

# ***“Business Plan” – Winemaker’s Track***

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United States  
Department of  
Agriculture



Fr Nt 1-3 (06)



## **Noncitrus Fruits and Nuts 2005 Summary**

**July 2006**

### **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**

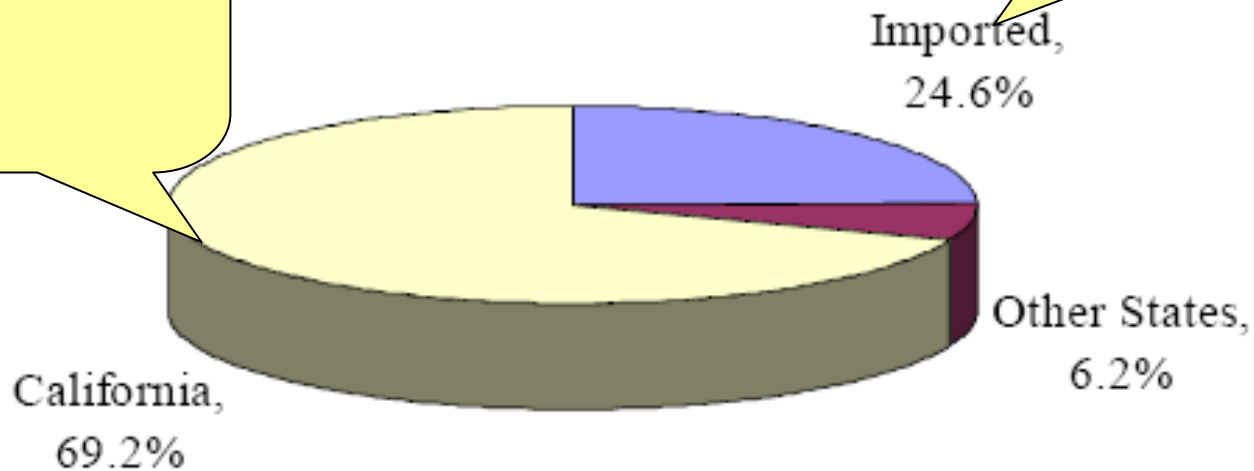
**97% of Domestic Table Grape Production**

**WA, NY, MI dominate Juice Production**

## Production Source of Table Wine Consumed in U.S. by Volume, 2004

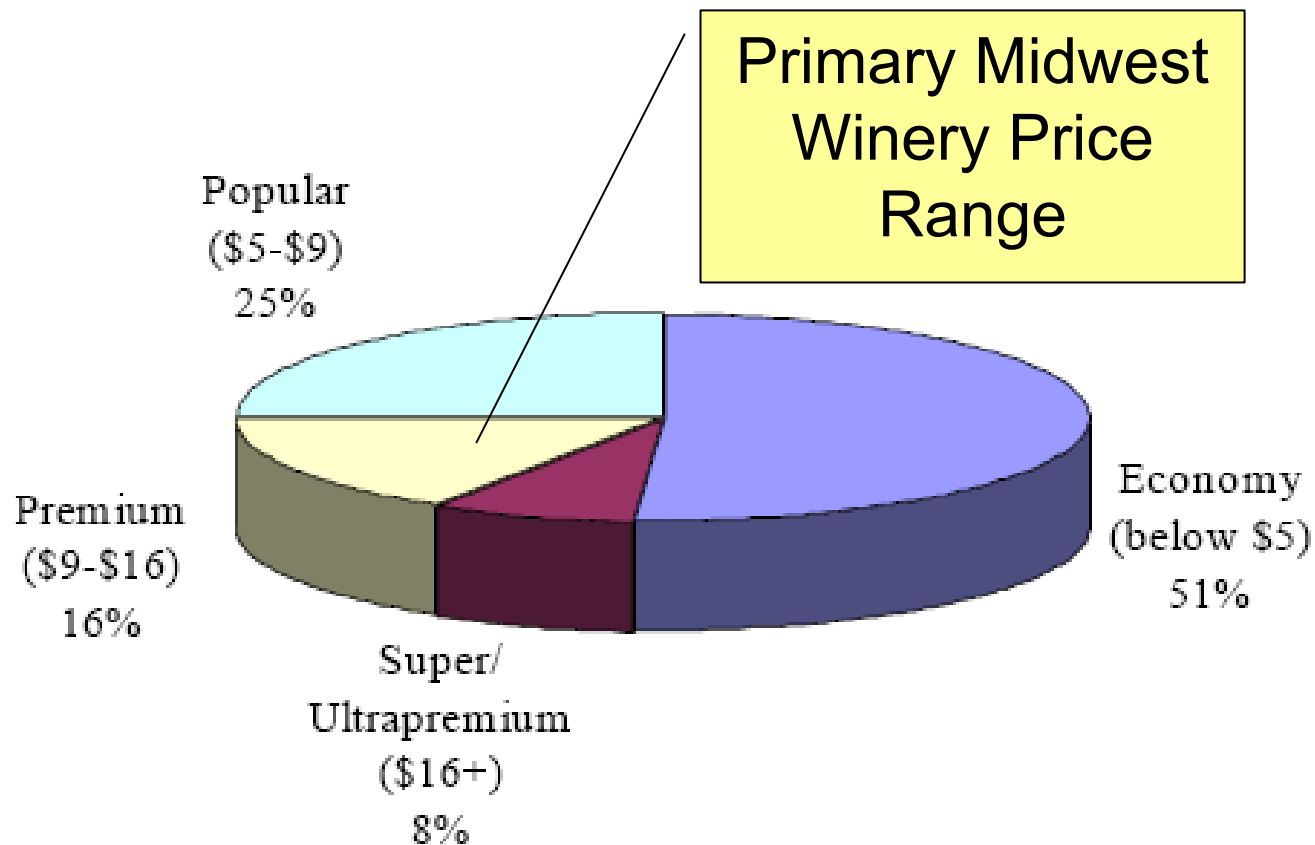
California  
Dominates!

