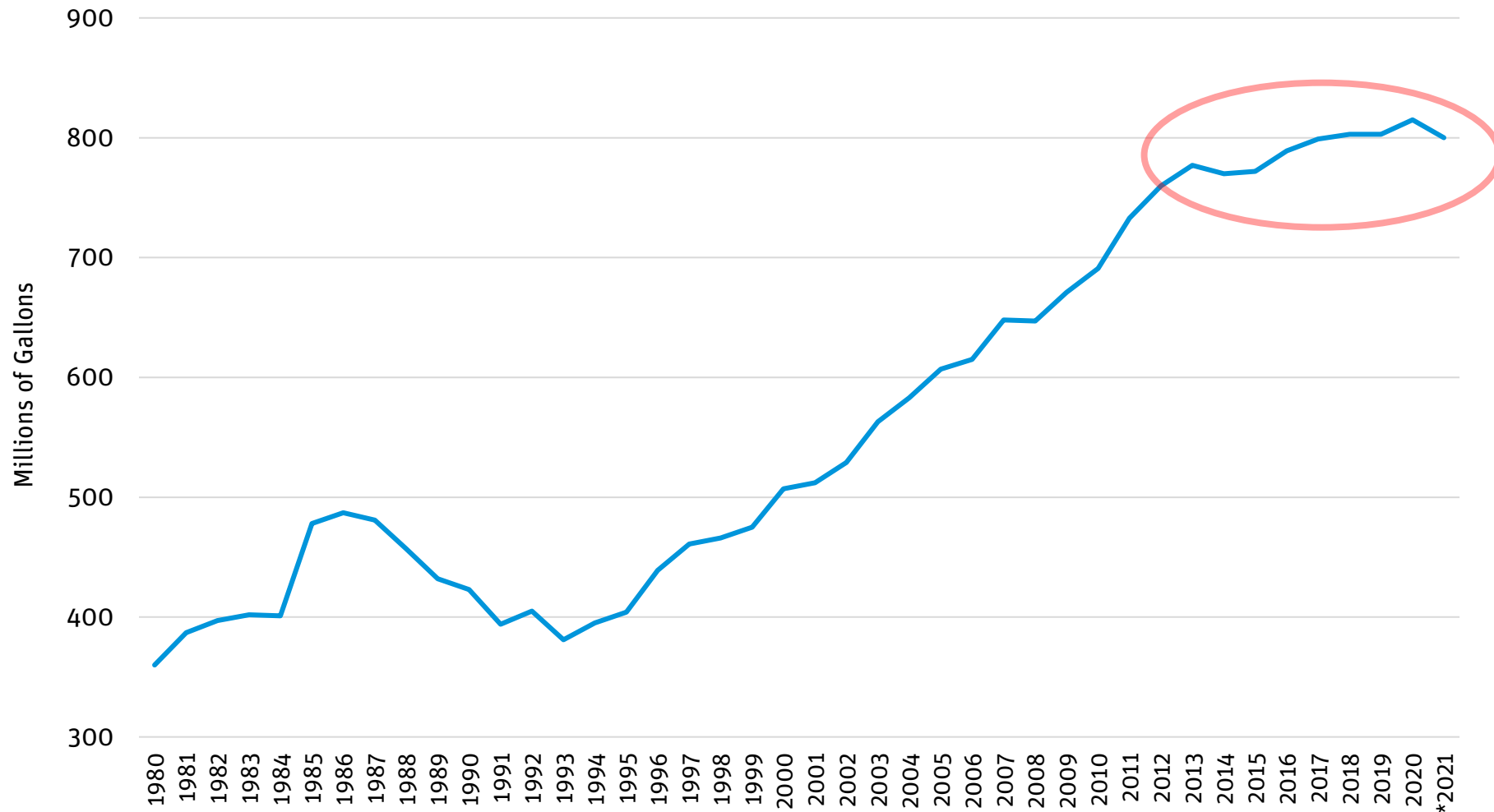
Industry: Consumer Price of Wine From Grocery vs. Restaurants & Bars

Price of wine on-premise is depreciating another major on-ramp for new consumers



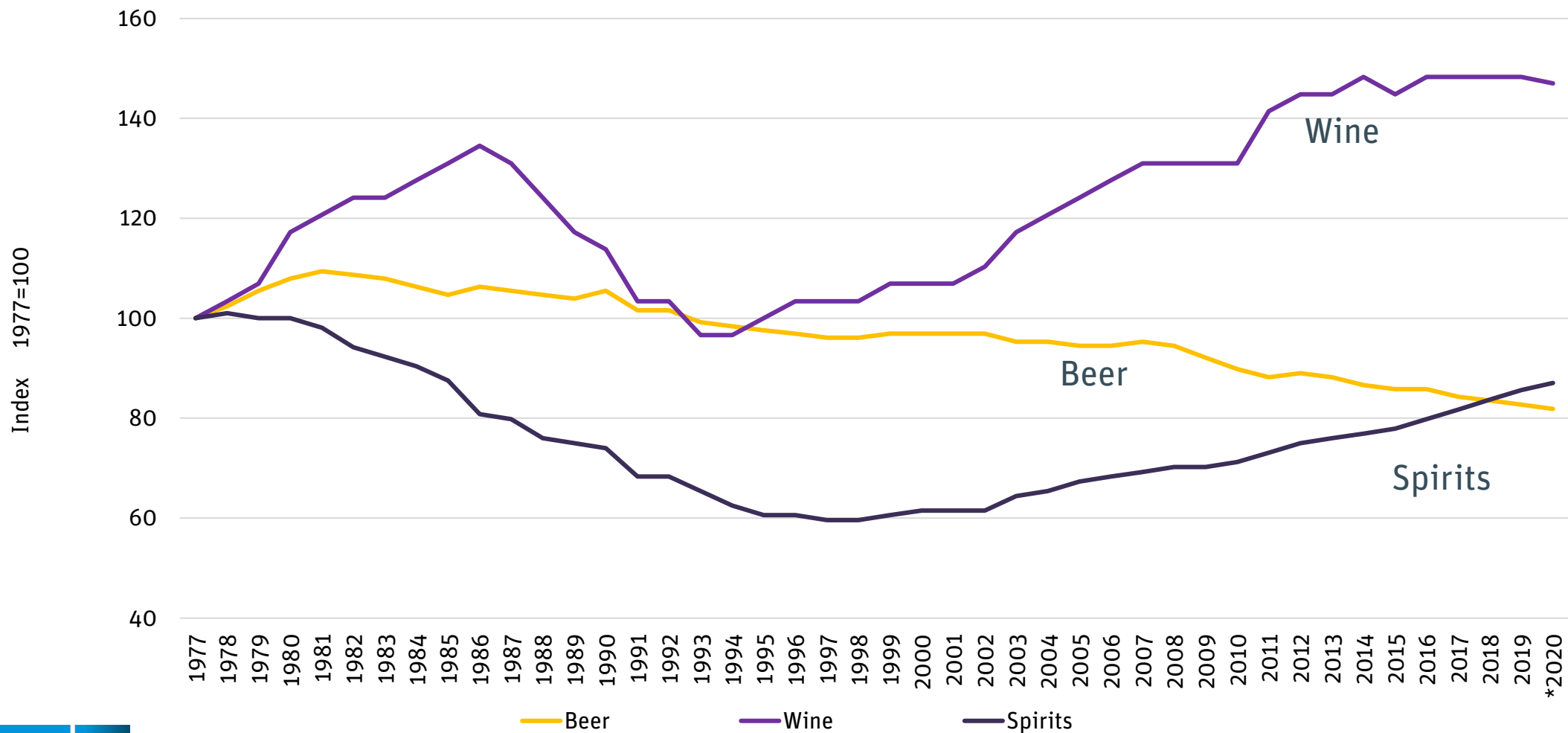
Industry: U.S. Table Wine Consumption by Volume

Entering a period of flat to declining growth by volume



Percentage Change in Per Capita Ethanol Consumption

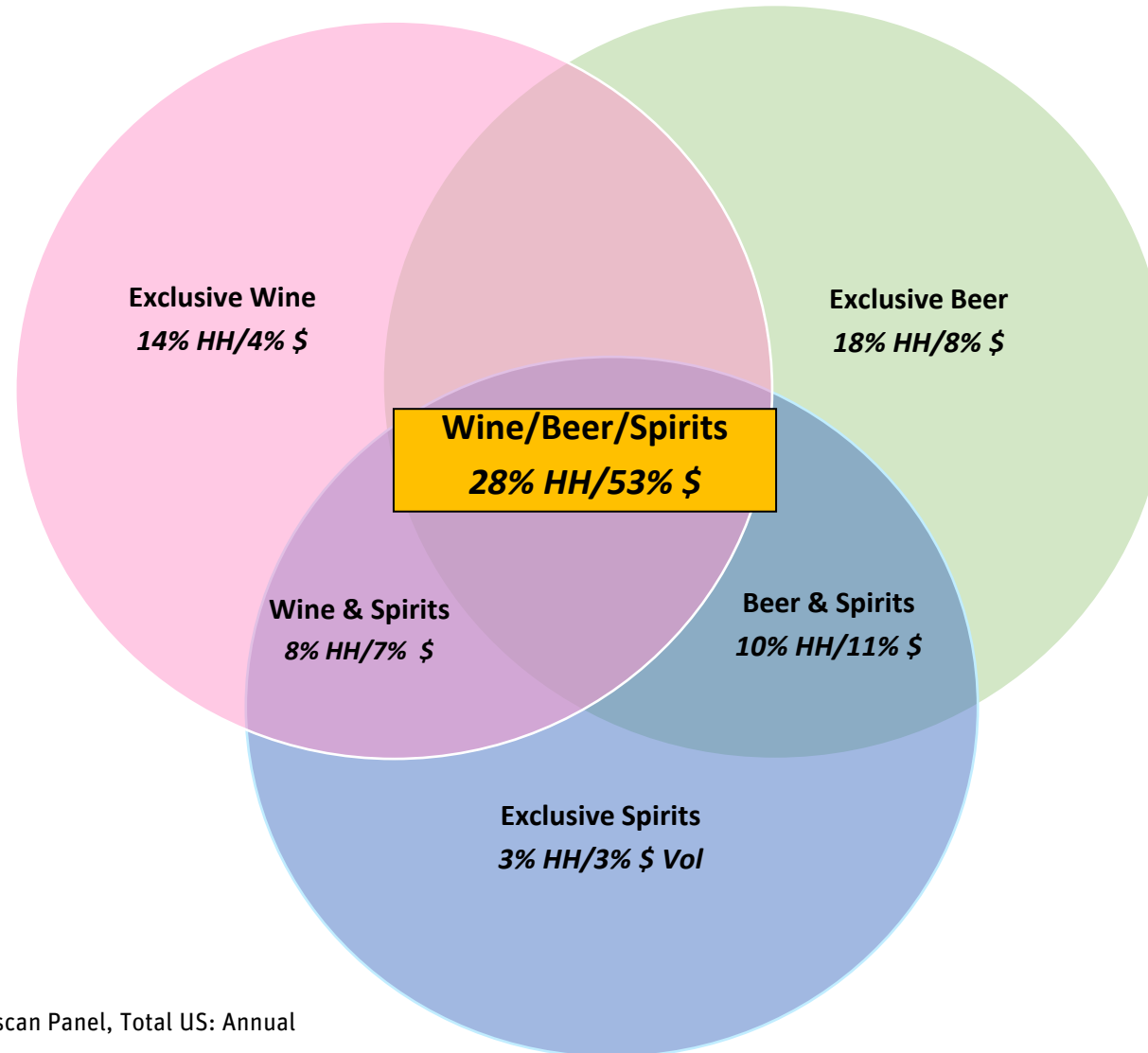
What can we learn from the growth in spirits & decline of beer?



