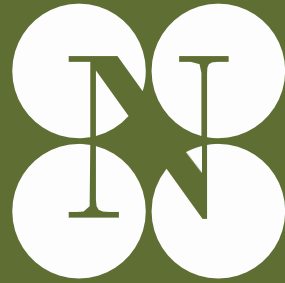




*napa valley vintners*

# Napa County Industry Education Session

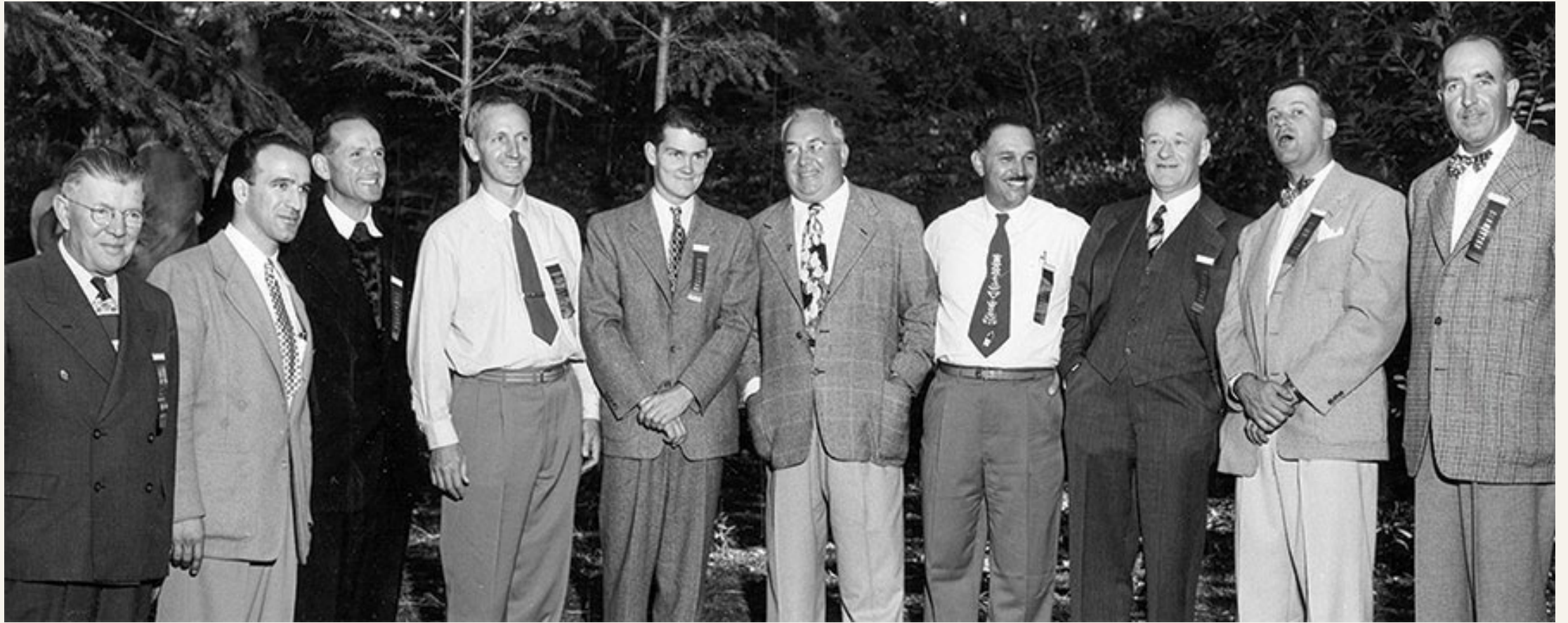
September 9, 2025



# Introduction of Napa Valley Vintners

Presented by:  
Linda Reiff, NVV

# HISTORY



Napa Valley Vintners (1944)





# TODAY

- **550** wineries strong
- **95%** family owned
- **80%** produce less than 10,000 cases/year





# Mission

To promote, protect and enhance the Napa Valley wine region

# Vision

Napa Valley is the leading wine region, preserved for future generations



# A Year in the Life of NVV

✓ **170** Marketing Programs



**35** Education Sessions



**25** Advocacy Efforts



**+** Environment and Community Stewardship

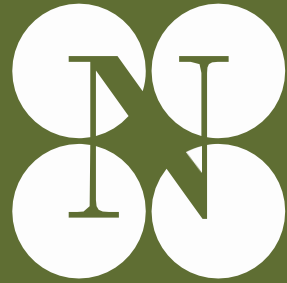




# Agenda

1. Wine Macroeconomics
2. The Bottom Line:  
Mechanics of Operating a  
Profitable Winery
3. Wine Regulations:  
Federal, State, Local,  
International
4. Napa Leads:  
Environmental &  
Community Stewardship





# Understanding the Impact: A Macroeconomic Look at the Challenges Facing the Wine Community

Presented by:

Dale Stratton, Azur Associates



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# We are a team of Advisors

with deep mergers & acquisition, strategy, sales, data, marketing, finance and production experience across the finest beverage companies in the world.



