



2024

San Diego County Economic Impact of Wineries

San Diego County – where
California wine began...

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This study was underwritten, in part, by the San Diego County Vintners Association
(SDCVA).

All conclusions, errors and omissions are the sole responsibility of the author. We thank
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Executive Summary

With the novel coronavirus pandemic in the rear-view mirror, small business owners across the country have been learning to adapt to the realities of a new economic and workforce environment. Wineries are also weathering unique industry shifts and consumer trends, including those located in San Diego County. Understanding these business challenges and opportunities facing vintners in the region can bring new insight to policy makers and the public at the large on the future of winemaking in San Diego.

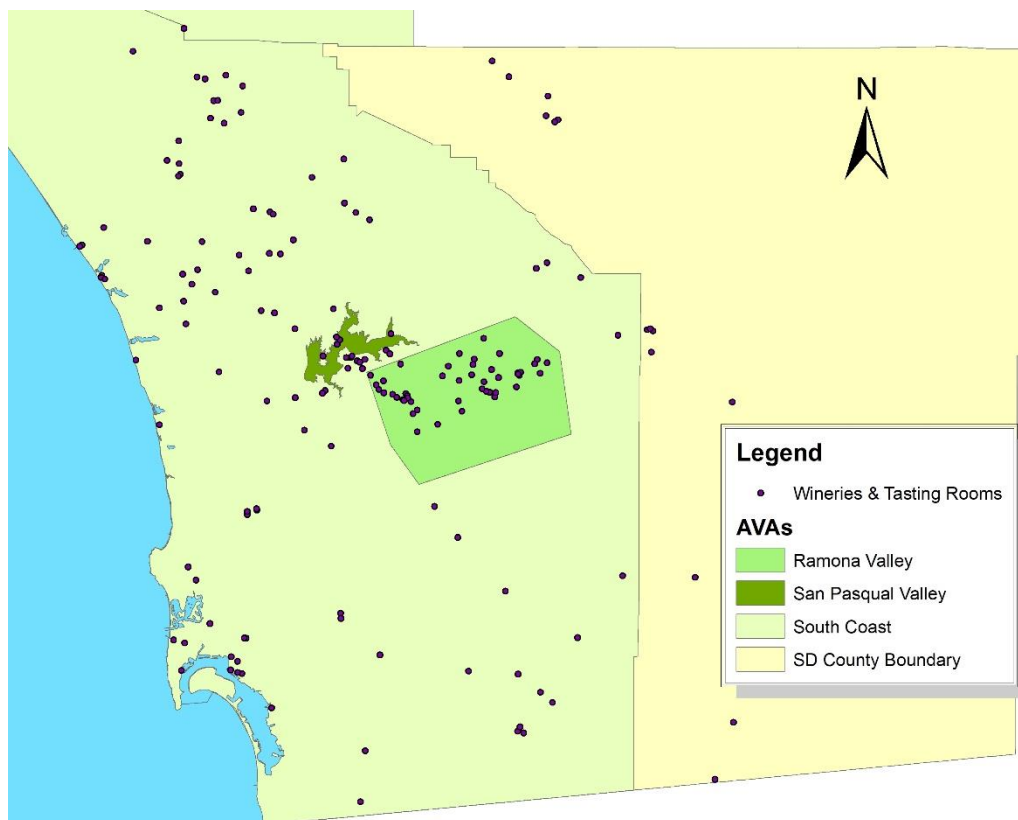
Using survey responses, third-party data sources and geographic information systems (GIS) mapping software, we conducted an economic analysis of San Diego County wineries for 2023. Overall, we found that:

- Data from the California Department of Alcoholic Beverage Control shows that as of March 2024, the San Diego County region is home to 166 active and planned wineries, the same total count of establishments from the prior year.
- We estimate that in 2023, San Diego County wineries generated \$54.5 million in gross sales, an 11% increase over 2022 sales (\$49.1 million), reaching a new all-time record.
- For a second year in a row, newer and expanding wineries led job growth in the sector, which rose to an estimated 802 jobs in 2023, a 13% increase over 2022 totals (709.5).
- Yields from the 2023 harvest season significantly improved from the prior year; most respondents indicated an above average (32%) or average (24%) yield, compared to 2/3rds indicating a below average (66%) harvest yield in 2022.
- With regard to harvest quality in 2023, there was a wider array of responses than in prior survey years, but most respondents gave positive remarks, indicating the quality as excellent (26%) or good (34%).
- Wildfire insurance coverage continues to be a major issue for local vintners. Most (59%) respondents said their insurance rates increased over the past year, and 24% stated they were denied insurance coverage. Few (11%) said their insurance provider and rates have not changed.
- Industry staffing, recruitment and retention continue to be challenges for California-based wineries, and San Diego County is no exception. A trend of declining local average industry wages needs more evaluation and study.

Industry Overview

San Diego’s winemaker community is truly countywide, with vineyards, production facilities and satellite tasting rooms dotted across the region (see Figure 1). The county is also home to three American Viticultural Areas (AVAs) – South Coast, Ramona Valley and San Pasqual, where most of the vineyards can be found. Local regulatory changes, ideal climate conditions, fertile native soil, a global tourism market and large residential population have all contributed to the economic vitality of the San Diego wine industry.

Figure 1: Wineries and Satellite Tasting Rooms in San Diego County, March 2024



For this report, we updated our methodology for tabulating winegrower license data from the California Department of Alcoholic Beverage Control (ABC), which often includes duplicate and inactive businesses, meaderies, cideries, and out-of-county wineries. We increased our scrutiny of license holders that have not opened an establishment, to verify their business status as “planned”

versus “inactive.” As of March 2024, our analysis shows that 166 unique active and planned wineries are located in San Diego County, the same total count from 2023. While some of this may be due to our updated methodology, there have also been local wineries that have shuttered and not renewed their ABC license. Still, there are eight new ABC Type 2 winegrower licenses that have been issued in San Diego County since the publishing of our last economic report in May 2023, an indication of continued industry interest and entrepreneurial activity.

2023 and Annual Survey

With lingering inflation, a housing crisis and labor shortages negatively impacting small business owners across the region, we were particularly interested to see how San Diego wineries were managing operations, and their outlook for the future. To investigate these questions and others, we partnered with the San Diego County Vintners Association (SDCVA) to distribute an 18-question survey to its members. We also directly distributed the survey electronically from our proprietary contact list of wineries and winery owners in the region, sourced from online industry directories, and winery social media accounts and websites. The survey was distributed from mid-to late-February 2024 over multiple rounds. Overall, we received 38 survey responses, generating a 23% response rate.

Sales

One of the principal questions we include with every industry survey is asking respondents to estimate their total gross annual sales revenue. The responses received are compiled, and data for non-participating wineries is supplemented using company sales data (actual and modeled) from Dun & Bradstreet, a best-in-class proprietary business record database. From our data evaluation, we estimate that in 2023, San Diego County wineries generated a combined \$54.5 million in gross sales for the year, an 11% increase over 2022 sales (\$49.1 million) (see Table 1).

Table 1: Estimated Gross Sales for San Diego County Wineries, 2019-2023

2019	2020	2021	2022	2023
\$46,236,060	\$37,100,211	\$44,172,206	\$49,136,052	\$54,598,624

It should be noted that revenue growth in 2023 was mostly driven from the new and expanding large wineries in the region adding significant jobs and sales activity. Most of the smaller wineries are either experiencing another year of flat or declining sales or making modest increases in sales. Indeed, a February 2024 report indicated that year-over-year Direct to Consumer (DTC) winery sales largely declined across most metrics, though some California wine regions saw marginal sales increases.¹

Harvest

The 2023 wine grape harvest season in California was generally exceptional in quality and yield, due to winter rains and cooler spring and summer temperatures, resulting in an extended ripening time for grapes. San Diego County also stood to benefit from these larger weather patterns and events impacting the state that year. The 2023 California Harvest Report published by the Wine Institute at the University of California, Davis gave a detailed description of the region’s harvest:

This is a vintage for great ripeness and full flavors in San Diego County. All aspects of fruit development occurred later than normal this year, and some issues occurred with flowering and shatter due to weather conditions. Vines responded positively to the season’s plentiful rainfall and growers were able to let additional clusters carry through to harvest due to the plant vigor. The region experienced no issues with flooding. Harvest began three weeks later than normal. Although spotty instances of powdery mildew presented challenges for growers, they reported great overall quality and 30% larger yields for some varieties. Tempranillo and Malbec showed exceptional quality and vintners reported great flavors and higher alcohol levels for the 2023 vintage.²

¹ Source: 2023 Direct-to-Consumer Impact Report. WineDirect x Enolytics. <https://info.winedirect.com/hubfs/WineDirectxEnolytics-2023DTCImpactReport.pdf?hsLang=en>
² Source: 2023 California Wine Harvest Report. Wine Institute. UC Davis. https://wineinstitute.org/wp-content/uploads/2023/12/Wine_Institute_2023_Harvest_Report_rev.pdf

Our survey confirmed similar findings – nearly 1/3 (32.43%) of respondents said their harvest yield was “Above Average,” the highest response rate we have received since the 2017 harvest (46.15% indicated in 2017 the yield was Above Average). The harvest quality also received mostly positive remarks, with nearly 6 in 10 stating the quality as “Good” (34.21%) or Excellent (26.32%).

Chart 1: Harvest Yield, San Diego County, 2019-2023

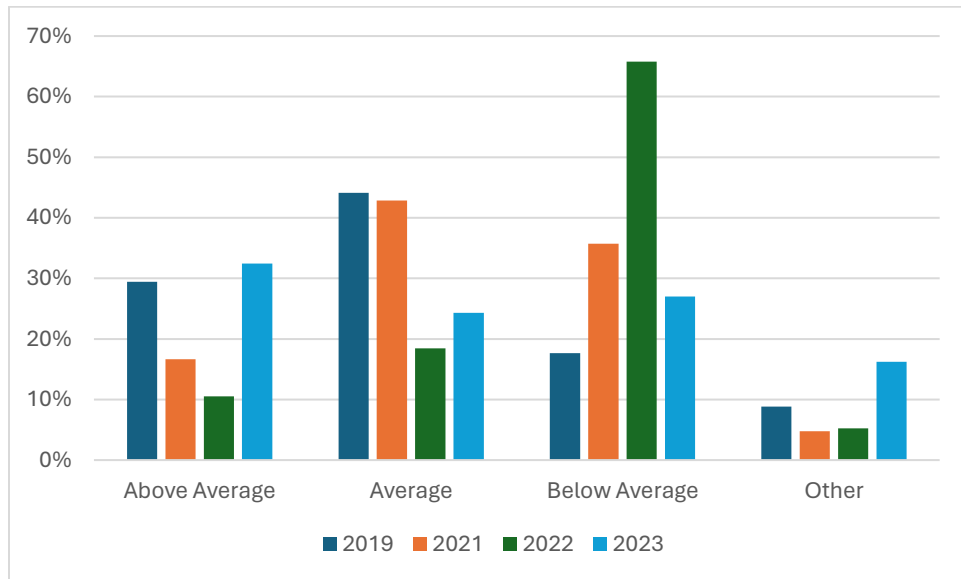
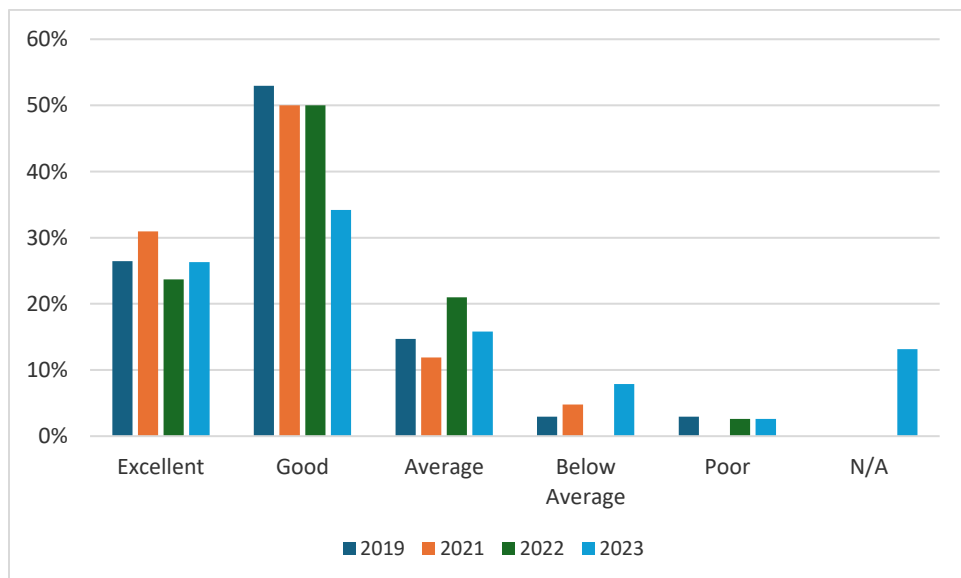