Now 30%



Source: Adams Wine Handbook, 2005

**Table Wine Share by Retail Price Segment, 2004**



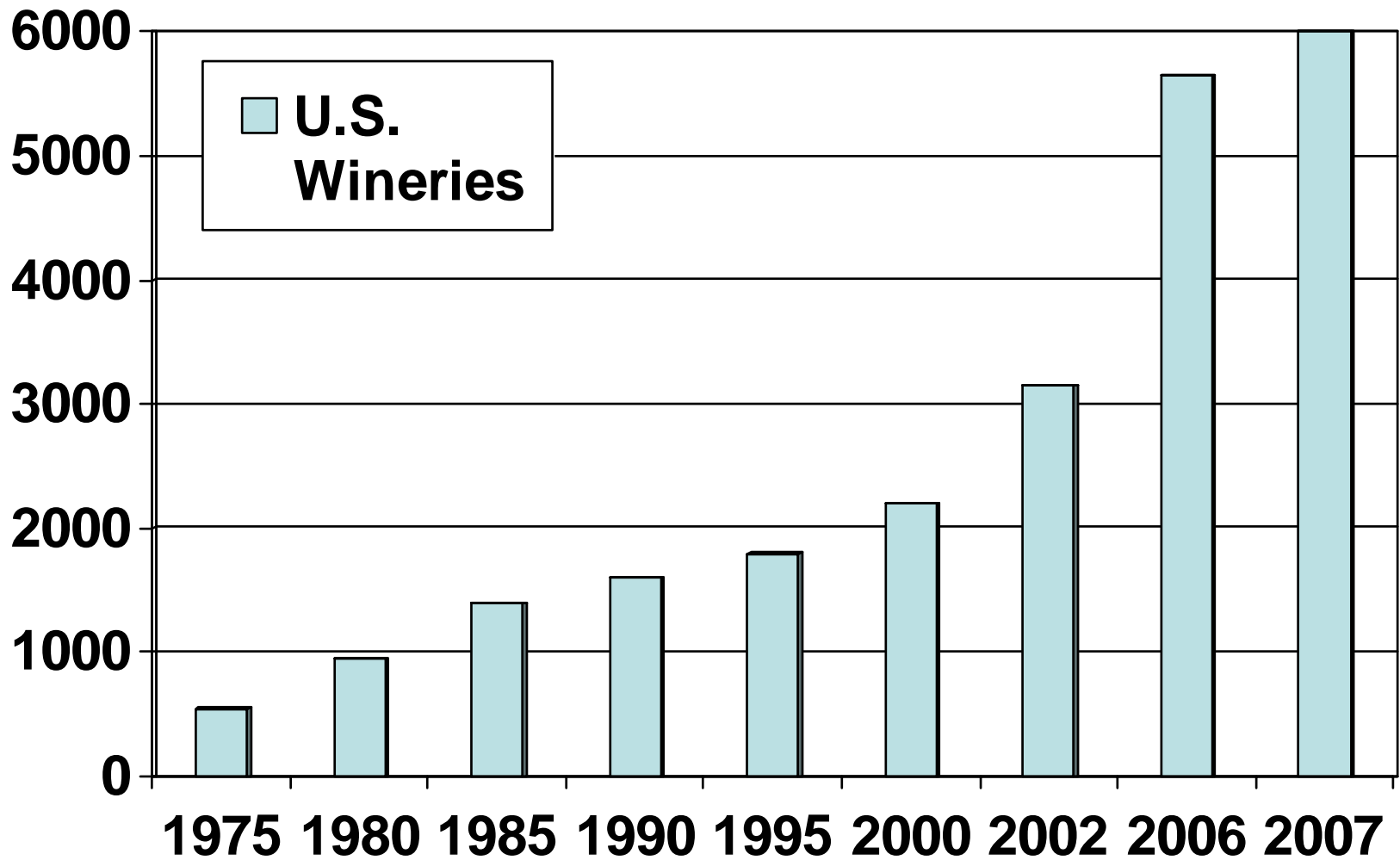
Source: Adams Wine Handbook, 2005

# ***The Higher the Price Point the Smaller the Niche***

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

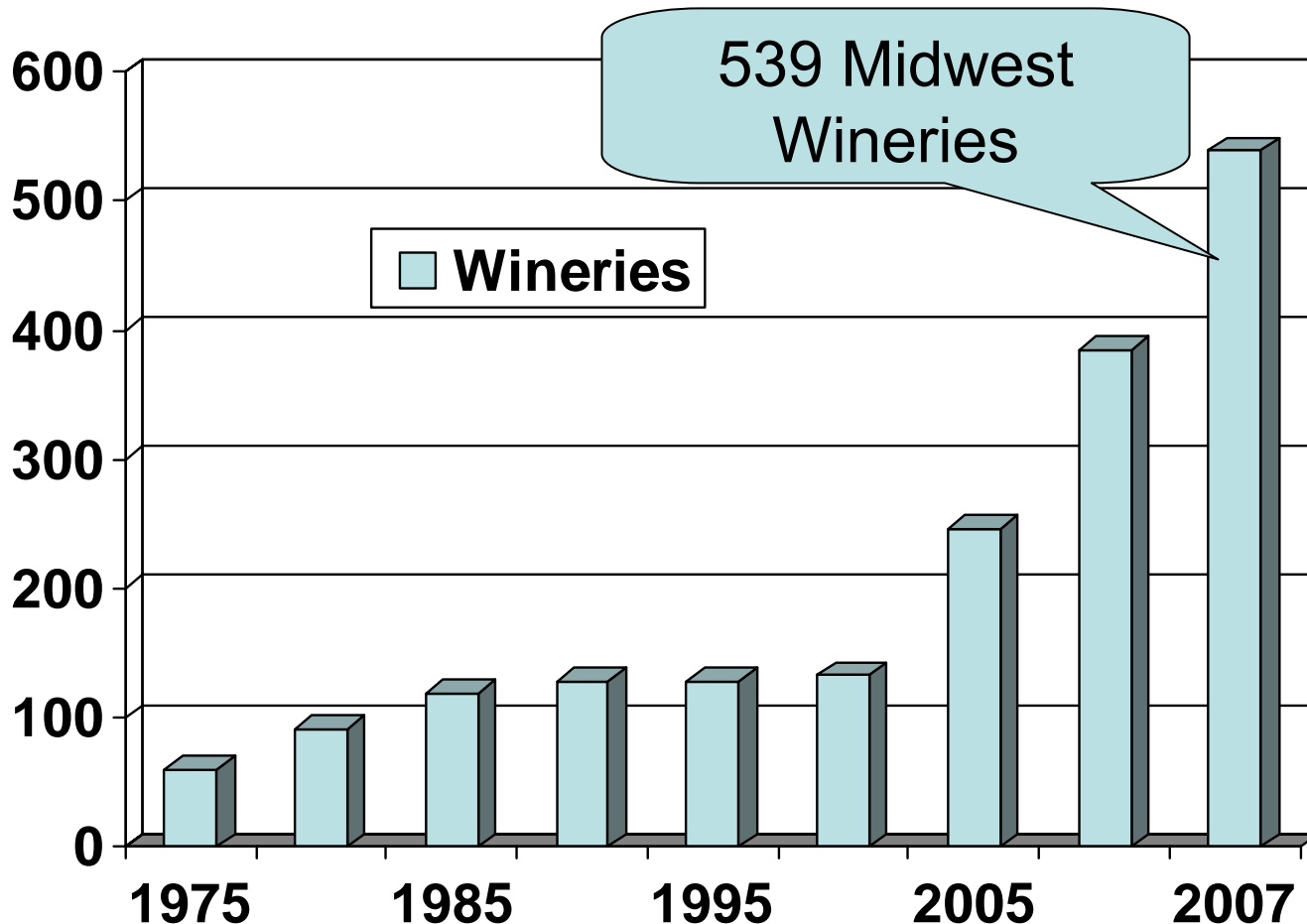
Nick Frey, Executive Director

Sonoma County Winegrape Commission 2-9-07

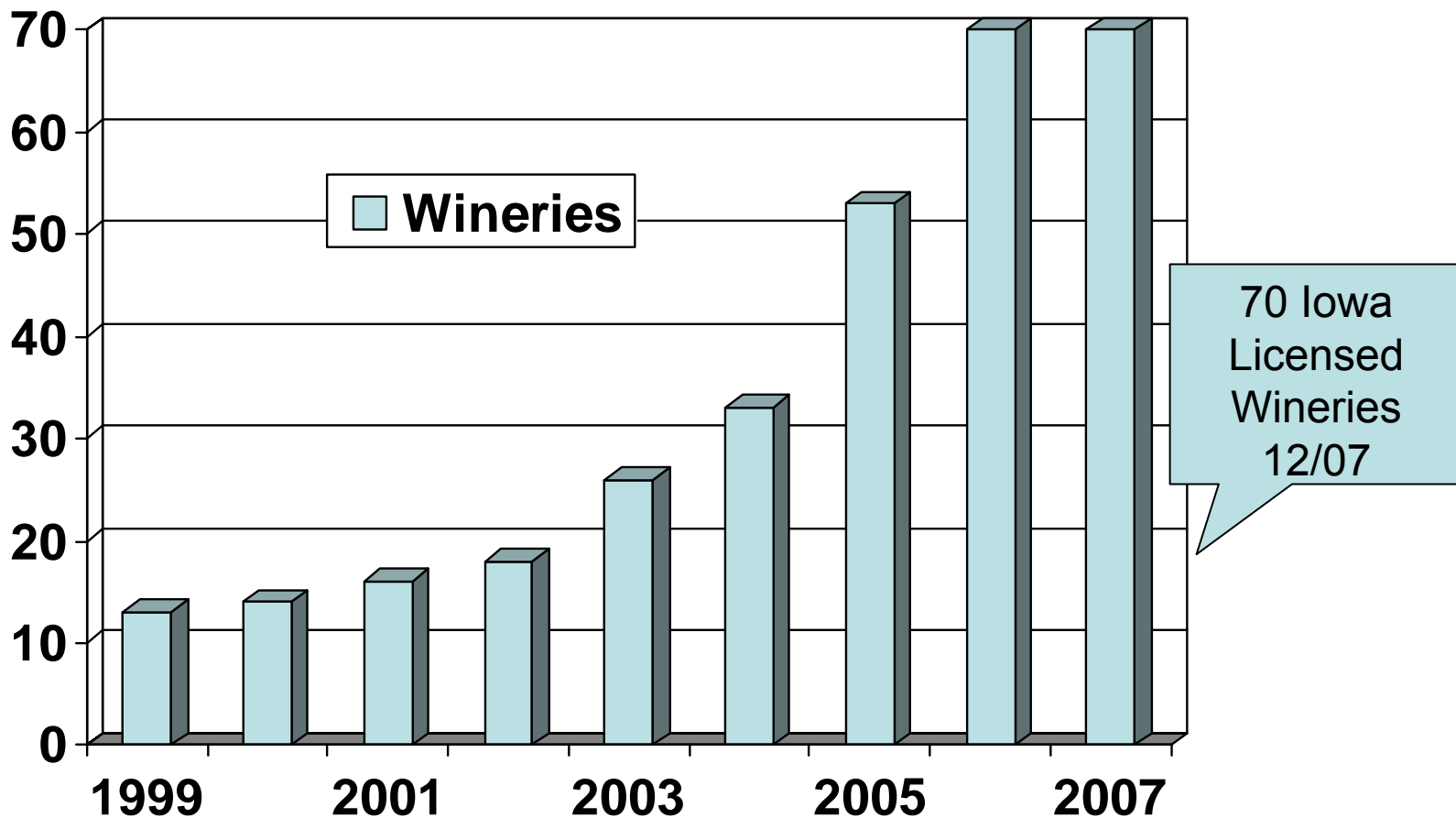


2007 = 4850 bonded + 1,161 virtual = 6,011 wineries

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



# Iowa Wineries



# ***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*

1. Alan Dillard's (Illinois Winery/Grape Consultant) Winery Cost Estimate:  
<http://w3.aces.uiuc.edu/NRES/faculty/Skirvin/cfar/winest.htm>
2. "Ohio Winery Starter Kit" Estimated costs, etc... 71 p:  