Source: National Institute on Alcohol Abuse and Alcoholism, Surveillance Report #113, *SVB est.

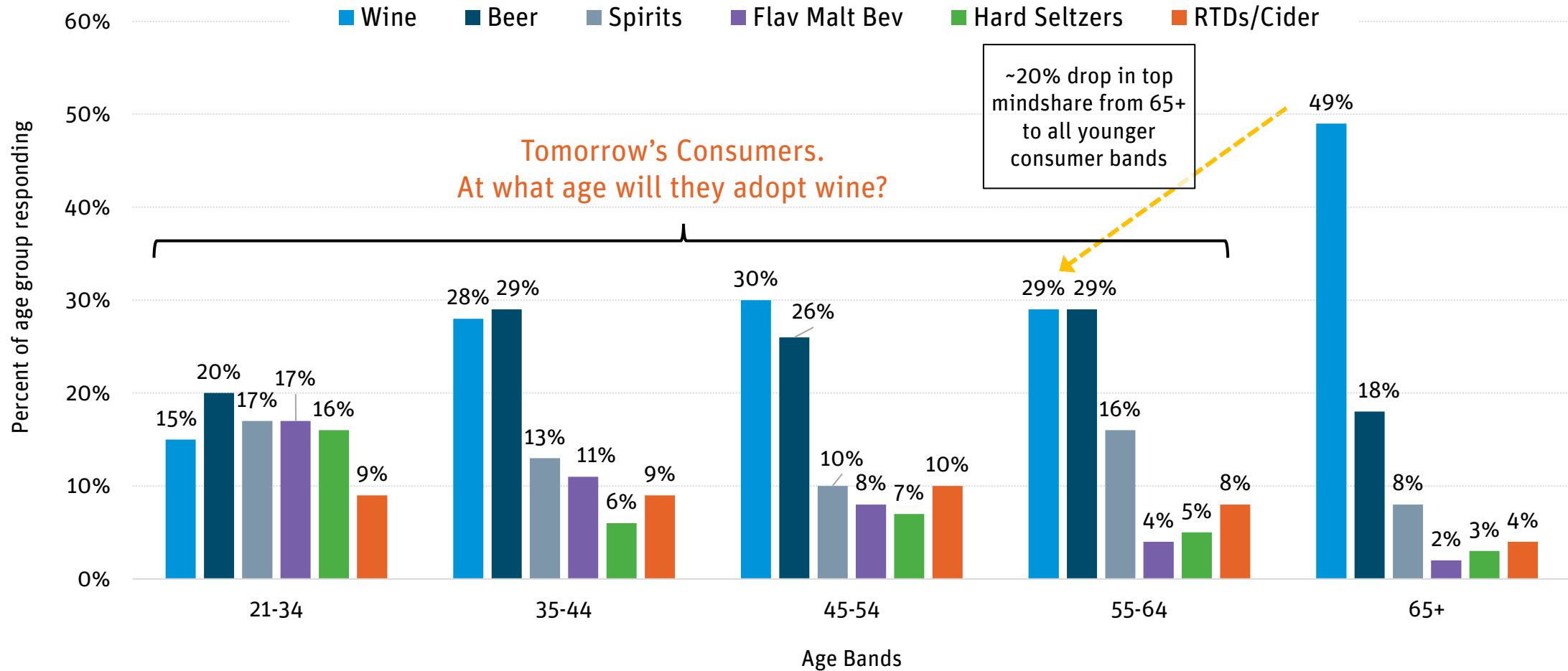
Consumers Drink Across Categories

14% of Households representing 4% of spending exclusive to wine



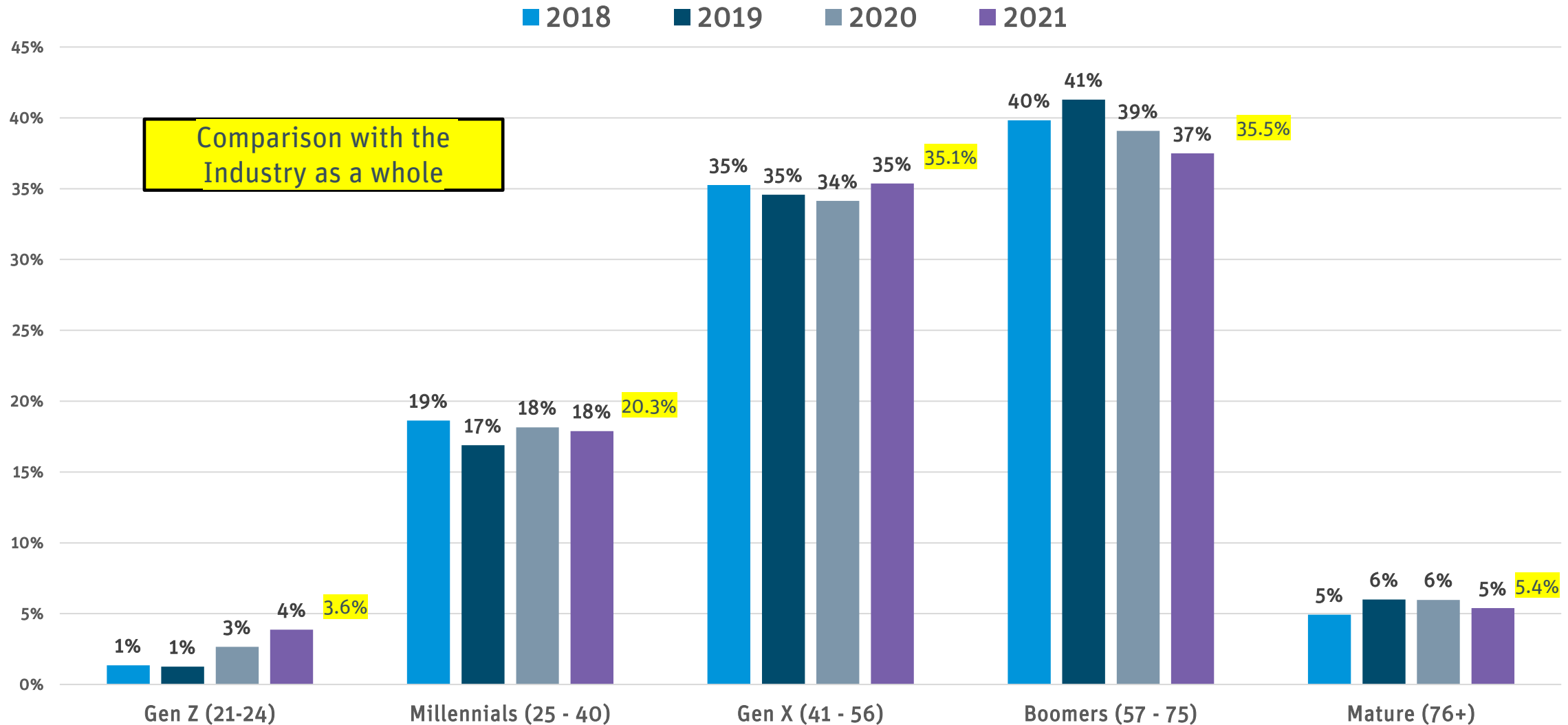
What would you bring to share at a party?

This tells you your model might need to change



Wine Consumption by Cohort – Oregon

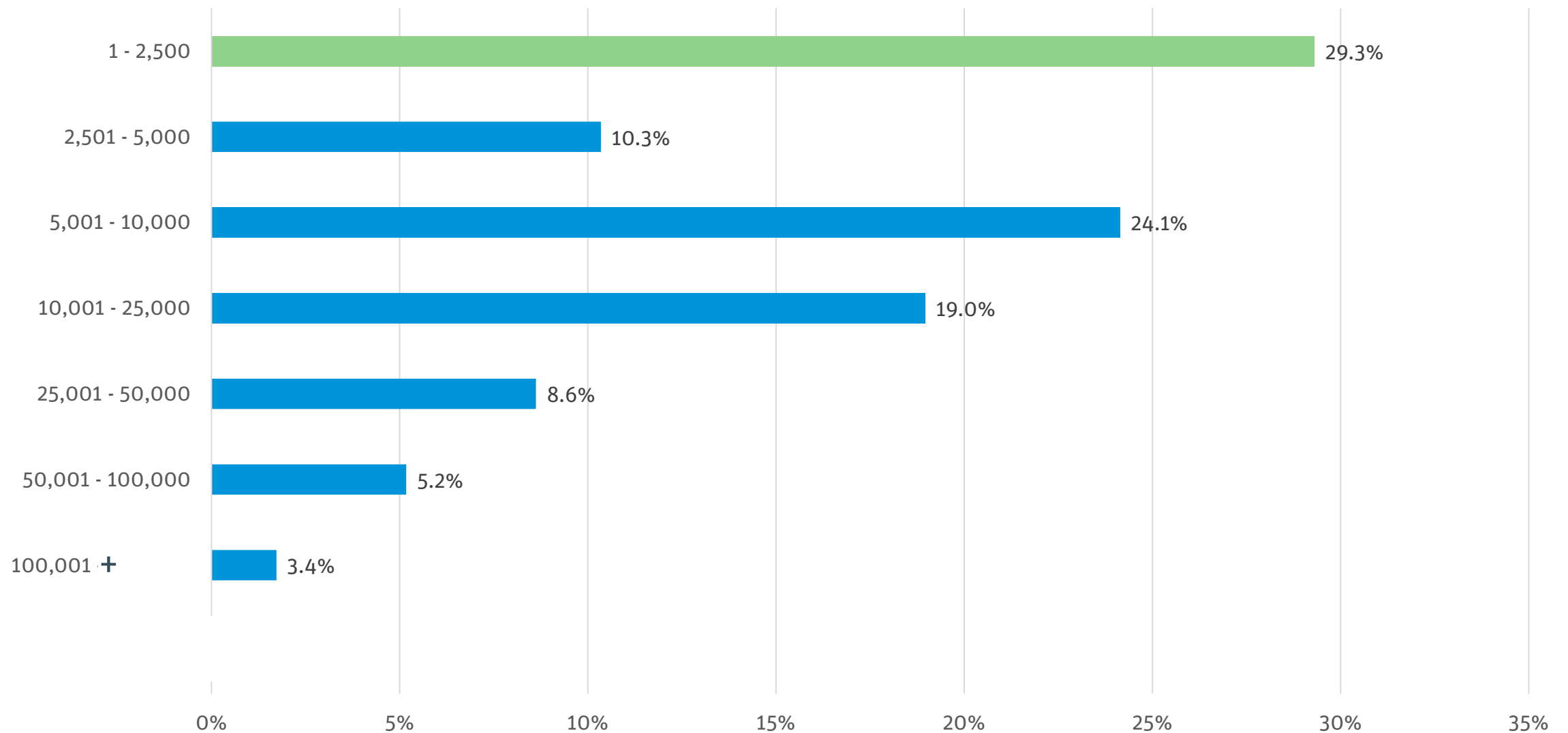
Has the same proportion of consumer cohorts as the industry