PAT DELONG

Founder & Managing Partner



ED LEMAY

Principal, Route to Market



DALE STRATTON

Managing Director, Strategic Insights & Data



EMILIE ELIASON

Managing Director, DTC & Brand Marketing



DORI HAVNER

Associate, M&A + Financial Planning & Analysis



MATT PARISH

Managing Director, Winemaking & Production



DANNY BRAGER

Managing Director, Category & Consumer Insights

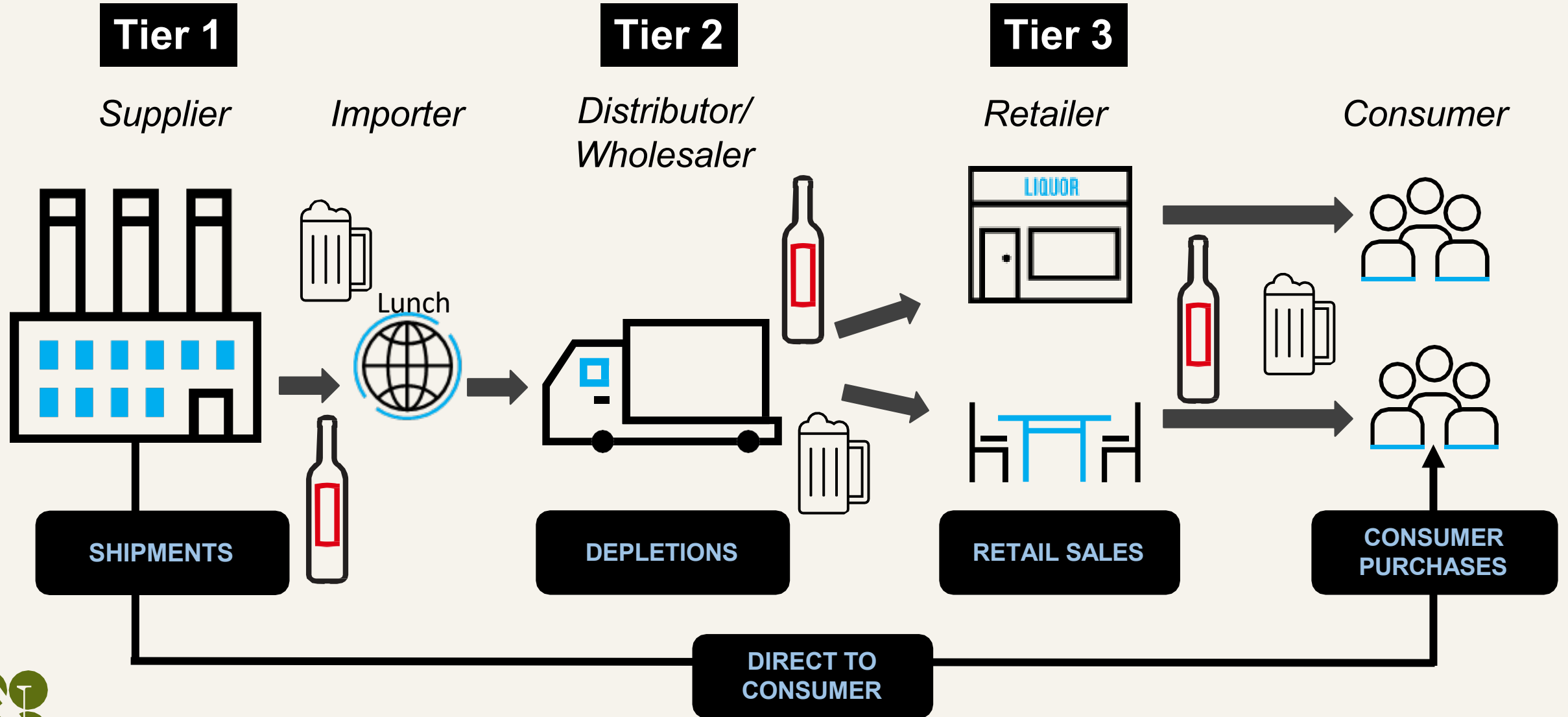


GRIFFIN MITCHELL

Vice President, M&A + Financial Analysis



# The Three-Tier System





# THE LONG GAME

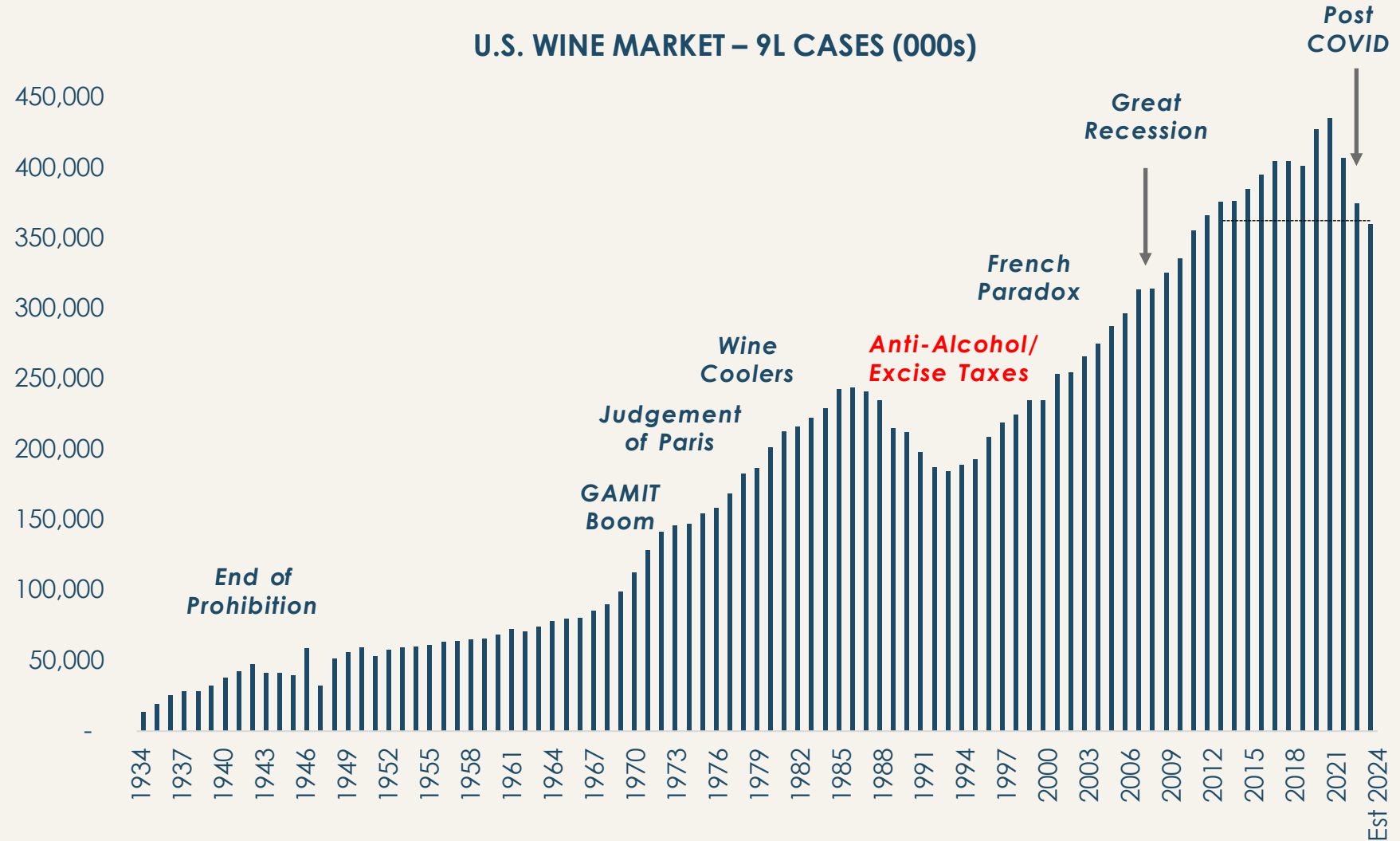


# Wine Category Macro Trends

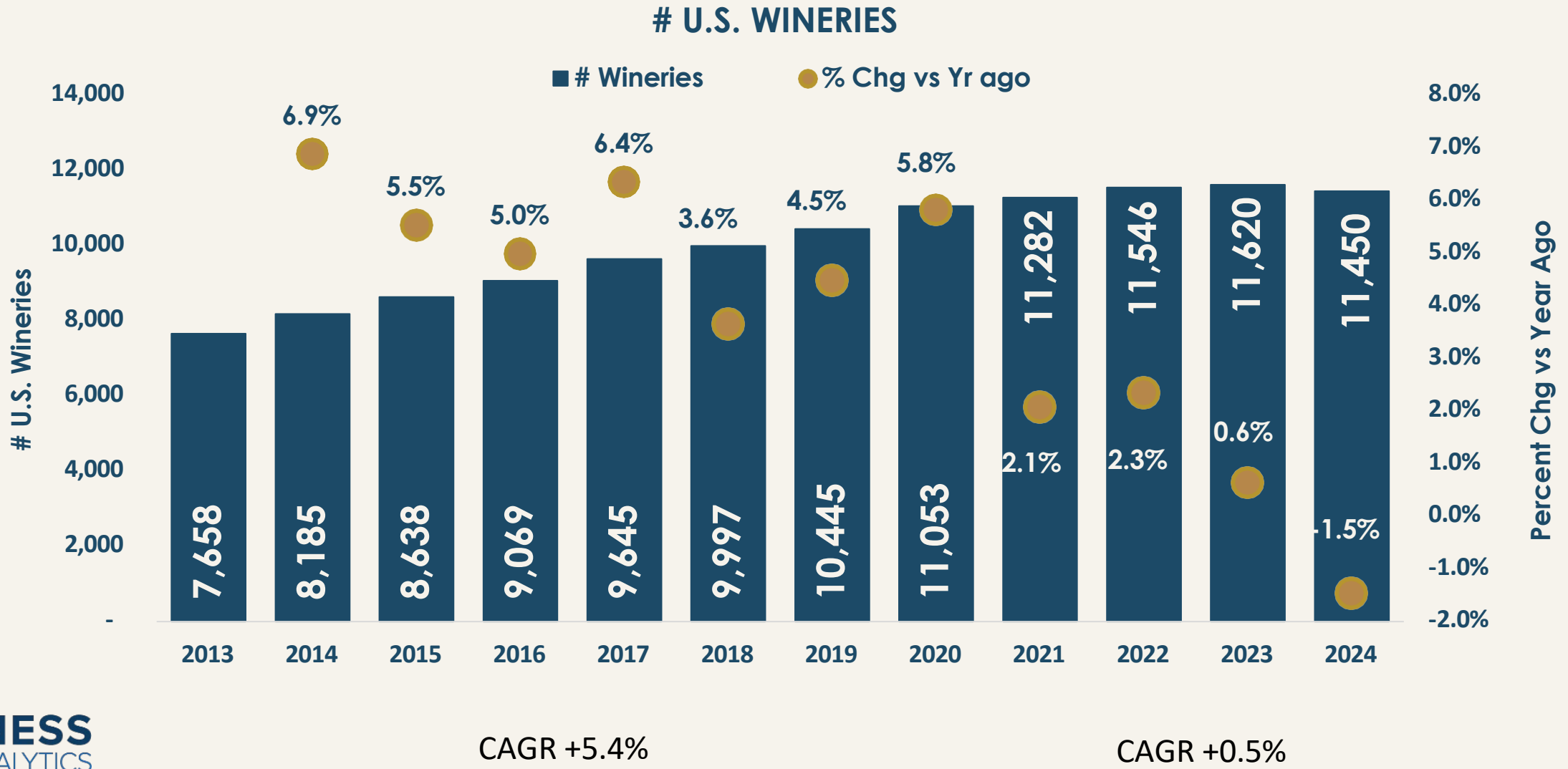
- **Wine has come a very long way** since prohibition.
- This has included **some periods of decline**, particularly in the mid-1980's
- At an estimated **360M cases in 2024**, the category is now about the same size it was in 2012.
- We believe there will be **more decline over the next couple of years**; however, **certain segments and price categories will fare better**.
- Understanding where you fit, using facts and data, and then applying acute focus will **improve your ability to participate in the long game**.



U.S. WINE MARKET – 9L CASES (000s)



# Growth In Permitted Wineries Has Stalled-Likely To Continue





# Challenges: Cyclical or Structural?

- Economic
  - Cumulative Inflation
  - Reset of Interest & Exchange Rates
  - High Consumer Debt
  - Tariffs: Import & Export
- Consumer Changes
  - Generational/Lifestyle Changes
  - Demographic Changes
  - Expanding Repertoire
- Competitive Landscape
  - Within Beverage Alcohol
  - Beyond Beverage Alcohol
- Anti Alcohol Voices



