“Business Plan” – Winemaker’s Track

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Summary of U.S. Grape Production

California Dominates!

85.6% of all U.S. Grape Acreage
83% of Domestic Wine Production
99% of Domestic Raisin Production
97% of Domestic Table Grape Production
WA, NY, MI dominate Juice Production
Production Source of Table Wine Consumed in U.S. by Volume, 2004

- California, 69.2%
- Imported, 24.6%
- Other States, 6.2%

California Dominates!

Now 30%

Source: Adams Wine Handbook, 2005
Table Wine Share by Retail Price Segment, 2004

- Popular ($5-$9): 25%
- Premium ($9-$16): 16%
- Super/Ultrapremium ($16+): 8%
- Economy (below $5): 51%

Source: Adams Wine Handbook, 2005

Primary Midwest Winery Price Range
The Higher the Price Point the Smaller the Niche

20% of U.S. wine sales are over the $10 price point.

Nick Frey, Executive Director
Sonoma County Winegrape Commission 2-9-07
2007 = 4850 bonded + 1,161 virtual = 6,011 wineries

IA, IL, IN, MI, MN, MO, NE, ND, SD, WI Wineries

539 Midwest Wineries

Wineries
Iowa Wineries

Iowa Wineries

70 Iowa Licensed Wineries 12/07

Iowa State University
University Extension

Iowa Alcohol Beverage Division
Key Components of a Business Plan

Vision Statement – Business Purpose & Goals

Market Analysis – Facts, Figures, Trends

Business Profile – People, Building, Location, Equipment, Insurance & Legal (licensing, fees, business structure)

Marketing Plan – retail, wholesale, non-wine or events

Economics – Costs, Sales, Cash Flow & Financing
Plenty of Winery Business Plan Info

2. "Ohio Winery Starter Kit" Estimated costs, etc... 71 p: http://www.ohiowines.org/winery_starter_kit.htm
10. ISU Ag Marketing Resource Center: http://www.agmrc.org
(Excellent interactive down-loadable EXCEL winery business plan interactive worksheets) http://www.agmrc.org/agmrc/commodity/fruits/wine/wineryfeasibility.htm
Grants – Loans – Tax Credits

Sources

1. Local Chamber of Commerce & Economic Development Group
2. USDA Rural Development
3. USDA NRCS – RC&D’s
5. Utility Companies & Rural Electric Cooperatives
7. Google “Grants”
Grants – Loans – Tax Credits

1. Start Local. Contact your local chamber of commerce of economic development organization.

2. Think Creatively. There may not be any $$ for Wineries but there may be $$ for tourism, cultural enhancement, sustainable agriculture, energy conservation, environmental, education, research, industry promotion, etc.….. You need to cast a big net when the fish are few.

3. Grant Guidelines and Deadlines are Sacred

4. Look and Ask for Help.
5. Know your Mission Statement

6. Be Concise on Your Application

7. Matching Funds, Labor and Equipment score big with most grant review boards.

8. Select Your Letters of Support Carefully (unbiased vs. paid clappers)

9. The More Recipients the Better
10.9mm WWW page hits 1st Qtr of 2007
41,254 downloaded files per month
## Index of “Unit of Cost”

<table>
<thead>
<tr>
<th>Winery Capacity in Gallons</th>
<th>Index of Unit of Cost</th>
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Dr. Kirby Moulton, 1982
Naming your Winery

Use a name that can be easily sold.
Wine is Sold on Weekends & Evenings

80-100 hour work weeks are common
20,000 Gallon / Year Rule

New Cars  For Owners

Vacations
What is Your Business

Farmers Market

Weddings

Events

Wine
Know Your Market

Population Demographics within 50 miles
    Age – Income - Location

Department of Transportation Traffic Counts

Identify Your Competition

Identify your allies
32% of U.S. Adult Population does not drink alcohol

43% of U.S. Alcohol consumers do not drink wine.
2007 Iowa Welcome Center Survey of Winery Visitors

Average Age – 55 years  
Average Party Size – 2.4 people

Travel Party Type – 55.7% Family  
19.3% Retired

17.2% Individuals and/or Friends  
6.9% Business  
0.8% Group

Average amount spent per day – $250.33

47% were traveling to Iowa on vacation or just leisure

29% were traveling to Iowa to visit friends and/or relatives

http://www.traveliowa.com/travelindustry/welcome_centers.html
For the first time, Men equaled women in per capita wine consumption in 2007.

Women buy more wine than Men.

The typical 21-35 year old male is primarily a beer drinker until they get around women. Wine is considered less rowdy.

Women like white and pink wines.
Build it and will they will come!

The typical wine trail tourist will drive ~100 miles per day visiting wineries.

