

## 2016 STATUS SUMMARY

# VINEYARDS AND WINERIES OF MINNESOTA

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## INTRODUCTION

The Northern Grapes Project assembled researchers from 12 states to assist the cold-hardy grape and wine industry. The project had four main objectives addressing cold-hardy grape varietal performance, viticulture practices, winemaking practices, and the economics of vineyards and wineries.

Under the economics-related objective, University of Minnesota conducted two surveys. In 2012, participating grape growers and wineries were surveyed to gather 2011 operations data.

In 2016, the survey was repeated to collect 2015 operations data. It was sent to grape growers and wineries in January and February of 2016.

Of the responses, 110 were from Minnesota vineyards and wineries. This summary presents the major findings for Minnesota.

Details about the survey and analysis methods can be found in the full report covering all 12 states (Tuck & Gartner, 2016a).

## ECONOMIC CONTRIBUTION

In 2015, Minnesota's cold-hardy vineyards and wineries generated **\$80.3 million of economic activity**. The industry supported 10,500 jobs and paid \$37.3 million in labor income.

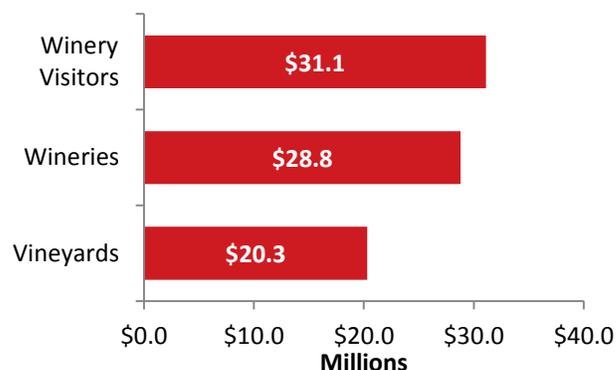


Chart 1: Total Economic Contribution, Minnesota's Vineyards and Wineries

In 2015, the contribution of the industry's three main components was fairly even (Chart 1). Winery visitors, or people traveling more than 50 miles to the tasting room, generated an estimated \$31.1 million in economic activity. Wineries, though spending for goods and services, generated \$28.2 million. Vineyards generated \$20.3 million.

### Vineyards

In 2015, Minnesota's vineyards generated an estimated \$20.3 million of economic activity. That includes \$8.4 million in labor income. Vineyards supported 9,400 jobs<sup>1</sup>.

### Wineries

In 2015, Minnesota's wineries generated an estimated \$28.2 million in economic activity. This includes \$19.4 million in labor income. Wineries supported 730 jobs.

### Winery Visitors

<sup>1</sup> Includes full-time and part-time positions.

In 2015, Minnesota’s winery visitors generated an estimated \$31.1 million in economic activity. This includes \$9.5 million in labor income. Visitors supported 380 jobs at businesses visited during their winery trip.

**Comparison to 2011**

In comparison, the industry generated \$53.6 million in activity in 2011. Major drivers for the increase in economic activity include:

- An increase in the number of vineyards and wineries in Minnesota
- An increase in vineyard expenditures for labor, which corresponds with an increase in the use of paid labor
- An increase in the number of tasting room visitors at Minnesota’s wineries

**VINEYARDS IN MINNESOTA**

Of the 110 Minnesota survey respondents, 65 indicated they operated a commercial vineyard.

Responding vineyards report an average size of **4.3 acres** (Chart 2).

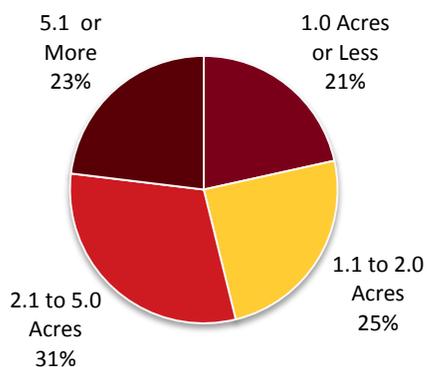


Chart 2: Total Planted Acreage, Minnesota Vineyards, 2015

The percent of vineyards larger than 5.1 acres (23 percent) increased from 18 percent in 2011. The percent with 2.1 to 5.0 acres (31 percent) is up from 22 percent in 2011.

On average, Minnesota vineyards reported harvesting 11,800 pounds of fruit or

approximately **1.4 tons per acre**. Production per acre is lower than the average across the 12 Northern Grapes Project states (3.2 tons per acre). This may partially be a result of the 18 percent of vineyards reporting no production in 2015 (Chart 3).

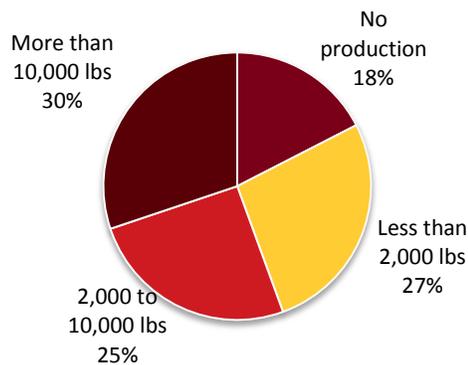


Chart 3: Production, Minnesota Vineyards, 2015

Chart 4 might provide insight into the lower production levels. Eight percent of responding vineyards reported they left grapes on the vine in 2015. Over one-quarter reported low volume produced. Only two percent of vineyards processed to juice before selling their grapes.