Chart 2: Harvest Quality, San Diego County, 2019-2023

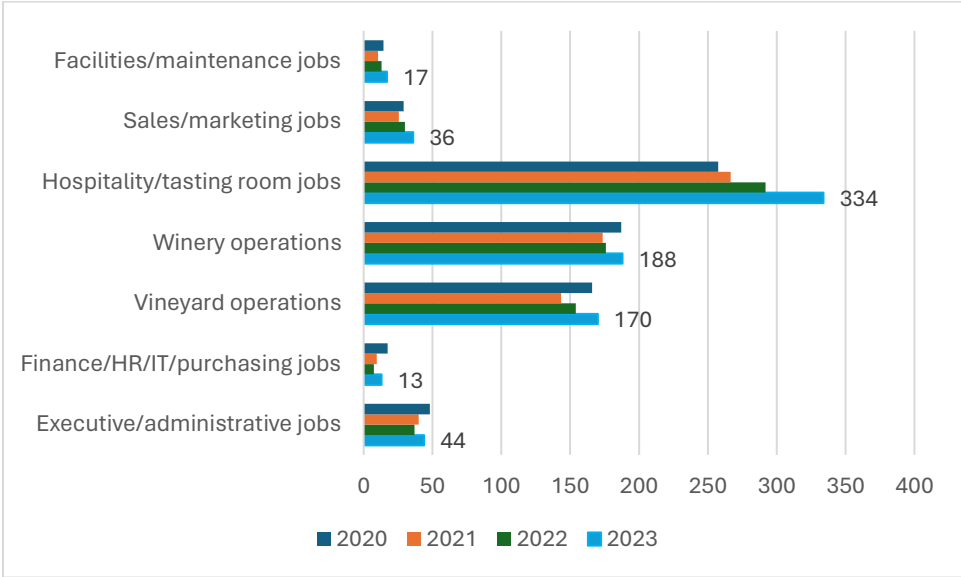


As part of our survey, we ask respondents to identify the wine grape varieties grown, cultivated and/or sold each year, excluding fruit purchased outside of the region. For 2023, we found that there were at least 48 unique varieties grown in the county, which is an increase from the prior year's tally (41) and is within the range of responses we have received in prior survey years to this question (45-62). Cabernet Sauvignon regained its top spot as the most popular variety, followed by Sangiovese, Syrah, Merlot and Grenache.

