“Green” Wine Market Trends: From Green Roots to Great Wines

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Outline

- Intro to “Green” Wine
  Market Trends & Concepts

- Market information
  • Organic Grapes and wines
  • Biodynamic wines
  • “Sustainable” wines

- Challenges and Opportunities
Proliferation of Ecolabels & concepts in the market...

How to make sense of all this?
“Going Green” in the Wine Industry

Different Business Perceptions

GREEN BURDEN?
- Expensive?
- Increase Risks...

GREEN BENEFITS
- Meet Market demand
- Increase efficiency
- Reduce risks; benefit society

REALITY:
Adopting sustainable practices usually makes business sense:
“WIN-WIN” OPPORTUNITIES
Green is hot!
Trends and Market Opportunities in Food and the Wine Industry

- Rapidly Growing demand for organic and sustainably-grown foods and beverages in US and globally
- Growing number of green labels and sustainable food standards
- Growing sustainability/environmental initiatives in CA, other wine growing regions internationally
Why? Multiple Forces Contribute to Growing Interest in Sustainable & Organic Practices

- CONSUMERS
- SOCIAL AND ENVIRONMENTAL CHALLENGES & ROLE OF NGOs
- GOVERNMENTS
- MARKET COMPETITION
- INVESTORS & ANALYSTS
- EMPLOYEES

A Thrupp
Media attention also contributes to change (positive green competition and peer pressure).

77% “important environmental products.” - Thomson Group (2007)

Air and Water Regulations

75% EU respondents “would at least consider purchasing environmentally friendly products like food” – Eurobarometer (2008)
Defining Concepts: Organic, Biodynamic, Sustainable...
Organic Farming -

Organic farming is “an ecological production management system that promotes and enhances biodiversity, biological cycles, and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.” (National Organic Standards Board, 1998)

Regulated by federal law, overseen by USDA National Organic Program; producers must be certified by an accredited certifier.
Organic Wine

- Certified Organic wines – two categories in the United States
  1) **Organic wine** without added sulfites (such as, Frey, Organic Wine Works)
  2) **Wine made with organic grapes** (such as Bonterra, Ceago, Saracina, etc) – under 100 ppm of sulfites

- Both categories have the **winery** certified organic as well as vineyards

- In Europe, slightly different rules
  - Recent Harmonization effort
Biodynamics

- Biodynamic farming meets the organic standard, including elimination of synthetic chemicals, and goes further:
  - **Biodynamic farming** stresses self-sufficiency, reduction of external inputs, and plant and animal biodiversity. Biodynamic farmers seek to understand mineral processes and life cycles .....and to enhance the soil’s structure & nutrient cycles. (Certified by Demeter)

- Biodynamic Wines: Must be made with certified biodynamic grapes and must follow the same “rules” and restrictions of organic wines, plus must use only native yeasts.
  - *Based on the philosophy of Rudolf Steiner*

Source: www.biodynamics.com
Sustainability
A broad concept, often viewed as a goal

Using “Win-Win” approaches... Ensuring viability over time
Sustainable Farming & Winemaking

“From Ground to Glass”

Growing Grapes: Managing Soil, pest, air & water quality, conserving natural resources, biodiversity and ecosystem management.


Social responsibility: employee safety & health, education, social benefits, community relations.
Current Trends favoring “Green” Wine Market (especially wine made with organic grapes)

- **General Trends in Society**
  - Environmental/“Green” interests
  - Health-consciousness

- **Winemaking Trends**
  - Improvements in quality
    - Increasing numbers of winemakers believe that wines made with organic grapes have better quality
Green Consumers Are Likely To Be Wine Purchasers

• Consumers within the Sustainability-minded food segment (driven by organics) are more likely to purchase several food and beverage categories

• On a dollar basis, wine tops the list

Source: IRI 2007, B-F Tracking Study, 12 months ended Jan. 2008
“Green” Wines – Wine Opinions Panel (from 900 high frequency wine consumers)

