



VIRGINIA WINE VISION



Published March 2022

VIRGINIA WINE VISION

- I. INTRODUCTION
- II. CURRENT POSITION
- III. MISSION, VISION AND STRATEGY
- IV. FOCUS AREAS
- V. CONCLUSION



INTRODUCTION

Virginia Wine Vision is a strategic plan born out of the cooperation of the Virginia Wine Board, the Virginia Wineries Association and the Virginia Vineyards Association to craft a blueprint for success for the Virginia Wine industry.

The strategic planning steering committee and their subcommittees, composed of members from each of the above organizations, identified key areas of need for the continued growth and health of Virginia's wine industry. Developed over the course of two years and finalized in March 2022, the plan presents a challenge to all segments of the industry—to strive for excellence in grape growing, winemaking, marketing, distribution, research and public policy.

CURRENT POSITION

INDUSTRY TRENDS

Over the last 15 years, the size and impact of the Virginia Wine industry has increased substantially. The number of wineries has grown from 129 in 2005 to 291 in 2018 and 306 in 2021. Similarly the amount of reported grapes planted expanded from 3,157 acres in 2011 to 4,370 in 2022. Roughly three-quarters of wineries are located within the Northern Virginia, Central Virginia and Shenandoah Valley regions. An economic impact study conducted in 2015 and updated in 2017 estimated the economic impact of wine and wine grapes on the Virginia economy to be \$1.37 billion.

In recent years, the growth rate of new wineries has plateaued, while the industry has seen a modest increase in the number of cases sold year over year. However, case production varies yearly due to fruit availability and weather conditions. Consequently, the decrease reflected in Chart 1 in cases sold 2018-2020 can be attributed to production variables and impacts to tourism, such as COVID-19.

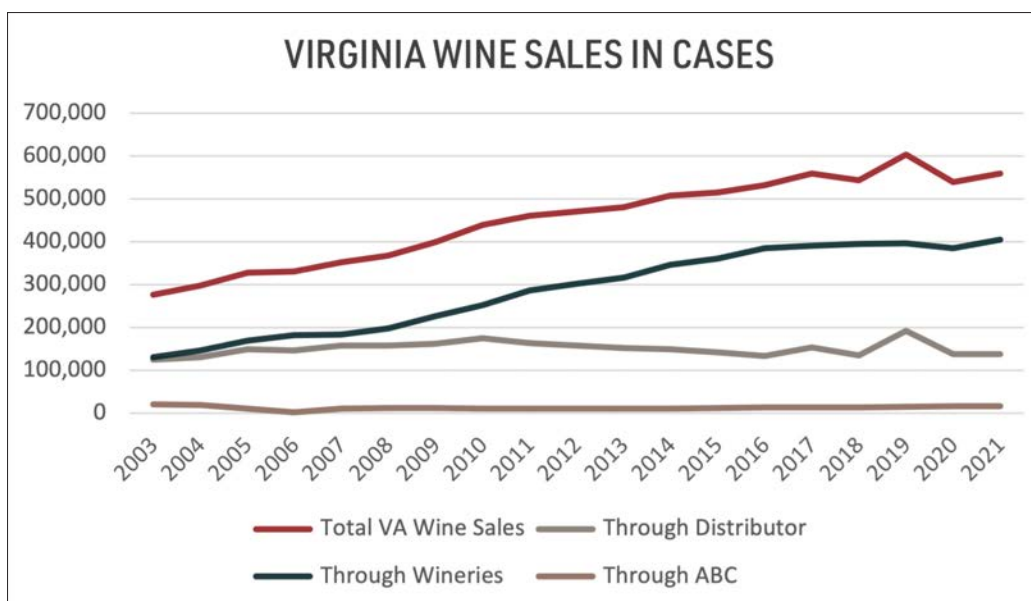


Chart 1

INDUSTRY OPERATIONS

Production

During the strategic planning process, the steering committee collected information from industry stakeholders through a series of listening sessions conducted in 2019-2020 and updated in 2021 and through an industry survey receiving 129 responses.

The motivation and missions of winery owners range from passion projects and lifestyle choices to more sophisticated management focused on maximizing returns on investment. Case production of wineries ranges from less than 1,000 cases per year to more than 30,000. Production for 2019 was reported in the survey conducted in 2021 and visualized in Chart 2. Owners anticipate growth over the next five years; roughly 50% will remain in the 1,000 to 5,000 case range.