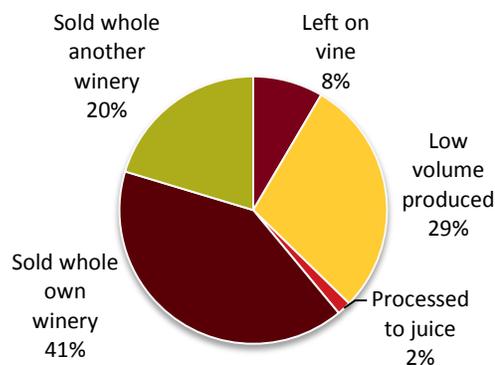


Chart 4: Grape Utilization, Minnesota Vineyards, 2015

On average, reporting vineyards spent \$5,000 on labor. Strikingly though, 46 percent did not pay for labor at all in 2015 (Chart 5).

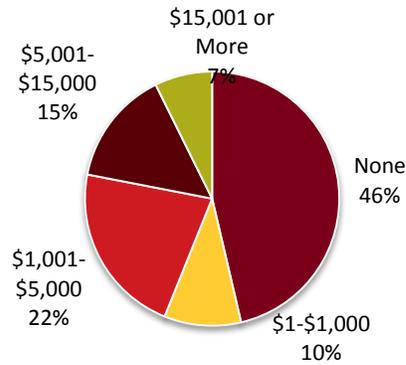


Chart 5: Labor Expenses, Minnesota Vineyards, 2015

While the percent of vineyards reporting no labor expenses remained nearly equal in 2015 (46 percent) compared to 2011 (48 percent), the average expenditure per vineyard jumped from \$1,800 in 2011 to \$5,000 in 2015.

This is the result of vineyards paying for labor reporting an increase in their expenditures. For example, in 2011, 26 percent of vineyards spent between \$1 and \$1,000 on labor expenses. Only 1 percent spent more than \$15,001. In 2015, 7 percent paid more than \$15,001 for labor.

Not surprisingly, vineyard owners/operators are providing the highest share of labor hours (Chart 6).

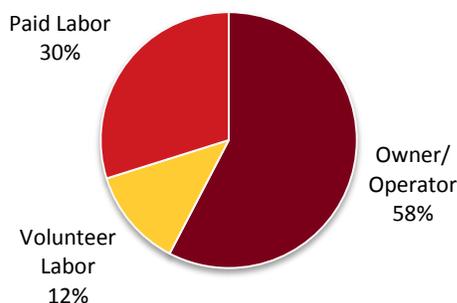


Chart 6: Labor Hours, Minnesota Vineyards, 2015

Owners and operators are not likely paying themselves for labor, but rather taking any profit from the vineyard as income.

Vineyard owners in Minnesota are shifting toward more paid labor. The percent of hours provided by paid labor increased from 22 percent in 2011 to 30 percent in 2015.

Current vineyards show signs of continued growth. Forty-three percent plan to increase in size in the next two years (Chart 7). The slight majority (53 percent), however, plan to stay the same.

This distribution is fairly similar to 2011, with a slight uptick in the percent planning to stay the same. In 2011, 49 percent of vineyards planned to do so.

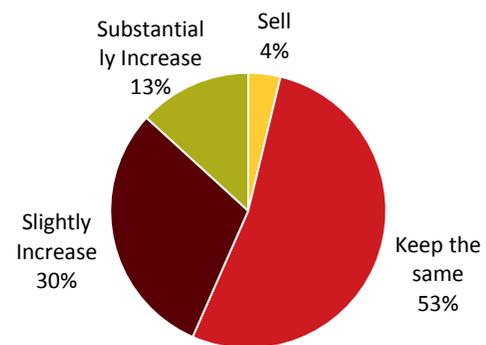


Chart 7: Future Plans, Within Two Years, Minnesota Vineyards, 2015

## WINERIES IN MINNESOTA

Of the 110 respondents, 14 indicated they operated a commercial winery in Minnesota.

Forty percent of responding wineries were established before 2002, while 40 percent were established after 2012 (Chart 8).

According to *Wine Business Monthly*, the number of wineries in Minnesota increased from 42 in 2011 to 52 in 2015, a 24 percent increase (Fransen, 2016).

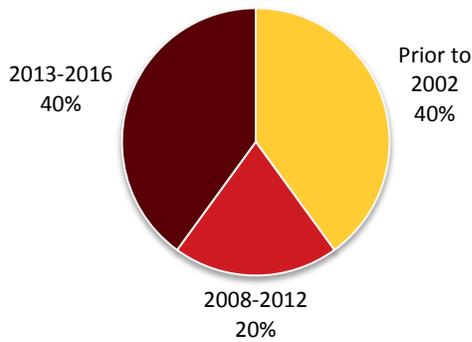


Chart 8: Date of Establishment, Minnesota Wineries, 2015

Wine sales are the main source of revenue for Minnesota wineries (Chart 9).