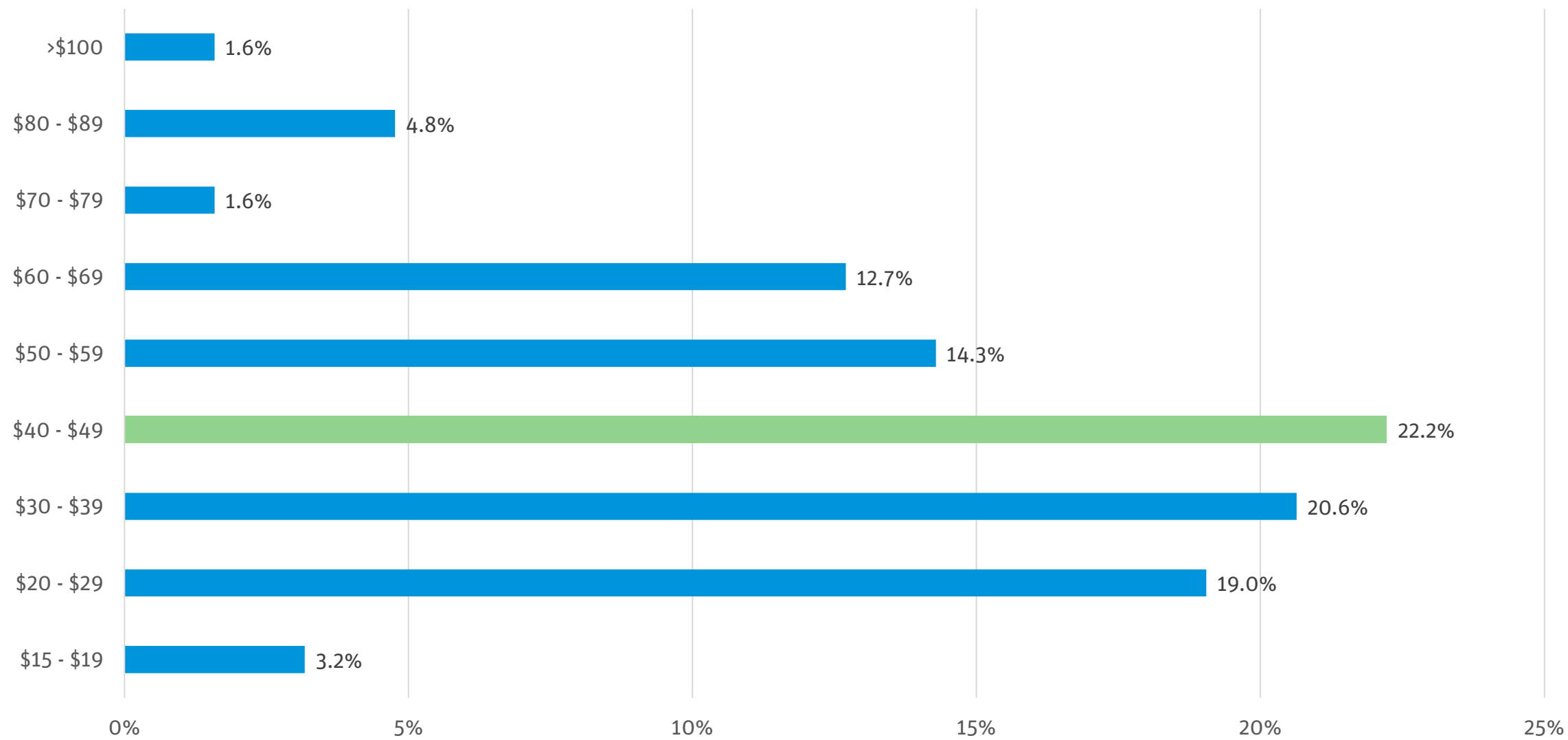
Oregon Specific Metrics



Production Levels - Oregon

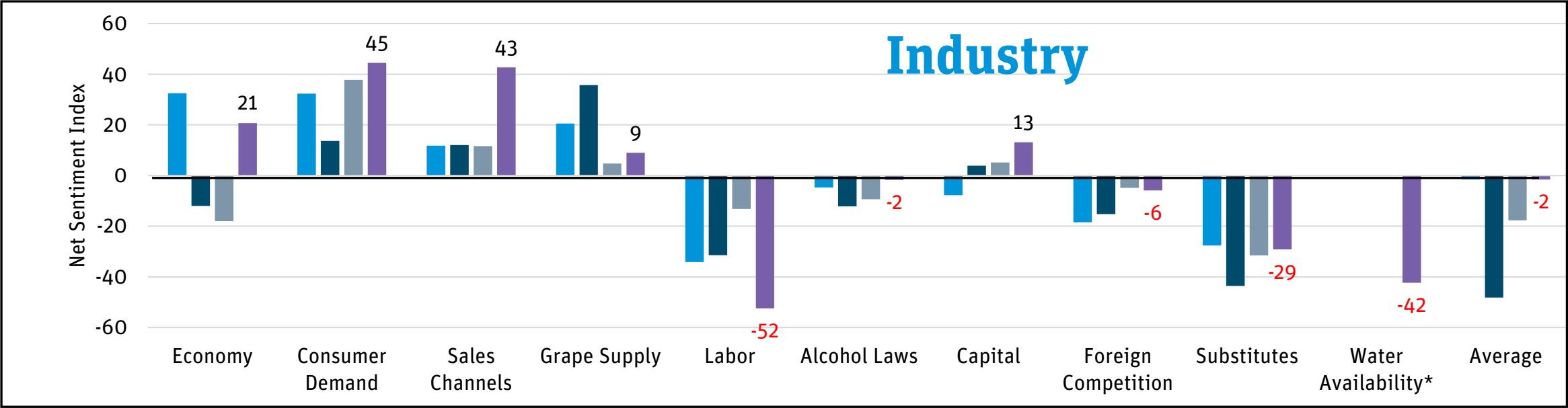
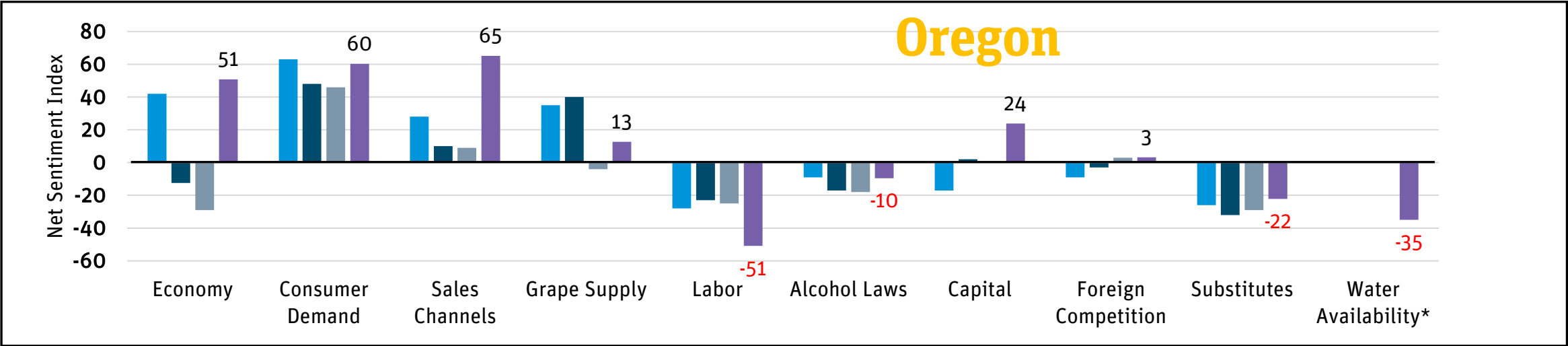


Average Retail Price Point - Oregon



Industry & Oregon Sentiment Index

2018 2019 2020 2021

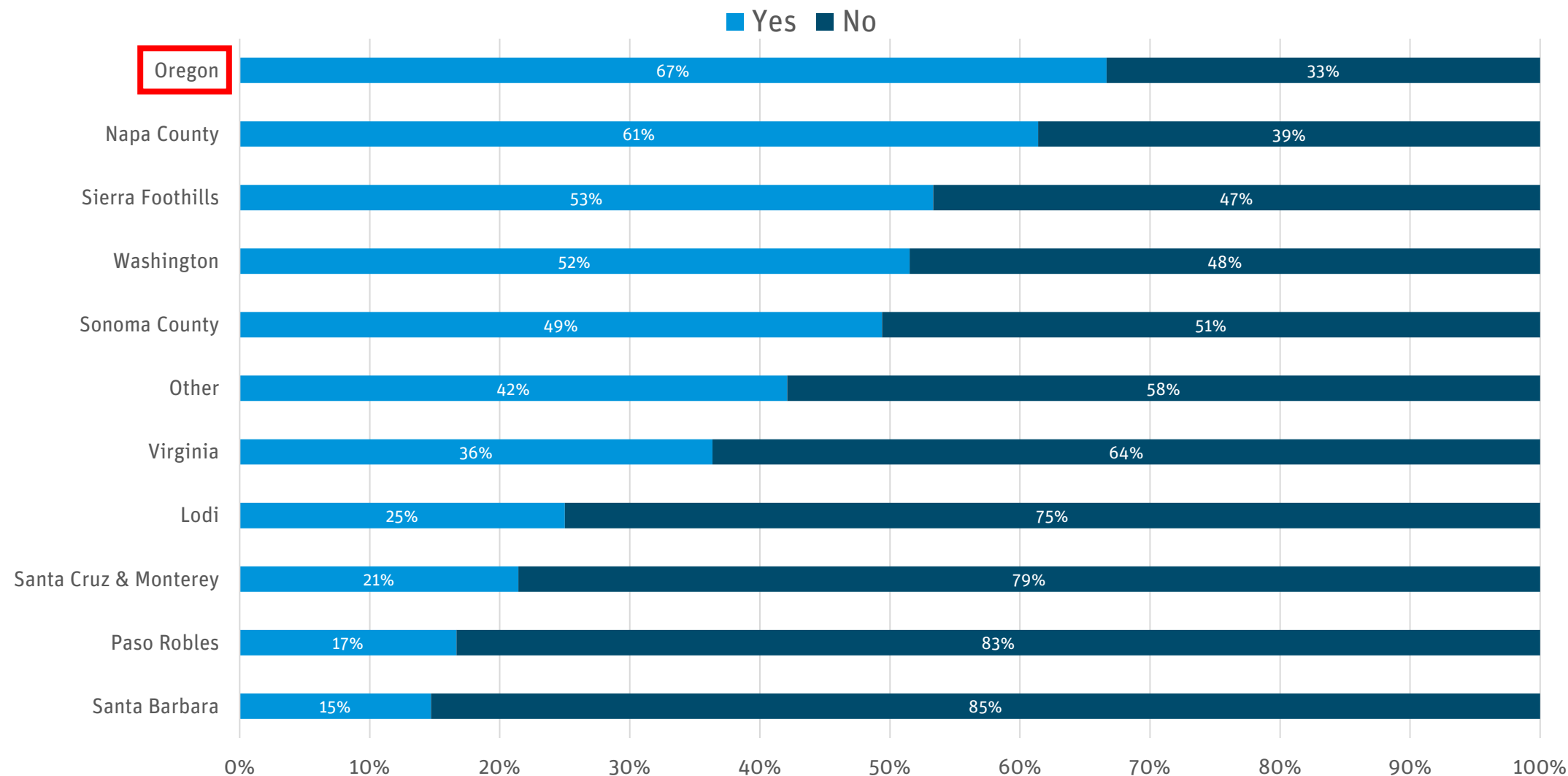


Total “Positive” responses to each category, minus total “Negative” responses to each category divided by total responses for that region *100

