



2026 Global AVA Seminar

*California Winegrapes & Wine
State of the Industry*

Jeff Bitter
Allied Grape Growers
February 25, 2026

What does AGG do?

- **We Sell Winegrapes!**
 - Think grape broker, but we have title to the crop
 - 400 growers statewide selling to almost 200 buyers
- Stakeholder communications year-round
- Represent and provide a unified voice for winegrape growers.

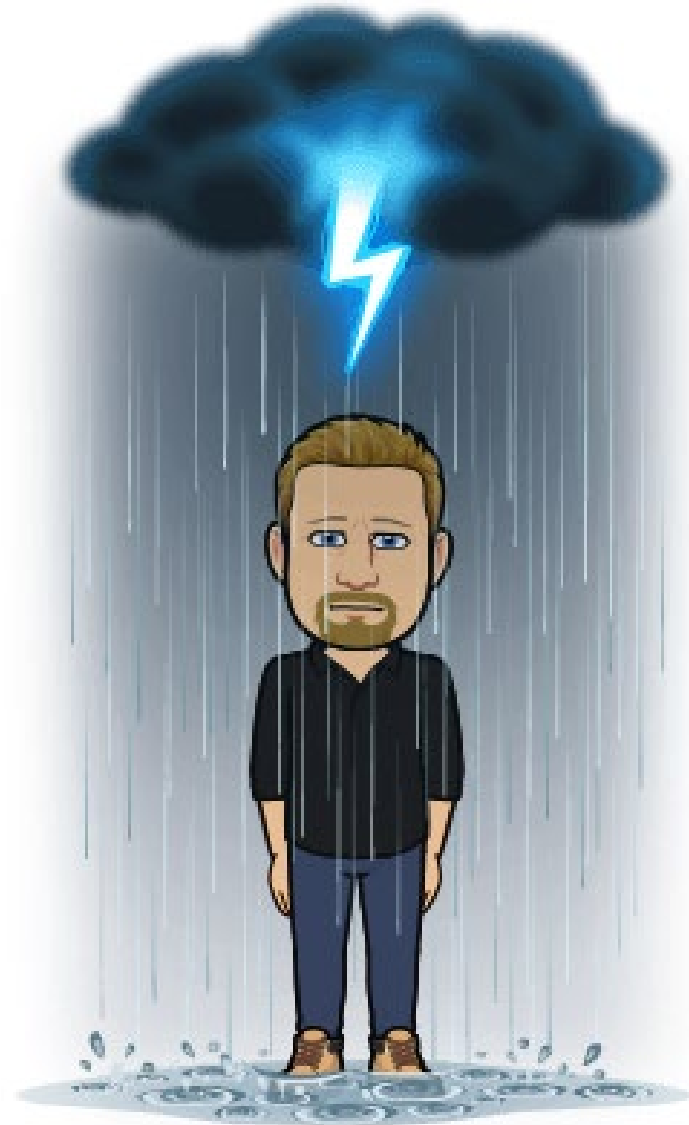


What Does Selling Grapes Entail?

- Legal Expertise - negotiating, reviewing and writing grape purchase agreements (hundreds per year).
- Knowledge of industry "rules and regs".
- Understanding the market (access to intel, etc.)
- Identifying and forecasting trends
 - (threats and opportunities)
- Relationships - exercising a network



State of the California Wine Industry



The Headwinds are Known...

Headwinds for Wine

- ✓ Consumer Economics/Sentiment
- ✓ Aging Baby-Boomer Generation
- ✓ "Abstinent" Young Adults
- ✓ Focus on Health & Wellness
- ✓ Cannabis Use (substitutionary)
- ✓ GLP-1 Use
- ✓ Changes in Socialization
- ✓ Competing Beverages
- ✓ Price Competitiveness
- ✓ Image (old, special, complex or fancy)
- ✓ Unfavorable Demographics

The Challenge: Identify and Promote the Tailwinds

Tailwinds for Wine

- ✓ Pure, Clean, Wholesome, Plant-based
- ✓ No "Adds" - Low in Sugar, Calories
- ✓ Lifestyle Enhancement (joy factor)
- ✓ "Sustainable"
- ✓ Reputation/Longevity
- ✓ Unique/Craft
- ✓ ???
- ✓ ???
- ✓ ???
- ✓ ???
- ✓ ???

Analyzing Supply Trends







Grower-commissioned acreage report indicates 515,615 "standing" acres during the 2024 harvest and 477,475 as of 2025.



2025 STANDING WINEGRAPE ACREAGE

In cooperation with the California Association of Winegrape Growers
 Released: November 3, 2025

RESULTS
 The California Association of Winegrape Growers (CAWG), in partnership with regional grower and vintner associations, commissioned Land IQ to develop an in-season, statewide winegrape acreage assessment. Acreage was assessed as of August 1, 2025.

The acreage estimate takes into account standing vineyards between (October 1, 2024 - August 1, 2025). Standing acreage reflects all vines physically in the ground, including bearing and non-bearing vineyards, as well as vineyards that have been motiballed or abandoned but not yet removed. Removed vineyards have also been determined through spatial analysis for the same period.

As a result, the 2025 statewide acreage is:

- 477,475 acres of standing winegrapes
- 38,134 acres of removed winegrapes

The table below shows standing acreage and removals by county as of August 1, 2025. Additional tables for AVA and Crush District are included on the following pages and are available to CAWG members and members of our partner regional associations.

INTRODUCTION
 Land IQ has mapped winegrapes as a part of the "Vineyard" crop class for the Department of Water Resources since 2014. This mapping effort differentiates winegrapes from the other Vineyard crops which also includes table grapes and raisins.

APPROACH
 Land IQ draws upon on multiple lines of evidence including agronomic and remote sensing knowledge, unique field boundaries, robust on-the-ground verification, customized image analysis, artificial intelligence and machine learning algorithms to classify vineyards.

For each mapped year, Land IQ performs the following steps:

1. Imagery Acquisition
2. Irrigated Field Boundary Delineation
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4. Remote Sensing Analysis
5. Change Analysis and Update

County	Standing Acreage	Removed Acreage	County	Standing Acreage	Removed Acreage	County	Standing Acreage	Removed Acreage
Alameda	2,414	291	Mariposa	29	-	Santa Barbara	18,354	1,668
Amador	3,428	152	Mendocino	16,557	832	Santa Clara	1,423	33
Butte	156	7	Merced	11,966	716	Santa Cruz	589	3
Calaveras	726	45	Mono	43,251	3,781	Shasta	108	-
Colusa	1,470	-	Monterey	42,422	3,117	Siskiyou	18	-
Contra Costa	1,648	28	Napa	435	-	Solano	5,506	138
El Dorado	2,383	38	Nevada	292	7	Sonoma	5,606	176
Fresno	35,430	6,250	Placer	2,406	11	Stanislaus	35	-
Glenn	3	-	Riverside	32,045	1,693	Sutter	177	-
Humboldt	127	-	Sacramento	3,766	26	Tehama	113	-
Kern	9,536	872	San Benito	417	-	Trinity	3,709	783
Kings	2,701	407	San Bernardino	1,059	3	Tulare	57	-
Lake	11,415	777	San Diego	67,845	7,976	Tuolumne	93	1
Los Angeles	315	-	San Joaquin	44,863	2,342	Ventura	16,799	1,269
Madera	26,980	1,971	San Luis Obispo	44,863	139	Yolo	169	-
Marin	180	-	San Mateo	139	10	Yuba	169	-
						Total	477,475	38,134

*Reflects standing acreage only. Some differences may occur between sheets due to rounding.

This project was funded and supported by: CAWG, Allied Grape Growers; Clarkburg Winegrape Growers Association; Lake County Winegrape Commission; Livermore Valley Winegrape Association; Lodi District Grape Growers Association; Lodi Winegrape Commission; Napa Valley Grapegrowers; Paso Robles Wine Country Alliance; Santa Barbara Vintners; Sonoma County Winegrape Commission; Suisun Valley Vintners & Growers Association; and Temecula Valley Winegrape Association.

Reconciling Vineyard Acreage

Total or "Standing" as of 2024

(Includes Bearing and Non-bearing)



LAND IQ

Surveyed – 515.615



Reported – 449.684



Estimated – 590.000



Regardless of what the surveyed acreage is compared to state-reported acres or previous estimates, the industry has not yet adjusted production sufficiently.