On average, each winery reported **sales of \$580,000**. This is an increase from average sales in 2011 (\$311,000). The role of events in generating sales has increased from 4 percent in 2011 to 8 percent in 2015.

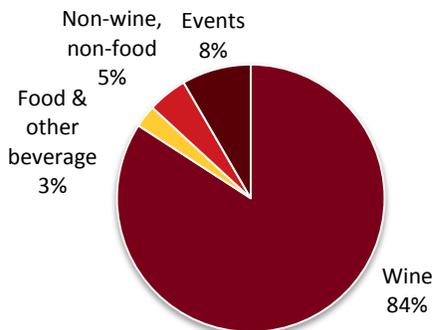


Chart 9: Winery Sales by Category, Minnesota Wineries, 2015

All responding wineries operated a tasting room in 2015 (Chart 10). This is an increase from 2011 when only 68 did. Wineries across the Northern Grapes Project states reported the importance of a tasting room for sales, so it is not surprising to see this increase.

All but one of the responding wineries charge a tasting fee. Forty-three percent offer food and non-wine beverages with wine service.

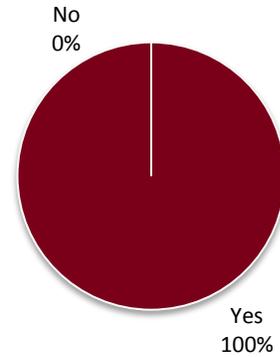


Chart 10: Tasting Room Operation, Minnesota Wineries, 2015

On average, each winery reported **13,600 tasting room visitors** in 2015. This is a substantial increase from the number reported in 2011 (6,800). An increase in tasting room customers drives sales and economic activity.

The importance of winery visitors is clear from distribution channel sales (Chart 11). Over 80 percent of Minnesota winery sales come from tasting rooms.

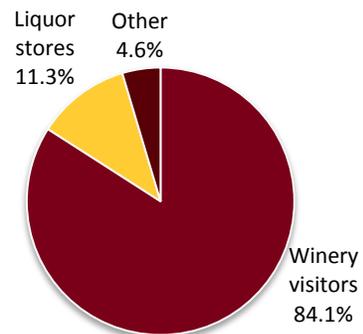


Chart 11: Winery Sales by Distribution Channel, Minnesota Wineries, 2015

On average, each responding winery charged **\$15 per bottle sold**. This is an increase from \$13 charged in 2011, likely because reported sales of \$0 per bottle declined. In 2011, 32 percent of wineries reported earning \$0 per bottle. In 2015, no wineries reported charging \$0 for a bottle (Chart 12).

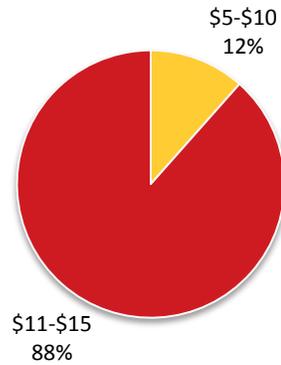


Chart 12: Price Per Bottle Sold, Minnesota Wineries, 2015

A couple factors may have affected this change. First, two unfavorable winters reduced grape harvest. To compensate for this, it appears wine inventories were reduced. Second, most wineries are now functioning and past the initial start-up phase when little to no wine is sold.

Minnesota wineries see value in branding their own wines as a marketing strategy (Chart 13). When asked to rate the importance of several marketing factors, branding one's wine was rated highest, followed by special events and local partnerships.



Chart 13: Importance in Marketing Strategy, Minnesota Wineries, 2015

Minnesota wineries also have plans to grow (Chart 14). Seventy percent plan to expand (significantly or slightly) in the next five

years. Interestingly, 15 percent of wineries plan to sell in the next five years.

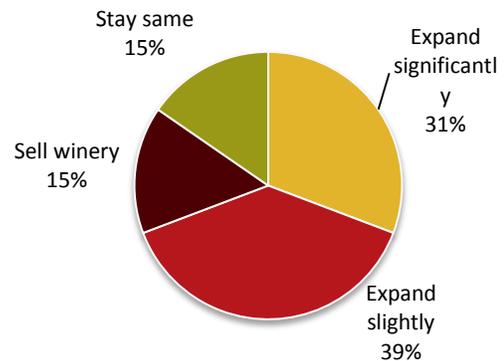


Chart 14: Future Plans, Five Years, Minnesota Wineries, 2015

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Fransen, P. (February 2016). Number of United States wineries reaches 8,702. *Wine Business Monthly*, 77. Retrieved from <https://www.winebusiness.com/wbm/index.cfm?go=getDigitalIssue&issuelid=8170>

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**Full reports on wineries and vineyards of the North are available at [extension.umn.edu/community/economic-impact-analysis/reports/](http://extension.umn.edu/community/economic-impact-analysis/reports/)**