Workforce & Wages

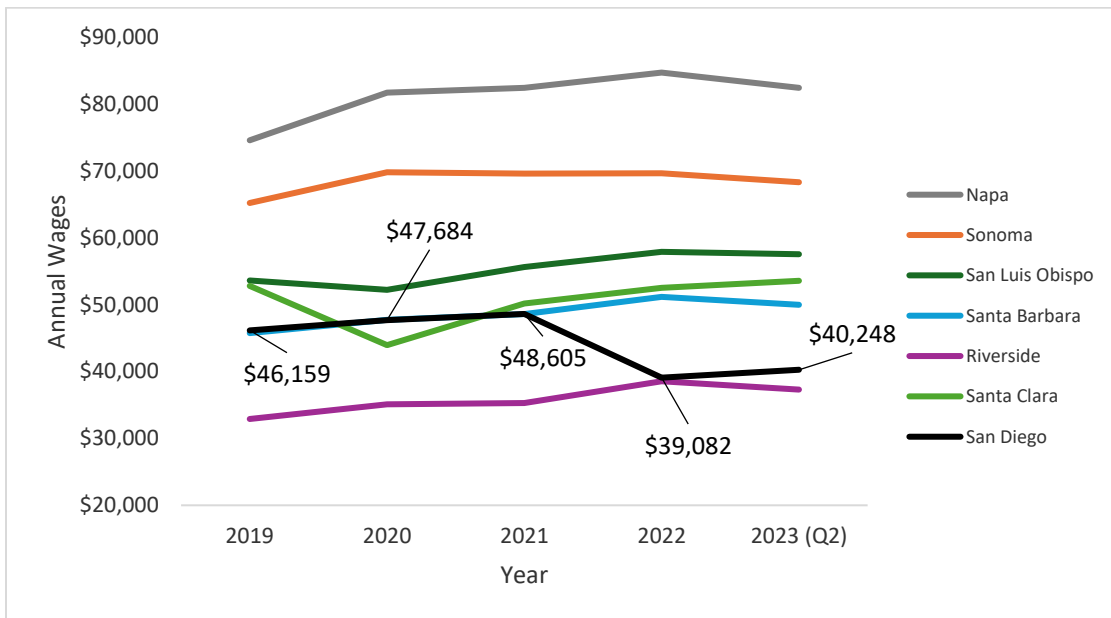
Newer and expanding wineries continue to lead industry job growth for a second year in a row, with the total number of industry jobs in the county rising to 802 in 2023, a 13% increase over the prior year (709.5). As revealed in Chart 3, most additional jobs were hospitality and tasting room jobs. Additionally, most other occupations have now surpassed 2020 levels, an indicator that the industry has shifted away from the pandemic and its negative effects on employment.

Chart 3: San Diego County Wine Industry Workforce, by Occupation, 2020-2023



Taking a closer look at industry wage data from the U.S. Bureau of Labor Statistics reveals that salaries are flattening and declining across all benchmark wine regions in California, and San Diego County is no exception (see Chart 4). We see evidence of a broader wage trend impacting wineries – the struggle to recruit and retain talented workers, the increased hiring of lower wage entry-level workers, more part time employees replacing full time employees, more boutique winery owners taking on additional roles, and reductions in force. California’s housing affordability crisis, which is more acute in San Diego County, is also likely having an impact. We propose including new survey questions on staffing and hiring practices and employee issues in the future to monitor and evaluate this concerning industry wage trend.

Chart 4: Average Annual Industry Wages, by County, 2019-2023 (Q2)



Coronavirus Pandemic & Business Operations

In prior surveys, we asked a series of questions about the impact of the novel coronavirus pandemic on business sales and operations. A clear trend emerged that indicated that overall, wineries have recovered and moved on from the pandemic and its negative effects (see Table 2). One of the major issues the pandemic created was disruption in the industry supply chain and sourcing of goods and services. This year, when we asked which industry supplies were difficult to

source in 2023, a resounding 81% stated they had no issues with sourcing, a major shift from the 19% of respondents which stated the same for 2022. Glass (19%) was the one major winemaking product that was difficult to source last year, but was still significantly easier to obtain than in the pandemic years of 2021 and 2022 (80% and 81%, respectively).