There's been a net loss of almost 40,000 acres in the last three years due to pullouts that have been more aggressive than newly bearing acres.

...and a further loss in bearing acreage is projected for 2026.



Estimated California Winegrape Newly Bearing & Removals 2021-2025, (including removal forecast for 2026)

Acres

40,000

35,000

30,000

25,000

20,000

15,000

10,000

5,000

-

Newly Bearing
Removals

2021

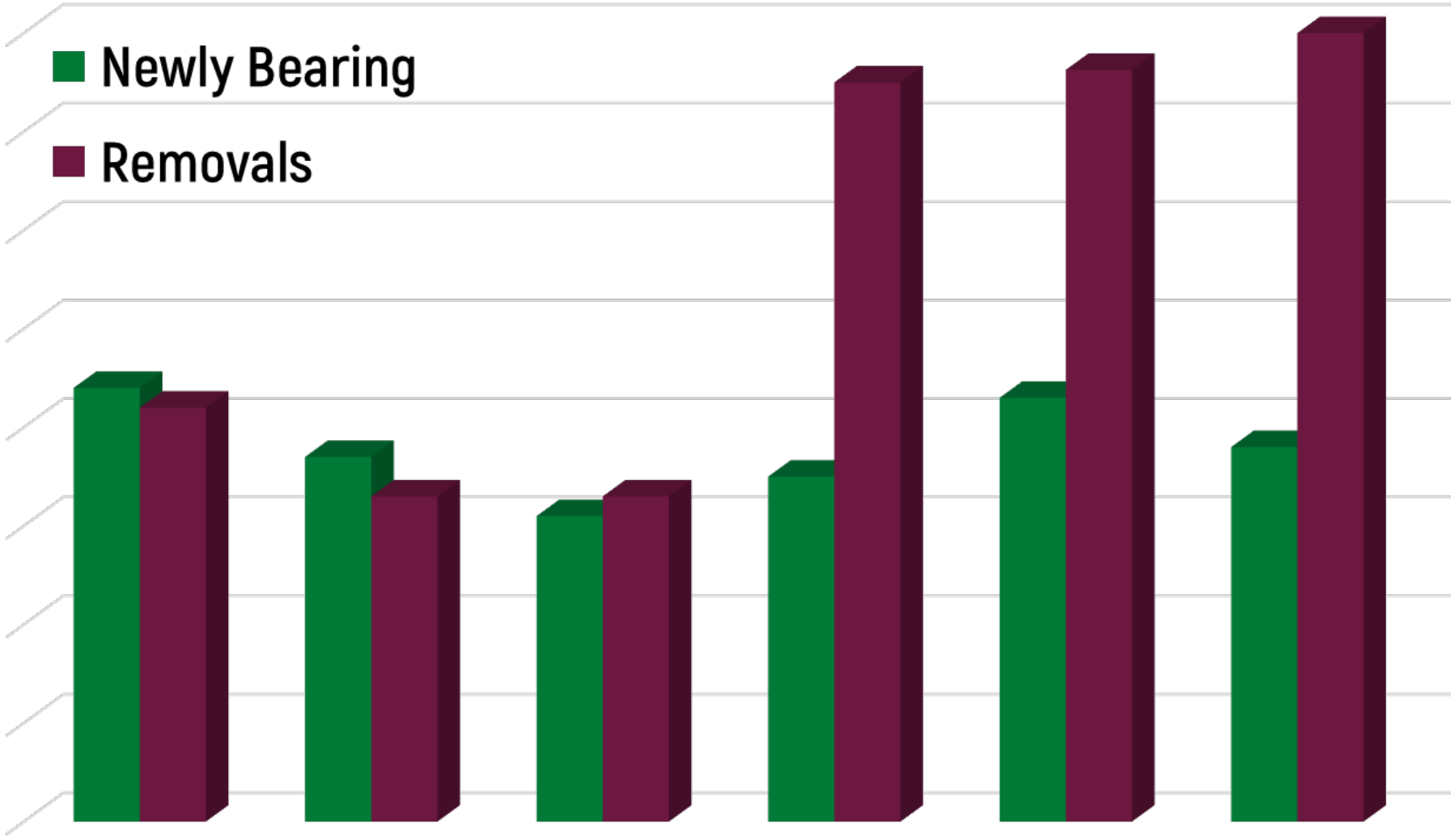
2022

2023

2024

2025

2026
Forecast



**So, from the grower's perspective,
the predominant question is:**

**When is it enough - when might the
market balance and grape buyers return,
offering sustainable prices?**

Grape Market Reality -

What is driving grape purchase decisions?



~~Pull-outs~~

~~Grape Price~~

~~Sales Forecasts~~

~~Grape Supply~~

~~Banking/
Finance/
Insurance~~

Finished Wine
Inventory



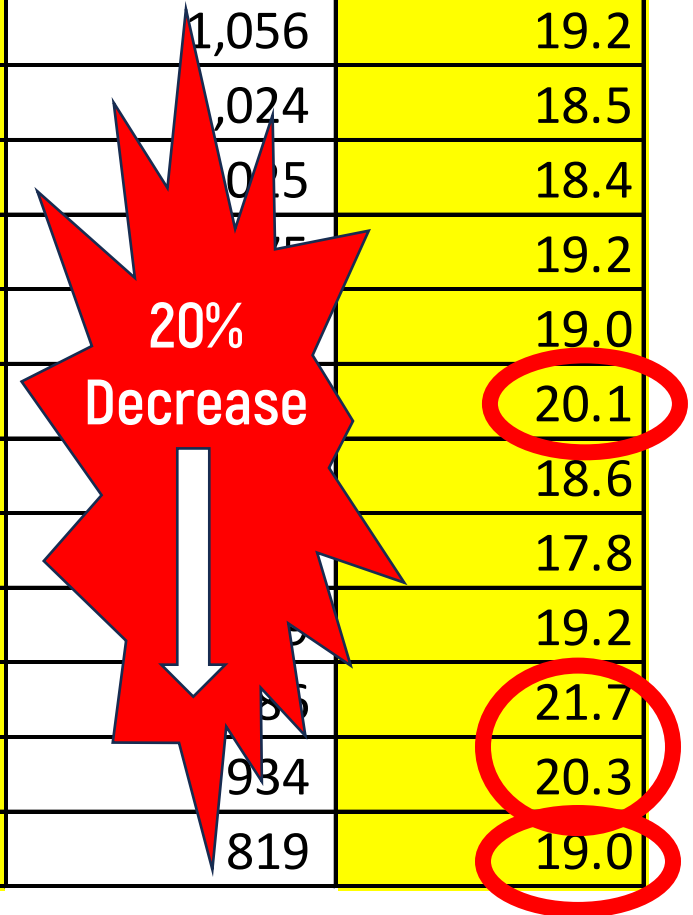
**When is the current inventory bubble
expected to pass through the supply chain?**

Reviewing Winery Inventory

Historical Data Courtesy
of Jon Moramarco -
BW 166 and the
Gomberg Fredrikson Report (GFR)

2025 Estimated by AGG,
excepting California Shipments
provided by BW166 & GFR

In Millions of Gallons, by Year	California Shipments	Average Monthly	Total Inventory at Year End	Months Inventory at Year End
2014	659	55	1,056	19.2
2015	664	55	1,024	18.5
2016	670	56	1,015	18.4
2017	673	56	1,075	19.2
2018	681	57	1,080	19.0
2019	650	54	1,095	20.1
2020	651	54	1,095	18.6
2021	651	54	1,095	17.8
2022	592	49	1,095	19.2
2023	546	46	1,095	21.7
2024	552	46	934	20.3
Est. 2025	518	43	819	19.0



Wineries may still need to reduce inventory, but ground has been made with two "tiny" crushes in a row now....

If 18 months is a comfortable inventory position, we went from 3.7 months of excess inventory after 2023, to 2.3 months of excess inventory after 2024, to an estimated one (1) month of excess inventory following the 2025 crush.

**How much does one (1) month
(or 43,000,000 gallons)
of excess inventory translate into
in terms of grapes?**

-

Answer: At least 250,000 tons

**Since the two ways to reduce inventory
are by selling more or making less,
and we all know we aren't selling more....**

**the adjustment is coming
from the supply side.**



**Exactly how big (or small)
was the 2025 crush?**

Gotta wait 'til March!