[http://www.ohiowines.org/winery\\_starter\\_kit.htm](http://www.ohiowines.org/winery_starter_kit.htm)
3. 2002-2007 "Writing a Business Plan: An Example of a Small Premium Winery, Cornell Univ:  
<http://aem.cornell.edu/outreach/materials.htm>
4. "Winery Start Up Profile and Business Plan Workbook" Small Business Development Center, Southern Illinois Univ: <http://www.illinoisbiz.biz/bus/pdf/WineryStartUpProfile.pdf>
5. "Economics of a Small Premium Winery" Univ. of Georgia:  
<http://www.smallfruits.org/BunchGrapes/production/EconomicsofaSmallPremiumWinery.pdf>
6. 50 p. Winery Business Plan from Univ. of Tennessee:  
<http://www.utextension.utk.edu/publications/pbfiles/PB1688.pdf>
7. Vinery Fields list of 16+ Winery Business Plan resources (EXCELLENT!)  
<http://www.vineryfields.com/winery-business-plan.html>
8. Small Winery Investment & Operating Costs, Excellent 48 p. Winery Business Plan Guide from Washington State Univ:  
[http://www.agribusiness-mgmt.wsu.edu/AgbusResearch/docs/wine\\_grapes/eb1996\\_05.pdf](http://www.agribusiness-mgmt.wsu.edu/AgbusResearch/docs/wine_grapes/eb1996_05.pdf)
9. Economic Considerations for Small to Medium Sized Wineries:  
<http://www.marylandwine.com/mwa/startup/images/webg92-6wg.pdf>
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**
- 4. U.S. Dept. of Energy - DOE**
- 5. Utility Companies & Rural Electric Cooperatives**
- 6. State Departments of Agriculture, Economic Development, Arts & Culture.**
- 7. Google “*Grants*”**

# ***Grants – Loans – Tax Credits***

- 1. Start Local.** Contact your local chamber of commerce or 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.**