Source: SVB State of the Wine Industry Survey
*Water Availability first tracked in 2021

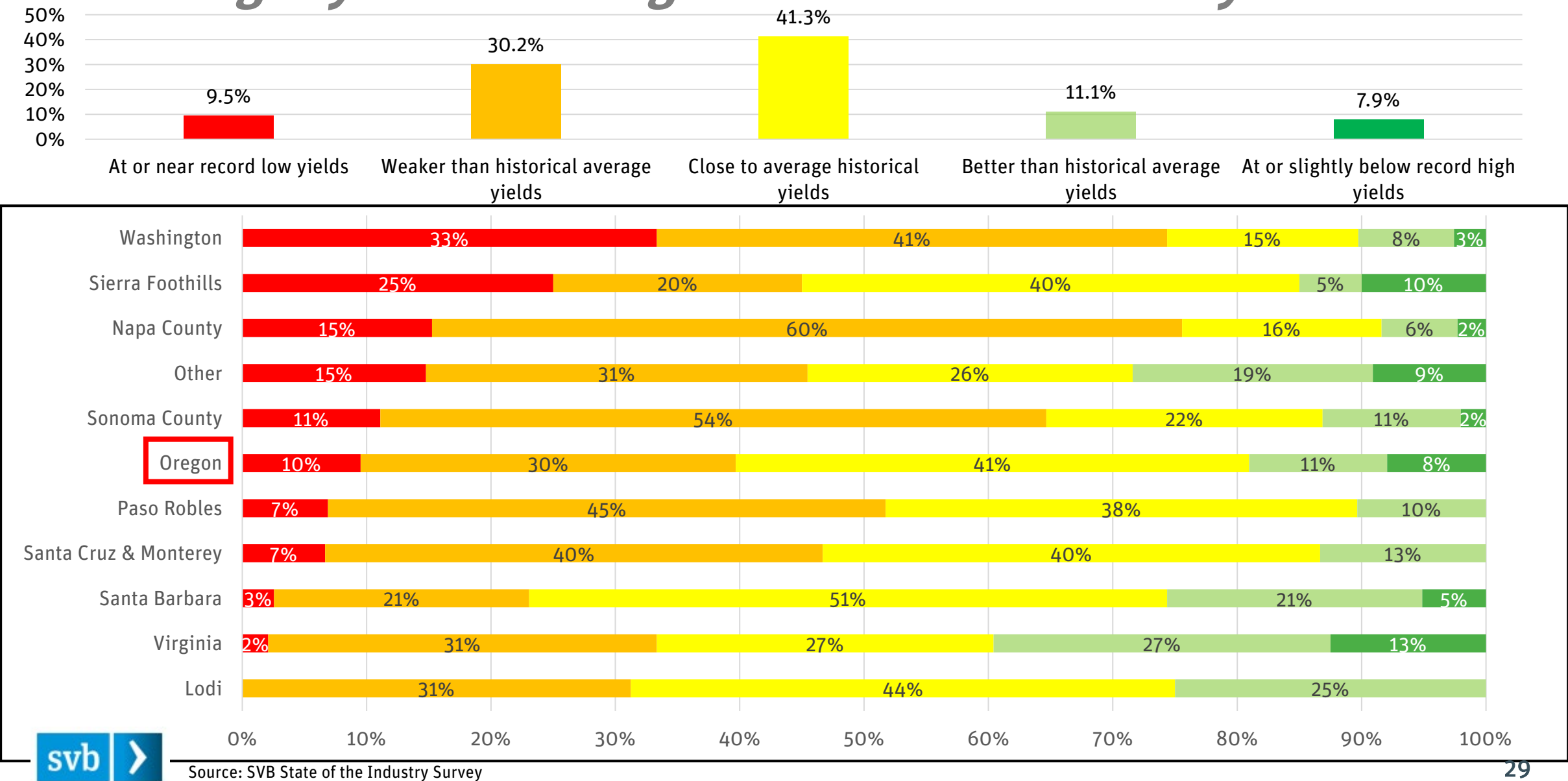
Do you expect an Inventory Shortage in the next 3 years?

Two-thirds of Oregon producers said they do expect a shortage



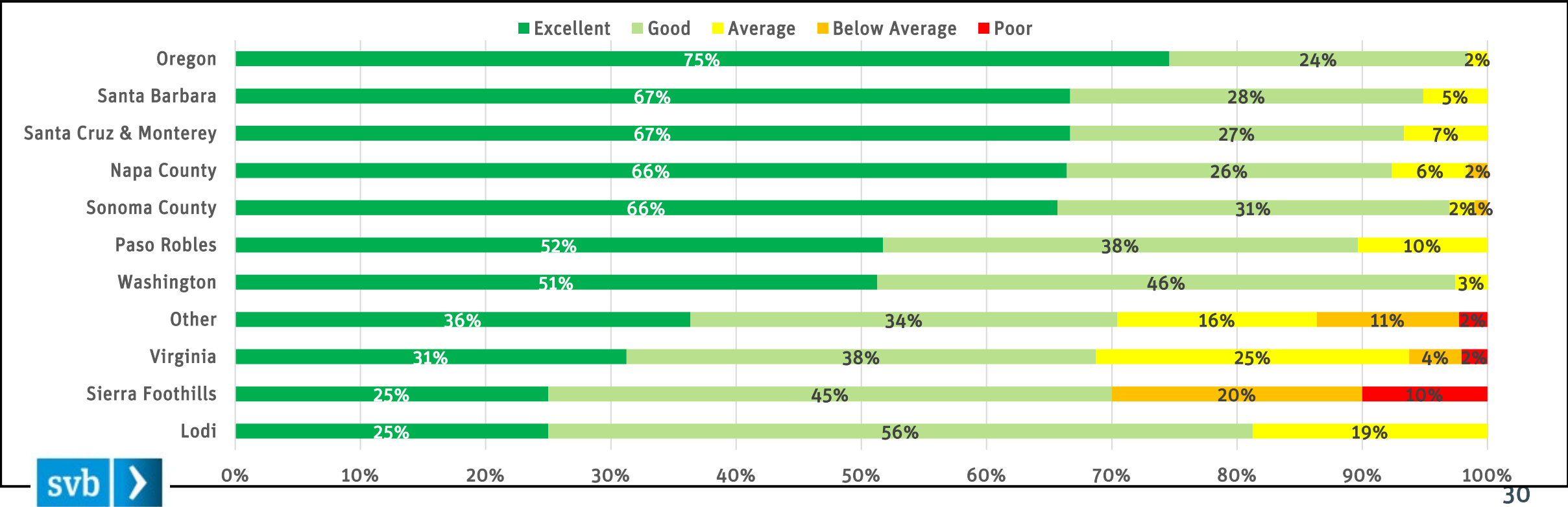
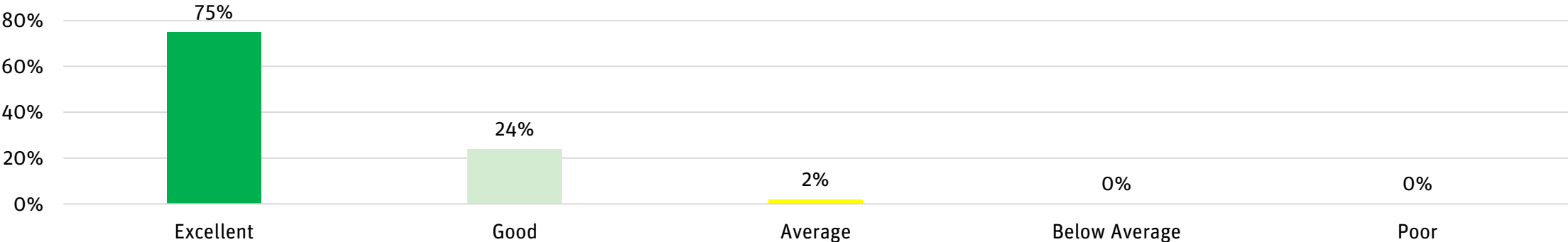
2021 Harvest Yields