CALIFORNIA GRAPE CRUSH 2024~~5~~



PRELIMINARY
REPORT
FEBRUARY 10, 2025
March 15, 2026

ⓘ Important Dates: For Grape Crush Crop Year 2025.

January 31, 2026	Questionnaire Due
March 15, 2026	Preliminary Report Released
April 30, 2026	Final Report Released

ⓘ These updates dates reflect passage of AB 1322, effective January 1, 2026

**Considering the amount of
unsold grapes and abandoned
vineyards, how are folks
estimating the size of the
2025 crush?**

Acreeage to Crush Analysis - 2025

Standing Acres - 2025 (Land IQ)	477,475	Acres
Estimated Non-Bearing - 2025	(31,500)	Acres
Estimated Abandoned - 2025	(25,000)	Acres
Estimated Producing - 2025	420,975	Acres
Estimated Average State Yield (7.8 TPA)	3,283,605	Tons
Estimated Unharvested (25%) - 2025	(820,901)	Tons
Potential 2025 crush	2,462,704	Tons

**What amount of production do we really need,
as we go forward?**

**For that, we need to understand our production
potential and our industry's "burn rate."**

**In other words, based on wine shipments, how
many tons do we really need to produce
annually to match demand?**

Supply-need Mathematics

Estimated 2025 Domestic California Shipments	198,500,000	Nine-liter Cases
Estimated 2025 Exported California Shipments	19,500,000	Nine-liter Cases
Estimated All California Wine Shipments - 2025	218,000,000	Nine-liter Cases
Assume Canadian Market Returns	5,000,000	Nine-liter Cases
Total Assumed Future California Wine Shipments	223,000,000	Nine-liter Cases



Based on current estimated shipment levels

Shipment Data Source: Jon Moramarco – GFR & BW166

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Converted to Gallons at 2.38 Gallons per Case	530,294,000	Gallons



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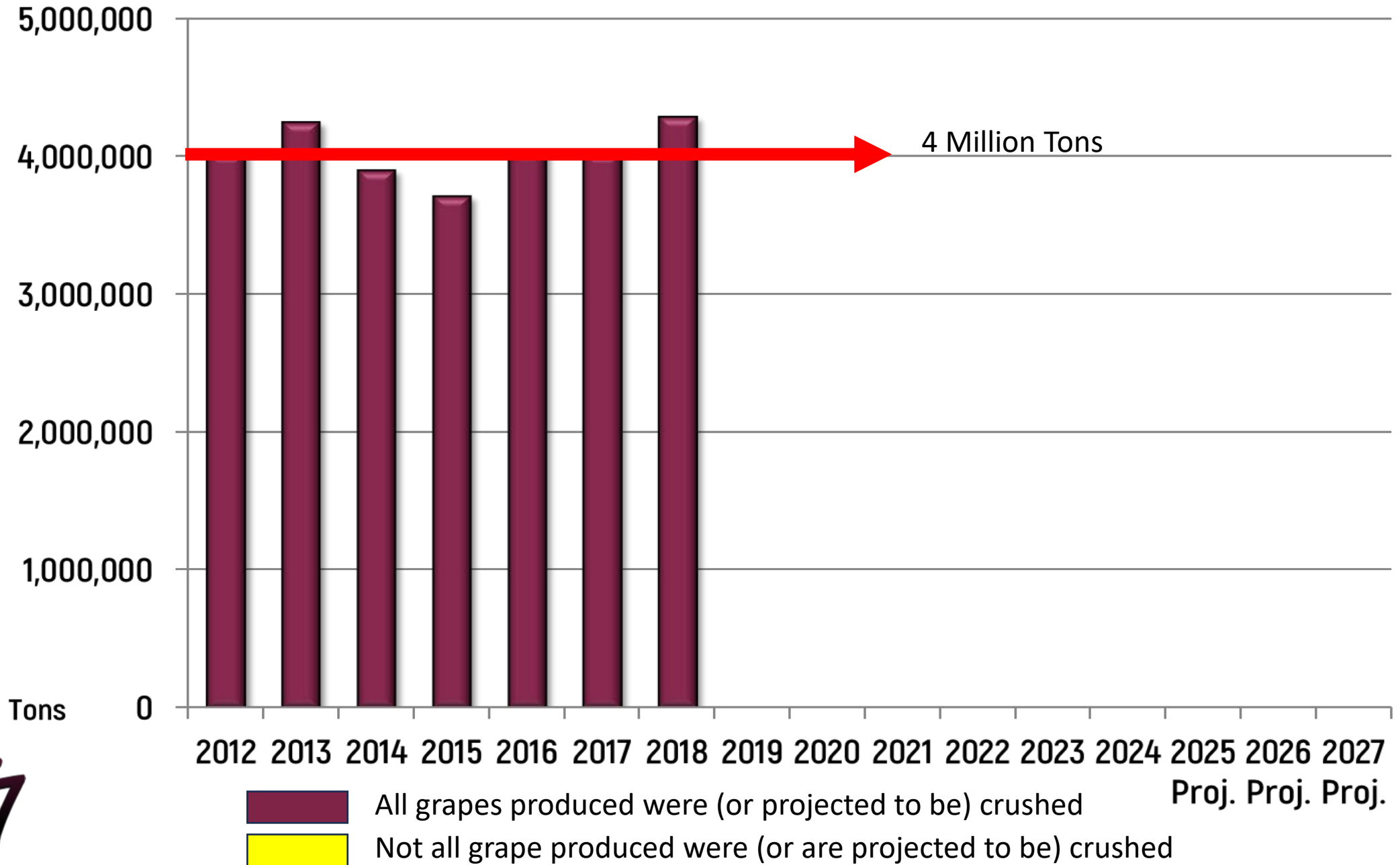
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Converted to Gallons at 2.38 Gallons per Case	530,294,000	Gallons
Converted to tons at 165 gallons per ton	3,213,903	Tons
Net Utilization of Grapes in Alternative Products	150,000	(Brandy, Concentrate, etc.)
Deduction for Fermentation Facilitation @ 5%	(160,695)	(i.e., Water Adds)
Total Winegrape Crush Needed	3,203,208	Tons