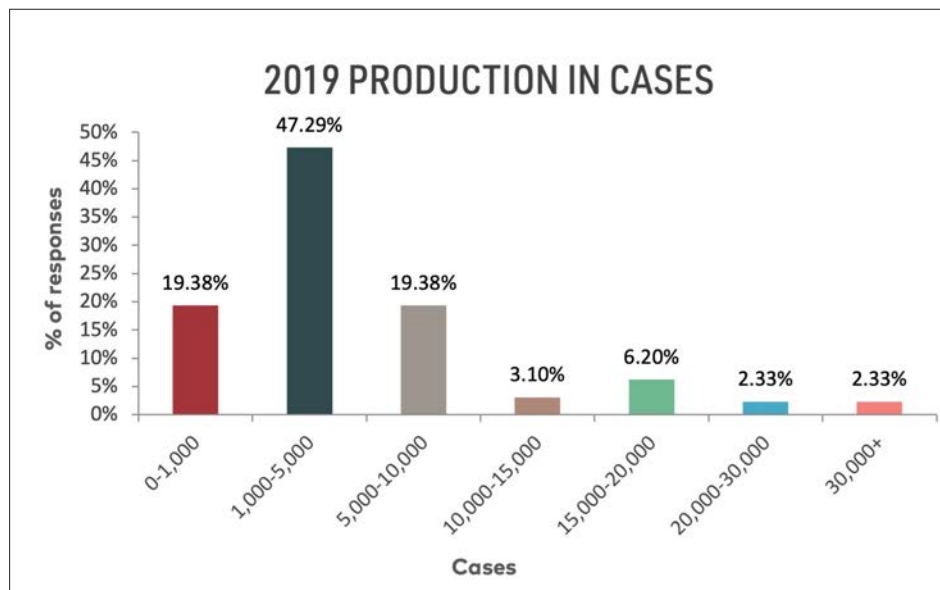


Chart 2

Sales & Distribution

Based on production in larger wine-making regions, even the largest Virginia producers are comparatively small producers. This makes it difficult to produce wines priced competitively below \$15/ bottle.

The most profitable wine sales occur on-site through tasting rooms, with many wineries hosting private events to support revenue. Nearly 88% of wineries responding to the survey indicate that they currently distribute their wines via traditional wholesaler or through the Virginia Winery Distribution Company (VWDC), shown in Chart 3, in addition to on-site sales.

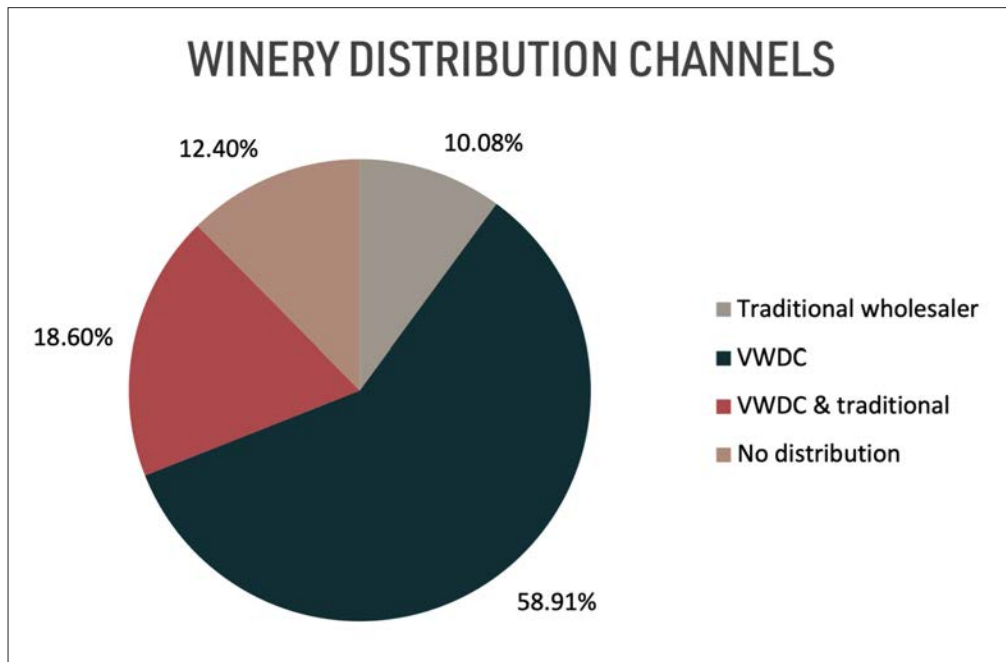


Chart 3

Larger wineries are more likely to participate in distribution that extends beyond Virginia. There is industry recognition that increasing distribution within the state of Virginia and reaching out-of-state markets, even at a lower profit margin, is a necessary step in building brand awareness. According to survey respondents, 50% of the participants that are not currently distributing their wines intend to within the next 12 months.

In addition to recognizing the benefits of increased distribution, half of the survey respondents intend to focus additional efforts on e-commerce, displayed in Chart 4.



Chart 4

Additional Craft Beverage Producers

Included in the ABC Virginia Farm Winery license, Virginia-produced cider and mead also contributes to the Virginia Wine industry. Virginia Cider is a growing agricultural product, accounting for approximately 9% of the state's excise taxes contributing to Virginia Wine Board funding in FY 2021. Cider sales at farm cideries increased by 22% in 2021. Virginia Cider is expected to have a growing role in the Virginia Wine industry with potentially more wineries producing cider. A strategic plan specific to Virginia Cider is underway.

Competition extends beyond out-of-state wine, cider and mead producers. The number of new breweries and distilleries in recent years has increased local competition significantly. Within the industry, some wineries are choosing to diversify their product offerings to include beer and liquor. Growth in cannabis sales as additional competition for consumer discretionary spending is also anticipated.