Slightly below average historical harvests in yield



2021 Oregon Harvest Quality

Oregon had the highest reported quality of the major regions

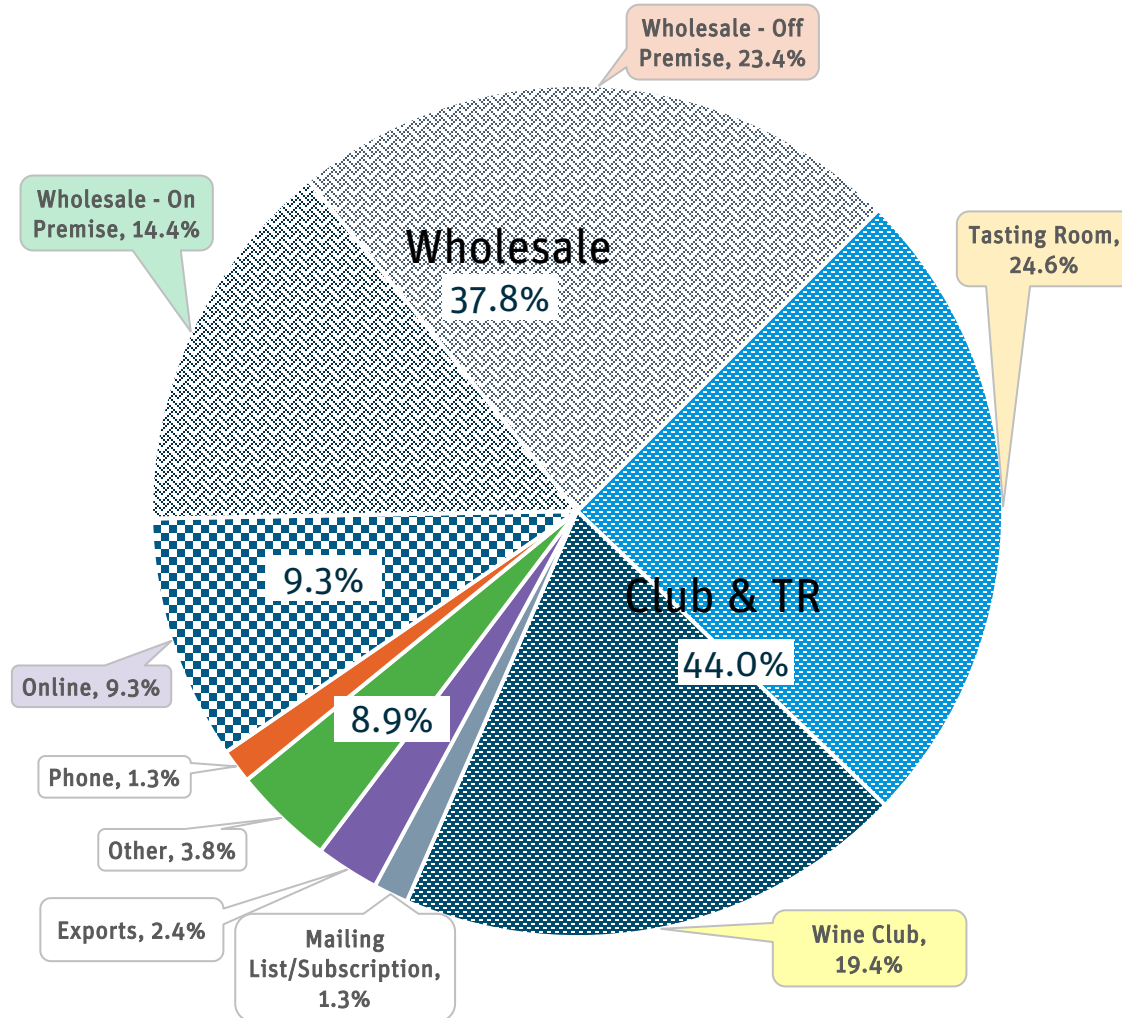


Source: SVB Annual Winery Conditions Survey

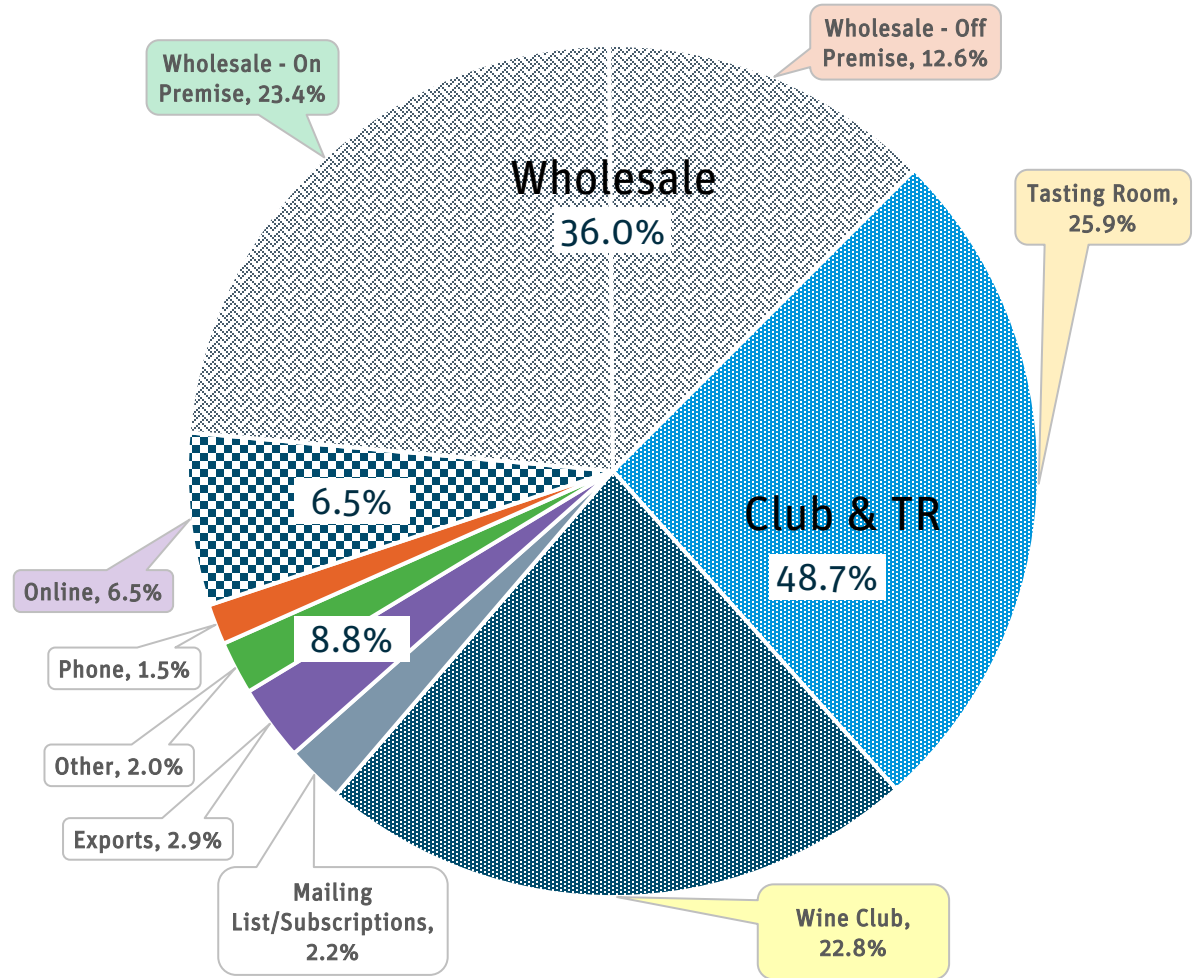
Oregon Wineries Channel Mix

Channel reversion in wholesale probably is not sustainable

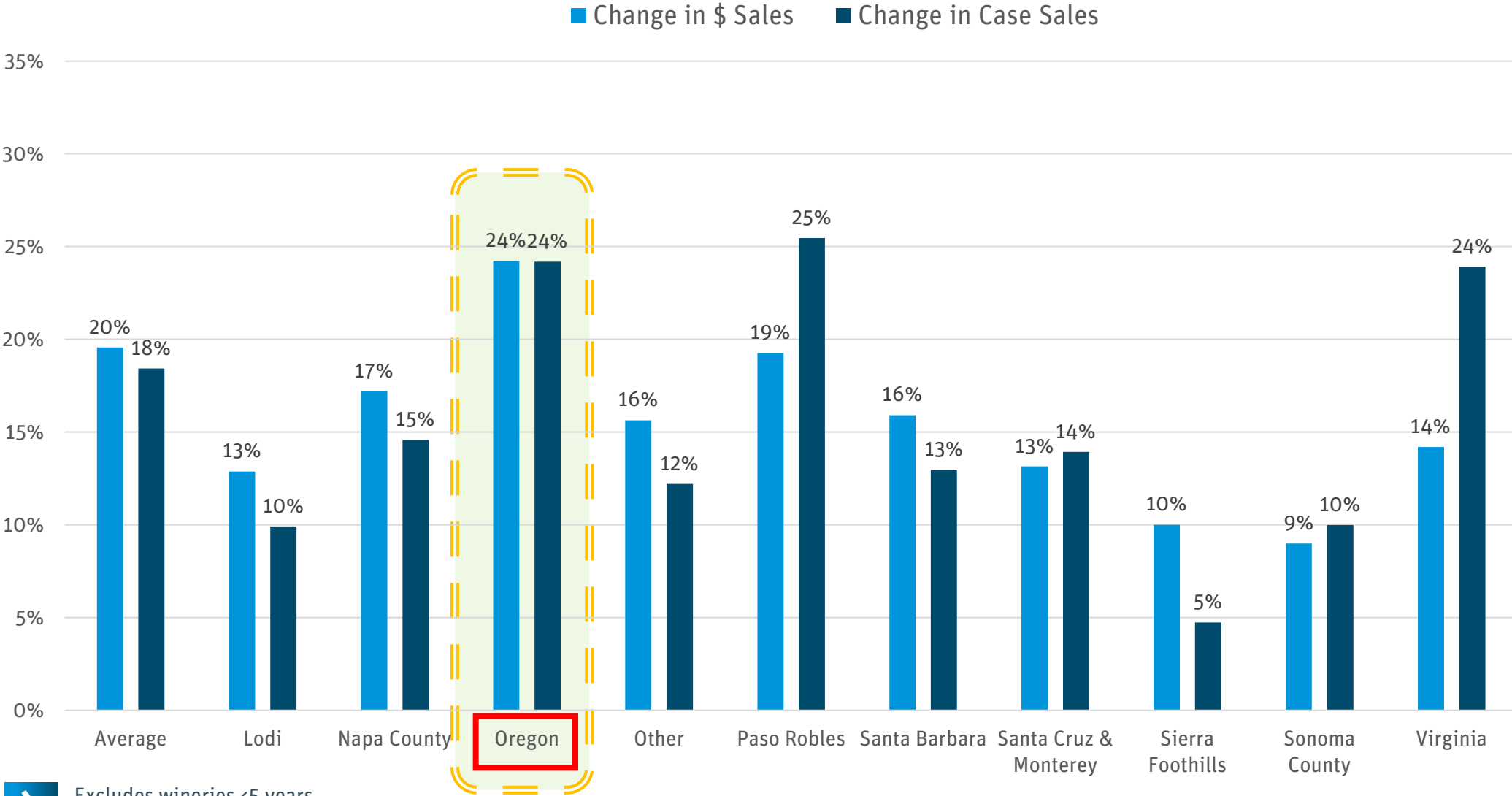
2020



2021



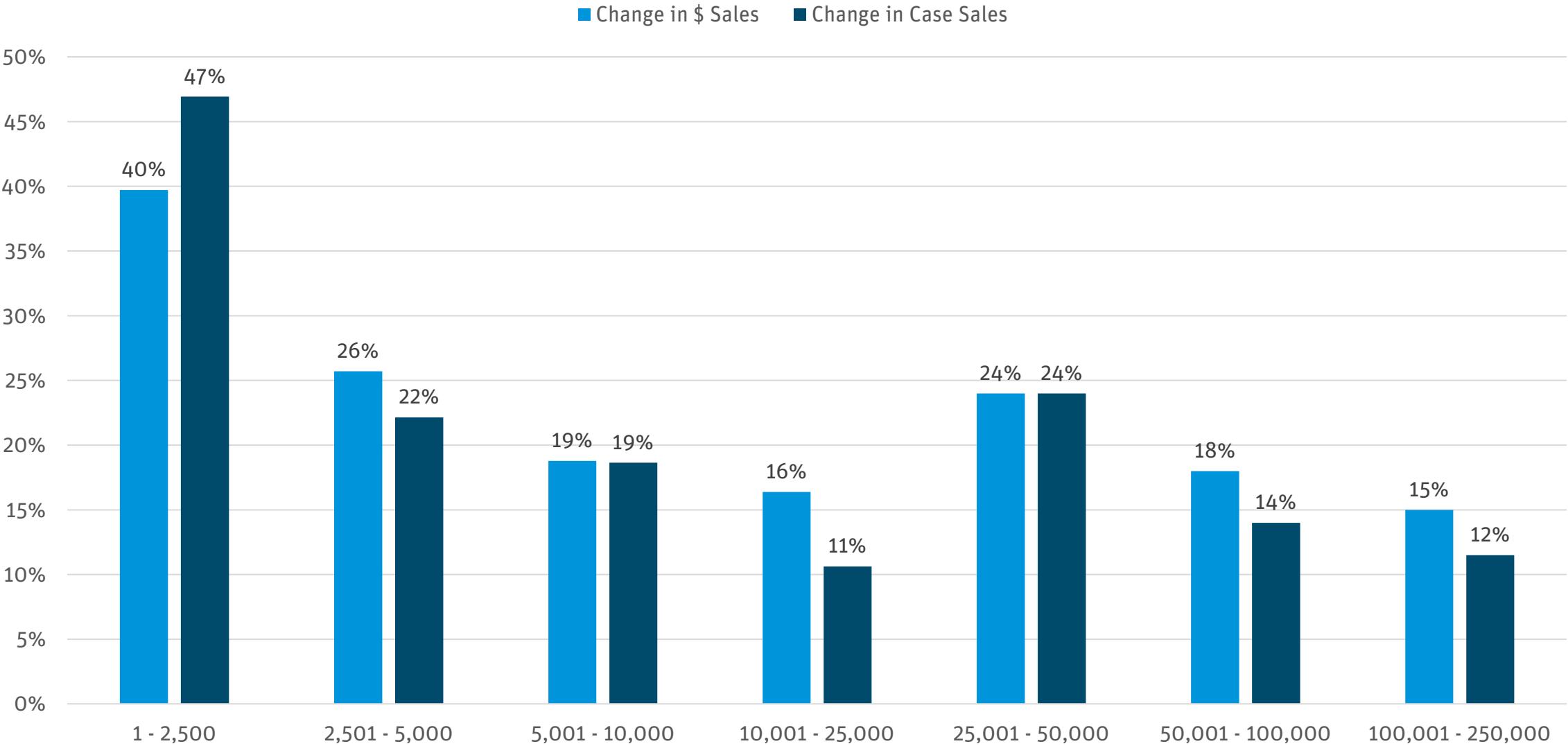
2021 vs 2020 Volume and Value Changes by Region