# It's Not Just The Wine Category-All Beverage Alcohol In Decline

Dec 2020



+4.7%



+0.3%

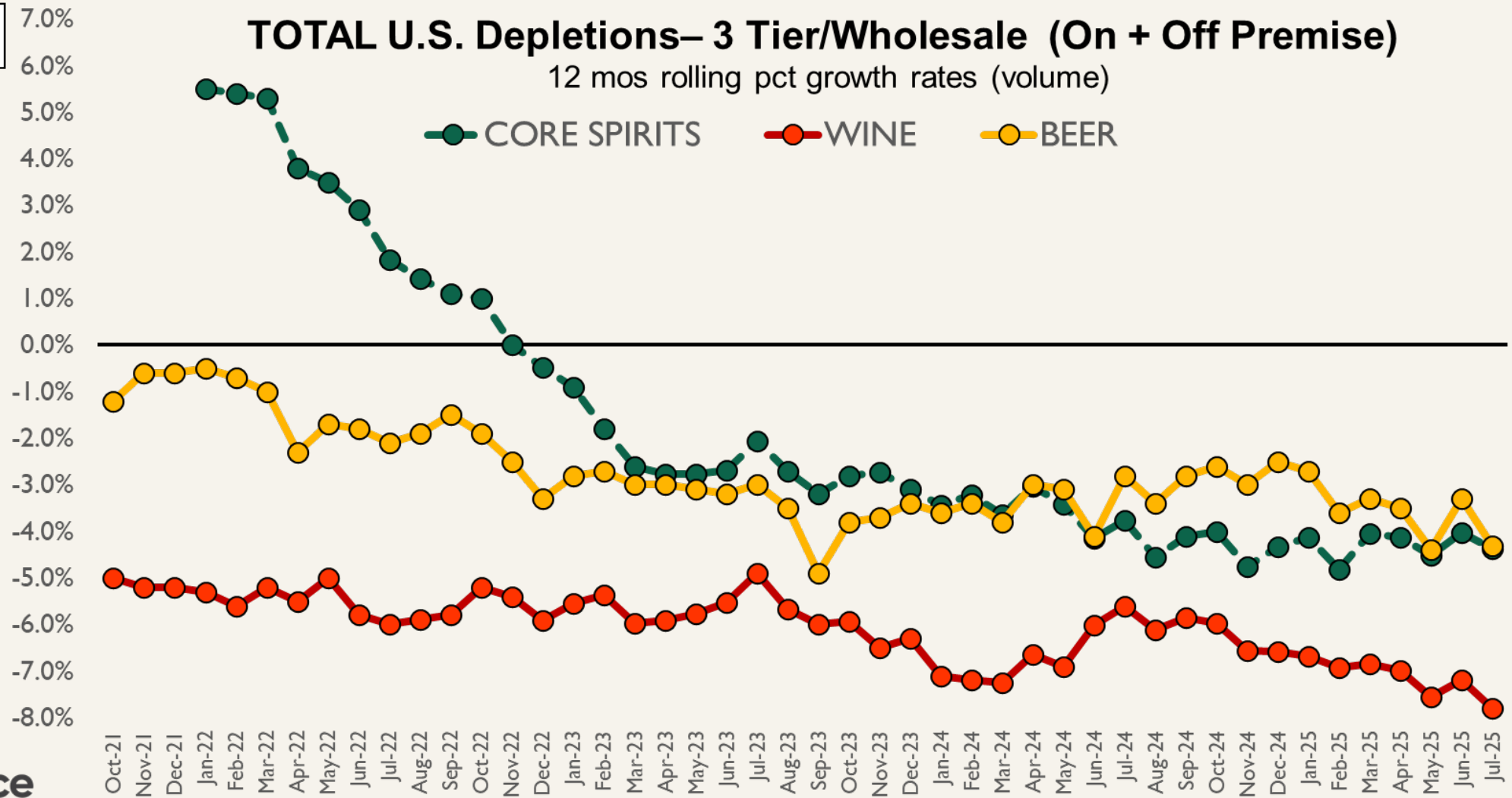


+1.2%

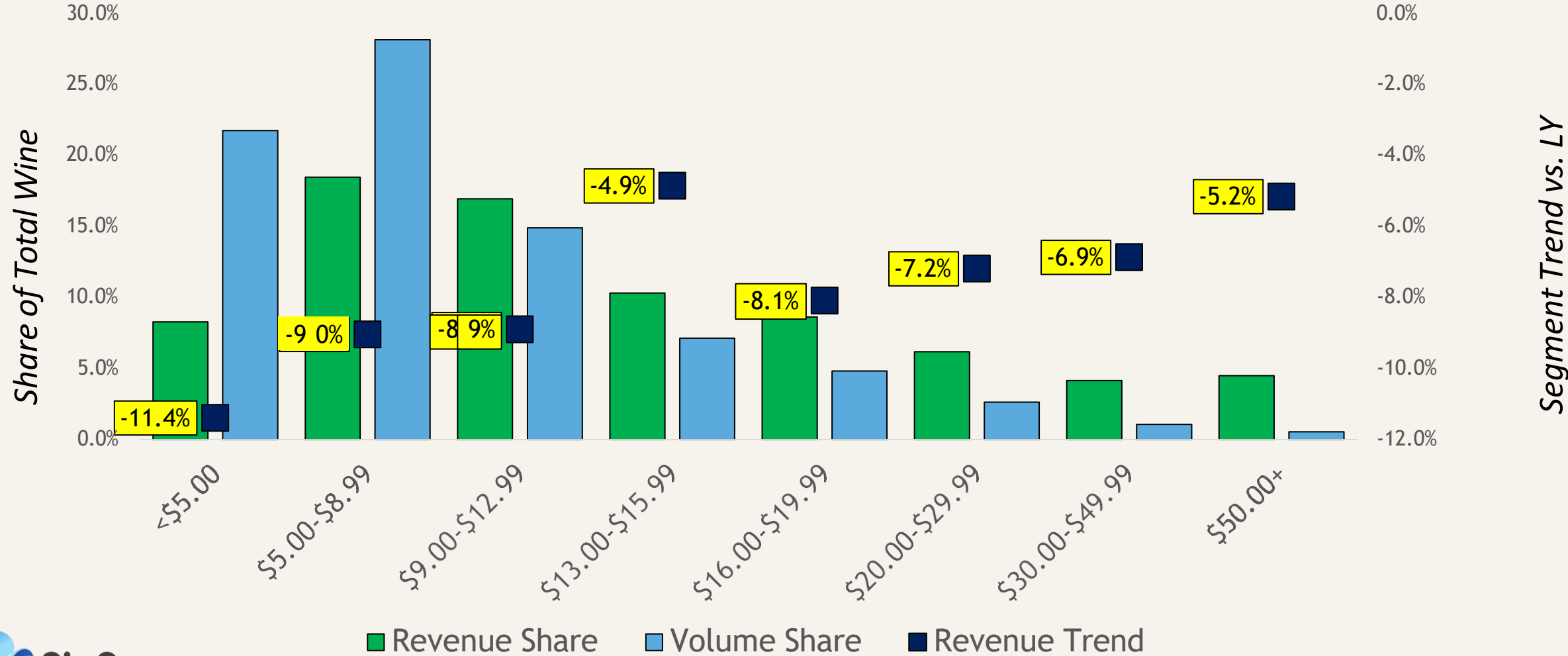


## TOTAL U.S. Depletions— 3 Tier/Wholesale (On + Off Premise)

12 mos rolling pct growth rates (volume)