<table>
<thead>
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<th>Term</th>
<th>Unaware</th>
<th>Heard of</th>
<th>Have Tried</th>
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<tbody>
<tr>
<td>Natural</td>
<td>15%</td>
<td>48%</td>
<td>23%</td>
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<tr>
<td>Organic</td>
<td>15%</td>
<td>57%</td>
<td>20%</td>
</tr>
<tr>
<td>Biodynamic</td>
<td>49%</td>
<td>42%</td>
<td>5%</td>
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<tr>
<td>Sustainable</td>
<td>39%</td>
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<td>6%</td>
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<tr>
<td>Green</td>
<td>34%</td>
<td>50%</td>
<td>8%</td>
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Source: Full Glass Research, 2009
Green awareness,
Wine Opinions Panel, 900 High-Frequency wine consumers

Source: Full Glass Research, 2009
Growth of organic vineyards in California

- Total of approximately **13,500** acres in 2009 (based on data from CCOF and other certifiers.)
  - Of this, approximately 40% is in **Mendocino county**

**Organic winegrape acreage certified by CCOF (California Certified Organic Farmers) in CA:** *

<table>
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<tr>
<th>Year</th>
<th>2005</th>
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<th>2007</th>
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<td>7,761</td>
<td>8,370</td>
<td>9,240</td>
<td>9,722</td>
<td>10,310</td>
<td>11,892</td>
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* CCOF certifies approximately 90% of the organic winegrape acreage in California.

- Mendocino county is home of largest producer of certified organic grapes and wines in the US (Fetzer/Bonterra)
Organic Wines in the market place

• Approximately 124 wineries in the US are currently producing organic wines (includes wines made with organic grapes and organic wines without added sulfites)
  – Pam Strayer, Wine Country Geographic

• Number of organic wine brands is growing significantly each year

• Increasing numbers of large wineries are entering into the organic segment, with mixed results...

• Internationally, many more from Europe, Chile, etc.
Top 15 Selling Organic Wines from grocery stores
(including wines made with organic grapes and organic wines without added sulfites)

Source: Nielsen, Total U.S. Grocery; 52 weeks ending May 28, 2011; Dollar Sales Volume
Leading Selling Organic Wine SKUs – grocery store sales

Nielsen: Total US Grocery, 3 months ending 02.04.11
Steady growth in the overall organic farming and food sector

- **California** leads the way in overall organic production & growth in US (USDA Ag Census, 2007)
  - CA organic ag = 38.4% of total value of US organic ag products
- **Consumer trends** - steady growth in demand, in spite of the recession
- **Organic** is still the most widely recognized eco-label for foods, although “sustainability” and other “green” concepts are also gaining attention by consumers
Biodynamic vineyards & wines

• 75 certified Biodynamic and in-transition vineyards and wineries in the US (Demeter certified - 2011)
• 140 in France
• 43 in Italy
• 42 in Germany

Source: Demeter, USA, Elizabeth Calendario, 2011
“Sustainable” wine marketing

• 15 wine brands use and market Lodi Rules “Sustainable Winegrowing” label

• 20 Wine brands use/market “Sustainability in Practice” (SIP) label from Central Coast

• Several wineries use individual claims, such as:
  – “Sustainable white”; “sustainable red”
  – Eco-friendly or Earth Friendly
  – Carbon Neutral
Challenges In Marketing Organic Wines

- Under current market conditions, relatively few wineries/buyers offer premiums for organic (though interest is increasing.)

- Two categories of certified organic wines presents significant confusion.

- In some cases, consumers’ early experiences with non-sulfite organic wines sometimes have been negative; creates biases against organic wines

- Some excellent wines made with organic grapes are not labeled as organic, so consumers don’t know.
Positive “green” market trends, but challenges for marketing

- Consumers, distributors, retailers & growers are often confused
  - “Green fatigue” by some buyers
  - Unclear definition of sustainability

- Pressure on growers? who benefits?

- Attempt for new Initiative: **Global Wine Sustainability Certification** (link with Stewardship Index for Specialty Crops)
  - Controversy and resistance;
More Challenges in “Sustainability” Marketing

• “Greenwashing” by some who are jumping on the bandwagon (for publicity)
• Green Fatigue??
• Harmonizing certifications – Is Alignment possible?
  – Measurement challenges
• Which practices and labels “count” for consumers?
Still... lots of opportunity, optimism & innovation around growing “green” in the CA wine industry
Thank You

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