

Texas Wine Sales and Texas Producing Wineries Market Share: A Historical Review of Sales and Potential for Texas Wineries and Impacts from the GO TEXAN Program

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GO TEXAN is a marketing initiative by TDA promoting all Texas agricultural products – food, fiber, wine and horticulture – under one easily recognized trademark: a glowing brand in the shape of Texas. Wine is targeted commodity in the Texas brand of products and has a program similar to other commodities programs such as fiber, livestock, and general agricultural business development.

There are many potential reasons why a state marketing program may work. Researchers at Rutgers University (Adelaja, Brumfield and Lininger, 1990) identified a growing interest among states to assist in marketing agricultural commodities. According to Holloran and Martin, (1989), policymakers typically seek to promote (a) products that have certain state characteristics, (b) promote unique products, and (c) attempt to gain economic returns.

Many states have created wine programs to assist producers in the production and marketing of state produced wines. The Indiana Wine Grape Council states that since its creation in 1989, the number of Indiana wineries has increased from 9 to 30. Additionally, Indiana agriculture has seen more than a 300 percent increase in wine-grape acreage since 1991. In New York, enologists and viticulturists at Cornell University have assisted the 253 wineries experience positive annual growth.

The wine industry in Oregon provides more than \$1.4 billion in economic activity for the state. According to the Oregon Wine Center, this impact is reflected in wages, revenue, taxes, and spending on agricultural technology and supplies for Oregon's wine and wine grape industries. California's wine industry has the largest economic impact compared to other wine producing states and is the fourth largest wine producer in the world. Current figures show there are 1,294 wineries in California. The wine and grape industry supports more than 207,000 full-time

employees with a combined income totaling more than \$7.6 billion. Tourism is one of the many factors working to promote the wine industry in California. There are an estimated 14.8 million visitors each year who spend more than \$1.3 billion while they are in the state.

According to the Texas Wine Marketing Research Institute and the Adam Wine Handbook (2008), Texas ranks fourth in wine consuming state, which identifies exceptional market demand since a large portion of state consumers, seek state produced commodities. Texans also consume over 70 percent of their wine from domestic sources, which again offers opportunities for Texas produced wine. Considering consumption of wine in Texas, demand has increased thirty-eight percent since 1997, which illustrates a large growth in wine demand. In addition to wine demand, wine also exceeds other alcoholic beverages in consumer growth.

Considering the success of the GO TEXAN program, comparable states promoting their agriculture commodities and the increases in Texas wine production and consumption, an assessment of the Texas wine marketing assistance program is an essential effort. The evaluation should also reach into other GO TEXAN program efforts to measure wine impact and be included with other direct Texas Wine Marketing Assistance programs to completely evaluation economic value of the GO TEXAN wine program.

This project is to measure the total consumption of wine in Texas and what portion of that is found to be consuming Texas wine. According to research by Texas Wine Marketing Institute, the industry is impacting the economy by \$1.35 billion (retrieved 12/14/09 from [http://www.depts.ttu.edu/hs/texaswine/docs/FINAL Economic Impact TX 2008.pdf](http://www.depts.ttu.edu/hs/texaswine/docs/FINAL_Economic_Impact_TX_2008.pdf)) , but the question for the industry is how where is wine consumption headed and what share does Texas currently have in the industry. This information will be useful to Texas Department of Agriculture in marketing, Texas Wine and Grape Growers Association in measuring needed production to achieve yields and Texas Wine Marketing Institute in additional data.

The objectives of this research are to:

1. Review historical data Texas Alcoholic and Beverage Commission regarding wine sales tax collections and related total sales of Texas consumers purchases of wine
2. Review Tax collections and direct sales on Texas produced wines
3. Determine origin of wine appellation of origin product consumed in Texas and develop market segmentation and historical changes
4. Develop percent market share Texas wineries hold and a historical review based on sale tax collections

This study will be completed by utilizing sales tax collections data, which is currently only available on-line for 2009. Historical data will be captured by reviewing tax reports and developing a database of at least 10 years of data. This project is unique as it requires a time investment, but once complete is unique market data that is supportive of industry, state marketing and private winery businesses.