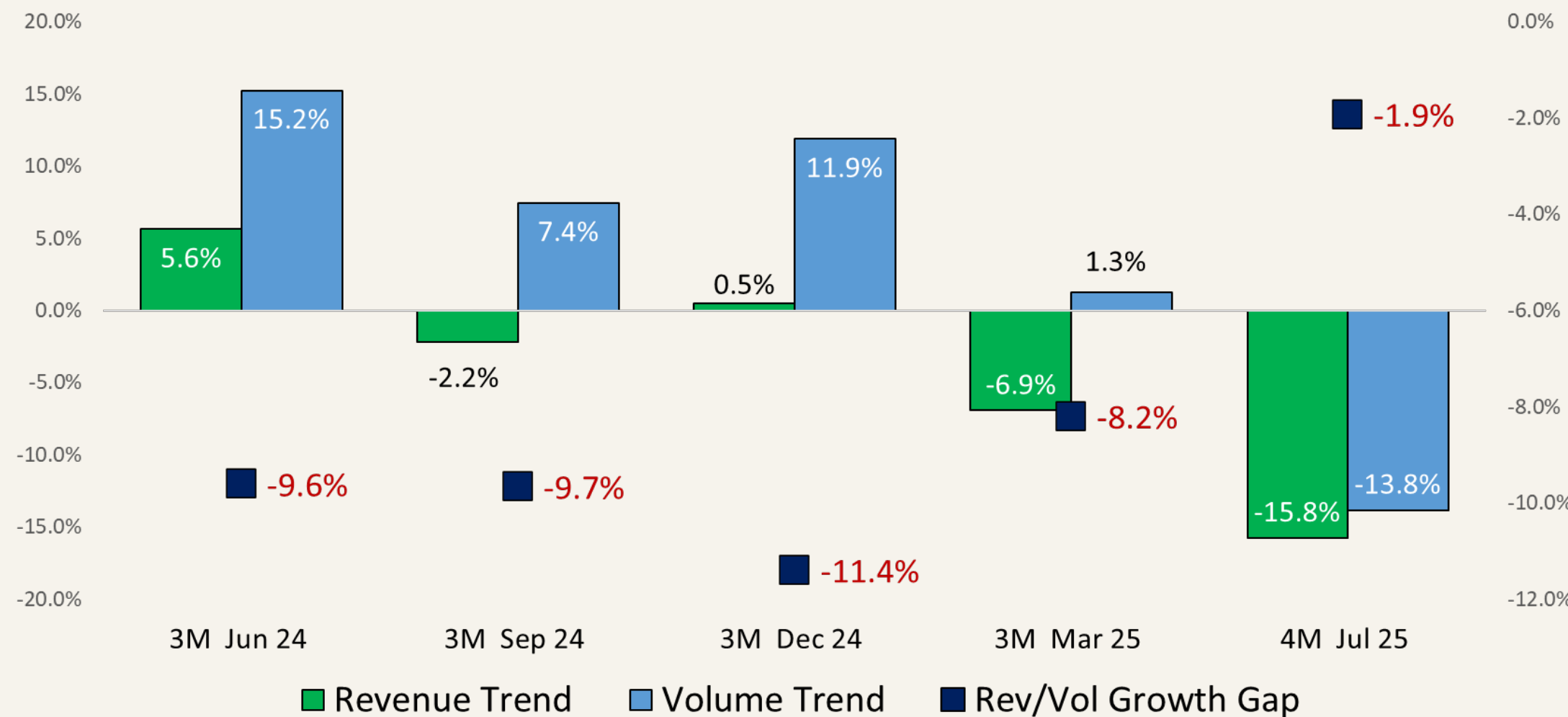


# While All Price Segments Are Declining-Higher Prices Doing Better

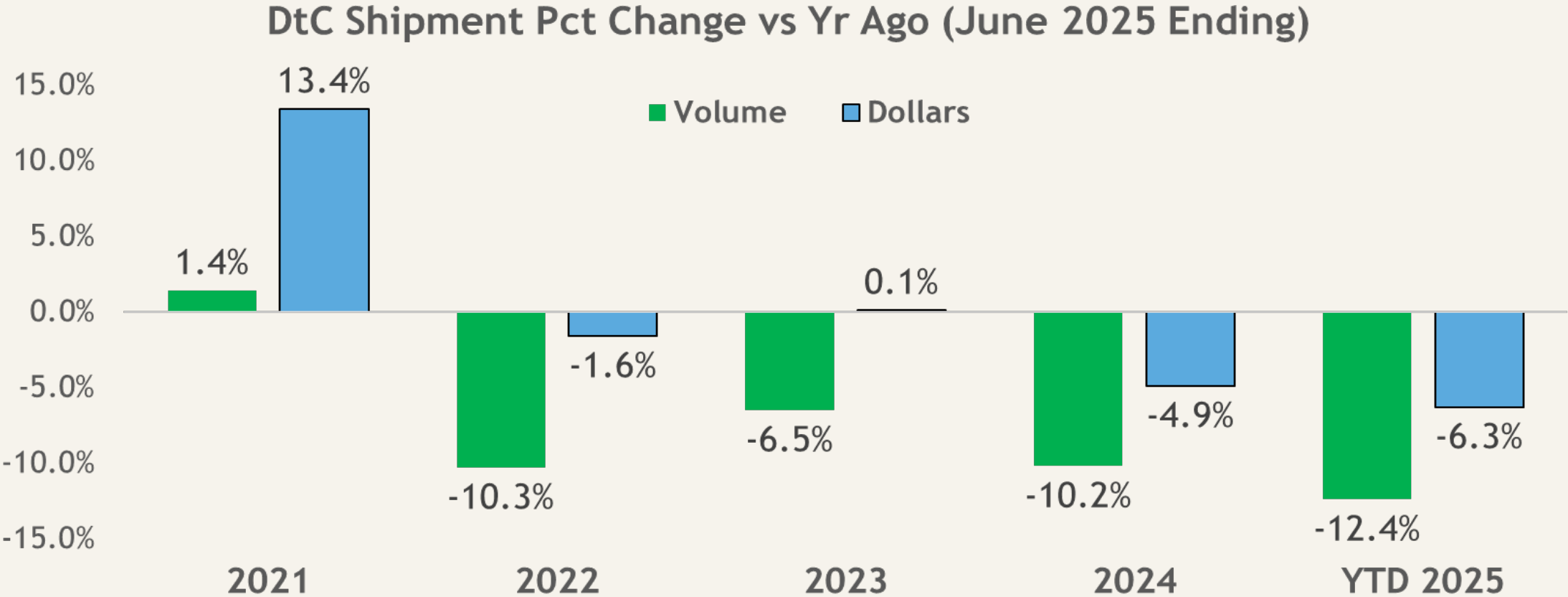




# Significant Discounting Drove Volume For Over \$50.00 Domestic Wine



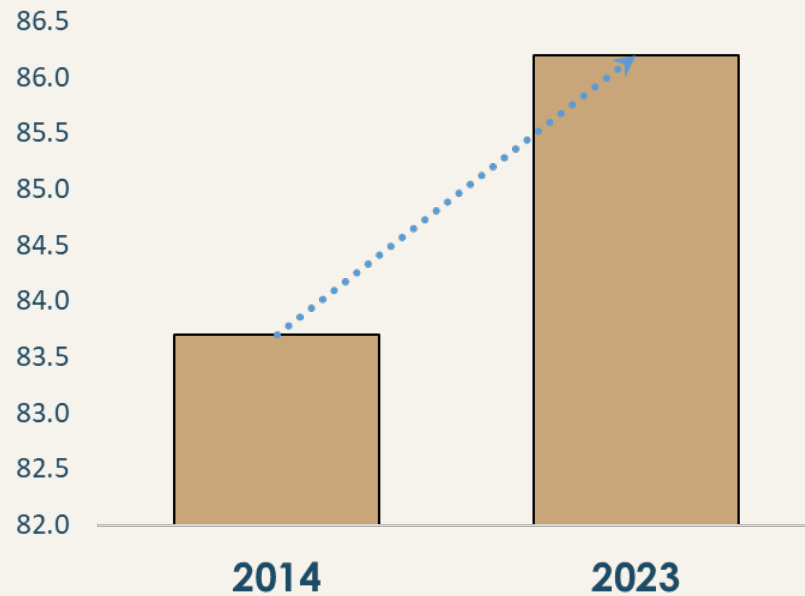
# The Once Reliable DTC Channel Continues to Decline



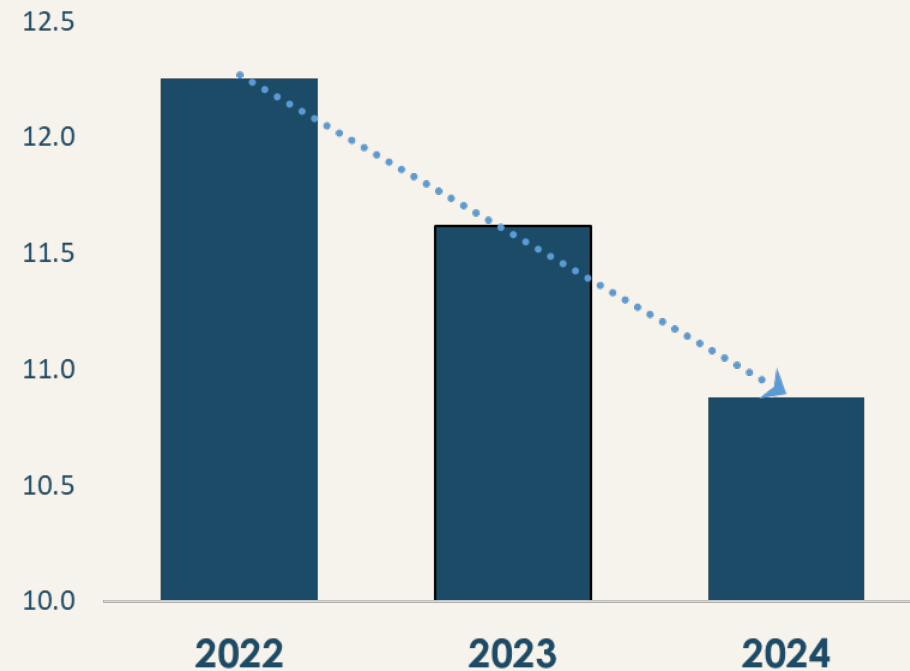
# Beverage Alcohol Pie Is Shrinking & Fragmenting

In the long run, the primary challenge is not the total number of wine drinkers;  
it's the declining frequency of wine occasions among them

# WINE DRINKERS - MM



WINE SHOPPING/PURCHASE  
OCCASIONS PER BUYER



Source: NIQ Consumer Panel (All Outlets – Off Premise) – 12 mos ending Nov of each year