Excludes wineries <5 years
Source: SVB State of the Wine Industry Survey

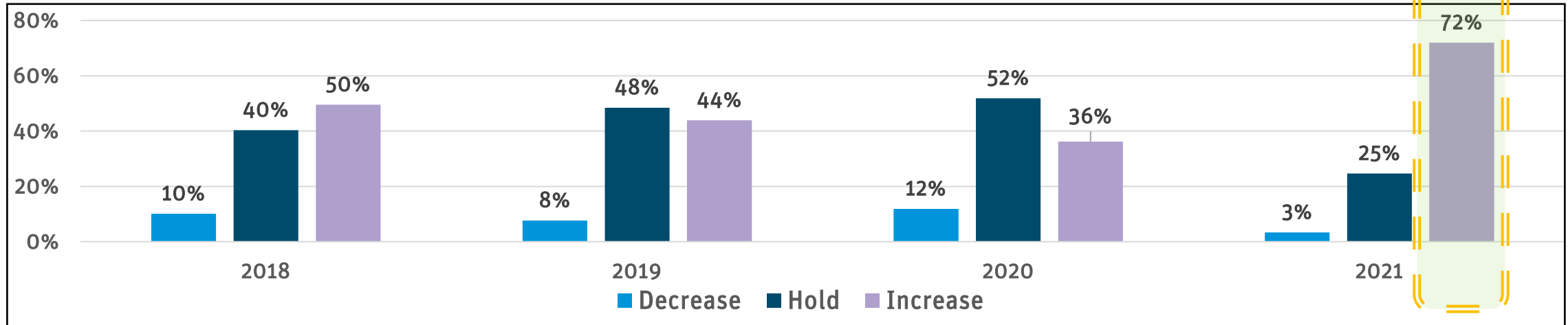
Forecasted Sales Growth in 2022 by Production Size - Oregon

Excludes wineries < 5 years

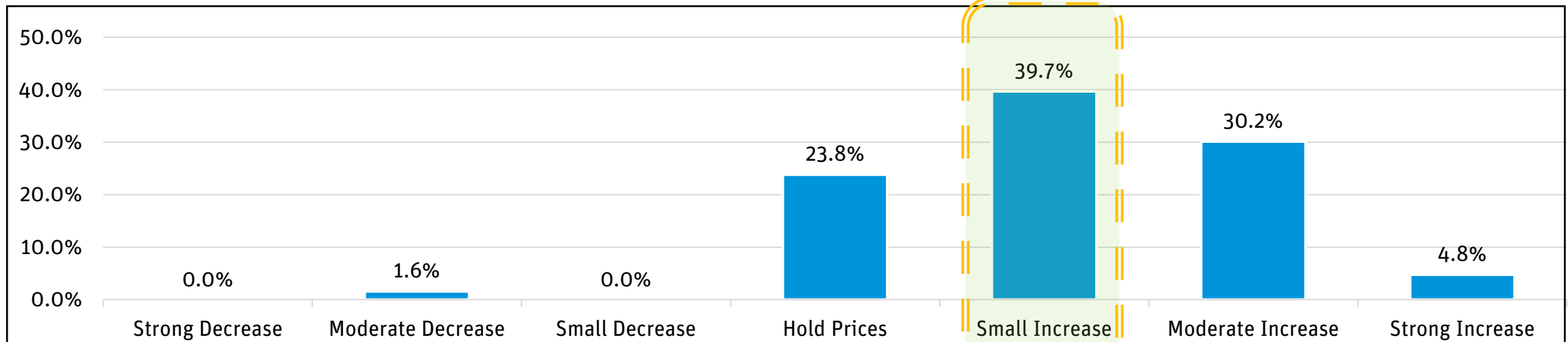


Planned Price increases for Oregon

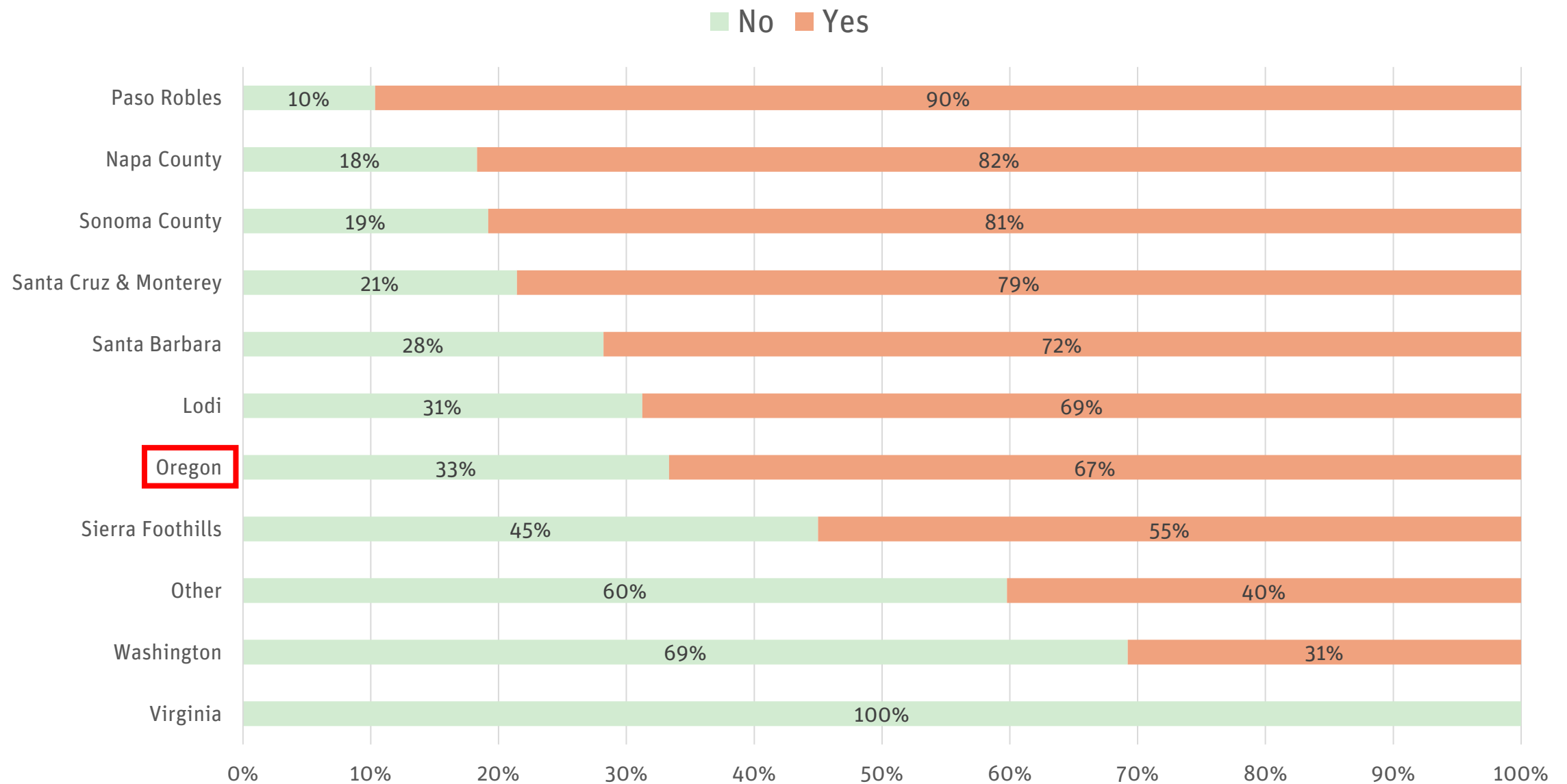
Strong move toward price increases in 2022