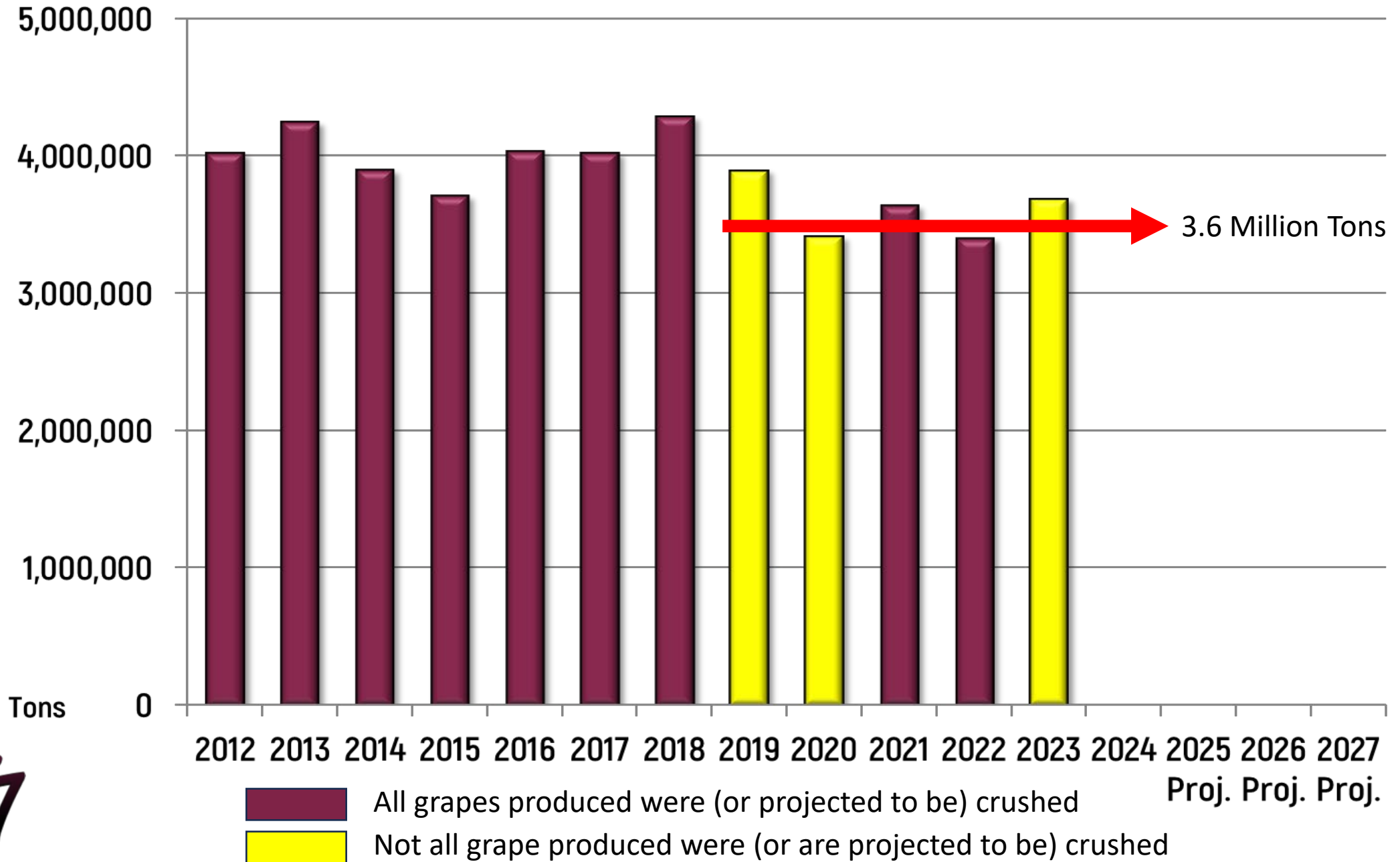
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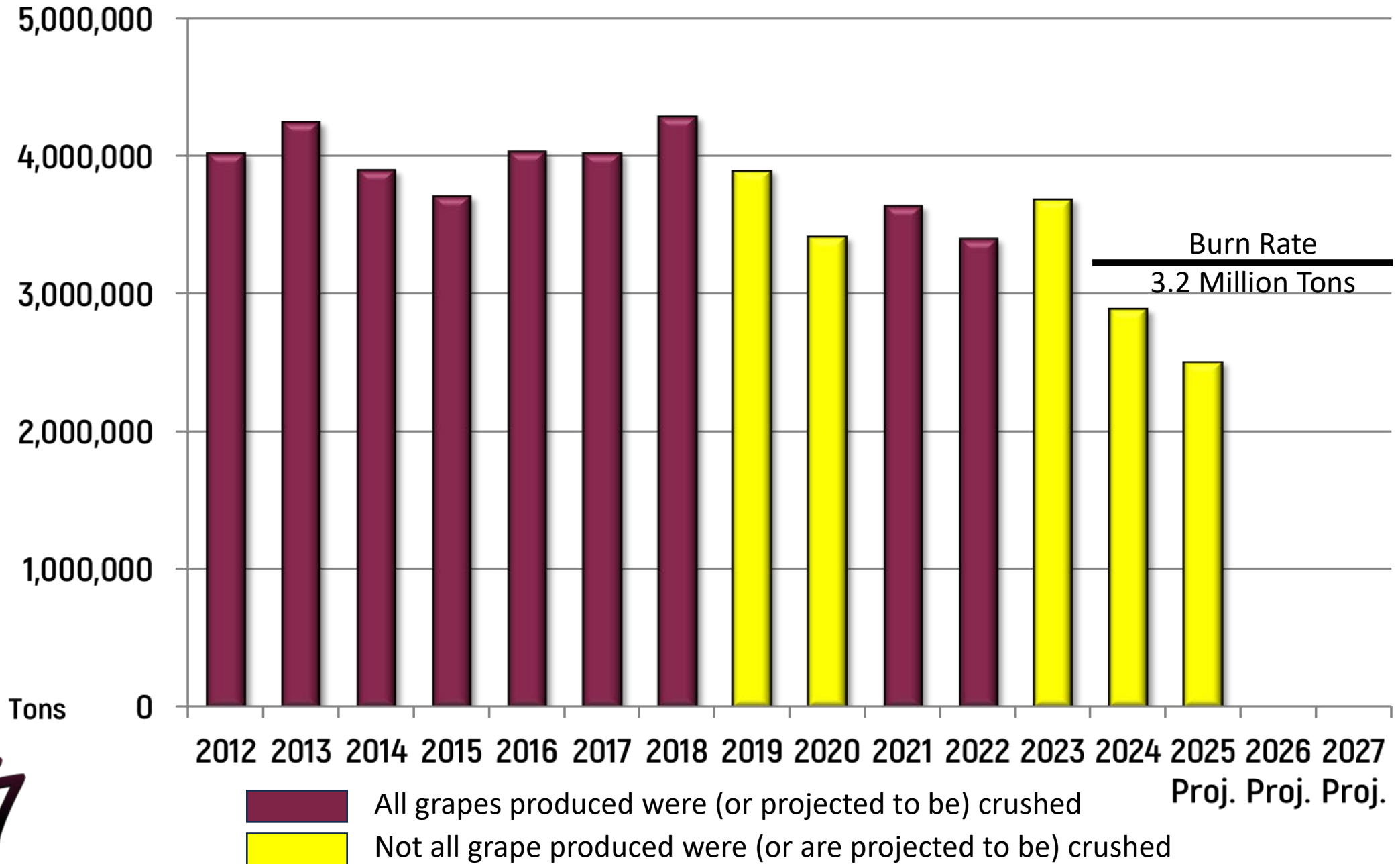
California Winegrape Crush Review, with Future Prognostications



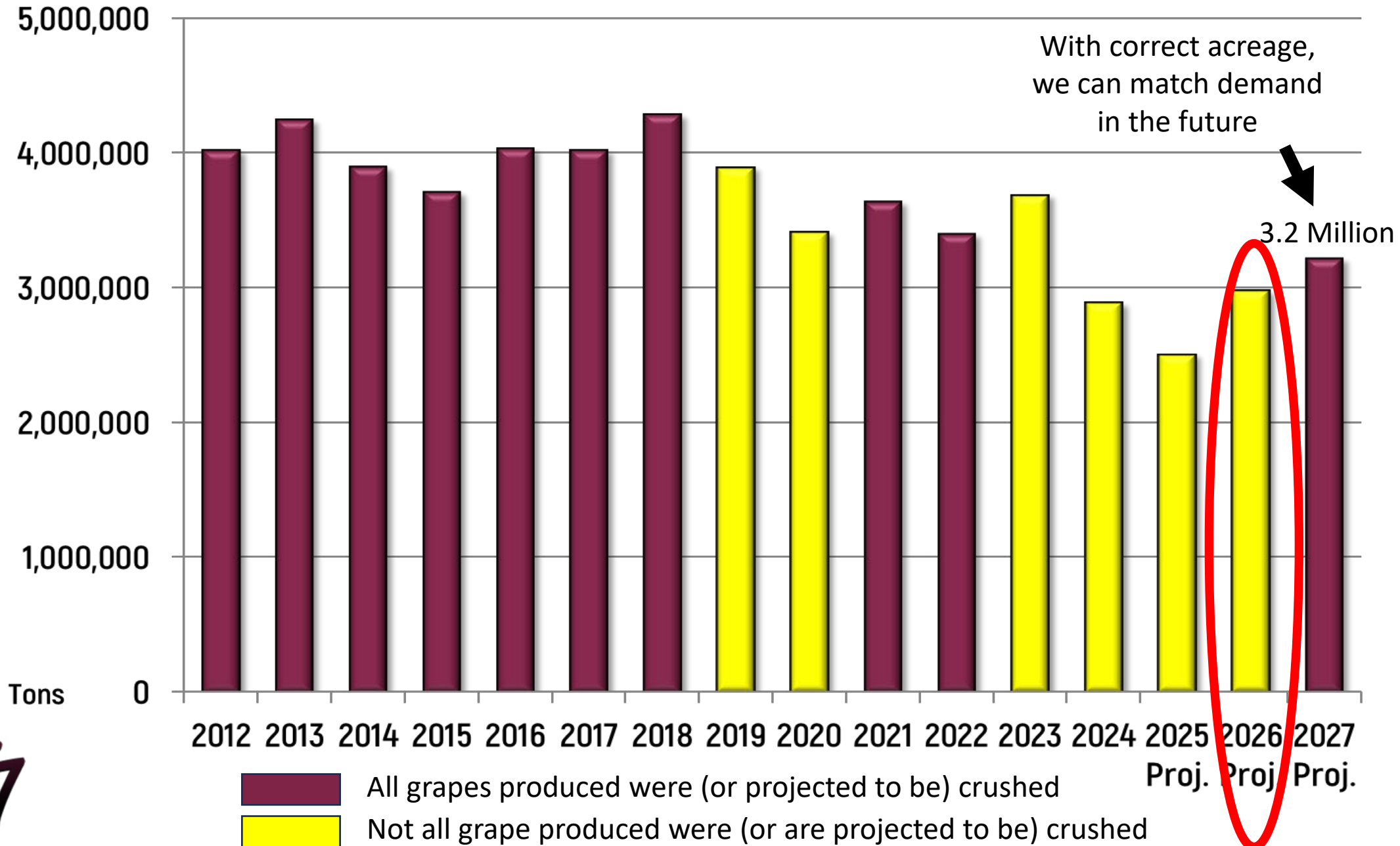
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Deduction for Fermentation Facilitation @ 5%	(160,695)	(i.e., Water Adds)
Total Winegrape Crush Needed	3,203,208	Tons
Average Statewide Yield	7.8	Tons per Acre
Acreage Need Based on Desired Production	410,668	← New Bearing Acreage Target