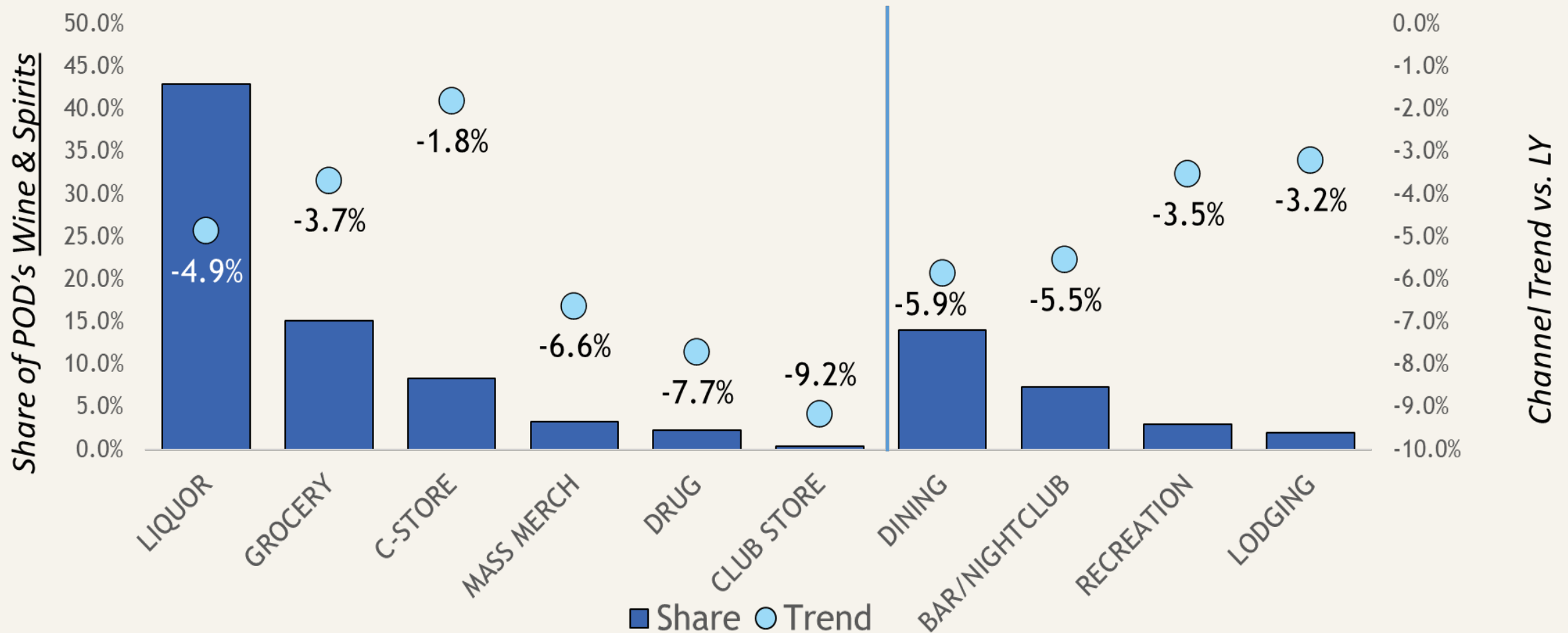


NIQ



# Retail & Restaurant Operators Are Reducing Selection: PODS

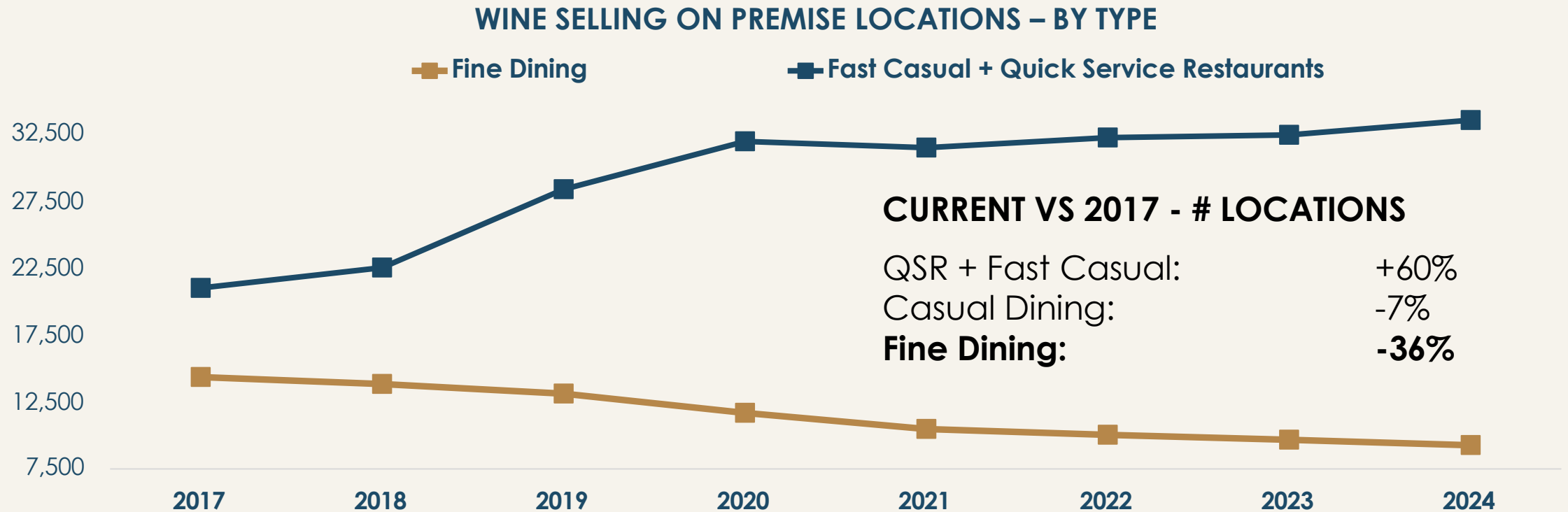
## -4.7%



July 2025 12-Month % Change vs. LY

# The On-Premise World Has Changed

Fine Dining locations, which are core to wine, continue to decline while Fast Casual locations have increased.



TDLinx – December of each year (Jan 2025 for 2024 number)

Source: NIQ (TDLinx)

NIQ



# Key Takeaways

- Tremendous 20+ Year Growth Cycle For Wine
  - We Are a Mature Category
  - Purchase Frequency vs. Household Penetration
  - There Are Businesses That Are Succeeding!
  - But Overall Wine Category Trends Remain Challenging
- Infrastructure Supporting Wine Category Will Adjust
  - Likely Fewer Licensed Wineries Going Forward in California
  - Likely Less Vineyard Acreage Going Forward in California
- More Than Ever – Collaboration Is Needed





# Understanding the Bottom Line: The Mechanics of Operating a Profitable Winery

Presented by:

Craig Underhill, Brotemarkle & Davis, Co.

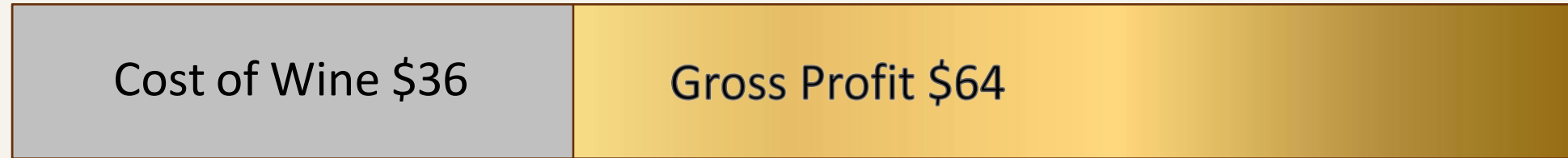


# Pot of Gold?

**\$100**



# Pot of Gold?



## **Cost of Wine**

Farming/Grapes, Multi-Year Processing,  
Bottles, Labor



# Pot of Gold?



## **Sales and Marketing**

Labor, Shipping, Advertising, POS  
Software, Samples, Travel



# Pot of Gold?



**G&A = General  
and**

**Administrative**

Payroll, Benefits,  
Utilities, Postage,  
Supplies





# Pot of Gold?



**Asset  
Investment**



Pot of Gold?