...But increases expected to be small

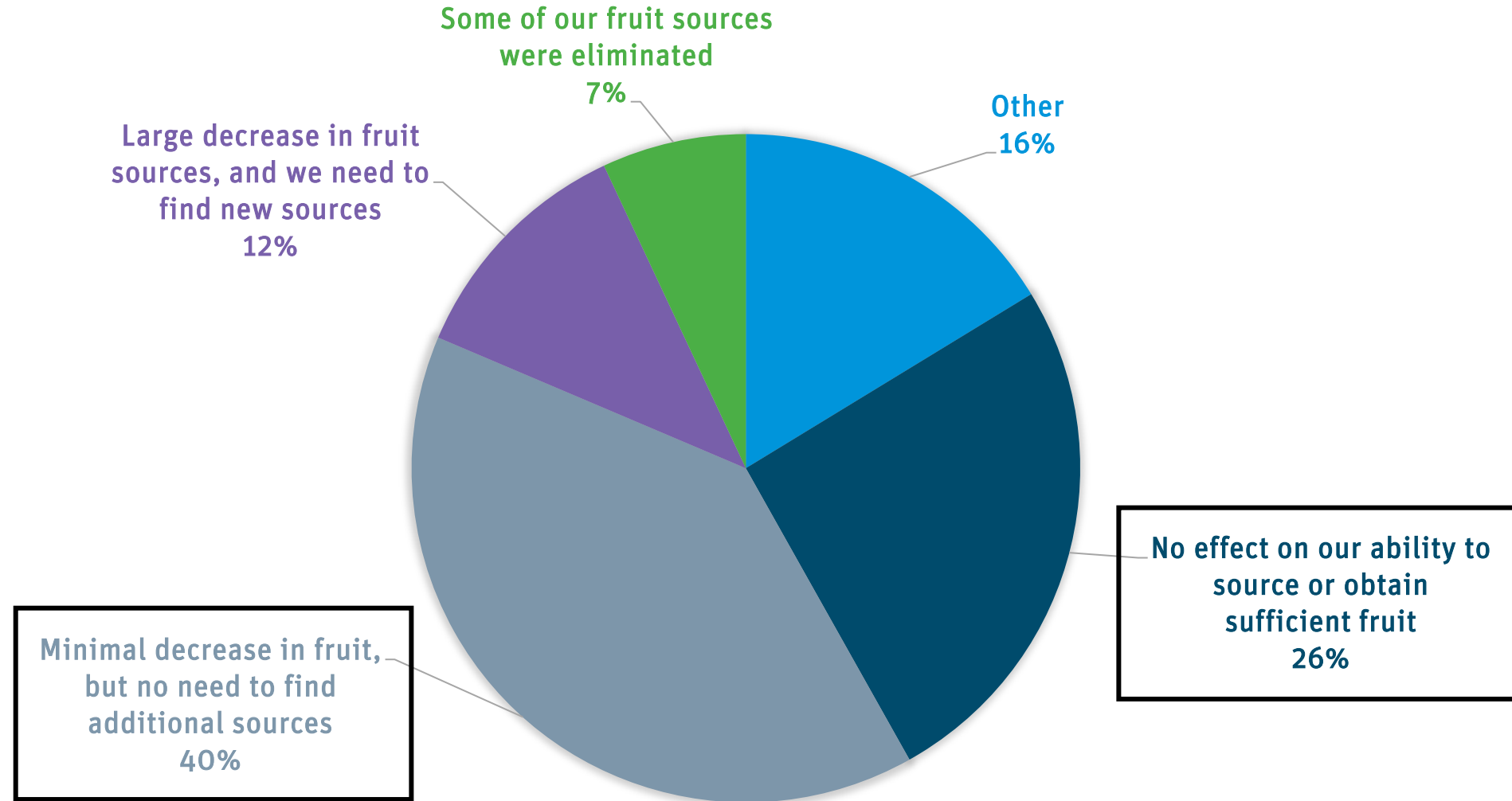


Those who say drought is impacting their winery



Drought Impact on Fruit Sources – Oregon

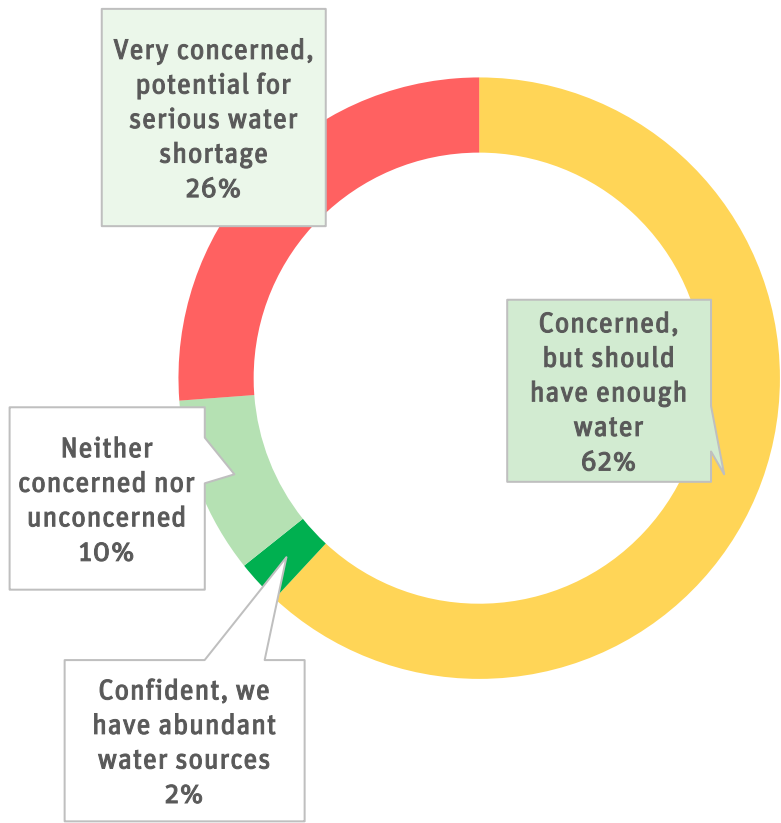
Two-thirds see no need for more fruit due to drought



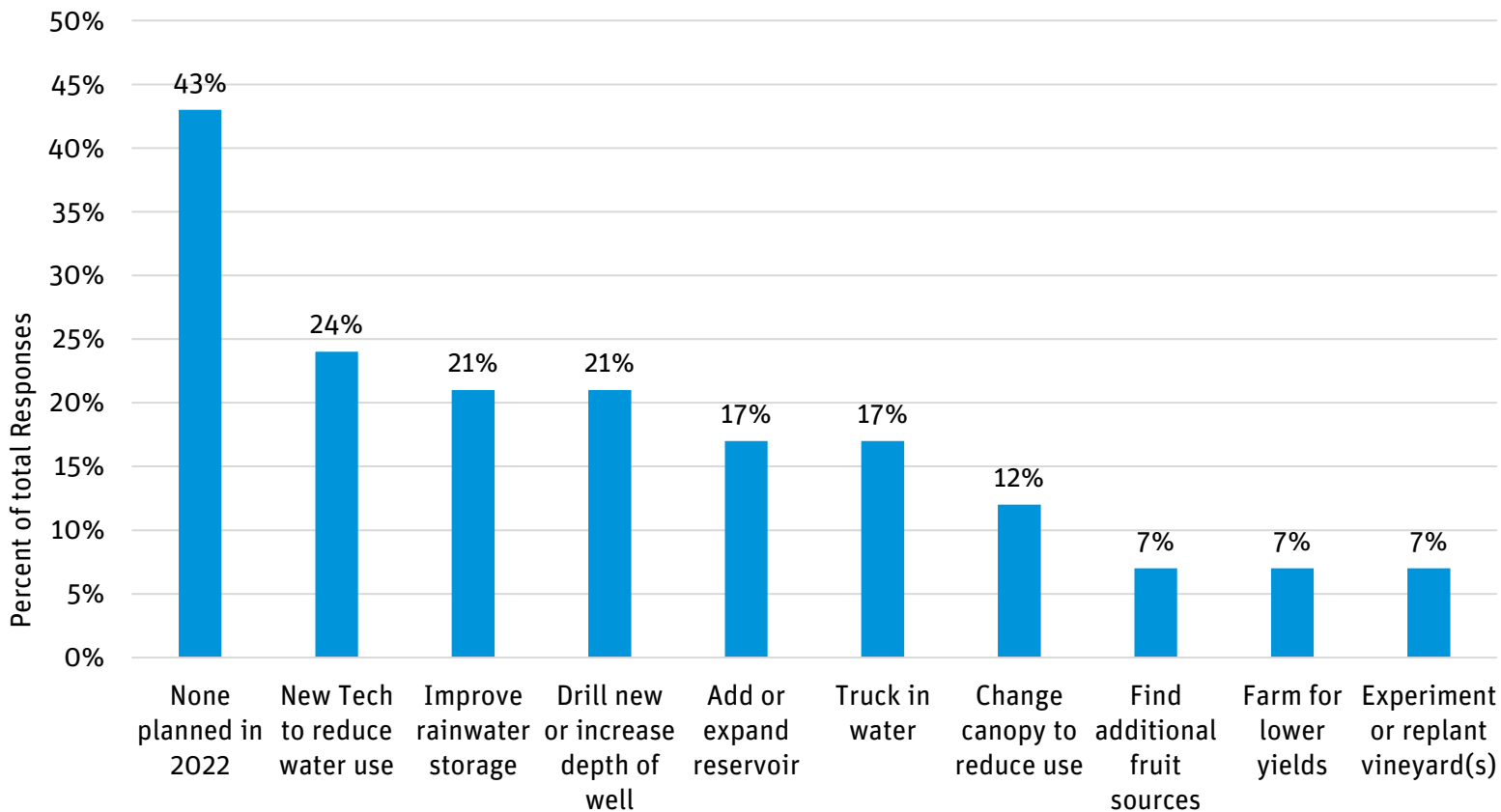
How concerned are Oregon wineries about water availability?