Table 2: Survey Responses to “Which supplies have been difficult to source in 2023? Please select all that apply:”

Answer Choices	2021	2022	2023
Glass	80%	81%	19%
Corks, capsules and closures	15%	11%	3%
Cartons/corrugated cardboard	3%	6%	0%
Equipment	13%	6%	0%
Labels	28%	17%	0%
Barrels	0%	6%	0%
None	15%	19%	81%

Rising business prices have been steadily impacting regional wineries since the start of the pandemic, with no relief; more than 6 out of 10 respondents (63%) indicated that business costs for goods and services have had a large increase in prices since March 2020 (see Table 3). This response rate has risen and kept steadily high since 2022.

Table 3: Survey Responses to “Comparing now to what was normal before March 13, 2020, how have the prices your business pays for goods and services changed?”

Answer Choices	2022	2023	2024
Large increase in prices	44%	65%	63%
Moderate increase in prices	46%	30%	26%
Little to no change in prices	10%	3%	11%
Moderate decrease in prices	0%	3%	0%
Large decrease in prices	0%	0%	0%

With regard to wineries and the net retail prices they charge, fewer respondents are expecting to increase prices this year compared to the prior pandemic years (see Table 4). The number of wineries indicating the need for moderate price increases is down nearly half compared to 2022 (18% versus 33%, respectively), and the responses indicating a hold this year on average prices grew to more than a third (37%). This suggests that winemakers have stabilized their business operations, and consumer demand for wine and tasting room visits has returned.

Table 4: Survey Responses to “Select the statement that most closely matches your belief about the expected net retail price changes for your wines this year.”

Answer Choices	2022	2023	2024
Strong decrease: I need to take strong price reductions on most of my wines	3%	3%	0%
Moderate decrease: I need to take modest price reductions on most of my wines	3%	0%	3%
Small decrease: I need to take some small price reductions on select SKUs	5%	3%	8%
Hold prices: I can pretty much hold my shelf price on average	30%	30%	37%
Small increase: I can take some small price increases on select SKUs	28%	38%	34%
Moderate increase: I can take modest price increases on most of my wines	33%	27%	18%
Strong increase: I will be able to take strong price increases on most of my wines	0%	0%	0%

We also asked respondents which, if any, business activities they will need to do over the next six months (see Table 5). Similar to prior years, the top response was to “increase marketing or sales” (61%). Two notable changes in response from prior surveys is the second top answer choice was “none of the above” (29%), which is the first time this choice has been ranked second. This is another indication that consumer demand for wine has returned, and the business-related challenges of the pandemic are no longer an issue. We would also point out that significantly fewer respondents indicated a need to “identify and hire new employees,” the number of respondents selecting this answer choice shrunk from 35% in 2022 to 18% this year. We believe this requires more investigation – this may be due to a combination of factors, with more boutique wineries forgoing the cost and time to hire new employees, and some wineries finding additional hiring to be unnecessary and/or financially unfeasible.

Table 5: Survey Responses to “In the next six months, do you think this business will need to do any of the following? Please select all that apply:”

Answer Choices	2022	2023	2024
Obtain financial assistance or additional capital	11%	13%	11%
Identify new supply chain options	32%	18%	16%
Develop online sales or websites	32%	34%	26%
Increase marketing or sales	49%	66%	61%
Identify and hire new employees	35%	26%	18%
Make a capital expenditure	30%	32%	26%
Cancel or postpone a planned capital expenditure	14%	8%	11%
Identify potential markets for exporting goods or services	3%	3%	5%
Permanently close this business	3%	0%	5%
None of the above	16%	18%	29%

Other Issues

One of the major issues facing wineries in California is the cost and availability of insurance, particularly those located in more wildfire-prone areas, or those located in the wildland-urban interface. Our survey last year identified that most (54%) respondents said their insurance rates increased over the prior year, a figure which slightly grew this year (59%) (see Table 6). We would also note that a growing number of respondents indicated they now have insurance coverage under the California FAIR Plan, a last resort basic insurance plan that has soared in popularity due to more insurance companies leaving California or significantly raising rates. Few respondents indicated that their insurance provider or rates have not changed in the prior year (11%).

Table 6: Survey Responses to, “Has your wildfire insurance coverage changed since January of the prior year? Please select all that apply.”