Based on current estimated shipment levels

Shipment Data Source: Jon Moramarco – GFR & BW166

Land IQ acreage survey indicates 477,475 acres as of the 2025 harvest.

Columnne	57	3,709
Ventura	93	16,799
Yolo	1,269	16,799
Yuba	-	169
Total	477,475	38,134

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Marin	-	-
Merced	-	-
Mono	-	-
Monterey	42,479	-
Napa	435	-
Nevada	292	-
Placer	2,406	-
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Sacramento	3,766	26
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Santa Cruz	589	3
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Tehama	177	-
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Projecting Supply/Demand Balance

A look at potential bearing acreage for 2026

"Standing" Acres, 2025 - from Land IQ Survey	477,500
Less Non-Bearing Acres planted in 2024	(12,500)
Less Forecasted Removals	(40,000)
Less Abandonments	(15,000)
Total Potential Bearing Acres 2026:	410,000



There is potential our bearing acreage could reach the target for longer-term market balance, after this year's removals.

Let's Talk Recovery

Three things need to happen to get to a point of market health/balance for grape growers:

- 1) Inventory bubble has to be eliminated
(18-months inventory target)
- 2) Bearing acreage reduces to match demand
(410,000 bearing acres target)
- 3) Wine shipments stabilize
(No more year-over-year declines)

Recovery Timing

	2026	2027	2028
Inventory Bubble Behind Us	✘	✔	✔
Balanced Acreage	✔	✔	✔
Stabilized Wine Shipments	✘	?	?



- Recovery means different things to different people.
- It's likely going to be at least another year for most in the industry.
- Not all recovery will occur simultaneously across varieties, regions or categories.
- Recovery looks more likely in 2027 or 2028 than this year.