Rich people do not like driving their expensive cars on gravel roads.

Out of Site – Out of Mind

Driving to the end of the earth and then turning right is not good for business!
Catering to Bus Tours

Will you have enough rest rooms.

Turn around area and separate bus parking area needed.

Handicap Accessibility Mandatory

Long tasting room bars and plenty of cash registers

Plenty of gift items for the non-drinkers
Knowledgeable

Highfalutin Turns People off

Customers like Name Badges

Nice People Sell More Wine

Acknowledge Everyone - No one wants to be Ignored

Techniques in Alcohol Management - TAM
Midwest Wineries Typically Give Away 10-15% of Their Wine

Wine Business Monthly May 07 Tasting Room Survey

1. 43% credit tasting room fees to a customers purchase.
2. 59% of Wineries are now charging a fee for wine tasting.
What Kinds of Wine will You Sell?

Typical Midwest Winery will often have 8-12 wines.

Example:

3 reds (sweet, semi-sweet, dry)
3 whites (sweet, semi-sweet, dry)
1 Blush (sweet)
1 Sparkling
2 fruit wines
1 mead
1 cooking wine
Quality Wine Only

- No oxidized wine
- No Brettanomyces
- Low Volatile Acidity
- No Hydrogen Sulfide

Know Your Wine Flaws

Don’t listen to your friends – they will never tell you that your wine sucks!

Send wine samples in for a lab analysis.
Wannabe Grape Growers and Winemakers will want 30-45 minutes of your “free” time.

Have a select number of grape growing and winemaking books for sale in your gift shop.

Have an information card with WWW resources and contact information people can take with them.
Free Advertisizing is Best
What Kind of Packaging

Premium Box
Wines up 42%
in 2007

Tetra paks
up 52% in
2007
Big $$ in Water

Wholesale cost ≠ 40¢, Retail for $1
Long Lines = Less Sales

Long Tasting Room Bar

Multiple Cash Registers
Wholesale Wine Sales

1. Written agreement that allows a honeymoon period for easy release from contract.

2. If it is not on the floor it does not go out the door – Floor Displays Sell Wine!

3. If you are not riding, your sliding (ride with sales rep’s or you will be out of stock).

4. Wine Quality is an absolute in the Wholesale business
   (Currently over 4,000 brands on U.S store shelves)
3-Phase Winery Equipment is Common

3-Phase Safety Connectors are Not!

http://www.interpower.com
**Poly vs Stainless Steel**

Plastic Typically costs between $0.70 to $1.40/gal. compared to Stainless at $11-$12/gal.
Misc. Winery Design Suggestions

1. Select winery equipment prior to winery design. Do not fill more than 20-50% of the floor space.

2. Full length floor drains no further than 20’ apart sloped at ¼”/ft or more and wide enough for easy clean out.

3. Winemakers office/lab should be in full view of receiving and wine making facilities.

4. 55°F optimum wine storage room temperature

5. Allow tourists to view but not access production areas.

Dr. Bruce W. Zoecklein, Virginia Tech
6. Winery labs seldom exceed 100 sq. ft. in size.

7. 100-140 °F water for general cleaning, 185 -200°F for bottle room sterilization.

8. All piping should have long radius bends rather than 90° angles.

9. 700 -1,000 gallons of water is required for each ton of grapes processed.
Cliché’s Worth Repeating

Reach for the retail $

The consumer knows best

Plan your work and work you plan

Success = 90% Planning + 10% Action

He profits most who serves best

Perception is Reality

More profit in a discretionary $ than a Commodity $

If you keep doing what you are doing, you are going to keep getting what you are getting.
I wish I would have made my mistakes on a much smaller scale!

David Cushman, Park Farm Winery, Bangston, Iowa.

http://www.parkfarmwinery.com
Welcome to the Midwest Grape and Wine Industry Institute!

The Midwest Grape & Wine Industry Institute at Iowa State University was approved by the Iowa Board of Regents in September 2006. The Institute is the first of its kind in Iowa.

The formation of the Institute is a result of the state's evolving grape & wine industry. Dr. Murl Dharmadhikari, ISU Extension enologist who was hired in 2005, was named director of the Institute.

Goals of the Institute include:

- Conduct research to develop new cold-hardy grape varieties that can thrive in the Midwest.
- Conduct enology (the science of wine & wine making) research.
- Develop a wine quality award program that will provide wine buyers a quality-assurance stamp of approval.
- Establish an outreach program to the industry by training a team of specialists.
- Partner with community colleges to develop job training programs specific to growing grapes and making wine.

Presently, there are approximately 67 licensed wineries and 325 vineyards in Iowa. The potential economic opportunities in wineries, value-added agriculture and tourism are limitless.

http://www.extension.iastate.edu/Wine/