# ***Grants – Loans – Tax Credits***

- 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**

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  - ◇ [What Are People Saying About AgMRC?](#)
- ◆ **AgMRC Partners**
  - ◇ [Iowa State University, Center for Ag/Rural Development](#), 578 Heady Hall, Ames, IA 50011
  - ◇ [Iowa State University, Value-Added Agriculture Extension](#), 1111 NSRIC, Ames, IA 50011
  - ◇ [Kansas State University, Agricultural Economics](#), 305D Waters, Manhattan, KS 66506
  - ◇ [University of California, Agricultural Issues Center](#), One Shields Avenue, Davis, CA 95616
  - ◇ In cooperation with the [United States Department of Agriculture](#)
- ◆ **Publications**
  - ◇ [AgMRC Newsletters - AgMRC Action](#)
  - ◇ [Ag Marketing Resource Center Helping Producers Develop Value-added Strategies](#), Rural Cooperatives magazine, USDA, May/June 2003
  - ◇ AgMRC in the news.
- ◆ **Reports**
  - ◇ [2002-2003 Ag Marketing Resource Center Annual Written Report](#) (pdf)
  - ◇ [2003-2004 Ag Marketing Resource Center Annual Written Report](#) (pdf)
  - ◇ **Quarterly Reviews**
    - [January 1, 2007 to March 31, 2007](#) (pdf)
    - [October 1, 2006 to December 31, 2006](#) (pdf)
    - [July 1, 2006 to September 30, 2006](#) (pdf)
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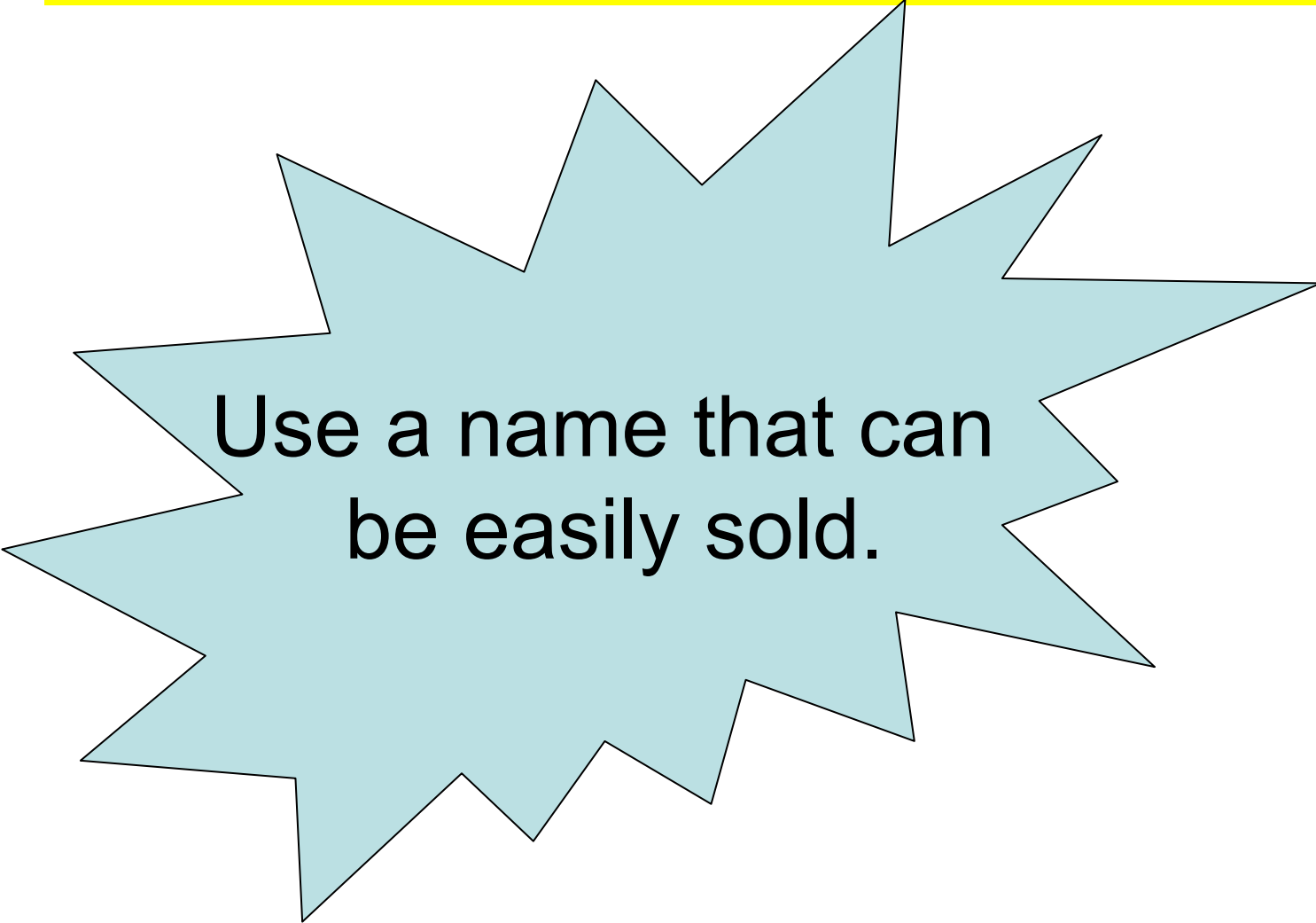
10.9mm WWW page hits 1<sup>st</sup> Qtr of 2007