Vine Sales and Planting 2025



AGG Nursery Survey Participants



Wonderful
nurseries™



novavine



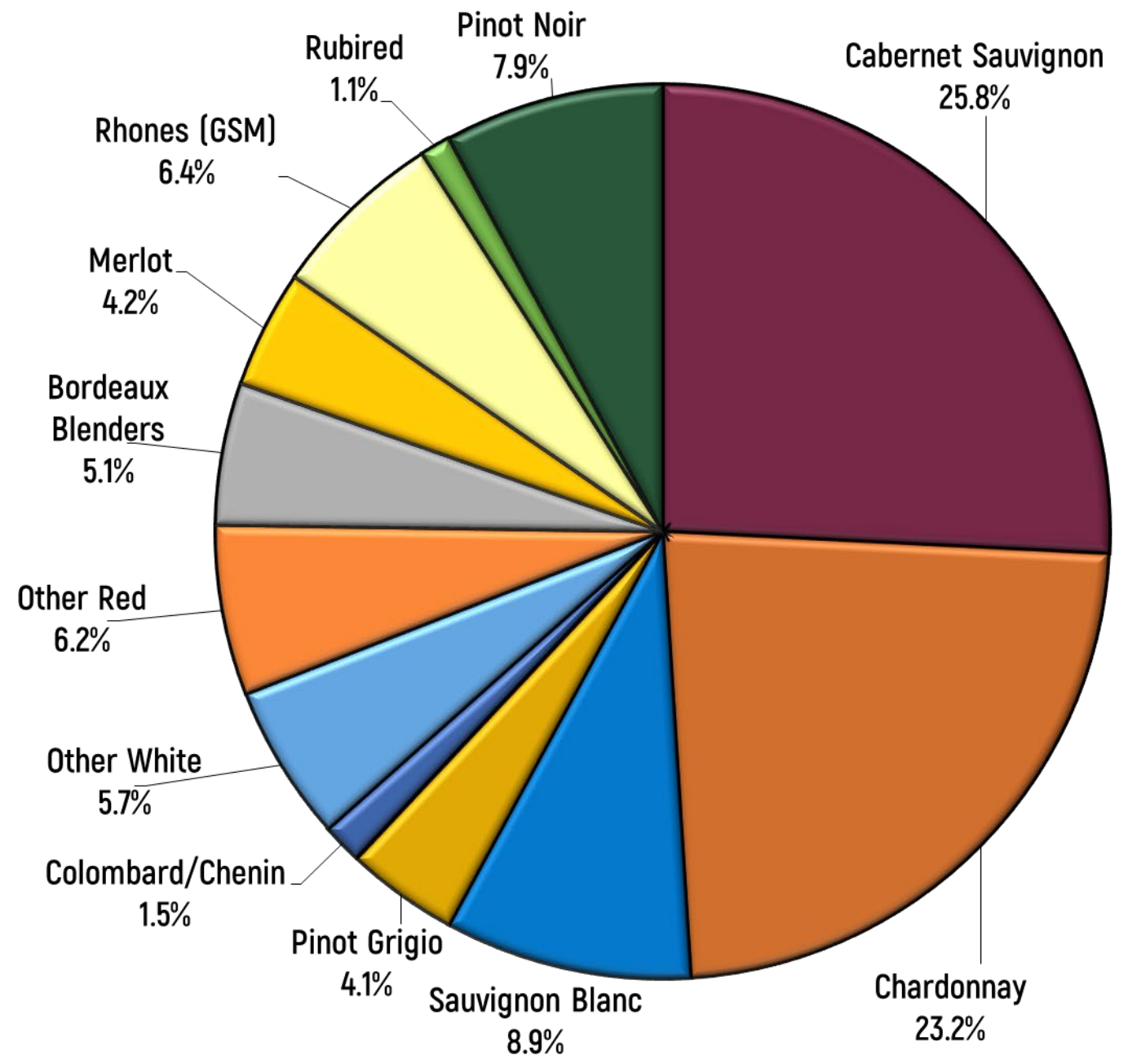
CASA CRISTAL
NURSERY



Nursery Survey

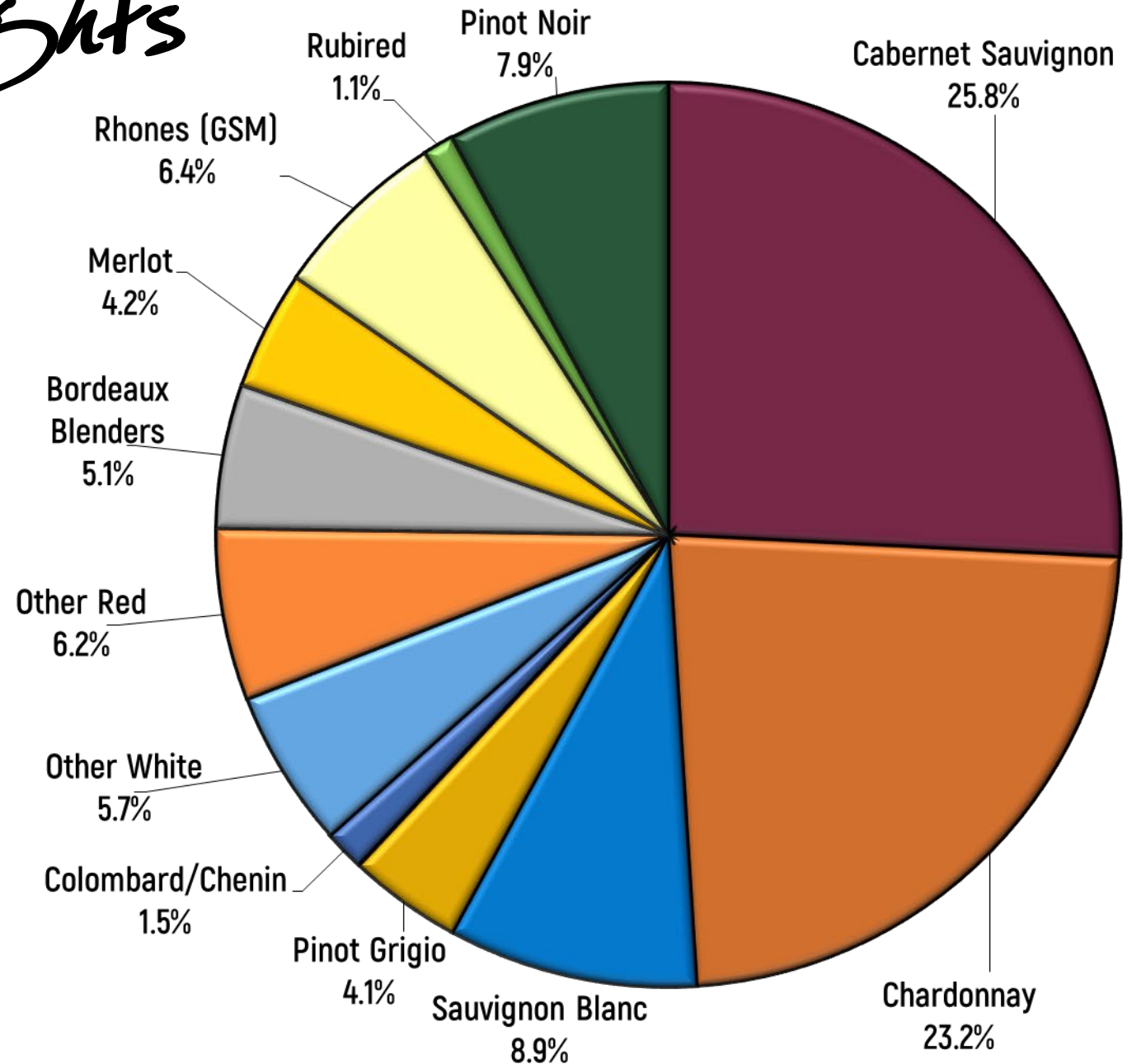
In California, 2025:
 7.7 million winegrape vines sold
 +/-7,200 acres planted

Pie chart shows
 percentage
 of vines sold,
 by variety/category,
 not acreage

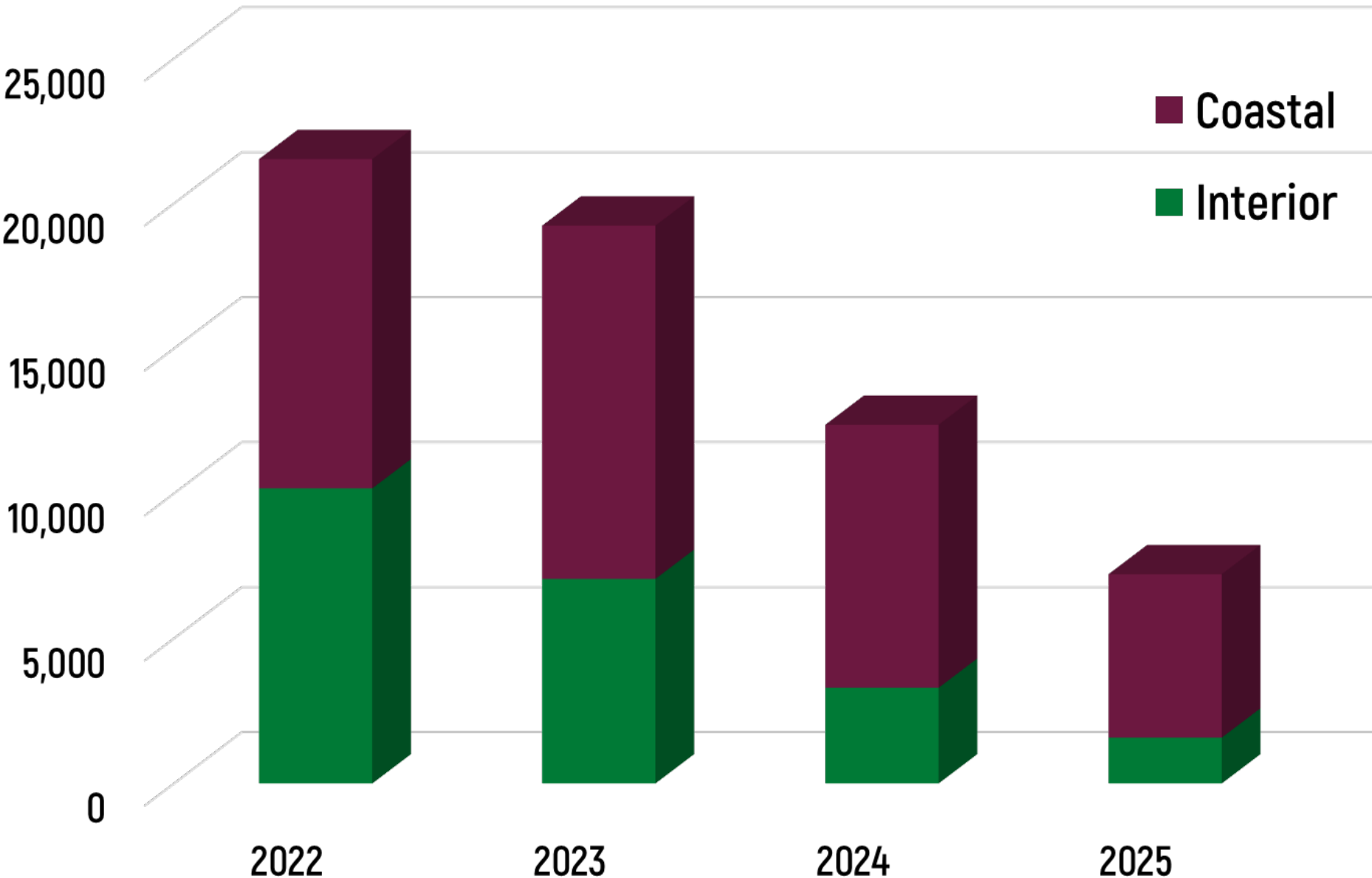


Nursery Survey Highlights

- 43.3% White, 56.7% Red
- Cabernet Sauvignon and Chardonnay remain King & Queen.
- Sauvignon Blanc and Pinot Noir plantings remain significant.
- Vines sold into interior regions accounted for only 15% of total.
- "Other" Whites and Reds make up 12% of all vines sold.