# Dirt to the Dinner Table

- Rare
- Risks
  - Future unknown (market demand)
  - Investment
  - Mother Nature
  - Economy
- Return

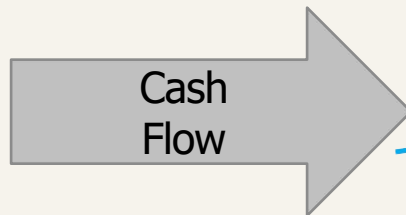
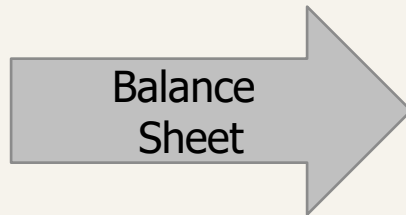
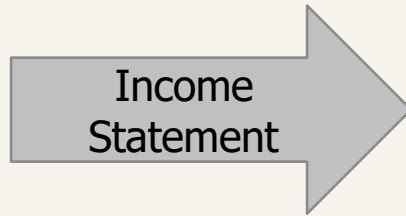


# Critical Financial Decisions

1. Grapes: purchase or grow
2. Facility or custom crush
3. Number of skus
4. DTC vs. Distributor







Delicate  
Balancing  
Act



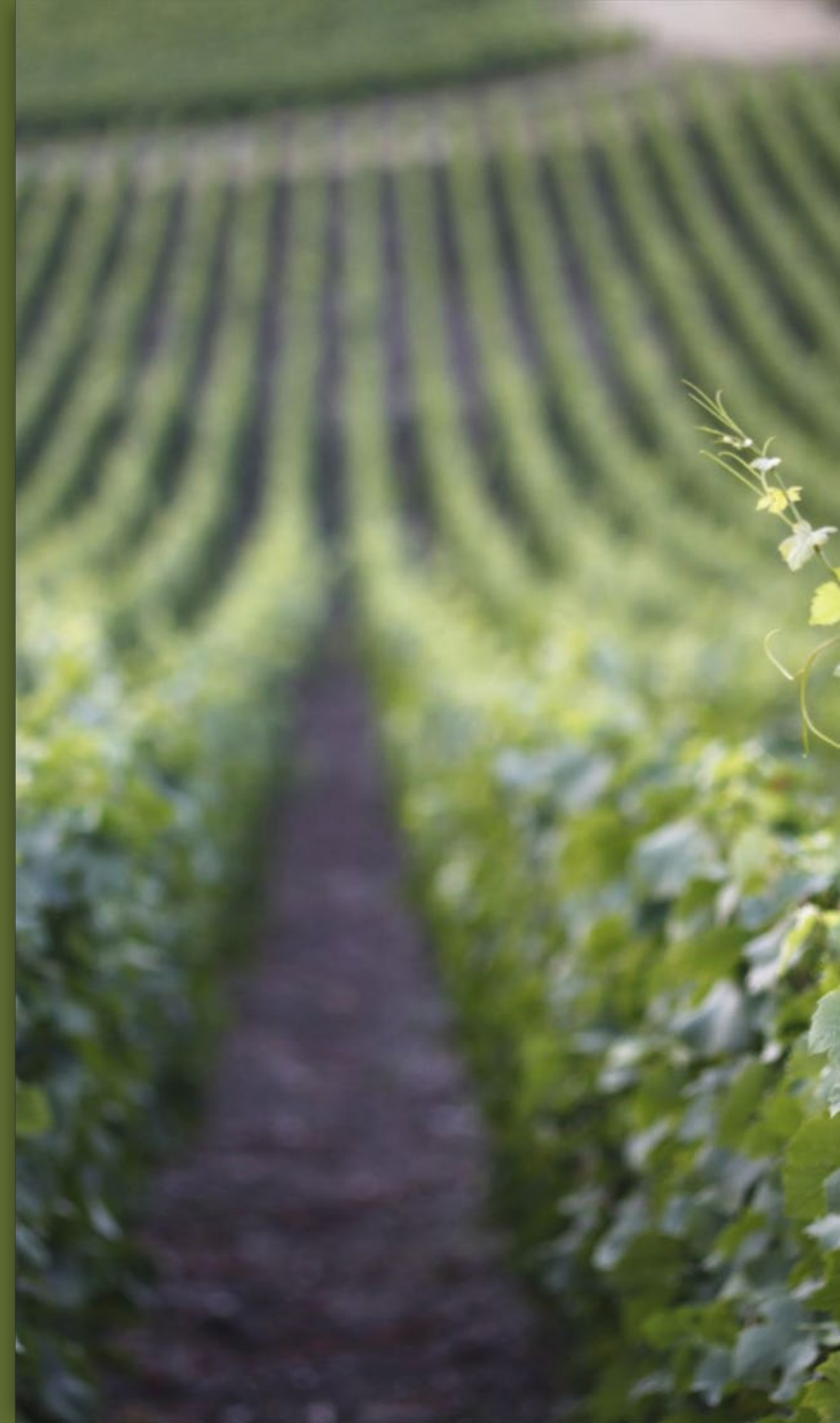
# Cash timeline – single vintage

## Vintage



# Family Winery

1. Start with a dream
2. Substantial investment
3. The 4 - R's
4. Balancing Act
5. Challenging cash flow





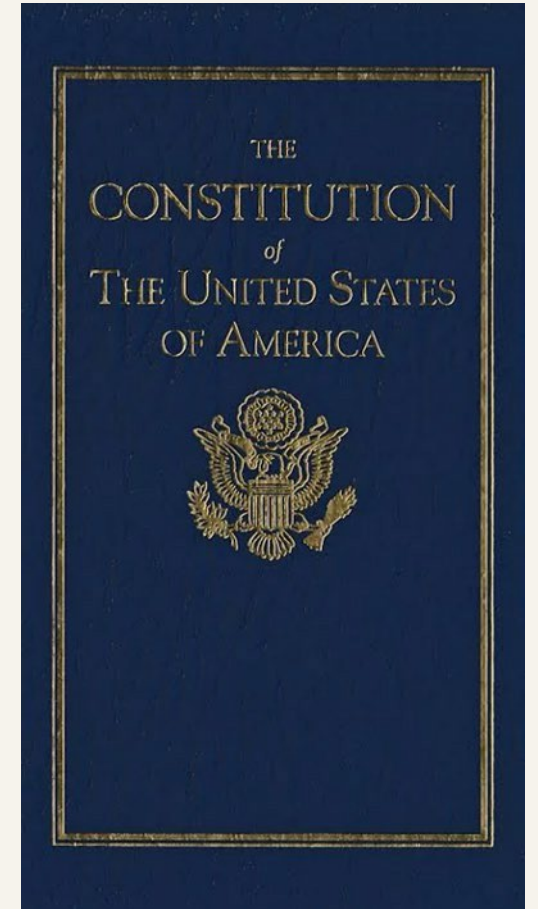
# Napa Wine & The Regulation Gauntlet: Local, State, Federal & International Requirements

Presented by:

Richard Mendelson, DP&F

# United States Constitution

- “Intoxicating liquors” is mentioned twice!
- Free movement of goods and people is a hallmark of our republic. But ask any winery owner and s/he will tell you that the U.S. has 50 separate wine markets, not one.
- Liquor is a hot button issue, and its history is long and colorful. Some states wanted to be “dry” but couldn’t accomplish that under the Commerce Clause of the Constitution.
- The 18<sup>th</sup> Amendment (Prohibition, 1920-1933) to the Constitution changed all of that.





# Repeal, 1933



## 21<sup>st</sup> Amendment, Section 2:

"The transportation or importation into any state for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited."



# Concurrent State and Federal Power



**Operating License and Permits** – Local wineries need to get a **TTB Federal Basic Permit, FDA Food Facility Registration, ABC Winegrower License, and Napa County (or municipality) Winery Use Permit** to start producing and selling wine.

- **Qualifications** – TTB and ABC require that winery owners and officers be qualified, that the premises be secure to protect future excise tax revenue, and that the source of invested funds be disclosed and verified.