INDUSTRY ISSUES

The following threats and challenges consistently surfaced amongst growers and winery owners:

Climate/Weather affects the ability to produce the necessary volume of high-quality grapes, therefore increasing the challenge of producing high quality wines.

Legislative and regulatory changes threaten current protections and impose additional requirements on owners.

Business challenges, such as personnel issues, difficult vintages, etc. make financial sustainability more difficult.

Sales and distribution dynamics in Virginia are difficult compared to larger wine-producing regions.

With these issues in mind, the strategic planning steering committee developed the following strategic direction.

MISSION, VISION AND STRATEGY

MISSION

Ensure a vibrant and sustainable industry for Virginia farm wineries.

VISION

A strong and profitable industry recognized for producing high-quality Virginia wines while providing significant economic impact to the Commonwealth.

OVERARCHING STRATEGY

Ensuring that Virginia wineries produce and are recognized for high-quality wines remains a core strategy. Access to quality grapes, continued research, dissemination of information and innovative approaches to reaching new audiences support that strategy. Recognizing that producers have varying goals, the industry must grow and produce profits to ensure its financial sustainability.

Coordinated efforts by the Virginia Wine Board, the Virginia Wineries Association and the Virginia Vineyards Association will help ensure progress in the following focus areas: Viticulture and Enology, Marketing and Trade, Financial Sustainability and Legislative Efforts. These collaborative efforts will continue to take place over the course of the next decade, with continued revision and refinement to the initiatives and tactics. Each organization's Vice Chair/President will spearhead and manage these efforts. These efforts will also include support from industry organizations like the Virginia Wine Board Marketing Office, VWDC, Winemakers Research Exchange and others.

FOCUS AREAS

VITICULTURE & ENOLOGY

Achieve and maintain equilibrium between the demand for high-quality Virginia branded wine and viticultural sourcing.

An adequate supply of high-quality grapes is foundational to the industry's wine production. Grape growers in Virginia face risk with varied growing conditions and initial investment. Wineries and growers must develop shared-risk partnerships to mitigate risk. Partnerships will allow growers to confidently expand plantings and invest in advancements that will lead to efficiency and increased profitability while connecting wineries with quality fruit.

Additionally, the threat of climate change and current weather challenges indicates that research needs to continue in different regions of the Commonwealth to identify the next generation of grapes that will thrive in Virginia. As new grape varieties emerge, winemakers will need to determine and disseminate best winemaking practices for quality wine production. When addressing the viticulture and enology focus area, the industry must be looking 10-20 years forward in order to develop, test and establish markets for new varieties.

MARKETING & TRADE

Build brand awareness, excitement and credibility of Virginia Wine through sales and relationships with industry members, consumers, trade partners and media.

Strong marketing and trade efforts will continue to build brand awareness for the Virginia Wine industry and benefit all wineries. Continued messaging efforts within the state will build awareness and understanding that Virginia wines are a local, craft, agricultural product. Outside of the state, increased distribution channels can provide broader exposure and create opportunities for building awareness and excitement for Virginia wines. Leveraging third-party influencers and brand ambassadors will also be key in increasing awareness and ensuring positive reputation. The quality of Virginia wine is being recognized

at national and international levels and efforts to support innovation and spotlight top-quality wines will continue. As trends and key markets shift and develop, industry organizations will continue to provide resources to wineries regarding marketing, trade and distribution initiatives.

FINANCIAL SUSTAINABILITY

Achieve profitability that enables wineries to sustain or enhance current business models with the opportunity to garner outside investment.

In order to ensure a successful future for the Virginia Wine industry, financial sustainability is key. Profitability is challenged by workforce needs, increased expenses and other business issues impacted by climate variability and local legislation. Industry organizations will need to support wineries' efforts towards profitable operations through education and resource development. Succession planning is a specific topic that will require educational resources as it will have a significant impact and relevance to our industry in the next 15 to 20 years. Additionally, efforts will be made to identify and create opportunities to garner outside investment, with the consideration that various business models have different needs and aspirations.

LEGISLATIVE EFFORTS

Engage wineries to educate state and local lawmakers on the important contributions Virginia Wine has on the Commonwealth's economy and the industry's legislative challenges.

Engagement and financial support from winery owners are vital to strengthening legislative efforts, including developing and maintaining relationships at the state and local levels. Ongoing education on legislative issues that can or will have an impact on the industry is necessary. The industry will continue to pay specific attention to ABC farm winery licensing.

CONCLUSION

A common need throughout the four focus areas is additional information to support decision-making. Over this plan's horizon, the Virginia Wine Board, the Virginia Wineries Association and the Virginia Vineyards Association will identify, collect and disseminate information. This initiative requires planning, communication and thorough implementation of regular and accurate data collection to provide industry stakeholders important information to assess the state of the industry and look for ways to improve.

A separate implementation plan provides details on planned action steps, owners and time frames to move this plan forward. For additional details visit: virginiawine.org/pages/vision