Estimated Winegrape Acres Planted - California 2022-2025

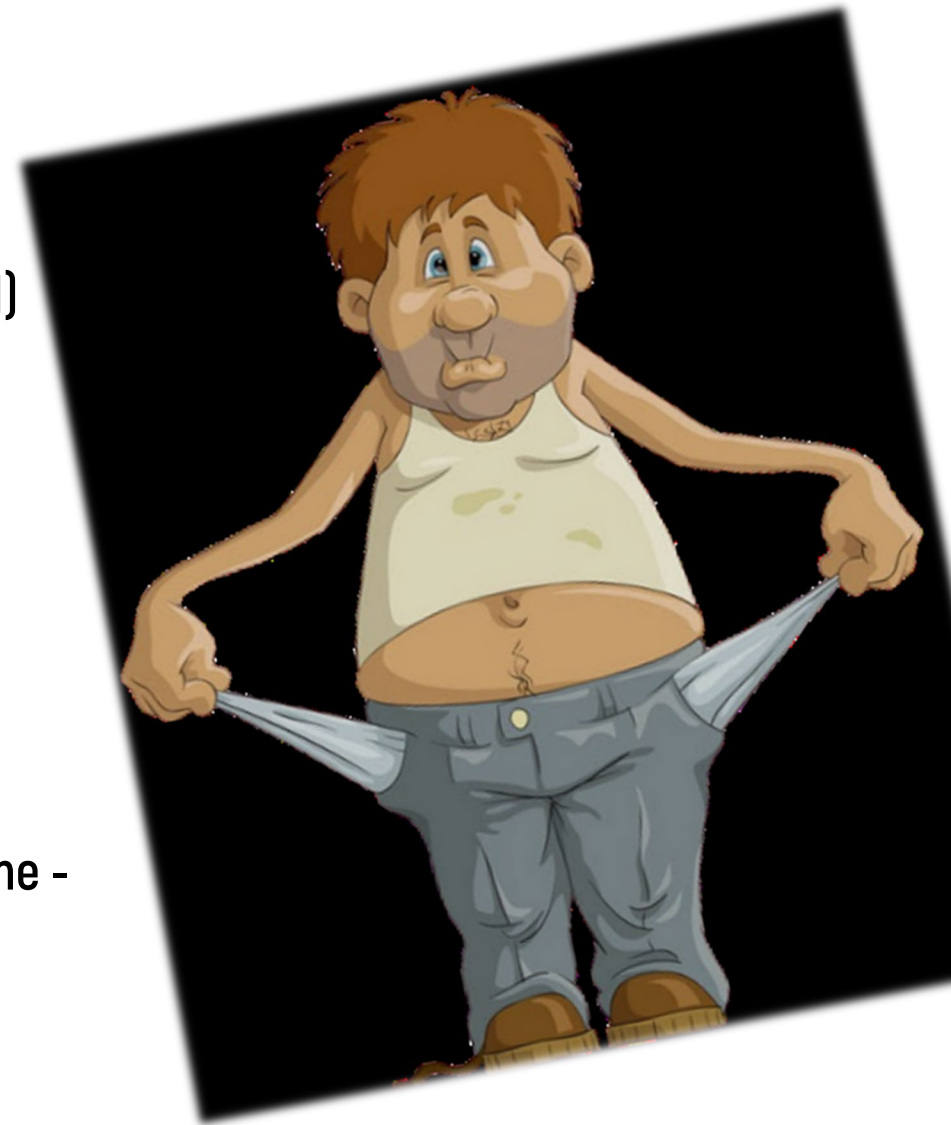


A Focus on Grower Issues...



Current Realities Facing Grape Growers...

- Market Conditions
 - The pass-through conditions wineries face
- Loss of equity (land value) & access to equity (re-fi's)
 - Alternative crops previously drove markets
 - Vineyard-only regions are long on inventory (i.e., land)
 - Banks lowering LTV ratios – less access to capital
 - Reserves running out after 2-3 difficult years
- Difficulty in obtaining operations financing
 - No grape contract – No operating line
- Rising costs and pressure to conform or differentiate
 - Interest rates, wages, inputs
 - Sustainable certifications
- Consolidation of buyers
 - A dozen mergers/acquisitions in last three years alone - removes competing buyers
- **Unfavorable government programs and policy**
 - **Imports and substitutionary products**



Tariff, Tax and Trade Policy – California Wine



Industry Realities Irritating/Harming Growers

- **Unlevel Global Economic Playing Field**
- **Substitution of Grape Alcohol with Non-grape OTS
(other than standard) Alcohol**
- **Bulk Wine Imports Blended with California Wine**
- **The Federal Substitution Duty Drawback Program
Subsidizes Importers.**





COMMISSION Lodi RULES EDUCATION RESEARCH

WHY MANY CALIFORNIA WINEGROWERS ARE CALLING FOR TARIFFS ON IMPORTS



Events

JUN 25
LODI RULES SUSTAINABLE WINEGROWER TOUR: LAVENDER FARM
3883 Petaluma Hill Rd, Santa Rosa CA



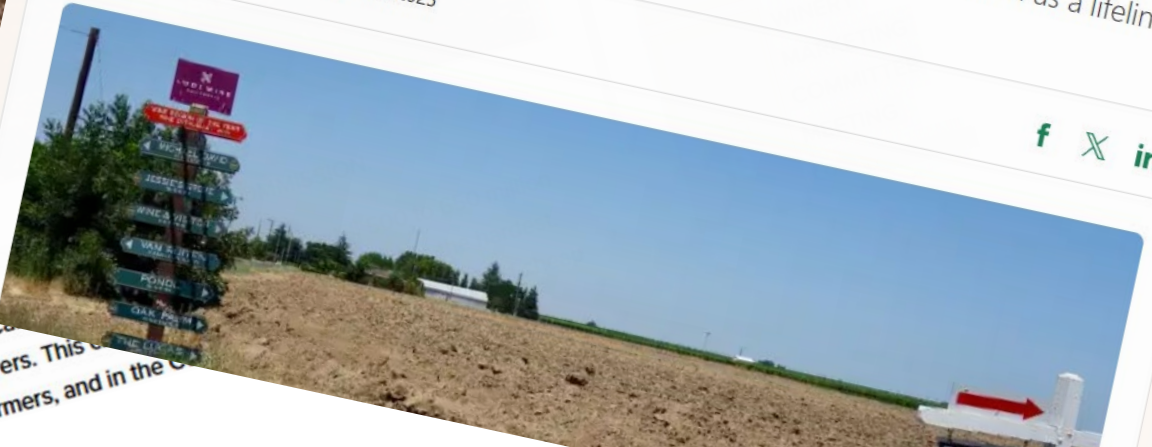
Shop Marketplace Search

Stores & Producers Magazine Regions Spirits Grapes

Lodi Grapegrowers Pray for Tariffs

While tariffs have wine importers running scared, growers in Lodi see them as a lifeline to save their vineyards.

W. Blake Gray • Last updated 17-Jul-2025



MONDAY, MAY 12, 2025. BY STUART SPENCER, EXECUTIVE DIRECTOR
... an estimated 600,000 to 800,000 tons of cuttings
... There simply weren't any buyers. This is a problem for
... independent farmers, and in the

Trade Policy – Level the Playing Field

- The European Union subsidizes their wine industries to the tune of \$1B annually through various programs, including foreign market promotion programs (in the U.S.), removal and planting programs and crisis distillation programs for volume control. When individual country subsidies and programs are added in, the assistance amounts to approximately \$2B annually.
- Australia implements a Wine Equalization Tax that only Australian wineries are eligible for, even though U.S. and Australia have a free trade agreement, and has implemented “targeted support packages” (i.e., subsidy programs) to encourage exports to the United States and other countries, including a \$50M program as well as millions of additional dollars in “support projects” and wine industry “recovery” programs.
- Chile underwrites 15% for “Wines of Chile”, an organization that promotes Chilean wines internationally through marketing campaigns.

Tariffs can be an effective trade policy response in specific cases where the playing field needs to be leveled for American producers.

However, measured, methodical and justified application is the key to successful tariff and trade policy.

Rule by



Tariff???

Trade Policy – Level the Playing Field

Canada classifies some alcohol exports as “wine” even if they don’t consist of 100% grape alcohol. The US recognizes this classification via past trade agreements and provides a “wine” tax credit, which reduces the excise tax by about 2/3. This creates a huge incentive for U.S. based wineries and spirit companies to import Canadian-called “wine” into the U.S. and blend it into what could otherwise be grape-based spirits products in order to cut cost.

The screenshot shows the Wine Business News website interface. At the top, there is a search bar and navigation links for "California", "US Regions", and "Global Regions". The main headline reads "Canada Ships 50 million Gallons of Fake Wine to the U.S. Annually" by Cyril Penn, dated Oct 29, 2025. Below the headline is a table titled "Canadian Bulk Imports" with columns for Year, Gallons, USD / Gal, Eqv USD / Ton, Tons @ 170 Gals / Ton (14% ABV), Tons to Fortify to 18%, and Total Potential Tons.