One-quarter very concerned. One-half plan no mitigation in 2022

Oregon Responses

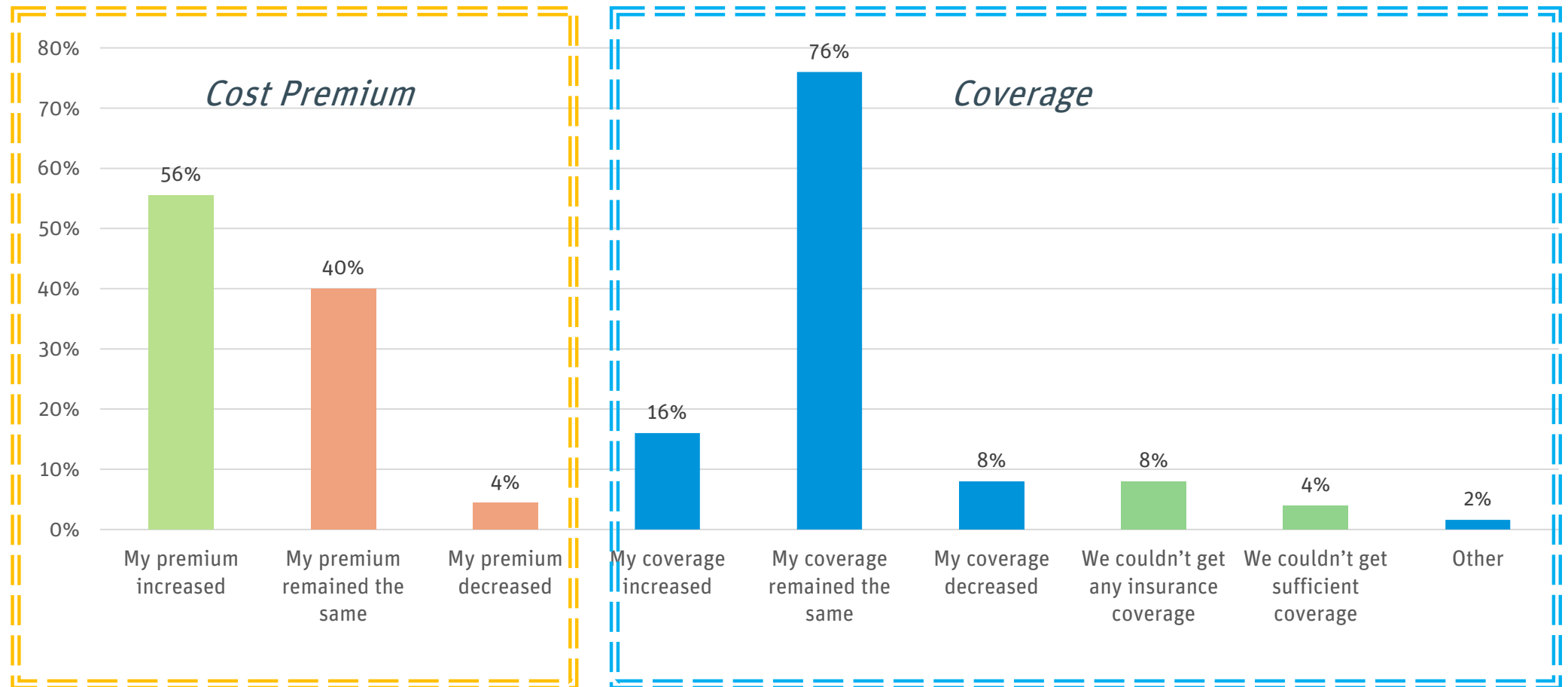


Anticipated Corrective Measures



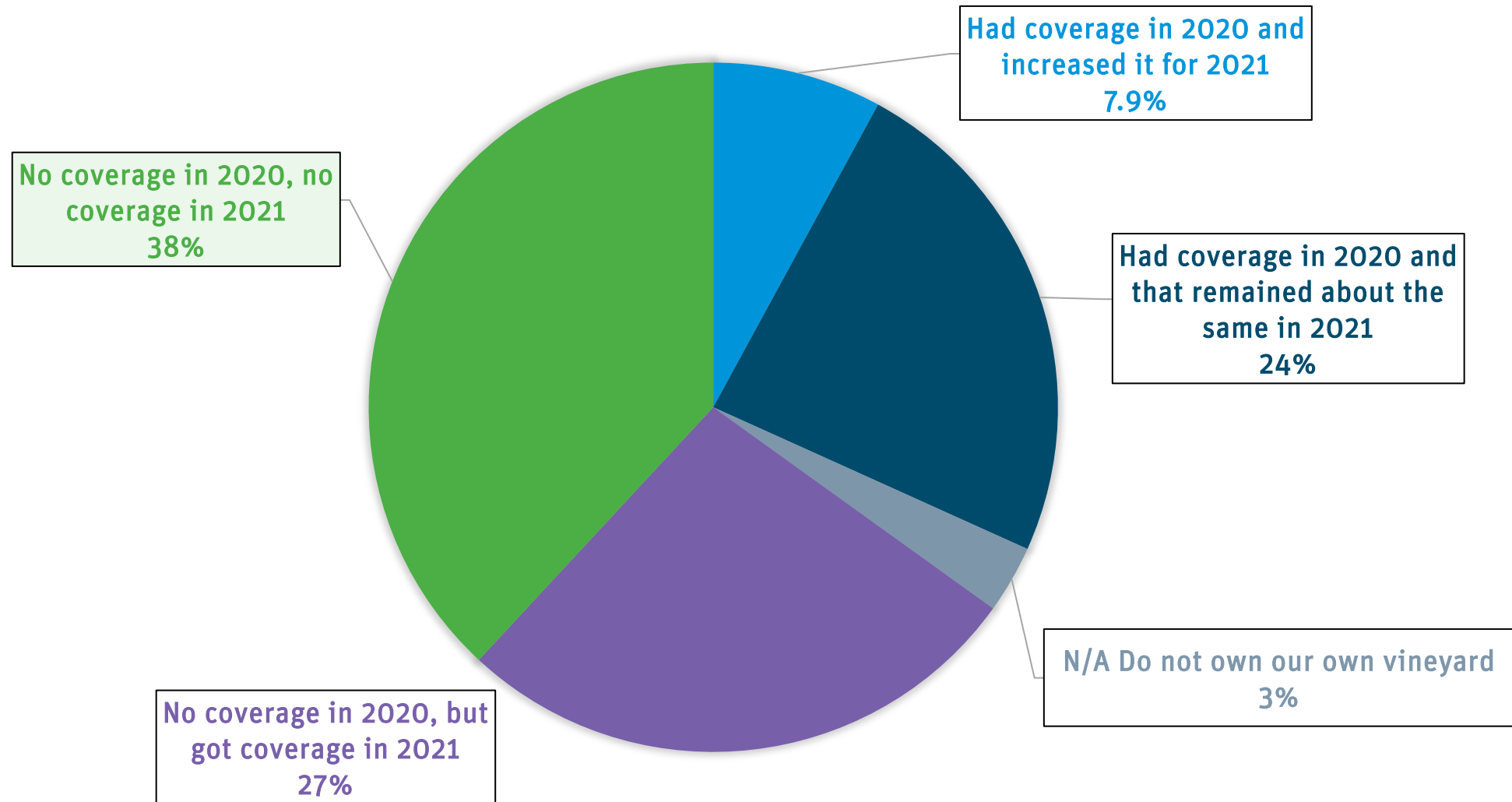
2021 Property Insurance Coverage in Oregon

56% paid higher premiums. 12% with no coverage or insufficient coverage



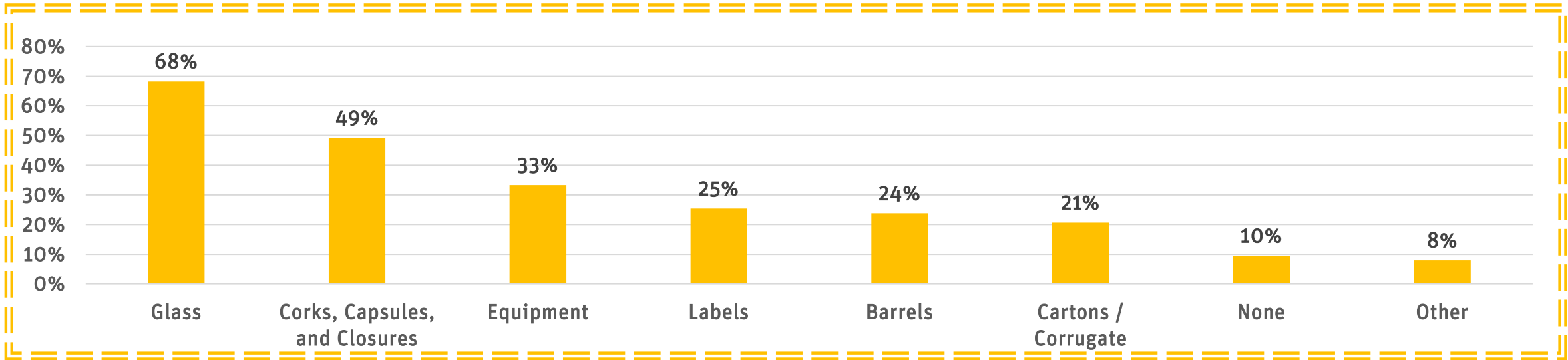
2021 Crop Insurance Coverage - Oregon

Nearly 40% have no crop insurance. Last year that was 65%.

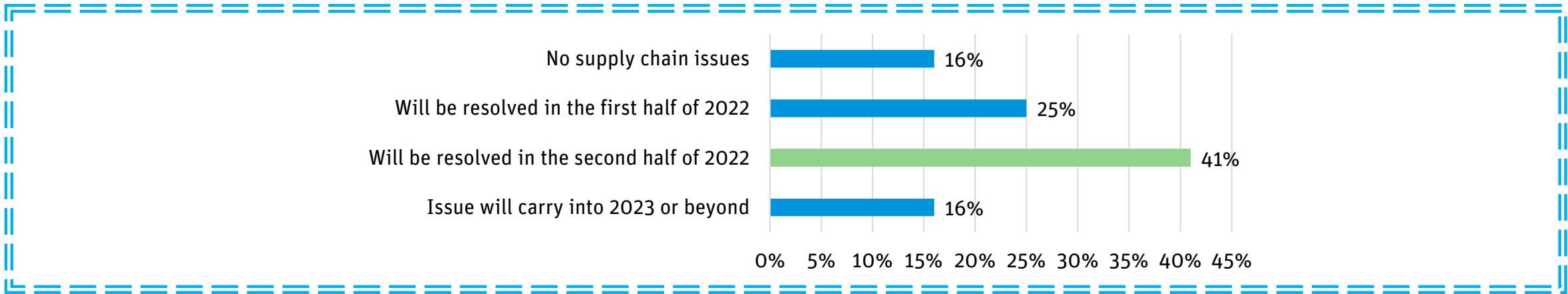


Oregon Wineries Experiencing Supply Chain Issues

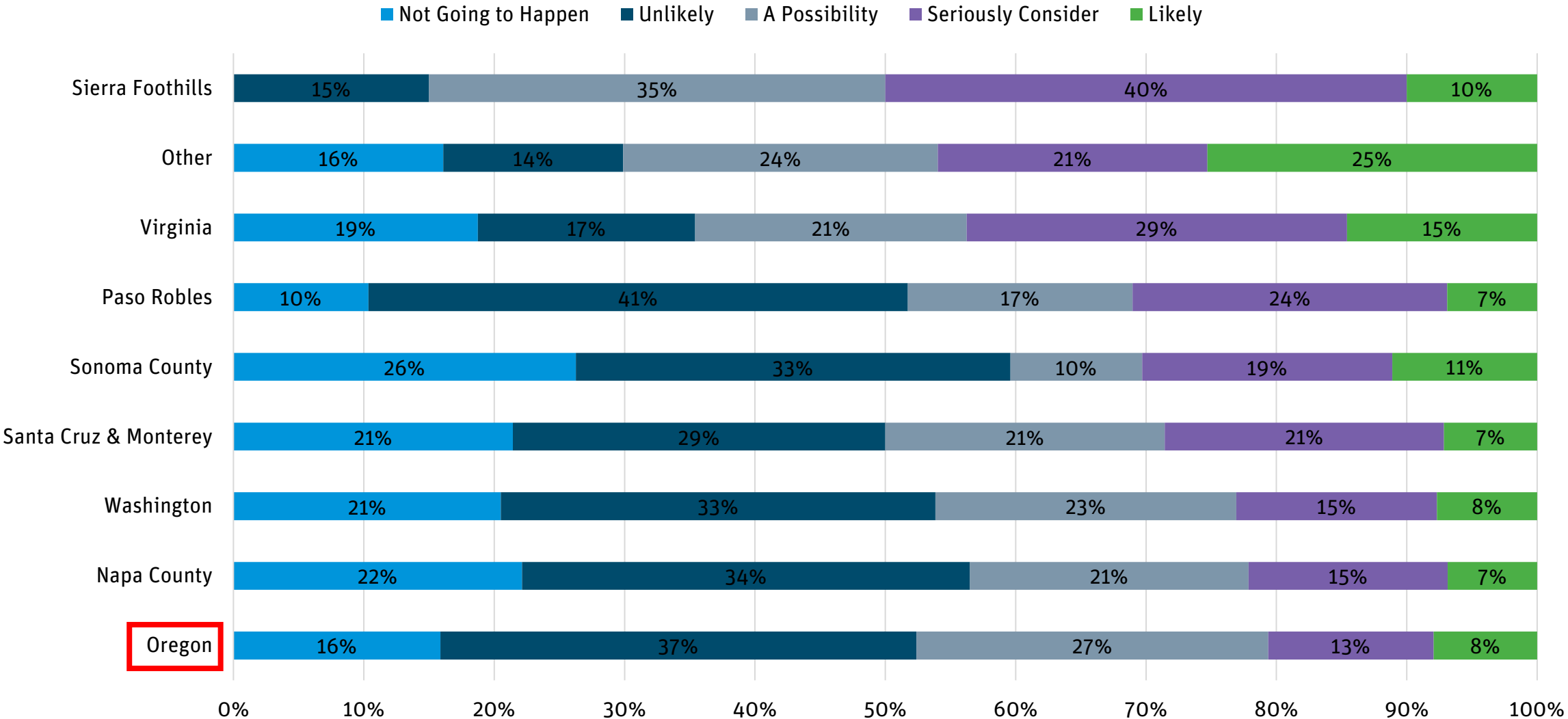
Two-thirds have glass problems. Half have closure issues. Ten percent had no problems.



Forty-one percent expect issues will resolve by Q3 2022



Presuming you received a fair price, what is the likelihood of a sale of your winery in the next 5 years?



Big Picture – Oregon...



Good news:

- Oregon the best performing region of all the majors and is growing volume and dollars
- Oregon has the best value proposition of all major regions and is positioned for growth
- The Oregon Wine Board is one of the top marketing organizations in the wine business

Not so good news:

- BUT Oregon has the same over-dependence on boomers as other regions
- Oregon's sales growth rate has been declining along with the industry because...
- Wineries and all other beverage companies are all competing for the same consumer
- The industry (including Oregon) needs work building effective on-ramps to gain new consumers
- While the best performing, Oregon misses the bulls-eye on marketing and attracting consumers

Questions and Comments:

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www.WineRamp.org

For more information on the WineRAMP, please visit the website and sign up for updates.



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