

OREGON WINE



SYMPOSIUM

Vineyard Economics, continuing a 40-year long conversation

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Vineyard Economics, circa 1982

Key Industry Stats

- 2,200 acres planted
- 144 vineyards reported in survey
- 1.8 to 3.2 tons as range of average yield per acre
- \$691 per acre total annual variable costs, managing an established 20-acre vineyard
- Average hourly pay rate = \$4/hour
- \$60 per ton harvests costs
- \$695 average price per ton, ranging from \$400 to \$1019

“The economic picture of growing grapes in Oregon has very narrow margins...The best hedge against discouragement over the current balance sheet would seem to be serious attention to developing better cultural practices, lowering production costs, and good financial planning and record-keeping.”

Jack Trenhaile & Terry Casteel

Vineyard Economics, circa 1987

Key Industry Stats

- 4,424 acres planted
- 263 vineyards
- 1.74 to 3.25 tons as range of average yield per acre
- \$1916 per acre total annual variable costs, managing an established 20-acre vineyard
- Average hourly pay rate = \$5/hour
- \$155 per ton harvests costs
- \$580 average price per ton, ranging from \$414 to \$773

“The Oregon wine industry has a low volume, high quality and relatively high-priced product...As a group, the winegrape growers and the wineries need to make sure the market for the product is expanded as fast as production...Does the industry have the capacity to handle all the grapes and are there established markets to handle this magnitude of OR wine?”

Stanley Miles

Vineyard Economics, circa 2002

Key Industry Stats

- 12,100 acres planted
- 582 vineyards
- 1.74 to 3.73 tons as range of average yield per acre
- \$2514 per acre total annual variable costs, managing an established 20-acre vineyard
- Average hourly pay rate = \$8/hour
- \$165 per ton harvests costs
- \$1470 average price per ton, ranging from \$800 to \$1910

“If high price is the best strategy for ‘Brand Oregon’, producers must make the extra effort in the vineyard to ensure that their product has a high quality to price ratio. These additional efforts will put additional economic strain on independent growers, potentially to the point of challenging their existence.”

Allen Holstein & Rollin Soles

Vineyard Economics, circa 2009

Key Industry Stats

- 19,400 acres planted
- 835 vineyards
- 1.49 to 4.41 tons as range of average yield per acre
- \$3447 to \$5056 per acre total annual variable costs, managing an established 10-acre vineyard
- Average hourly pay rate = \$9.81/hour
- \$170 to \$240 per ton harvests costs
- \$1910 average price per ton, ranging from \$1000 to \$2290

“If grape growers are able to share in the value-added process of winemaking, they may be more likely to profit financially... Growers must not forget the importance a vineyard can have in the overall financial stability of the farm business...the financial requirements to complete the planting [of a new vineyard] could jeopardize cash flows and diminish solvency of the farm.”

Julian, Seavert, Kaiser & Skinkis

Vineyard Economics, circa 2018

Key Industry Stats

- 35,972 acres planted
- 1,165 vineyards
- 2.38 to 4.06 tons as range of average yield per acre
- \$7780 per acre total annual variable costs, managing an established 20-acre vineyard
- Average hourly pay rate = \$14.11/hour
- \$521 per ton harvests costs
- \$2033 average price per ton, ranging from \$1178 to \$2810

“Growers often focus on reducing costs to increase profit. To increase the chances of financial success, more emphasis should be on cultivars and practices that optimize yields, fruit quality and price for a particular location.”

Olen & Skinkis

So where are we today, circa 2022?

Key Industry Stats

- 39,531 acres planted, as of 2020
- 1,370 vineyards, as of 2020
- 2.0 to 4.50 tons as range of average yield per acre
- \$5,000 to \$8,000 per acre total annual variable costs, managing an established 20-acre vineyard
- \$250 to \$500 per ton harvests costs
- \$2,000 to \$4,000 per ton of grapes as a general range for market price, with bulk price averaging \$2,500 per ton.
- Labor as a percent of cash costs in 2021 = 47%
- Average hourly pay rate in 2021 = \$17.41/hour

Questions for today's panel

- What are ways for winegrape growers to adapt and change to improve their financial positions?
- What solves the gross margin challenge for winegrape growers?
 - Yield? Price? Costs?
- What are viable “business models” for winegrape growers?
 - Small boutique? Large volume? Vertically integrated?
- Are there examples of proven niche market opportunities in a crowded marketplace?

Questions or Comments?

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**Thanks for your time
and
attention!**