Year	Gallons	USD / Gal	Eqv USD / Ton	Tons @ 170 Gals / Ton (14% ABV)	Tons to Fortify to 18%	Total Potential Tons
2017	22,094,099	\$ 1.42	\$ 241	129,965	28,881	158,846
2018	24,471,746	\$ 1.25	\$ 212	143,951	31,989	175,941
2019	36,257,865	\$ 0.94	\$ 160	213,282	47,396	260,677
	43,294,706	\$ 0.87	\$ 148	254,675	56,594	311,269
		\$ 0.98	\$ 167	320,205	71,157	391,361
			\$ 171	327,302	72,734	400,036
					77,264	424,954
						485,265



Today's Hot Brands Using OTS Alcohol

- Beatbox alcohol is distilled from oranges or is malt-based, but may be classified as "wine" via OTS laws and trade agreements, and therefore can be found in wine shops and convenient stores in states that require that classification to sell only beer and wine.
- Buzzballz is pretty much the same thing except it's much more liberal on use of alcohol bases, citing everything from "orange wine" to malt to Vodka to Tequila, as the alcohol base. Even the Buzzballz "Grapes Gone Wild" selection is not grape-wine based, using either Tequila or Orange OTS as the alcohol base.
- XXL is probably the only of these three to contribute any real opportunity for the production side of the wine industry. There is a base of wine in many of these products but the alcohol is boosted by OTS alcohol. Their brandy selection has "natural flavors", which means it doesn't have to be 100% brandy-based, but it really doesn't matter because they claim to use French brandy (not California) anyway.



The "American" Appellation

AB 1585 – Introduced in the 2025-2026 Session, is a bill proposing wine sold in California cannot use the "American" or "United States" appellation unless 100% of the wine is derived from grapes grown in the U.S.

The collage features several overlapping elements:

- WINE BUSINESS**: A blue banner with the text "The Homepage for the Wine Industry" and a date "JANUARY 20". It includes a "Sign In" button and a "Create Account" link.
- NEWS**: A dark grey banner with a search bar labeled "SEARCH NEWS" and navigation links for "California | US Regions | Global Regions".
- Press Release**: A white banner with the headline "Legislation Introduced to Strengthen 'American' Wine Labeling" and sub-headline "AB 1585 requires wine labeled 'American' to be made from 100% U.S.-grown grapes". The date "Jan 15, 2026" is visible.
- The Sommpour**: A white article snippet with the headline "When 'American' Finally Means American" and sub-headline "Why AB 1585 matters — and why the confusion around wine labels was never accidental". The author is "ANNA BELANI-ELLIS" and the date is "JAN 15, 2026". It includes social media icons for likes (4), comments (2), and shares (2).
- Text Snippet**: A white text block starting with "When I published *When California Wine Isn't California*, the response was immediate and revealing. Not because people disagreed on the economics — most didn't — but because many were unsure what wine labels actually guarantee."



Substitution Duty Drawback

Substitution duty drawback allows companies to get refunds on import duties and taxes when “like” exported goods are shipped.



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ELIMINATE EXCISE TAX LOOPHOLE TO PROTECT U.S. WINE INDUSTRY AND JOBS

Over the last six years, the federal government has spent more than \$204 million subsidizing imported wine. In 2024, over 38 million gallons of inexpensive foreign bulk wine entered California—part of a five-year total exceeding 1.44 billion bottles. This loophole has primarily benefited the largest companies at the expense of domestic production.

DRAWBACK OVERVIEW

The Duty Drawback program is managed by US Customs & Border Protection (CBP). Under standard duty drawback rules, importers who pay duties on foreign goods—including bulk wine—can claim refunds when they export a “like” product. Known as **substitution drawback**, the mechanism does not require the exported wine to be the exact same wine that was imported that it be deemed “similar” or “commercially interchangeable.”

This has led to large-scale operations importing substantial quantities of low-cost wine, bottling domestically, and then exporting a similar wine to recover 99% of the duties, taxes, and fees – including excise tax. This process allows millions of gallons of imported wine to be marketed virtually tax free. Businesses have up to five years from the import date to export to claim the subsidy.

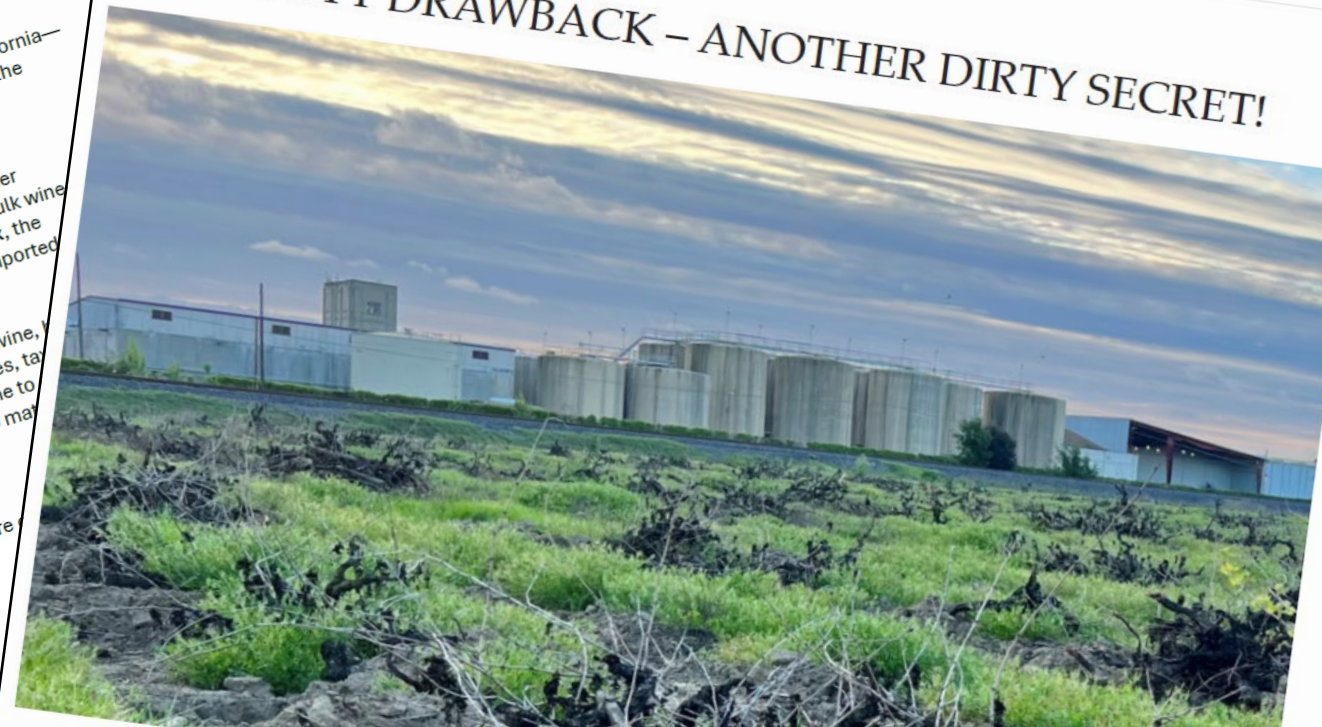
THE PROBLEM WITH US TRADE POLICY & DUTY DRAWBACK

- Alcohol Tax Subsidy Loophole: Over 99% of the drawback refunds are


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WINE DUTY DRAWBACK – ANOTHER DIRTY SECRET!



Why Growers Feel Duty Drawback is Bad for Them...

- It replaces domestic product.
 - Proponents will point out that it encourages exports, but since program inception export volumes have consistently decreased.
 - There's no net gain of domestic product use, because you have to import something to receive the duty and excise tax credit.
 - It would work if the goods being imported weren't replacing domestic production.
- It essentially turns what was previously export-only wineries into foreign wine importers.
- There's a long time period (5 years) for redemption of the duties and taxes, so importers can purchase goods strategically over time, when it best fits their supply needs (like during short crops), which simultaneously serves to cap domestic producer price increases.

Final Thoughts...

- The California wine industry is going through a corrective time, where all participants have challenges in the wake of declining shipments and stagnant sales.
- The production side of the business will need to continue managing supply by removing acres and limiting inventory until we reach equilibrium.
- Opportunities come through development, differentiation and exposure; in this environment we have no choice but to compete in order to survive.

Thank you!
My time is up.....



For more information,
www.alliedgrapegrowers.org