Answer Choices	2023	2024
My insurance rates increased	54%	59%
I was denied insurance coverage	22%	24%
I changed my insurance company	16%	19%
I now have coverage from the California FAIR Plan	22%	30%
I currently do not have wildfire insurance	19%	19%
My insurance provider and rates have not changed	14%	11%

With regard to proactive wildfire prevention measures, more respondents this year indicated they were taking action to protect their property from wildfire threats than in 2023 (see Table 7). All major answer choices saw response increases, and the majority of respondents now noted that they have removed vegetation and created a defensible space around their property (61% and 53%, respectively), a shift from the prior year when less than half of respondents made these answer choices (47% and 39%, respectively).

Table 7: Survey Responses to “What actions have you taken to reduce the risk of wildfires at your winery? Please select all that apply.”

Answer Choices	2023	2024
Removed fuel/cut back brush & vegetation	47%	61%
Created defensible space/buffer around the perimeter of the property	39%	53%
Fire gel retardant or other mitigation measure to save physical structures is on site	5%	8%
Firefighting equipment is on site (water truck, dozer, shovels, et al)	18%	26%
Other	5%	0%
None of these apply/no action taken	42%	32%

We have also asked wineries what, if anything, they are doing to increase the use of technology, automation or mechanization in their business since the start of 2020 (see Table 8). While half (50%) of respondents indicated they have not adopted any of the products or services listed in our answer choices, top responses this year were for app-based payment systems for online sales (26%) and tasting room sales (18%), and sales and marketing data analytics (18%).

Table 8: Survey Responses to “Has your winery added new products or services that increase your use of technology, automation or mechanization since January 2020? Please select all that apply.”

Answer Choices	2023	2024
Online reservation system for tasting room appointments	21%	8%
App-based payment system (Venmo, Square, et al) for online sales	21%	26%
App-based payment system option for tasting room sales	29%	18%
QR codes on wine bottles/in tasting room	8%	3%
Sales/marketing data analytics	11%	18%
Mechanical pruning	3%	5%
Mechanical harvesting	3%	0%
Drone tanker system for vineyard spraying	0%	0%
Other	5%	11%
None of the above	39%	50%

Lastly, we were interested to evaluate what local impact (if any) that the “Dry January” phenomenon had in 2024, whereby consumers abstain from consuming alcoholic drinks during the first month of the year. We informed respondents that “a recent national poll shows 21% of drinking-age U.S. adults said they were participating in some form of reduced alcohol consumption in 2024 for this year's "Dry January" abstention period. Comparing monthly sales activity between the months of January 2023 and January 2024, what change in sales activity was there, if any, at

your winery?” We would note that slightly more than half of respondents indicated less sales activity in January 2024 compared to January 2023 (see Table 9), however it is important to recognize that the region experienced a record-setting rain event on January 22nd which caused significant flooding and displacement in some communities. Additional survey data is needed to confirm what effect, if any, Dry January had on local winery sales, but we can confidently say that regardless of the reason, local wineries saw fewer sales in January 2024 compared to January 2023.

Table 9: The Impact of Dry January on San Diego County Wineries

Answer Choices	Response
Significantly less sales activity	18%
Somewhat less sales activity	34%
About the same sales activity	18%
Somewhat more sales activity	16%
Significantly more sales activity	5%
Not Sure/Don't Know	8%

About the Author

Vince Vasquez is an independent economic data analyst and executive director of the Policycraft Institute, a public policy think tank based in Carlsbad, California. Professionally, Vince has worked as a public policy researcher for more than eighteen years. He has authored more than forty policy papers on a range of economic and workforce issues, including craft brewing and the wine industry. Vince has a bachelor's degree in political science from the University of California, San Diego, a master's degree in business administration from National University, and has completed coursework in viticulture and enology at MiraCosta College.

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The San Diego County Vintners Association (SDCVA) is a non-profit member association dedicated to supporting the San Diego viticulture and winemaking community, educating local wine enthusiasts and embracing sustainable agricultural practices in the county.