41,254 downloaded files per month

## Index of “Unit of Cost”

Winery Capacity in Gallons	Index of Unit of Cost
12,000	100%
28,000	85%
40,000	85%
240,000	73%
1,200,000	54%
7,200,000	47%

# 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**



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**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

# ***Cater to Women & the Men will follow.***

**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**

# ***Tasting Room Staff***

**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.***

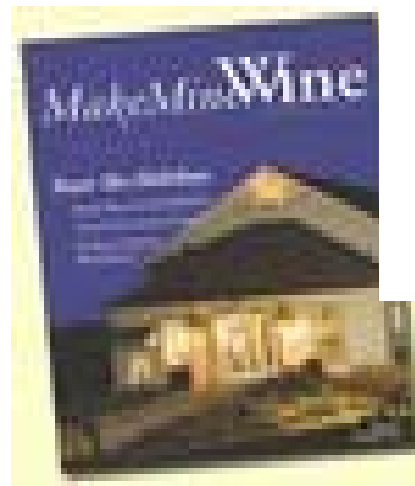
**Have a select number of grape growing and winemaking books for sale in your gift shop.**

**Have an information card with WWW resources and contact information people can take with them.**

# Free Advertizing is Best



**NEWS**  
**LETTER**



# What Kind of Packaging



Premium Box  
Wines up 42%  
in 2007

Tetra paks  
up 52% in  
2007



3 L



1.5L



750 ml



375 ml



187 ml

# *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!***

# ***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  $\frac{1}{4}$ "/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.

## Misc. Winery Design Suggestions

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**

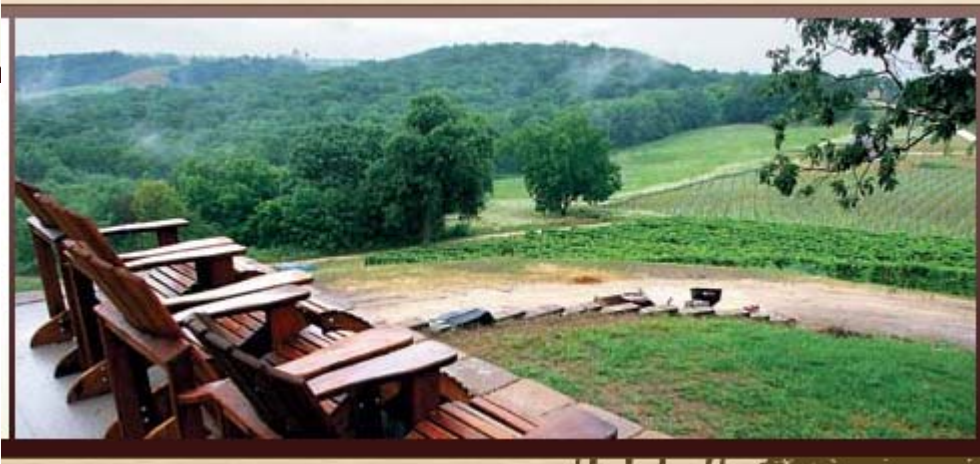
**Perception is Reality**

**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.*



## Midwest Grape & Wine Industry Institute est...9-26-07

# THANK YOU



### 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. Murlu 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.

search

### Contact

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Ames, IA  
50011-1061

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E-mail:

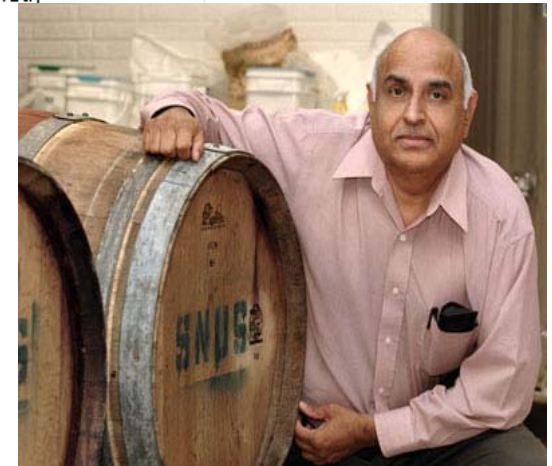
[jagregg@iastate.edu](mailto:jagregg@iastate.edu)

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