# Concurrent State and Federal Power

## Other Overlapping State and Federal Requirements

- **Excise Taxes**
- **Label Approval** – TTB COLA (Certificate of Label Approval), state registration/label approval
- **Trade Practice Rules** – Largely aimed at preventing unfair competition and undue influence, but net result is that it constrains winery's ability to engage in certain practices in interacting with retailers, such as cross-ownership, credit, giving things of value, social media
- **Records and Recordkeeping** – Production operations, shipping reports



# Local Wineries Selling Their Wines in CA

- Local wineries can sell to wholesalers, retailers, and consumers in California and also conduct wine tastings with or without charge.
- All subject to local zoning rules.



# Selling Wine Outside of CA

## Open (License) States

- **Three-Tier System** – Sell through a licensed in-state wholesaler unless the state allows winery self-distribution or direct-to-consumer (DTC) sales.
- **Out-of-State Licensing** – Obtain required non-resident supplier or shipper licenses in each state you sell into.
- **Direct-to-Consumer (DTC) Sales** – Most license states allow winery DTC shipping with a shipper's permit, volume limits, age verification, and excise tax remittance.
- **Reporting & Recordkeeping** – Wholesaler appointment, brand/label registration, shipping reports, price posting.
- **Trade Practice Rules** of the destination state

CA -

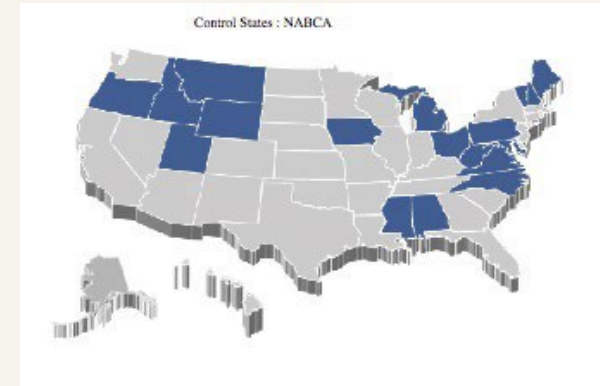
NY -

NY -



# Selling Wine in the U.S.

## Control States



- **Sell to State Agency** – In 17 states, the state acts as the wholesaler and sometimes also as the retailer through state stores. Winery lists products and sells directly to the control board (e.g., PLCB in PA, NH Liquor Commission).
- **On-Premise Channels** – Restaurants/hotels often must buy through the state system; some states have mixed wholesale systems with private distributors.
- **Direct-to-Consumer (DTC) Sales** – Some control states allow limited winery DTC shipments to consumers with permits; rules vary widely by state.
- **Product Listing Approval** – Submit product applications, pricing, and samples; and samples; may include tasting panel review before listing.
- **Pricing Rules** – Post FOB or delivered prices in advance; prices locked until next posting cycle.





# Selling Wine Internationally

- **Federal Export Compliance** – File export documentation and request TTB export certificates, if required.
- **Destination Country Importer** – Partner with a licensed importer or distributor in the target market.
- **Label Requirements** – Meet destination country rules on language, contents, allergens, origin statement, and metric units.
- **Duties & Taxes** – Understand tariffs, excise taxes, and VAT (value added tax, usually on top of customs duty + excise + freight/insurance)
- **Market-Specific Rules** – Comply with provincial boards (Canada), EU GI rules, pre-approval systems (Japan, China), and special labeling laws.



# Local Jurisdiction (Napa County)



## **Winery Definition Ordinance (1990)**

- Five different types of wineries, with different rights and responsibilities
- Discretionary use permit required for wineries
- 75% grape source rule
- Marketing regulations: private tours and tastings, marketing events, etc.

## **Conservation Regulations (1991)**

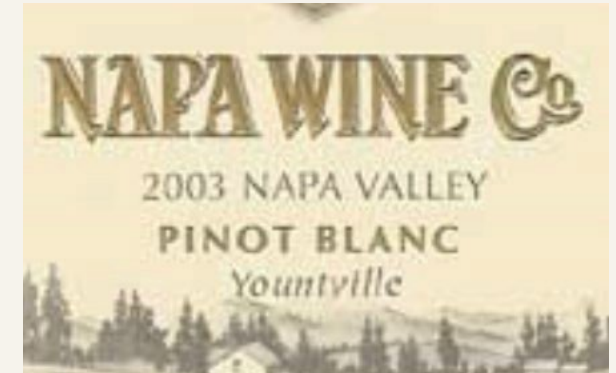
- Erosion control plan (ECP) for new vineyards (over 5% slope)



# Protecting the NAPA Name

## Use of Napa/Napa Valley on a wine label

- **AVA requirements** –  
85% grape source rule + fermented in California  
Not the same as the WDO 75% grape source rule.
- **Conjunctive labeling** – nested AVAs and Napa Valley  
(Cal. Bus. & Prof. Code 25240)
- **Use of Napa or other confusingly similar name elsewhere on a label** –  
“truth in labeling” law (Cal. Bus. & Prof. Code 25241)
- **Misuse of Napa names on labels of wine sold in other states and other countries**





# Napa Leads: Environmental Stewardship & Philanthropy

Presented by:

Michelle Novi, NVV



# Protective Era

- Napa County establishes Agricultural Preserve
- Protective ordinances enacted
- Each rule furthering the rigor of protections, requirements to minimize harm





# Restorative & Regenerative Era

Moving from preventing specific harms to creating systems that are restorative and enhance resilience



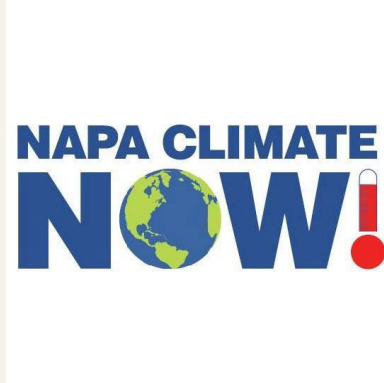


# Napa Green

World's leading  
vineyard and winery  
certification program,  
verified by outside  
third-party auditors,  
that focuses on  
regenerative farming  
and climate action



# Stewardship in Napa County





A photograph of three young girls running away from the camera on a large, green grassy field. The girl on the left is wearing a pink and black striped long-sleeved shirt and black leggings. The girl in the middle is wearing a bright pink long-sleeved shirt and black leggings with white zebra stripes. The girl on the right is wearing a black tank top and a white skirt with colorful polka dots. They are all running towards the background where a playground and some trees are visible. The text is overlaid on the left side of the image.

# **CARING FOR THE COMMUNITY**

# **\$245 Million**

**Donated to local nonprofit  
organizations in the areas of  
health care and youth  
development**



# Caring for the Community

- NVV and OLE Health partner to increase access to high quality health care in Napa County
- Serving more than 40,000 residents and employees each year
- 1:4 of your Napa Neighbors receive care through OLE Health



# Youth Mental Health Initiative



\$8 Million  
Given Since  
2021  
for  
Youth Wellness



**SHINE Napa Valley**

30 likes • 36 followers





***"Being a single mom of two, I don't have a lot of help. The Club is my backbone, providing safe, supportive environment for my kids and making it possible for me to keep working." – Mollie P., Parent, Boys & Girls Club Napa***





# Disaster Response and Recovery

\$15 Million Invested



# Healthy Forest and Fire Mitigation Initiative

- 200 miles of fire breaks rehabilitated
- 800 homeowners learned how to keep property safe
- Volunteers plant hundreds of right trees in right places



# Stay Connected

Be in the know on community events, such as Afternoon in the Vineyards, volunteer opportunities and more.

